

**AN ASSESSMENT OF THE AUDITOR GENERAL'S CONTRIBUTION TO GOOD
GOVERNANCE IN THE PUBLIC SERVICE: A CASE OF THE EASTERN CAPE
PROVINCIAL ADMINISTRATION.**

BY

KHASHE SIVUYILE CHURCHILL

**A RESEARCH DESSERTATION SUBMITTED IN FULFILMENT OF REQUIREMENTS
FOR THE DEGREE OF MASTER OF ADMINISTRATION**

**IN THE FACULTY OF MANAGEMENT AND COMMERCE AT THE UNIVERSITY OF
FORT HARE**

**THE SCHOOL OF PUBLIC MANAGEMENT AND DEVELOPMENT, DEPARTMENT
OF PUBLIC ADMINISTRATION**

SUPERVISOR: PROF. DR. THAKHATHI

January 2015

DECLARATION ON PLAGIARISM

I, Sivuyile Churchill Khashe, Student number 200908449 hereby declare that this is my original work and I am fully aware of the University of Fort Hare's policy on plagiarism, therefore I have taken every precaution to comply with the regulations.

Signature:

Date : / /

ACKNOWLEDGEMENTS

I would first like to thank God Almighty who made everything possible for me until now.

Secondly, I would like to thank my Supervisor, Prof. DR. Thakhathi, for his support and motivation. He enabled me to pull through and believe that I can do anything if I am determined.

Lastly, I would like to thank my family, extended family, University of Fort Hare community at large, colleagues and friends for their love and support. Your encouragement, daily dialogues, warm and welcoming hearts, financial and emotional support as well as constantly reminding me of where I come from made me to keep my feet on the ground and stayed focus.

DEDICATION

2014 was not the best year for my family and I. My father spent the best part of year hospitalized which had a negative impact on me. Accepting the situation was difficult for me at that moment. Year 2014 also marks a year where I lost the only grandparent I was left with, my grandmother who was the pillar of the Khashe family (may her soul rest in peace).

I therefore dedicate this work to myself as I managed to stand firm and unshaken when distractions were coming very hard at me, and continue to soldier on in this journey of academic life (may the spirit of my ancestors be with me lifelong).

LIST OF FIGURES

Figure 2.1 The Three Pillars of Internal Auditing	50
Figure 2.2 Public Financial Management Cycle	52
Figure 2.3 Actors in governance	60
Figure 2.4 Structure for governance	61
Figure 2.5 Expanded structure for governance	62
Figure 2.6 Principles of good governance	69
Figure 2. 7 Good governance and relevant stakeholders.....	73
Figure 2.8 Governance in developing countries	90
Figure 5.6 14 Public Works, Roads and Transport.....	164
Figure 5.7 15 Office of the Premier	167
Figure 5.8 16 Provincial legislature	170

LIST OF TABLES

Table 2.1 Leadership versus Management	91
--	----

LIST OF ABBREVIATIONS AND ACRONYMS

AG	Auditor-general
AGSA	Auditor-General of South Africa
AU	African Union
BAS	Basic Accounting System
DoE	Department of Education
DoH	Department of Health
ECPL	Eastern Cape Provincial Legislature
ESCAP	Economic and Social Committees for Asia and the Pacific
ICT	Information and Communication Technology
IFAC	International Federation of Accountants
IT	Information Technology
ISA	International Standards on Auditing
MEC	Member of the Executive Council
OTP	Office of the Premier
PAA	Public Audit Act, 2004 (Act No. 25 of 2004)
PAC	Public Audit Committees
PDO	Predetermined Objective
PFMA	Public Finance Management Act, 1999 (Act No. 1 of 1999)
PSAM	Public Service Accountability Monitor
SAI	Supreme Audit Institution
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts

NEPAD	New Partnership for Africa's Development
UN	United Nations
UNDP	United Nations Development Programme

ABSTRACT

The Office of the Auditor -General's role is by no means minor, for it plays a major role in curbing corruption and acts as a "watchdog" of the nation over public funds. Amidst high mismanagement and misuse of public resources, as well as corruption, especially in developing countries, the major question one asks is how effective the Auditor -General can be in ensuring good governance within state departments so as to improve service delivery.

The gaps between approved budgets and the realisation of policy and development goals stand among key governance challenges in many developing countries. Supreme Audit Institutions (SAIs) play an important role in holding governments to account. However, many SAIs including AGSA face serious challenges when trying to evaluate the expenditures and performance of government agencies. Therefore this study suggests that more resources should be invested in the office of the AG so as to allow it to carry out its duties without impediments.

Good governance and public finance accountability is becoming increasingly important in the public sector. One means of effecting good governance and accountability is through auditing. For this reason the Office of the Auditor-General through the Constitution of the Republic of South Africa 1996 (Act 108 of 1996 section 216 (1)) was established to facilitate and encourage good governance and effective accountability through auditing.

To this end the study assesses the contribution made by the AGSA in encouraging good governance practices in government departments in the Eastern Cape Province.

TABLES OF CONTENTS

DECLARATION ON PLAGIARISM	ii
ACKNOWLEDGEMENTS	iii
DEDICATION	iv
LIST OF FIGURES.....	v
LIST OF TABLES.....	vi
LIST OF ABBREVIATIONS AND ACRONYMS.....	vii
ABSTRACT	ix
TABLES OF CONTENTS.....	x
CHAPTER ONE	19
INTRODUCTION AND BACKGROUND OF THE STUDY	19
1.1 INTRODUCTION.....	19
1.2 STATEMENT OF THE PROBLEM.....	20
1.3 RESEARCH QUESTIONS	20
1.4 RESEARCH OBJECTIVES	20
1.5 SIGNIFICANCE OF THE STUDY	21
1.6 LITERATURE REVIEW.....	21
1.6.1 The role of the office of the auditor-general in South Africa.....	22
1.6.2 The AG Office's objective with Forensic Auditing	23
1.6.3 Powers and Functions of the AG	27
1.6.4 The auditor-general's responsibilities	29
1.6.5 Government versus Governance.....	30
1.7 RESEARCH DESIGN AND METHODOLOGY.....	32
1.7.1. Qualitative Research Methods.....	33

1.7.2. Quantitative Research Methods.....	34
1.7.3. Mixed Methods Research	34
1.8. TARGET POPULATION	34
1.9. SAMPLING AND SAMPLING METHOD	35
1.10. DATA COLLECTION METHOD AND PROCEDURES	35
1.11. DELIMITATION OF THE STUDY	36
1.12. ETHICAL CONSIDERATIONS.....	36
1.13 DEFINITION OF TERMS	36
1.13.1 Adverse audit opinion	36
1.13.2 Clean audit outcome.....	37
1.13.3 Disclaimer of audit opinion.....	37
1.13.4 Fruitless and wasteful expenditure	37
1.13.5 Internal control	37
1.13.6 Irregular expenditure.....	38
1.13.7 Misstatement	38
1.13.8 Qualified audit opinion	38
1.13.9 Root causes.....	38
1.13.10 Unauthorised expenditure.....	38
1.14 OUTLINE OF THE STUDY	38
1.15 CONCLUDING REMARKS	40
CHAPTER 2	41
LAGISLATION, LITERATURE REVIEW AND THEORETICAL FRAMEWORK	41
2.1 INTRODUCTION	41
2.2 THEORETICAL FRAMEWORK	42
2.3 A SYSTEMS THEORY OF GOOD GOVERNANCE	42

2.3.1 Good governance and organizational (re)form	43
2.3.2 International reform trends and public sector auditing	44
2.4 INTERNAL AUDITING IN THE PUBLIC SECTOR: PROMOTING GOOD GOVERNANCE AND PERFORMANCE IMPROVEMENT.....	46
2.4.1 Internal Audit as part of the Accountant-General's Office	47
2.4.2 Internal Audit Function under the Ministry of Finance	47
2.4.3 Decentralized Internal Audit function situated at the entity level	48
2.4.5 Internal Audit as part of the Auditor-General's Office.....	49
2.4.6 Role of Internal Auditing	49
2.4.7 The Role of Internal Auditing in the Public Sector – Governance	50
2.4.8 The Role of Internal Audit in the Public Sector – Control.....	51
2.4.9 The Role of Internal Auditing in the Public Sector - Risk Management.....	53
2.4.10 Importance of Internal Auditing in the Public sector	54
2.4.11 Relationship between Internal and External Audit in the Public Sector.....	57
2.5 GOVERNANCE	57
2.5.1 Actors in governance	59
2.5.2 Mechanisms of governance	60
2.6 GOVERNMENT versus GOVERNANCE	63
2.7 GOOD GOVERNANCE.....	67
2.7.1 Good governance Technique.....	69
2.8 PRINCIPLES OF GOOD GOVERNANCE	71
2.8.1 Good governance means focusing on the organisation's purpose and on outcomes for citizens and service users	73
2.8.2 Good governance means performing effectively in clearly defined functions and roles	75

2.8.3 Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behavior	76
2.8.4 Good governance means taking informed, transparent decisions and managing risk	77
2.8.5 Good governance means developing the capacity and capability of the governing body to be effective	79
2.8.6 Good governance means engaging stakeholders and making accountability real.....	80
2.9 CHARECTERISTICS OF GOOD GOVERNANCE	82
2.9.1 Participation	82
2.9.2 Rule of Law	83
2.9.3 Transparency	84
2.9.4 Responsiveness	84
2.9.5 Consensus Orientation	85
2.9.6 Consensus.....	85
2.9.7 Consensus decision-making	85
2.9.8 Equity.....	86
2.9.9 Effectiveness and efficiency.....	86
2.9.10 Accountability.....	86
2.9.11 Strategic Vision.....	87
2.10 GOOD GOVERNANCE POSITIVE CONSEQUENCES.....	87
2.11 IMPLICATIONS OF GOOD GOVERNANCE	87
2.12 CONDITIONS FOR GOOD GOVERNANCE.....	88
2.13 GOOD GOVERNANCE AS A POVERTY ALLEVIATION MECHANISM.....	89
2.14 LEADERSHIP AND MANAGEMENT	90
2.15 HIGH LEVELS OF CORRUPTION	91

2.16 THE PROMOTION OF DEMOCRACY AND GOOD GOVERNANCE IN AFRICA	98
2.17 CRITIQUE OF GOOD GOVERNANCE.....	100
2.18 LEGISLATIVE FRAMEWORK	101
2.18.1 Constitution of the Republic of South Africa, 1996.....	102
2.18.2 Public Audit Act 2004 (Act 25 of 2004)	104
2.18.3 Auditor General Act 1995 (Act 12 of 1995)	104
2.18.4 The Public Finance Management Act 1999 (Act 1 of 1999) (PFMA)	104
2.19 ROLE OF AUDITING IN PUBLIC FINANCE MANAGEMENT	105
2.19.1 Aiding Financial Management.....	105
2.19.2 Support good governance.....	106
2.19.3 Accountability.....	107
2.19.4 Acting as a 'Watchdog'	107
2.20 PROMOTING SOUND PUBLIC FINANCE MANAGEMENT THROUGH PFMA	108
2.21 ACCOUNTABILITY IN THE PUBLIC SECTOR	109
2.21.1 The need for Accountability.....	109
2.21.2 Heads of Department/ Accounting Officers.....	110
2.21.3 Research on the accountability of Government departments	111
2.22 CONCLUDING REMARKS	112
CHAPTER 3	113
THE AUDITOR-GENERAL AS A SUPREME AUDIT INSTITUTION (SAI) - STRENGTHS AND CHALLENGES OF THE AG	113
3.1 INTRODUCTION	113
3.2 THE ROLE OF SUPREME AUDIT INSTITUTIONS IN PUBLIC RESOURCE MANAGEMENT	114

3.2.1 Various types of audits	115
3.3 CHALLENGES FACING THE OFFICE OF THE AGSA	115
3.3.1 Political challenges	116
3.3.2 Debt collection	117
3.3.3 High vacancy rate	118
3.3.4 The cost of auditing	118
3.3.5 Non-compliance with legislation.....	119
3.3.6 Technical challenges	121
3.3.7 Leadership	121
3.4 STRENGTHS.....	122
3.4.1 Unique and Independent	122
3.4.2 Global reputation and among other stakeholders	122
3.5 CAPABILITY MATURITY MODEL	124
3.6 THE STRATEGY IMPLEMENTATION PLAN OF THE AUDITOR-GENERAL ...	126
3.6.1 Strategic goal: Value and service excellence.....	126
3.6.2 Strategic goal: Financial sustainability	127
3.6.3 Strategic goal: Operational excellence	128
3.6.4 Strategic goal: Leadership and transformational excellence.....	129
3.6.5 Reputation management excellence.....	130
3.7 CONCLUDING REMARKS	134
CHAPTER 4	135
RESEARCH METHODOLOGY	135
4.1 INTRODUCTION	135
4.2 RESEARCH DESIGN	136
4.3 DOCUMENT ANALYSIS.....	136

4.4 DATA ANALYSIS	139
4.5 ETHICAL CONSIDERATIONS.....	139
4.6 LIMITATIONS OF THE STUDY	140
4.7 CONCLUDING REMARKS	140
CHAPTER FIVE	141
PRESENTATION OF FINDINGS AND DISCUSSIONS	141
5.1 INTRODUCTION	141
5.2 THE EASTERN CAPE PROVINCE 2012-13 GENERAL REPORT OF THE AG	141
5.3 AUDIT AND REPORTING PROCESS.....	142
5.3.1 Internal control/root cause analysis	142
5.3.2 Components of internal control	144
5.4 OUTCOMES OF THE DEPARTMENTS OF EDUCATION, HEALTH AS WELL AS ROADS AND PUBLIC WORKS	146
5.4.1 Findings on the quality of the annual performance report.....	146
5.4.2 Non-compliance with legislation.....	147
5.4.3 Unauthorised expenditure.....	148
5.4.4 Irregular expenditure.....	148
5.4.5 Fruitless and wasteful expenditure	148
5.4.6 Department of Education	148
5.4.7 Department of Health.....	149
5.4.8 Department of Roads and Public Works.....	149
5.5 INITIATIVES AND IMPACT OF KEY ROLE PLAYERS ON AUDIT OUTCOMES	152
5.5.1 Accounting officer or accounting authority	153
5.5.2 Members of the executive councils (MECs).....	154
5.5.3 Internal audit.....	154

5.5.4 Audit committee	155
5.5.5 Provincial Treasury and Office of the Premier	155
5.6.1 Significant movement in audit outcome	160
5.6.2 Six key risk areas.....	160
5.6.3 Key controls and root causes.....	161
5.6.4 Impact of key role players on audit outcomes.....	161
5.6.7 Significant movement in audit outcome	165
5.6.8 Six key risk areas.....	165
5.6.9 Key controls and root causes.....	165
5.6.10 Impact of key role players on audit outcomes.....	166
5.7 AUDIT OUTCOMES OF THE LEADING DEPARTMENTS.....	166
5.7.2 Key risk areas	167
5.7.3 Key controls and root causes.....	168
5.7.4 Impact of key role players on audit outcomes.....	168
5.7.5 Eastern Cape Provincial Legislature (ECPL) and Eastern Cape Provincial Legislature Political Party Fund (ECPLPPF).....	169
5.7.6 Key risk areas	171
5.7.7 Impact of key role players on audit outcomes.....	171
5.7.8 Provincial Treasury	172
5.7.9 Key risk areas	174
5.7.10 Impact of key role players on audit outcomes.....	174
5.8 CONCLUDING REMARKS	175
CHAPTER SIX	176
FINDINGS, RECOMMENDATIONS ANG GENERAL CONCLUSION.....	176
6.1 INTRODUCTION	176

6.2 RECOMMENDATIONS.....	176
6.2.1 Involving other partners	176
6.2.2 Endorse and follow up on recommendations	177
6.3 GENERAL CONCLUSION	180
REFERENCES.....	184

CHAPTER ONE

INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 INTRODUCTION

According to chapter nine of the Constitution of the Republic of South Africa, 1996 the Auditor-General is established as one of the institutions which must support constitutional democracy in the Republic of South Africa. The Constitution recognizes the importance of the organization and guarantees its independence by stipulating that the Auditor-General of South Africa (AGSA). The constitution of South Africa declares that the AGSA must be impartial and must exercise its powers as well as to perform its functions without fear, favour and prejudice. Section 188 (1) of the Constitution stipulates that the Auditor-General must audit and report on all accounts, financial statements and financial management of entire government departments at every spheres of administration to ensure efficiency and economical use of the public resources. The Auditor-General of South Africa has a constitutional mandate as the Supreme Audit Institution (SAI) of South Africa. The AGSA exists to strengthen democracy by enabling oversight, accountability and good governance in the public sector through auditing, in so doing, building public confidence.

Corruption is not only a critical threat to the delivering of basic services but it also drains government resources in addition it undermines development and growth initiatives. Corruption distorts the rule of law and the ethos of democracy. It is arguable to say corruption is worse threat for the practice of good governance in the South African public sector. The Republic of South Africa is constituted as a unitary state with three spheres of government, namely national, provincial and local. The state is divided into nine provinces, each with its own diverse socio-economic culture, legislature, premier and executive councils.

Based on the above introduction and background it is therefore the purpose of this study to critically examine the role that is being played by the Auditor-General in enhancing and encouraging good governance in the Eastern Cape provincial administration.

1.2 STATEMENT OF THE PROBLEM

The Eastern Cape Province is one the poorest province in South Africa. This is largely due to the poverty found in the former homelands where subsistence agriculture predominates. Despite this, there are bad tendencies that are emerging in the province administration every day; among others, these include unethical conduct such as stealing from the poor, corruption and bad work and labor ethics. Many public officials in the Eastern Cape are looting the State coffers; some include highly ranked officials that issue clandestine multi-million rand tenders in government departments to benefit their family related businesses.

Some of the biggest provincial departments namely, the Department of health and Education, as well as municipalities continue to receive a disclaimer or qualified audit opinions which makes it a catastrophic situation for a province that is campaigning towards achieving a clean audit report in the near future.

1.3 RESEARCH QUESTIONS

- How can the AGSA assist the Eastern Cape Province administration to implement good governance?
- What are the measures being adopted and implemented by Eastern Cape Province to achieve good governance?

1.4 RESEARCH OBJECTIVES

- To assess the contribution of the Auditor-General to the improvement of good governance in the Eastern Cape.
- To assess the ways and strategies used by province to ensure good governance.
- To assess the extent and nature of bad governance in the province

- To assess how the Auditor-General is helping the province to get out of these bad governance problems.
- To come up with the policy recommendations on how the AGSA can help the people in South Africa.

1.5 SIGNIFICANCE OF THE STUDY

The Eastern Cape public service is not addressing service delivery imbalances and inequalities at the pace that is needed in South Africa. Most public departments and municipalities in the province are not run at the same level as compared to other provinces, hence the need to examine auditor-generals contribution to good governance in province.

The study shall be of assistance to the province to formulate a clear strategy on how to address the challenges identified in it. The study shall also be a virtuous source for those researchers who are interested in good governance in the field of public administration and other related fields. Furthermore it is likely to assist the general public in understanding the importance of the Auditor-General in any state or nation.

1.6 PRELIMINARY LITERATURE REVIEW

According to the South African 2007/08 financial year survey (AG 2009), the Eastern Cape Province is the third largest province in South Africa, with a population of approximately 7 million. The Eastern Cape integrates three administrations of the Cape Provincial administration, which includes some parts of the Western Cape, the Ciskei and Transkei Bantustans.

The Eastern Cape Province is the second poorest province as it mainly constitutes rural areas (AG 2011a). It is a province where the public sector is a key determinant of socio-economic well-being. The main challenges that are faced by the Eastern Cape Government is the integration of administrations, as well as how to integrate new people, who were in the liberation movements and not necessarily part of the old dispensation, into the civil service.

The primary task of the government was to transform the public service by encouraging people to take packages. As a result, there were lots of uncertainty and people started looting government properties, some creating anarchy within the departments, taking advantage of the fact that those in authority had not yet taken charge of the situation.

The other challenge was the historical background of the homeland system, where fraud and corruption were rife. People, who occupied senior positions in government departments, were employing relatives and friends besides no one could challenge these practices. If anyone attempted to challenge these practices, such individuals would land in jail for undermining the authority of the day.

The mission statement of the Eastern Cape Provincial Government is to promote a culture of integrity and to restore confidence in the fight against fraud and corruption. Therefore, to ensure effective implementation of the Public Service Anti-Corruption Strategy and strengthen measures to protect all people from victimization, when exposing corrupt and unethical practices. Ultimately, its vision is a corruption free government and geared towards accelerated service delivery.

According to the State of the Province Address (SOPA) 2013, the former Premier Noxolo Kiviet mentioned that the province is committed to achieve clean administration. The Auditor-General of South Africa through their media release paper (AG, 2009a), mentioned that they are aware of some of provincial government's efforts towards removing administrative/governance impediments that are standing between the Eastern Cape and overall clean administration nevertheless the provincial government want articulation on internal control measures already in place to eliminate these obstacles and encourage public servants to improve governance systems to be in line with the audit recommendations.

1.6.1 The role of the office of the auditor-general in South Africa

According to Fakie (1999:1) the basis for almost all the initiatives in South Africa regarding the fight against corruption, fraud and other instances of economic crime can be linked to the first founding provision in the Constitution of the Republic of South Africa. The Constitution makes provision for state institutions to strengthen constitutional democracy.

One of these institutions is the Office of the Auditor- General, which has a very distinctive role to play in the prevention, detection and investigation of economic crime. The role the Office plays can be understood only if its mandate is properly understood. According to chapter 9 of the Constitution, the Auditor-General is one of the six independent institutions that should strengthen constitutional democracy, be impartial and exercise its powers without fear, favour or prejudice. These powers include auditing and reporting publicly on the accounts, financial statements and financial management of most public sector institutions at national, provincial and local level.

According to Fakie (1999) the primary mandate of the Auditor-General include regularity auditing and performance auditing and clearly also provides the Auditor-General with the authority to include Forensic Auditing as part of the AGSA Office's functions. Forensic Auditing was established in 1997, and was based on the increasing level and negative impact of economic crime in the public accountability process, which obliges the Office to report on such crime within the public sector (Fakie, 1999:2). Forensic Auditing in the AGSA office is seen as an independent, cost-effective reviewing and reporting process carried out to facilitate the prevention, detection and investigation of economic crime which includes fraud and corruption in the public sector.

1.6.2 The AG Office's objective with Forensic Auditing

According to Fakie (1999:3) the objective of the Office of the Auditor-General with forensic auditing is to:

- Determine the nature and extent of the perpetration of economic crime and the adequacy and effectiveness of measures that should have either prevented or detected it;
- Facilitate in the investigation of economic crime in general by providing support to the relevant investigating and/or prosecuting institutions through handing over cases and providing accounting and auditing skills.

Proactive and reactive strategies have been developed to achieve these objectives.

1.6.2.1 A proactive strategy

According to Fakie (1999:3) the proactive strategy is aimed at preventing economic crime by promoting an overall fraud awareness culture within the public sector through, *inter alia*, publications, presentations/workshops. The proactive strategies include participation in relevant national and international initiatives. This is done with the aim of promoting a culture of zero tolerance through interventions such as:

- Publishing relevant articles;
- Participating in workshops/seminars/conferences which provides developmental learning and networking opportunities;
- Presentation of training programmes;
- Providing support to national/international initiatives;
- Making stakeholders aware of deficiencies in the measures
- Instituted to prevent or detect economic crime.

Fakie (1999) suggested that the proactive and reactive strategies differ in that the reactive strategy focuses on those strategies implemented to detect and investigate economic crime, whilst the proactive strategy focuses on the prevention of economic crime. The most efficient and effective way to prevent economic crime is to know the circumstances surrounding it or the conditions that will enhance the possibility of it occurring. Consistent with Fakie (1999) the approach followed in this regard is based on the fact that the following aspects should minimise the risk of economic crime:

1.6.2.2 Strong financial management systems

The Auditor-General Act authorises the Office of the AG to enquire into the efficiency and effectiveness of internal controls and financial management systems, as well as to report thereon. Management is well informed that, should the measures and systems implemented by them not be adequate to ensure probity and reduce the risk of economic crime, they will be held accountable through the Office's reports to the relevant legislative bodies.

1.6.2.3 Effective internal controls

In determining the scope and extent of its audit, the Office, in terms of Generally Accepted Government Auditing Standards, is compelled to study and evaluate the reliability of internal controls, which could include:

- organisation of work;
- segregation of duties;
- physical security measures;
- authorisation and approval;
- arithmetical and accounting procedures;
- effective training of staff;
- supervision; and
- management

The fact that the office of the AG, in its audit approach, conducts procedures to evaluate the effectiveness and reliability of the relevant institution's internal controls and to report thereon, serve as a very definite deterrent for potential perpetrators of economic crime.

1.6.2.4 Adequate public awareness

The results of the office of the AG findings are made available to all the relevant legislative bodies at all government levels at least annually. These findings become public knowledge once the audit reports have been tabled and the general public has access to them. The office of the AG has a disclosure policy entailing the issue of media releases on the findings of the audit to provide additional public awareness. This public disclosure of audit findings serves as another deterrent to committing economic crime.

1.6.2.5 A reactive strategy

The reactive strategy focuses on the investigation of allegations of economic crime. The submitted allegations are confirmed or refuted by collecting and submitting substantive evidence. The objective would be to investigate and report on the following:

- the nature and extent of the specific instance of economic crime;
- the suspects involved;
- deficiencies in the measures that should have prevented or detected the crime;
- recommending punitive steps and further actions in respect of:
 - criminal prosecution and/or
 - civil recovery and/or
 - disciplinary action
- Progress made by the other institutions in investigating relevant cases.

Findings are then reported on through the normal audit process or, when applicable, are handed over to institutions with investigating and prosecuting powers.

1.6.2.6 Principles upon which the office of the AG bases its strategies

The Office has developed several strategies to address economic crime, which are being implemented on the following principles or understandings:

- Firstly, the Office as the external auditor of state institutions is not responsible for the prevention and detection of economic crime in the public sector, since this is the ultimate responsibility of management (Accounting Officers).
- The second principle or understanding on which the office of the AG bases its strategies is the acknowledgement of the roles played by other institutions in the prevention, detection and investigation of economic crime. Where possible, these institutions are supported by, *inter alia*, providing assistance and co-operation. The following are the relevant stakeholders

i. The Public Service Commission;

ii. The National Director of Public Prosecutions;

- The Asset Seizure Unit;
- The Special Investigating Directorate;
- Investigating Directorate: Serious Economic Offences;

iii. The South African Police Service;

- The Anti-Corruption Unit;
- Commercial Branch;
- Fraud Unit;

iv. The Heath Special Investigating Unit;

v. The Public Protector.

The main idea of the cooperation of these stakeholders is to promote team work, a sharing of information, common assistance in actions, and distribution of information on operations and, where practical, the creation of joint investigating teams. Sound relations with all relevant stakeholders potentially increase capacity and therefore prove most valuable.

A third principle or understanding on which the Office of the Auditor-General bases its strategies is that of playing an active role in supporting existing initiatives and programmes that aim to combat economic crime, for example the Cabinet's National Crime Prevention Strategy and the National Anti-Corruption Summit, etc.

1.6.3 Powers and Functions of the AG

According to the Auditor-General Act 1995 section 3(3) the AG may at his or her discretion determine the nature and extent of the audit to be carried out and request the details and the statements of account which he or she considers necessary. Section 4 of the act further state that the Auditor-General shall reasonably satisfy himself or herself that:

- reasonable precautions have been taken to safeguard the proper collection of money to which an audit in terms of this Act relates, and that the laws and instructions relating thereto have been duly observed;
- reasonable precautions have been taken in connection with the receipt, custody and issue of, and accounting for, property, money, stamps, securities, equipment, stores, trust money, trust property and other assets;
- receipts, payments and other transactions are made in accordance with the applicable laws and instructions and are supported by adequate vouchers; and

- Satisfactory management measures have been taken to ensure that resources are procured economically and utilised efficiently and effectively.

According to section 5 of the AG act, when exercising his or her powers and performing his or her duties, the Auditor-General may in writing require any person in the employment of an institution whose accounts are being audited by him or her to appear before him or her at a time and place mentioned in the request and to produce to him or her all records such as books, vouchers and documents in the possession or under the control of such person as the Auditor-General may deem necessary for the exercise of his or her powers or the performance of his or her duties;

- the Auditor-General shall have the right, without payment, to investigate and to make extracts from any record, book, document and other information of an institution whose accounts are being audited by him or her;
- the right to investigate whether any property, money, stamps, securities, equipment, stores, trust money, trust property and other assets of an institution whose accounts are being audited by him or her have been obtained in an economical manner, and are being applied efficiently and effectively;
- the right to investigate and to enquire into any matter, including the efficiency and effectiveness of internal control and management measures, relating to expenditure by and the revenue of an institution whose accounts are being audited by him or her;
- the Auditor-General may administer an oath to or accept an affirmation from and interrogate under oath or upon affirmation any person whom he or she thinks fit to interrogate, in connection with the receipt, custody, payment or issue of property, money, stamps, securities, equipment, stores, trust money, trust property and other assets to which the provisions of this Act and the Constitution apply, and in connection with any other matter in so far as it may be necessary for the due performance and exercise of the powers and duties conferred or imposed upon the Auditor-General by this Act.
- the Auditor-General may require the department of State, provincial department or statutory body concerned, to make available free of charge, while the audit is

being carried out, suitable office accommodation, other facilities and logistical support reasonably required for the proper carrying out of the audit.

1.6.4 The auditor-general's responsibilities

According to AG (2009:59) the responsibility of the office of the AG is to express an opinion on the financial statements and to report on findings related to their review of performance information. Their engagement letter sets out their responsibilities in detail. These include the following:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements, whether caused by fraud or error.
- Performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the AG office's judgement, including the assessment of the risks of material misstatement of the financial statements.
- Considering internal controls relevant to the entity's preparation and fair presentation of the financial statements.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management.
- Evaluating the overall presentation of the financial statements.
- Expressing an opinion on the financial statements based on the audit in accordance with the International Standards on Auditing (ISAs).
- Evaluating non-compliance with applicable legislation relating to financial matters, financial management and other related matters.
- Evaluating the appropriateness of controls, systems and processes to ensure the accuracy and completeness of reported performance information.
- Reading other information in documents containing the audited financial statements.

1.6.5 Government versus Governance

According to Naidoo (2009:26) there is a tendency of using governance as a synonym for government and this confusion of terms can have unfortunate consequences. It may not only affect the definition of a problem but also the policy analysis about how to resolve such a problem. Therefore to avoid any confusion within the context of this research it is paramount to clarify that the government refers to the body of public institutions that makes and applies all enforceable decisions for the a society. Government functions are typically divided into horizontal categories. In this regard, Johnson (1991: 396) states that the term government conventionally refers to the formal institutional structure and location of authoritative decision making in the modern state. These include legislative, executive and judicial authorities. The vertical categories of government are usually divided into national, provincial, and local spheres of government. Together they aim at promoting the general welfare of the public at large (Van Niekerk, et.al. 2002:68). The national government makes decisions and has legislative power concerning matters of national interest. These include foreign affairs, education, and defence. The provincial level of government makes decisions and has legislative power on matters that are dealt with in a provincial context. Examples of functions performed at a provincial sphere include nature conservation, roads, and provincial health issues. The local sphere of government makes decisions and has legislative powers over those issues that are dealt with by local governments, also referred to as municipalities (Naidoo, 2009:26).

Government can be thus referred to as a structure, consisting of public institutions in which people work, with the aim of providing certain services and products to a society. In core, a government is firstly, responsible for making laws, secondly, for ensuring that there are public institutions to implement these laws, and thirdly, for providing goods and services which these laws prescribe (Ranney, 1971:26). According to Naidoo (2009:26), it is this implementation of laws and the actual provision of goods and services that constitutes governance. Government, on the other hand, refers to a body of persons and institutions that make and apply all enforceable decisions for the society.

Governance is however, possible only as governments manage to implement policy. There are different views as to what governance actually means. According to Draper

(2000:4) governance refers to policy implementation, institutionalised rules and norms, and structures. Kaela (1998: 134) more specifically indicates that governance within government encompasses the institutions, structures and activities of the legislature, executive and the judiciary at the national, provincial and local spheres of government. Plumptre and Graham (1999:1) argue that governance is the result of the interaction of a multiplicity of influencing actors, namely, businesses, communities and individuals. The term governance thus characterizes various interactions between diverse stakeholders. It refers to both formal and informal norms and conventions (Muthien, et. al. 2000: 240). According to Schater (2000:3), the concept may usefully be applied in different contexts, namely to global, regional, national, local, societal as well as institutional arrangements. The concept of governance may therefore be applied to diverse forms of collective action.

1.6.6 Good Governance

According to Naidoo (2009:30) governance will be understood to be good when the South African government attains its ultimate goal of creating conditions for a satisfactory quality of life for each citizen. The ultimate goal in the South African public service is to overcome service delivery imbalances and inequalities in previously disadvantaged communities if South Africa.

According to Cloete (2002: 438), an important strand of good governance which the author refers to as effective governance is strictly conceptualized as the achievement by a democratic government of the most appropriate developmental policy objectives to sustainably develop its society. This is achieved by mobilising, applying, and coordinating all available resources in the public, private, and voluntary sectors as well as domestically and internationally, in the most effective, efficient and democratic way. Good governance therefore should ensure the successful implementation of public policy through various partnerships both within and outside the South African public service. The end goal ought to be the improvement of service delivery by the South African public service (Naidoo, 2009:32).

According to Naidoo (2011:31) good governance system also requires that the process of decision-making and public policy formulation is transparent and accountable. It extends beyond the capacity of public sector to the rules that create a legitimate, effective

and efficient framework for the conduct of public policy. It implies managing public affairs in a transparent, accountable, participatory and equitable manner. It entails effective participation in public policy-making, the prevalence of the rule of law, an independent judiciary, effective oversight agencies as well as institutional checks and balances through horizontal and vertical separation of powers.

The concept of good governance is broad; however, what is clear is that it relates to a way of doing things, or conducting activities that are proper, transparent and accountable. Naidoo (2011:35) state that researchers at the World Bank, Kaufmann et al. (1999) have distinguished six main dimensions of good governance:

- Voice and accountability, which includes civil liberties and political stability;
- Government effectiveness, which includes the quality of policy-making and public service delivery;
- the lack of regulatory burden;
- the rule of law, which includes protection of property rights;
- Independence of the judiciary; and
- Control of corruption.

1.7 RESEARCH DESIGN AND METHODOLOGY

According to Creswell (2009:3) research designs are plans and the procedures for research that span the decisions from broad assumptions to detailed methods of data collection and analysis. This plan involves several decisions of which design should be used to study the topic. Creswell further states that the selection of a research design is also based on the nature of the research problem or issues being addressed, the researcher's personal experience and the audiences for the study. Mouton (2001:55) says that a research design is a plan or blue print of how one intends conducting the research. According to his explanation a research design focuses on the end product, formulates a research problem as a point of departure, and focuses on the logic of research.

1.7.1. Qualitative Research Methods

Creswell (2009:4) defines qualitative research methods as a means for exploring and understanding individuals or groups ascribed to a social or human problem. According to Van Maanen (cited in Welman, Kruger and Mitchell, 2005) qualitative research is an umbrella phrase covering an array of interpretive techniques which seeks to describe, decode, translate and otherwise come to terms with the meaning of naturally occurring phenomena in the social world. From this assertion, Welman *et al.* (2005) came to the conclusion that the qualitative approach is fundamentally a descriptive form of research. Lewis, Taylor and Gibbs (2005) posit that qualitative data is information gathered in a nonnumeric form. It is a way of collecting information on the knowledge, values, feelings, attitudes, beliefs and behaviours of the target population.

The research process involves emerging questions and procedures, data typically collected in the participants' settings, and the researcher making interpretations of the meaning of the data. Those who engage in this form of inquiry support a way of looking at a research that honors an inductive style, a focus on individual meaning and the importance of rendering the complexity of a situation (Creswell, 2007:5). De vos *et.al* (2005:333) adds to the above definitions by Creswell when he says that qualitative research covers a spectrum of techniques, the centrepiece of which is formed by observation, interviewing and documentary analysis, and these may be used in a wide range of disciplines.

Maree (2007:12) defines qualitative research as research that attempts to collect descriptive data in respect of a particular research problem with the intention of developing an understanding of what is being observed or studied. A desktop research technique, also referred to as Desk Research, is ideal in a case where there is existing information on the phenomenon under study (French & Bell, 1999:29). Since this is a qualitative study the main research method would be to do literature review, desktop research and to analyse the reports.

1.7.2. Quantitative Research Methods

According to Creswell (2009:4) quantitative research design is a means for testing objective theories by examining the relationship among variables. These variables can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures. De vos et.al (2005:357) says that quantitative approach is more formalised, as well as more explicitly controlled, than the qualitative, with a range that is more exactly defined, and that it is relatively close to physical science.

1.7.3. Mixed Methods Research

This method is an approach to inquiry that combines or associates both qualitative and quantitative forms. It involves philosophical assumptions, the use of qualitative and quantitative approaches, and mixing of both approaches in the study so that the overall strength of a study is greater either qualitative or quantitative research (Creswell, 2009:4). Qualitative and quantitative approaches should not be viewed as polar opposites or dichotomies; instead they present different ends on a continuum (Newman & Benz, 1998:76). Mixed methods research resides in the middle of this continuum because it incorporates elements of both qualitative and quantitative.

1.8. TARGET POPULATION

Welman, Kruger and Mitchell (2005:52) describes a population as the study object and consist of individuals, groups, organisations, human products and events or the conditions to which they are exposed to. Bless and Higson-Smith (1995:87) defines a target population as a set of elements that the researcher focuses upon and to which results obtained by testing the sample should be generalized. Therefore, it can be said that a target population relates with a research problem and it is where the sample is drawn in order to come up with accurate conclusions about the topic of interest.

In this study the target population is the public service of South Africa as a whole, meaning all nine province's administration is targeted. Learnt from previous researchers experience studying the whole is not always possible. Therefore a sample will be selected

from the population in an effort to come up with more accurate results and saving time and resources in the process.

1.9. SAMPLING AND SAMPLING METHOD

According to De vos et.al (2005:194) a sample comprises elements of the population considered for actual inclusion in the study, or it can be viewed as a subset of measurement drawn from a population in which we are interested. A sample is a portion of the total set of objects, events or persons which together comprise the subject of our study.

1.10. DATA COLLECTION METHOD AND PROCEDURES

According Kumar (2005:118) there are two major approaches to gathering information about a situation, person, problem, or phenomenon. Sometimes, information required is already available and need only be extracted. However, there are times when the information must be collected. Based upon these broad approaches to information gathering, data is categorized as secondary and primary data (Kumar, 2005:118).

An example of secondary source include the use of census data to obtain information on age-sex structure of a population, the use of hospital records to find out the morbidity and mortality patterns of a community, the use of organization's records to ascertain its activities and the collection of information from sources such as articles, journals, magazines, books, and periodicals to obtain historical and other type of information. On the other hand, finding out first-hand the attitudes of a community, ascertaining needs of a community, evaluating social programmes and ascertaining the quality of services provided by a worker are examples of data collected from the first hand. De vos et.al divides data collection methods into two, namely quantitative and qualitative data collection methods. Under quantitative there's questionnaires, checklists, indexes and scales.

On the other hand qualitative comprise of observations, interviews and documentary analysis as tools of collecting data. As mentioned earlier this is a qualitative research

where literature is thoroughly reviewed and therefore document analysis will be mostly used as the element of a qualitative study.

1.11. DELIMITATION OF THE STUDY

The purpose of demarcating a study is to make it more manageable and focused. Due to the idea of examining and assessing the Auditor-Generals contribution to the public service, the study will only be focused in the Eastern Cape Province public service through selected departments of the Province.

1.12. ETHICAL CONSIDERATIONS

Creswell (2009:87) remarks that research involves collecting data from people, about people. Researchers need to protect their research participants, develop trust with them, promote integrity of research, guard against misconduct and impropriety that might reflect on their organisations or institutions and cope with the new challenging problems. No harm should befall the research subjects, and subjects should take part freely based on informed consent (Welman et.al, 2005:181). This study uses desk-top research method where literature is exhaustively reviewed therefore all sources consulted will be fully acknowledged to avoid plagiarism. It is also vital as a University of Fort Hare student conducting research to ask from the University Ethics Committee for approval of the research project.

1.13 DEFINITION OF TERMS

1.13.1 Adverse audit opinion

The financial statements contain misstatements that are not confined to specific amounts or the misstatements represent a substantial portion of the financial statements.

1.13.2 Clean audit outcome

The financial statements of the auditees are free of material misstatements (financially unqualified audit opinion) and there are no material findings on the report on performance against predetermined objectives or compliance with key laws and regulations.

1.13.3 Disclaimer of audit opinion

There was insufficient appropriate evidence (documentation) on which the auditor could base an opinion concerning the items reported in the financial statements. The lack of sufficient evidence is not confined to specific amounts or represents a substantial portion of the information contained in the financial statements.

1.13.4 Fruitless and wasteful expenditure

According to the AG (2011) this is expenditure that was made in vain and could have been avoided had reasonable care been exercised. This includes penalties and interest on late payments, as well as payments for services not utilised or goods not received.

1.13.5 Internal control

Internal control is the process designed and implemented by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of the auditee's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with the applicable laws and regulations. According to the AG (2011) internal controls consist of all the policies and procedures implemented by auditees management to assist in achieving the orderly and efficient conduct of business, including adherence to policies, safeguarding of assets, prevention and detection of fraud and error, the accuracy and completeness of the accounting records and the timely preparation of reliable financial and service delivery information.

1.13.6 Irregular expenditure

Expenditure incurred without complying with applicable laws and regulations

1.13.7 Misstatement

The AG (2011) refers to misstatement as incorrect information in or information omitted from the financial statements or annual performance report.

1.13.8 Qualified audit opinion

The financial statements contain material misstatements in specific amounts or there is insufficient evidence for the auditor to conclude that specific amounts disclosed in the financial statements are not materially misstated.

1.13.9 Root causes

According to the AG (2011) root cause is the underlying causes or drivers of audit findings, for example why the problem occurred. Addressing the root cause helps to ensure that the actions address the real issue or opportunity, thus preventing or reducing incidents of recurrence as opposed to simply providing a one-time or short-term fix.

1.13.10 Unauthorised expenditure

The AG (2011) describes unauthorised expenditure as the expenditure that was in excess of the amount budgeted or allocated by government to the entity or that was not incurred in accordance with the purpose for which it was intended.

1.14 OUTLINE OF THE STUDY

The research is structured as follows:

Chapter one: Introduction and General Background of the study

This chapter deals with the orientation to study. It contains the introduction and the main assumption of the problem statement. This chapter also highlights the research objectives, research questions, methodology and the significance of the study among other aspects which are discussed under this chapter.

Chapter two: Legislation, Literature Review and Theoretical Framework

Chapter two provides the study with a conceptual and theoretical framework to create a deeper understanding of the conceptual and theoretical underpinnings within which government, governance, good governance and auditor general's contributions are discussed.

Chapter three: The Auditor-General as a Supreme Audit Institution (SAI)

This chapter outlines how the office of the AG operates and also provides its strengths as well as weakness.

Chapter four: Research Design and Methodology

Chapter three deals with the Research design and Methodology followed for collecting data for the study. This includes the techniques and procedures followed in investigating the problem at hand.

Chapter five: Data Analysis and Interpretation

Chapter contains a presentation and discussion of the research findings and an analysis of those findings. It applies theory to practice in the case study. The results are tabulated analyzed and interpreted accordingly.

Chapter six: Findings, Recommendations and General Conclusion

This chapter contains a summary of findings, conclusions and recommendations for improvement, and also provides an area for further research endeavors.

1.15 CONCLUDING REMARKS

This chapter has briefly outlined the introduction and background of the study, statement of the problem, research questions and the research objectives. It has also presented the significance for undertaking the study, preliminary literature review where the role, duties and responsibilities of the AG outlined as provided by the constitution, the Auditors General act and other pieces of legislation. Good governance and governance as concepts were defined and all key concepts and terms used in the study were clarified. Finally, the chapter highlighted the delimitation and limitations of the study and concluded by outlining the preliminary structure for the research. The next chapter will review the literature on Auditor-General and good governance in the public sector.

CHAPTER 2

LEGISLATION, LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 INTRODUCTION

The public sector has long been subject to criticisms for, among others, inefficiency of personnel in handling the budget, lack of flexibility, ineffective accountability, lack of transparency and poor performance of the departments at all levels especially in the Eastern Cape Province (SOPA, 2013). Such criticisms has paved way for the Auditor-General (AG) as supreme audit institution (SAI) to come up with recommendations that encourages all public institutions to have unqualified or clean audit reports at the end of each financial year.

The importance of the auditor-general as one of the democratic institutions established in chapter ten of the constitution that the citizens of the country should be able to hold their representatives accountable. Public financial accountability and good governance requires that governments manage finances prudently; that they integrate their financial and non-financial reporting, control, budgeting and performance; that they report comprehensively on what they have achieved with their expenditure of funds and that stakeholders behave ethically (Sahgal & Chakrapani, 2000:3).

This chapter of literature review provides a critical analysis of the literature available and identifies gaps in the literature in relation to the study. It also provides an opportunity to explain what contribution the researcher is making to research in general and in the field of the study. The information for the literature study was obtained from relevant books, policies, journal articles, official reports and Acts.

2.2 THEORETICAL FRAMEWORK

Public Administration is a social science, a field of study and an academic discipline focused on the study of and research into the functions and activities collectively known as public administration (Cloete, 1995:61). A science is a collection not of particular, but of universal truths. It is a body of knowledge acquire as the result of an attempt to study a certain subject-matter in a methodical way, following a determinate set of guiding principles (Walsh, 1967:35).

Contemporary science recognizes that there are no facts independent of the theory that organizes them and that research must also, even if only implicitly, presume a theoretical concept that organizes the study (Rein, 1983: 236). Theory is seen as the hypothetical universal aspect of anything, contemporarily, a theory is defined as a set of interrelated constructs (concepts), definitions, and propositions that present a systematic view of phenomena by specifying relations among variables, with the purpose of explaining and predicting the phenomenall (Kerlinger, 1966:11). Various theories can be used in the study and to form the basis of this study, this study will adopt a systems theory of good governance.

2.3 A SYSTEMS THEORY OF GOOD GOVERNANCE

Bang and Esmark (2009) suggested that the advent of network society or control society poses a challenge to critical theory and practice insofar as it suggests an appropriation of democratic vocabulary and the critical imaginary by a new managerial paradigm of good governance, hailing empowerment, individual freedom, creativity and self-governance framed by the democratic vocabulary of participation, transparency and accountability.

Good governance relies instruments of governance that nurtures and strategically utilizes the self-governing potential of civil society under the strategic supervision of public authorities, seen in such diverse areas as employment policy, police power and crime prevention, health policy and bio politics, employment policy, educational policy, accounting practices and so on (Bang and Esmark, 2009).

2.3.1 Good governance and organizational (re)form

Bang and Esmark (2009) stipulated that the important dimension of good governance concerns the issue of organization. In addition to its array of instruments and techniques of steering and its policy agenda, the strategy of good governance also provides a paradigm for public sector organization and reform. The core idea of good governance in this respect is the inadequacy of bureaucratic organization. Bang and Esmark (2009) are of the view that specific critiques can be more or less fundamental, ranging from the notion that the bureau is an obsolete form of organization to more compromising ideas about the bureau as a necessary, but also insufficient form of public organization.

Good governance provides two basic alternatives to bureaucratic organization, more or less anarchical forms of organization (markets and quasi-markets) or networks. Whereas anarchical organization is usually seen as more or less antithetical to the hierarchy of the bureau, networks offer a 'third way' between hierarchical and anarchical organization (Bang and Esmark 2009).

According to Castells (2006:16) the first problem of bureaucracy is known generically as fragmentation, usually meaning the inability of functionally delimited bureaus to handle wicked problems. The basic principle of bureaucracy is functional specification and distinction between bureaus with specific tasks and competencies. The strengths of functional differentiation are well known: focus, specialization, and professionalisation, elimination of overlapping competencies and so on (Castells 2006:16). But the problems are equally well known: isolation, compartementalization, lack of coordination, infighting between bureaus etc. Castells (2006:16) advocated for the main claim of good governance in this respect is that problems related to functional specification has been exasperated to the extent that they potentially make bureaucratic organization dysfunctional. The problems related to functional specification have always been endemic to bureaucratic organization but so the good governance logic goes, the rapid growth in wicked policy problems means that decisions taken within specific bureaus limited by their own operational logics and concerns are now more likely than ever to be inefficient or even damaging (Castells 2006:16).

According to Bang and Esmark (2009) the problem also extends to other founding bureaucratic principle of organization, for example, that of the hierarchy. In conventional bureaucratic theory, functional differentiation and hierarchy are mutually supporting principles of organization, providing a kind of organizational equilibrium. Organizing bureaus as parallel hierarchies is thus the conventional solution to the problem of coordination, involving a cabinet or another organizational forum of bureau leaders coordinating their bureaus top down (Bang and Esmark, 2009). According (Bang and Esmark, 2009) to good governance, this has however, become a completely inadequate solution. For one, the main expertise required to meet current policy are found among the rank and file.

Coordination between bureaus therefore required on all levels of the bureau, and not simply at the apex of the pyramid. Moreover, bureau leaders are assumed not to be completely in control of the vast organizations that they are formally heading, or at least subject the conventional problems of the principal-agent relationship. In most cases, bureau leaders are also politicians as well as administrators, making them prone to interpret policy problems politically rather than substantially. According Thakhathi (2013) the word bureaucracy is a combination of two words "bureau" French word for office and "*Krate*" which means power that is the power of the office. Furthermore, *ibid* state that government is about provision of necessities to the citizens and creating hope in the lives of the people. Currently government is seen by public, public servants and political leaders themselves as plodding, inefficient, bureaucratic, change resistant, incompetent, and unresponsive or corrupt, hence the need for revocratic leaders who can get things done quickly and accurately to build public confidence and promote good governance.

Thakhathi (2013) advocated that a revocracy combines "revo" which comes from the Latin word "*revolver*" meaning to roll or to make a complete turn or change and "crat" which comes from the Greek word "*Kratos*" meaning power.

2.3.2 International reform trends and public sector auditing

According to Pollitt & Summa (2002:1) though balancing public sector organizations' autonomy and control is a classic topic, it has experienced a renaissance in the course of the modernizing, streamlining, and sometimes dismantling processes of public

management reform (Pollitt & Summa, 2002:1). At its center, stands the question of how public organizations can be task efficient and accountable while relatively free of bureaucratic red tape. Auditing is the traditional instrument to maintain a grip on government activities and provide information to administrations, elected officials, and sometimes constituents. It is generally seen as an indispensable element of the regulatory system. The management of public funds demands trustworthiness and the audit aims to reveal deviations from accepted standards, be they legal, ethical, or economic (INTOSAI, 1998). The relevance of this question to a wider audience stems from the fact that audit system changes directly affect public organizations' management. Increasing co-production of public goods and services by public, private and non-profit organizations poses additional challenges to any system of public auditing that is supposed to counter centrifugal tendencies of decentralized agencies and public enterprises (Pollitt & Summa, 2002:1).

As stated by Bogumil *et.al* (2007) the benchmarks for comparisons in audit studies are mostly the Anglo-Saxon reform countries. Both Germany and Italy have seen ambitious reforms on the local level. Rather than minimizing or marketizing local government as for example in the United Kingdom these countries have developed their own tailored models of reform. The so-called New Steering Model (NSM) in Germany aims to modify the existing bureaucratic system by adapting accounting systems to private sector standards, decentralizing service delivery, and introducing purchaser-provider relationships, output standards for policy formulation, and flexible personnel management and appraisal systems (Bogumil, *et.al* 2007). One important element has been to decentralize administrative departments into intermediate forms, for example, public enterprises.

The Italian reform process has been implemented through a vast and continuous flow of new legislation (Panozzo, 2000). The main reform processes to Italian public sector organizations began in the 1990s, some decades later than active Anglo-Saxon countries (Mussari, 2002). As a consequence of the local level reform processes, municipalities became more autonomous with respect to their performance and expenditures (Mussari, 2002). Direct election, increasing fiscal autonomy, and a reduced number of transfers from the central state brought municipalities closer to citizens and, as was the aim of the

reform, more accountable to them. The law allowed public managers to spend public resources, creating a distinction between politicians and management (Borgonovi, 2002).

According to Mussari (2002) in 1999 management control, strategic control, and top management evaluation became compulsory for all municipalities and other organisations in the public sector. In 2001 a reform of the constitutional framework equalized all levels of government. The state was no longer hierarchically superior to local governments, namely, regions, provinces and municipalities (Mussari, 2002). The old pyramid with municipalities at the lowest level was replaced with a flat structure; no one is subordinate. As a consequence, formal controls on municipalities' activities and actions carried out by regions and the state were removed to protect the autonomy of those organisations. Accrual accounting was introduced at the municipal level, and public service provision was strongly outsourced to companies with separate legal status, leaving the municipalities to provide only services without economic relevance (Borgonovi, 2002).

2.4 INTERNAL AUDITING IN THE PUBLIC SECTOR: PROMOTING GOOD GOVERNANCE AND PERFORMANCE IMPROVEMENT

According to Asare (2008) internal auditing is a profession and activity involved in advising organizations regarding how to better achieve their objectives through managing risks and improving internal control. Internal auditing involves the utilisation of a systematic methodology for analyzing business processes or organisational problems and recommending solutions (Asare, 2008). The study is of the view that, the scope of internal auditing within an organization is broad and may include various internal control related activities such as the review of the effectiveness and efficiency of operations, the reliability of financial reporting, investigation fraud, risk assessment, safeguarding of assets, and compliance with laws and regulations. Internal audit activities therefore provide assurance on the effectiveness of public sector entities' internal control environment and may identify opportunities for performance improvement.

According to Asare (2008) historically, internal auditing was perceived as being confined to merely ensuring that the accounting and underlying records of an organization's transactions were properly maintained, that the assets management system was in place in order to safeguard the assets and also to see whether policies and procedures were in place and were duly complied with.

With changing times, the concept of internal auditing has undergone significant changes with regard to its definition, scope of coverage and approach (Asare, 2008). In some organisations, the scope of modern internal auditing has been broadened from financial issues to include value for money, evaluation of risk, managerial effectiveness and good governance processes.

2.4.1 Internal Audit as part of the Accountant-General's Office

According to Diamond (2002:10) this is the case where internal audit function is placed under the supervision of Accountant-General's Office. A risk usually associated with this arrangement is the possibility that an officer performing accounting duties may subsequently be required to perform internal audit duties soon after performing accounting duties in the same or related department. Swaziland and Tanzania are examples in Africa where the central internal audit function of government rests with the Accountant-General's Department (Diamond, 2002:10). This was also the practice in Ghana before the passage of the Internal Audit Agency Act in 2003 (Asare, 2008).

2.4.2 Internal Audit Function under the Ministry of Finance

According to Asare (2008) in some countries the internal audit function is supervised by a Director or a person of an equivalent rank at the Ministry responsible for Finance. Asare (2008) is of the view that in these situations, the internal auditors are either stationed at the Ministry of Finance from where they are sent to Departments to carry out their functions; or they are assigned to specific Departments where they remain at post until they are re-assigned. This arrangement has the characteristics of separating the internal audit function from the accounting and external audit functions. However, the internal audit function runs the risk of being seen as an extension of external audit because the

internal auditors are not employees of the Departments as expected of internal audit staff according to the ethics of the professional practice. However, this model can provide a good level of independence for internal audit.

According to Diamond (2002:10) the above arrangement is similar to that of Kenya where there is an Internal Audit Service as a department within the Treasury, the Service being responsible for providing internal audit services for all government departments and is headed by the Internal Auditor-General. The Internal Auditor-General is responsible for effective review of all aspects of risk management and control throughout the Civil Service of the Republic of Kenya. In Botswana, Uganda and Zambia internal audit staff in the Ministries are seconded from the internal audit department in the Ministry of Finance. The head of this internal audit department is a senior official in the Ministry of Finance with status equivalent to the Accountant-General.

2.4.3 Decentralized Internal Audit function situated at the entity level

According to Asare (2008) in another scenario, internal audit has been made an integral part of Government Departments in some countries. In these situations, the internal auditors are part of the organisations they work for and report to a level appropriate for taking action on internal audit recommendations (Asare, 2008). The United States has Inspector-Generals for government Departments and Agencies.

According to Diamond (2002:10) the United Kingdom, the origin of the Anglophone countries' systems, has basically a decentralised internal audit function. South Africa and Ghana are also examples where the internal audit units are managed without guidance or control from the central Finance Ministry. The units form part of the departments' own structures. However, in the case of Ghana there exists an Internal Audit Agency that is established as an oversight agency and charged with responsibility of facilitating, coordinating and providing quality assurance for internal audit practices and technical performance (Diamond, 2002:10). The oversight agency reports to the President (Diamond, 2002:10).

2.4.5 Internal Audit as part of the Auditor-General's Office

In line with Asare (2008) in some countries internal audit is a function of the Supreme Audit Institution (SAI). This configuration has not been popular in recent times as most countries are shifting away from the practice of combining internal and external audit functions under the same institution (Asare, 2008). Where such a practice exists, internal auditors report only to the Auditor-General and are subject to professional, technical guidance and supervision from only the SAI (Asare, 2008). Staffs in such cases perform mainly pre-audits rather than a professional internal auditing function. Germany is a case in point where internal auditors operate within agencies, but are subject to technical and professional guidance, as well as supervision by the SAI, the Federal Court of Audit. This was also the practice in Ghana before the transfer of internal audit responsibility to the Controller and Accountant-General's Department (Asare, 2008).

2.4.6 Role of Internal Auditing

As stated by Asare (2008) the role of internal auditing can be identified as involving three main elements, namely the evaluation and improvement of risk management, control and governance processes. These elements are sometimes referred to as the “three pillars” of internal auditing. The three elements are further discussed below as reinforcements of the fundamentals of an internal audit function in the public sector.

Risk management, control and governance encompass the policies and procedures established to ensure the achievement of objectives and include the appropriate assessment of risk, the reliability of internal and external reporting and accountability processes, compliance with applicable laws and regulations, and compliance with the behavioural and ethical standards set for public organizations and employees (Asare, 2008).

Figure 2.1 The Three Pillars of Internal Auditing



Figure 2.1: Extracted from Asare, 2008

2.4.7 The Role of Internal Auditing in the Public Sector – Governance

Public sector governance relates to the means by which goals are established and accomplished. It also includes activities that ensure a government's credibility, establish equitable provision of services, and assure appropriate behaviour of government officials whilst reducing the risk of public corruption (IIA 2006, 3). According to ANAO (2003:6) "public sector governance has a very broad coverage, including how an organisation is managed, its corporate and other structures, its culture, its policies and strategies and the way it deals with its various stakeholders. The concept encompasses the manner in which public sector organisations acquit their responsibilities of stewardship by being open, accountable and prudent in decision-making, in providing policy advice, and in managing and delivering programs". The broader nature of public sector governance necessitates an effective internal auditing function in order to meet the demanding responsibilities imposed by stakeholders (ANAO, 2003, 6).

Consistent with Asare, (2008) internal audit can help to improve governance processes by focusing on how values are established to ensure effective and efficient control and management of public sector entities. Such a value system requires an open government that is transparent in its dealings with a high sense of ethical behaviour and fairness. The

complexity of the public sector operating environment requires that the internal audit structural design, approach, practice and scope are reformed to ensure open, accountable and prudent decision-making within all public sector organizations (Asare, 2008).

Internal auditors' roles in governance are broadly identified to be twofold. Firstly, internal auditors provide independent, objective assessments on the appropriateness of the organization's governance structure and the operating effectiveness of specific governance activities. Secondly, they act as catalysts for change, advising or advocating improvements to enhance the organization's governance structure and practices (IIA 2006b, 4).

According to Asare, (2008) internal audit activity should assess and make appropriate recommendations for improving the governance process to accomplish the following objectives:

- promoting appropriate ethics and values within the organization
- ensuring effective organizational performance management and accountability
- Effectively coordinating the activities of and communicating information among the board, external and internal auditors and management.

2.4.8 The Role of Internal Audit in the Public Sector – Control

According to Baltaci & Yilmaz (2006:15), management control in the public sector includes all the policies and procedures put in place by a government and the management of public sector entities aimed at promoting accountability of resources. Another term for management control is internal control. In the public sector, controls are mainly in-built in the public financial management system.

Asare, (2008) is of the view that public financial management includes the legal and organisational framework for supervising all phases of the budget cycle, including the preparation of the budget, internal control and audit, procurement, monitoring and reporting arrangements, and external audit. According to Baltaci & Yilmaz (2006:15), the broad objectives of public financial management are to achieve overall fiscal discipline,

allocation of resources to priority needs, and efficient and effective allocation of public services. Internal audit, in turn, has the key function of reporting to the senior management of public sector entities on the functioning of the management control systems, and recommending improvement where applicable.

Control structures and the accountability framework covers a broader spectrum of Public Financial Management issues as shown in figure below, which include strategic planning (including budgeting), managerial activities (procurement, public debt and asset management), accounting and reporting, internal and external audit; and legislative oversight.

Figure 2.2 Public Financial Management Cycle

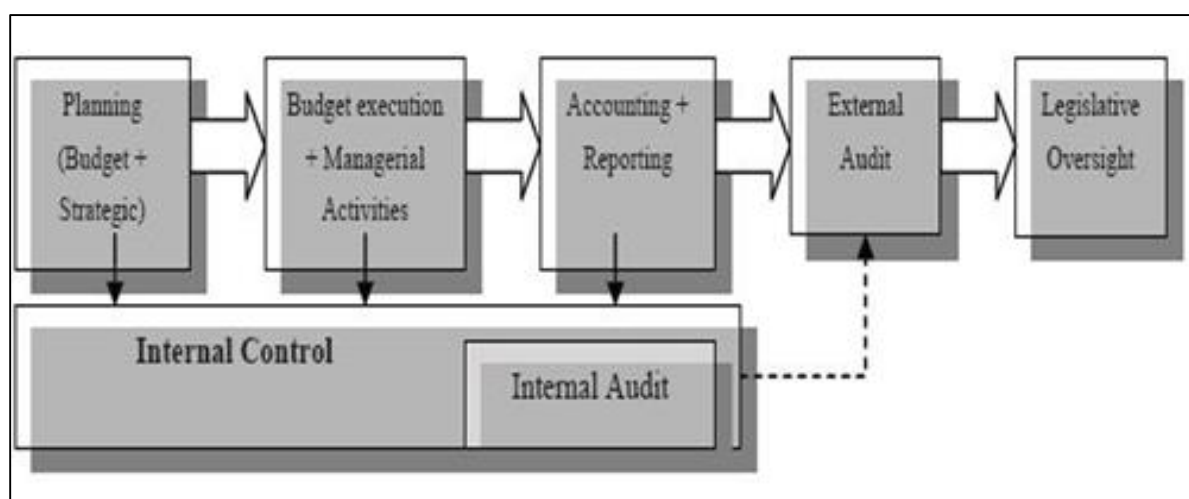


Figure 2.2: Extracted from Baltaci & Yilmaz, 2006

According to Baltaci & Yilmaz (2006:15), the effort to reform a fiscal system should include internal control and audit due to the crucial role they play in enhancing accountability and effectiveness. Internal audit provides both governments and related parties with a powerful tool for understanding the extent to which the public institution in question has delivered on budget and effective services. Internal audit activity has become an essential internal assurance mechanism in public financial controls and tool for monitoring and evaluating managerial activities prior to external evaluation by external auditors. Internal auditors in the public sector work with management to improve service delivery, secure their commitment to improve internal controls and to ensure compliance

with applicable laws (Baltaci & Yilmaz (2006:15).

Asare, (2008) stated that public procurement constitutes a huge portion of government expenditure and is an area that is often vulnerable to conflicts of interest and corruption of public officials. Internal audit activities will further enhance transparency, fairness, reduce corruption and ensure value for money in public procurement. According to Szymanski (2007:8), “control systems play an important role in enhancing the accountability and transparency of a public procurement system and hence in detecting and preventing corruption. Such systems should include adequate independent internal control and audit with a clear coordination of all control mechanisms”.

However, internal auditing as a control measure does not only minimize the opportunities for corruption through the verification of procurement processes but also ensures effective physical monitoring of capital items procured and actual utilisation to avoid fraud and abuse (Asare, 2008).

2.4.9 The Role of Internal Auditing in the Public Sector - Risk Management

The demand for proper risk management strategies in the public sector emanates from the complexity and dynamism of the operating environment, ever-increasing needs of society coupled with general unpredictability pattern and dwindling of resources for national development. Risk management should constitute an essential part of the strategic management process of any entity involved in the implementation national development strategies (Commonwealth of Australia, 2008:5).

According to Griffiths (2006:4) the internal auditor's role in risk management involves assessing and monitoring the risks that the organization faces, recommending the controls required to mitigate those risks, and evaluating the trade-offs necessary for the organization to accomplish its strategic and operational objectives. Griffiths (2006:4) “internal auditing provides independent and objective assurance to an organisation's management that its risks are being mitigated to an acceptable level, and reports where they are not”.

Fraud and corruption are key risks that need to be managed in the public sector. Management has the responsibility to put in place systems and processes that will prevent and detect fraud within an organisation. However, it is internal audit that gathers sufficient objective information for management to carry out its stewardship function and to be well informed on the risks of fraud and effectiveness of fraud control procedures and to enable them to understand the complexities of fraudulent activities (Griffiths, 2006:4).

Internal audit adds value through improving the control and monitoring environment within organizations to detect fraud (Coram *et.al*, 2007:1). The very presence of internal audit review in an institution serves as a deterrent measure on the assumption that any fraud perpetuated may be uncovered. Good governance principles require that audit committees or similar oversight bodies, work closely with internal auditors in fraud risk evaluation and investigations especially when recent trends suggest perpetration by senior management in collusion with other employees (Coram *et.al*, 2007:1).

Consistent with Coram *et.al* (2007:1) the challenge of public sector internal audit, however, is to avoid becoming compliance-based due to the presence of a strict legal framework that sets out the public financial controls and internal auditing processes. Moving towards risk-based internal audit will require a foresight function of monitoring and advising on the improvement of program efficiency and effectiveness and mitigating risks that hinder the achievement of organisational objectives (Coram *et.al*, 2007:1).

2.4.10 Importance of Internal Auditing in the Public sector

According to Asare (2008) the audit function has become an integral part of government financial management and an instrument for improving performance in the public sector. The need for good governance and accountability has compelled governments to demonstrate a stronger sense of responsibility in the use of public funds and efficiency in the delivery of services. Management of national economies today is more complex and demands greater competency and professionalism from internal auditors if they are to be able to assist government in ensuring that scarce resources are deployed more efficiently and to also effectively deal with the associated risks (Asare, 2008).

According to Asare (2008) effective internal oversight and monitoring are crucial to good governance and effective Public Financial Management (PFM). Internal oversight includes the internal audit function that must be effective and should comply with generally accepted auditing standards with regards to practice and approach. The focus of internal auditing is to determine whether public funds have been spent for the purposes for which they were appropriated and thereby promoting accountability. Internal audit undertakes reviews of individual systems and processes and consequently makes recommendations to heads of public sector entities on how internal controls could be improved (Asare, 2008).

An internal audit function is an essential part of any public expenditure management system and should ensure that public spending is within budgetary provisions; disbursements comply with specified procedures, provides for the timely reconciliation of accounts and effective systems for managing and accounting for physical and financial assets (Commonwealth Secretariat 2005:17).

Van Gansberghe (2005) puts forward the case that “Management must recognize the value added role of internal audit and contribute towards its effectiveness.”, and that “As internal auditing in the public sector assumes a status of professional practice, management would benefit from its recommendations in improving its decision-making and thus would be playing a more proactive and foresight role.”

Internal audit function provides internal consulting service to the management in public sector institutions and hence the executive arm of government for smooth and efficient functioning and for reviewing and improving its performance. It also ensures that there are efficient controls and greater transparency in the decision and policy-making processes of government functionaries and institutions in delivering services successfully and in carrying out development programs in an efficient and appropriate manner. Public Sector controls cover all aspects of activities including financial, managerial and operational policies and are intended to safeguard assets, ensure the accuracy and reliability of financial information and promote operational efficiency.

The internal audit function is in a good position to help senior management of public institutions to identify risks, suggest risk management strategies and, ultimately, provide

assurance that the risks are being appropriately managed. Thus, the internal auditing function evaluates the effectiveness of public institutions in achieving agreed objectives and thereby promoting strong governance and accountability regime. Internal audit function also applies professional skills through the evaluation of the policies, procedures and operations that management put in place to ensure the achievement of the organisation's objectives. The recommendations made by internal audit for improvement helps management in public sector entities to improve their risk management, control and governance processes.

With the emergence of the Public Expenditure and Financial Accountability (PEFA) framework in developing countries (PEFA, 2005), performance measurement framework and results indicators have become key concepts in managerial practices and in the formulation and execution of budgets. Indicators recently introduced in some countries measure nationwide socio-economic progresses, stimulate public debate, and thus help Government decide on important issues. "National Performance Indicators" are vital for fulfilling public accountability that emphasises results and outcomes. Internal audit forms part of the evaluation process in monitoring performance and verification of data quality to ensure credibility of reported achievements. Also internal auditors could play instrumental role in performing value-for-money (VFM) audits otherwise called "Performance Audit". Performance audits are concerned with the audit of economy, efficiency and effectiveness of government expenditures or spending plans. In practice, performance auditing is focused on assessing whether organisations are doing the right things and in the smartest way.

According to the INTOSAI, performance auditing is an independent examination of the efficiency and effectiveness of government undertakings, programs or organizations, with due regard to economy, and the aim of leading to improvements (INTOSAI, 2004:11).

2.4.11 Relationship between Internal and External Audit in the Public Sector

According Glass (2005:8) professionally, internal auditors strive to create an effective function whose results can be relied upon by the external auditors as evidence of the overall strength of internal financial control. The detailed background knowledge which internal audit has of the organisations may be of particular value in allowing their external counterparts to understand the background and circumstances of the activity they are reviewing. However, publicity about the role of external auditors has increased public and parliamentary expectations of external auditors, and has rightly or wrongly made public sector external auditors more cautious about the degree of reliance they place on internal audit (Glass 2005:8).

Establishing a professional working relationship between the internal auditor and the external auditor should deliver benefits to both parties. Such relationship allows potential overlaps and gaps in the overall audit activity to be identified and addressed, and assists in maximizing the extent to which external audit is able to rely on the work of internal audit in undertaking its work. Internal auditors also need to be aware of planned and actual external audit coverage in order to assist in identifying their information needs (ANAO, 2007:28).

An effective co-operation between internal and external audit helps both parties achieve their objectives and also helps them provide a better service to the bodies they work with and ultimately to Parliament and the public. However, such cooperation can only thrive in an environment where there is mutual confidence and the recognition that internal and external audits are both conducted within relevant professional standards and information exchanged is treated professionally and with integrity (NAO, 2000:11).

2.5 GOVERNANCE

Governance is a broad concept, and operated at every level, such as households, village, community, municipality, nation, region or globe (Nzongola-Ntalanga, 2002). Nzongola-Ntalanga (2002) further identifies three components of governance: political governance, which guarantees the order and cohesion of society; economic governance, which

provides the material foundation of society; and social governance, which provides the moral foundation of society. Accordingly, the three work in inter-dependence (Ijeoma *et.al*, 2013:183).

According to the World Bank (2006) governance can be viewed as the traditions and institutions by which authority in a country is exercised for common good. It therefore involves the process of selecting, monitoring and replacing those in authority, and the capacity of government to effectively manage its resources and implement social policies. Kjaer (2004) is of the opinion that “what the many approaches of the term have in common is an understanding of governance which refers to the setting, application, and enforcement of rules”. Kjaer (2004) suggest that governance focuses on both the input side, concerned with democratic procedures, and the output side, which is concerned with effective institutions. In the context of public administration Kjaer (2004) says that it was during the 1980s that the term governance was referred to as distinct from government and as including civil society actors and concerned with management of networks-particularly in the delivery of services.

There are different views as to what governance means. According to Draper (2000:4) governance refers to policy implementation, institutionalised rules and norms, and structures. Kaela (1998: 134) more specifically indicates that governance within government encompasses the institutions, structures and activities of the legislature, executive and the judiciary at the national, provincial and local spheres of government. Plumptre and Graham (1999:1) argue that governance is the result of the interaction of a multiplicity of influencing actors, namely, businesses, communities and individuals. The term governance thus characterizes various interactions between diverse stakeholders. It refers to both formal and informal norms and conventions (Muthien, *et. al*. 2000: 240). According to Schater (2000:3), the concept may usefully be applied in different contexts, namely to global, regional, national and local as well as societal and institutional arrangements. The concept of governance may therefore be applied to diverse forms of collective action. However, Cloete (2003:11) explains that the emergence of the

governance paradigm in the field of Public Administration was necessitated by the weaknesses in the liberal, free-market based NPM approach. It is argued that the scope of governance transcends the intra-organisational focus of the NPM and its market orientation. It offers a possible theoretical paradigm “that lie(s) far beyond the standard responses, structures, and processes” associated with bureaucracy and the NPM (Kettle 2002: 123). Governance “shifts the unit analysis from programs and agencies to tools of action; and the focus of administration from hierarchy to network, from public versus private to public plus private, from command and control to negotiation and persuasion, from management skills to enablement skills”(Heinrich, Hill & Lynn 2004: 03). It has the potential to expand the focus, and redefine the locus, of the discipline (Henry, 2008).

2.5.1 Actors in governance

According to Amos, Graham & Plumptre (2003:3) Governance is a function of the state yet it cannot function without all actors across the communities, civil society, private providers, membership organizations, public functionaries and development partners. Good governance is determined by the extent to which state functionaries value the views of these stakeholders. Whether the civil servants or policymakers believe in ‘ruling’ or ‘serving’ the population has a bearing on the quality of governance.

There is a growing recognition that effective regulatory structures are not simply a function of state enforcement, but of partnerships between the state and other stakeholders (Amos, Graham & Plumptre, 2003:3). Such partners may involve government, professional providers, citizens groups, or pharmaceuticals industry. Since such arrangements are also susceptible to narrow interests, there is a need to understand the political context in which such arrangements are possible, and the potential role of the state or other institutions in mediating conflicts between other actors in the interests of the public (Siddiqi, 2009:14).

Figure 2.3 Actors in governance

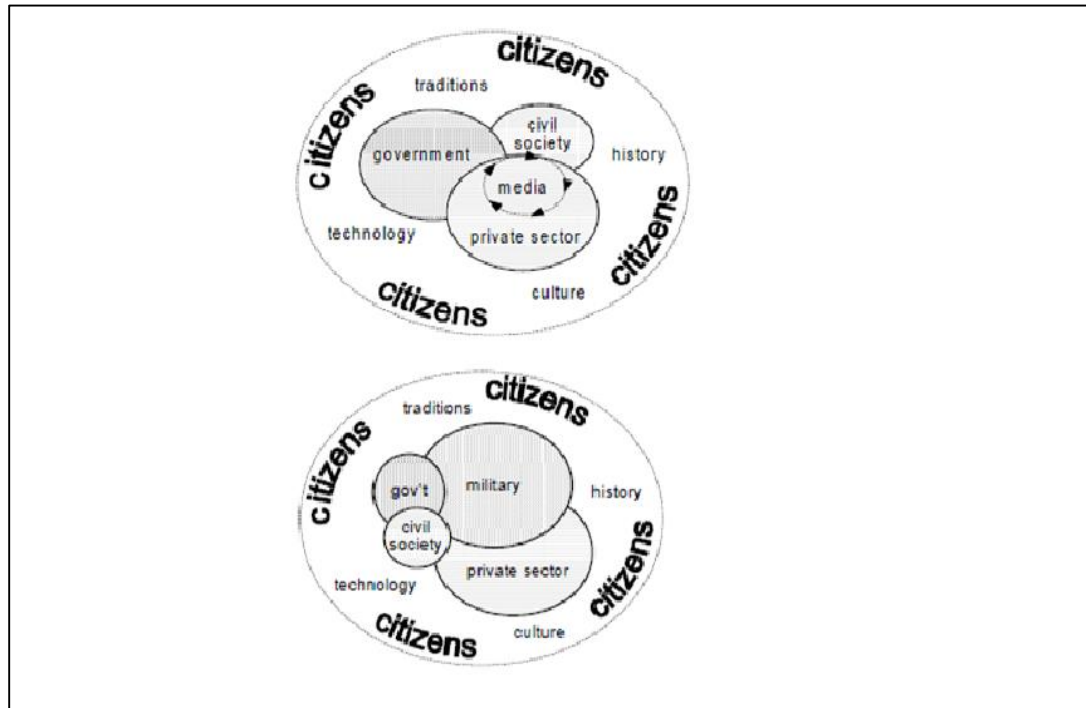


Figure 2.3: Extracted from Amos, Graham & Plumptre (2003)

2.5.2 Mechanisms of governance

Toikka (2011:21) argued for a mechanism-based governance model, where collaboration of organizations is empirically observed without roles or positions assigned a priori. The empirical governance account takes the networks, looks at the processes in which they are formed, and then at how the network collaborates to make policy. The theory will help us understand policy outcomes. The model does not suggest any particular policy outcome, but should be able to produce any outcomes, given suitable governance arrangements. The macro-micro-macro -structure for governance is in Figure below.

Figure 2.4 Structure for governance

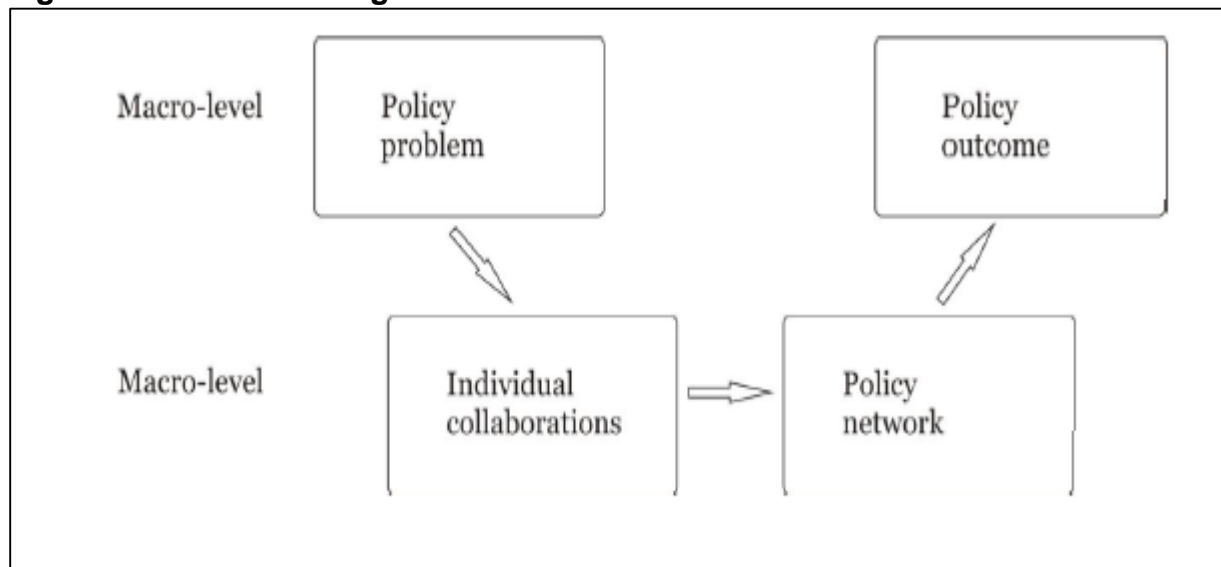


Figure 2.4: Extracted from (Toikka: 2011)

At the macro level, there is a policy issue that requires a policy response. Governance posits that the policy is made via networks that are, in turn, results from individual level interactions. Governance is further broken into two separate stages of the process (Udehn 2001, 301), the first one explaining why and how the governance networks establish themselves through the actions of individual organizations, and the second how the networks make policy. Conceptually, network building and network policy decisions are separated in the model. This does not imply that the real-life events can be separated into stages of policy-making, as in the classic policy process models (Sabatier 1999, 6). It is a conceptual distinction, made for the sake of enabling analysis.

The governance process starts at a policy need or a problem to be addressed. This initial agenda can be the result of the governance process itself, but is also heavily influenced by media attention (Walgrave & Van Aelst 2006) and other factors, including popular discourse or the prevalent zeitgeist (Mudde 2004). Agenda-setting also requires some traditional government influence, as policies will still require the government to guard and sanction it. But even an active government is not in complete control of its creations (Newman & Thornley 1997, 985). The agenda gets refined and defined in the network, and policies may diverge significantly from the initial setting.

The policy need leads the actors to initiate the process of network building: one actor realizes it lacks some resource to respond to the challenge, and goes to another for help. This triggers others to act. But the acts are not independent: maintaining connections is easier than establishing new ones, and information on potential new partners is gathered via existing network contacts. In sum, a complex structure of interactions and communication arises, often stabilizing into a temporary equilibrium, or at least patterns that show some stability.

Figure 2.5 Expanded structure for governance

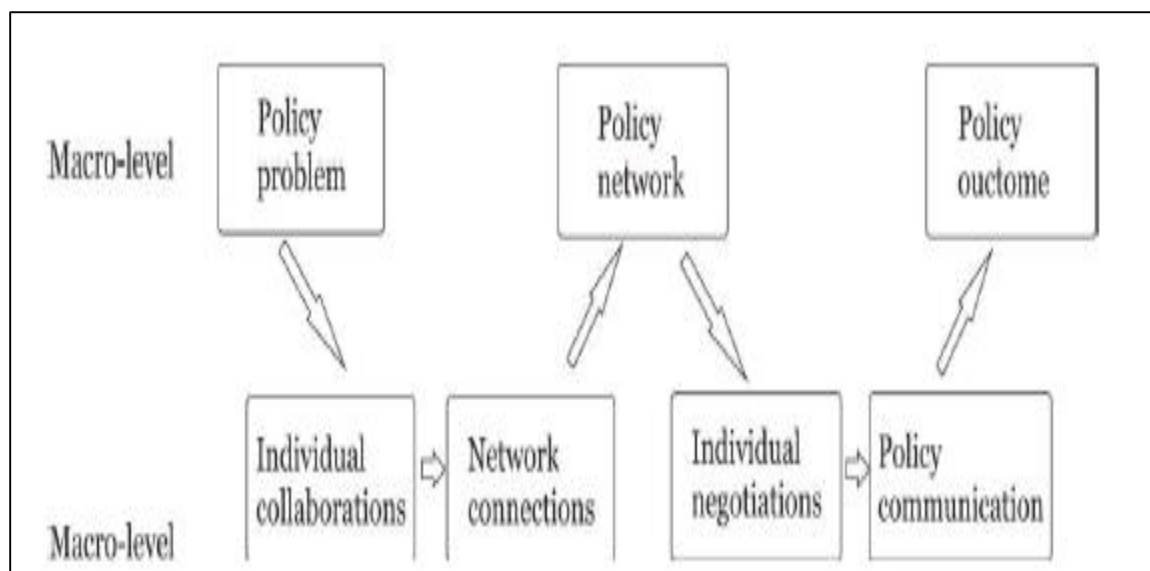


Figure 2.5: Extracted from (Toikka: 2011)

Then, the second phase of the process takes the network and derives the policy from there. The network enables the organizational actors to involve their communication partners in planning the policy, to draw on their expertise as well as influence them. The final policy is produced in this communication process between actors. The communication process consists of many different types of flows, as information exchange, attitude influencing and giving support are different network acts (Borgatti 2005).

2.6 GOVERNMENT versus GOVERNANCE

According to Osborne and Gaeber 1992, governance is still equated with government for many people. They establish that governance is at the heart of what government is about. They argue that those services can be contracted out or turned over to the private sector but that governance cannot. Government is the instrument used (Osborner & Gaeber, 1992). Government, on the one hand, refers to the formal institution of the state that takes decisions within a specific and administrative legal framework and uses resources in a financially accountable way. Governance, on the other hand involves, government plus the looser processes of influencing and negotiating the range of public and private sector agencies to achieve desired outcomes (Ijeoma, 2013:186). According to the UNDP (2002) governance can be seen as the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences.

Good governance is, among other things, participatory, transparent and accountable. It is also effective and equitable, and it promotes the rule of law. It ensures that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decision- making over the allocation of development resources.

The terms governance and good governance are being increasingly used within development literature. Governance refers to the process of decision-making and the process by which decisions are implemented. It can be used in several contexts; corporate governance, international governance, national and local governance. Governance may be defined as a set of values and principles which promote elements of transparency and accountability, although there are permutations to this definition as demonstrated by Rhodes (2000) who defines good governance as marrying NPM to liberal democracy.

Weiss (2000) argued that many academics and practitioners use the term governance synonymously with government, and he regards that as incorrect. Government is the institution, the administrative machinery for effecting policy, but the quality of what is produced is governance. It is a higher level outcome and goes beyond the traditional services of government and needs to also align to ethical and democratic standards. Governance implies going beyond the legal authority, and implicitly implies that there will be some form of validation or judgment of activities, to see whether these do align to the values of good governance Naidoo (2011).

Santiso (2001) mentions that governance as a concept is relatively new, and emerged in 1989 in the World Bank report on the crisis of governance in sub-Saharan Africa, where the capacity, ability and willingness of political authorities to govern effectively in the common interest was highlighted. The governance questions have been illustrated as important for Africa by Amuwo (2000) who describes the relationship between globalization and the New Partnership for Africa Development (NEPAD) and argues that with globalization African countries, previously on the margins of the good governance networks, were brought in through African driven initiatives like NEPAD, to align these countries with international good governance values.

A good governance system also requires that the process of decision-making and public policy formulation is transparent and accountable. It extends beyond the capacity of public sector to the rules that create a legitimate, effective and efficient framework for the conduct of public policy. It implies managing public affairs in a transparent, accountable, participatory and equitable manner. It entails effective participation in public policy-making, the prevalence of the rule of law and an independent judiciary, institutional checks and balances through horizontal and vertical separation of powers, and effective oversight agencies (Naidoo, 2011).

There is the argument that the nature of the bureaucracy of government themselves, tends to dilute policy intent, which may include good governance imperatives, and has been blamed for slowing down government. This has led to the drive that private-sector solutions be introduced to improve government efficiency, which is generally referred to as the Washington consensus, but which does not have support today, particularly in

developing countries (Williamson, 2005). The current global crisis which has resulted in the call for more government monitoring of all sectors of the economy, and the bail out of the private sector, shows that leaving the private sector without regulation or only using the private sector to deliver government services, or uncritically importing private sector solution into the public sector is not desirable.

In the global discourse on good governance, there has been a proliferation of international bodies which support good governance, and do this by measuring and reflecting on a country's performance in different areas related to governance, such as corruption and transparency. Assessments made by bodies such as the World Bank, Transparency International, and in the African context, the African Union have been prominent, are taken seriously and tend to influence foreign direct investment and a country's development. Good governance measures serve as confidence indicators (both domestically and internationally) in the political and administrative management of a country. The recent global economic crisis has been a crisis in the systems of governance, both private and public sector. This period has seen government intervention to help the private sector, and to an extent has indicated that the private and public sector are not so separate, with them impacting on each other. The hegemony enjoyed by capitalist, free-market thought, has also come under the spotlight. In light of this, it is not surprising that corporate governance has also come under the spotlight (Naidoo, 2011).

The question of what is good governance has also been interrogated by influential international bodies, like the International Monetary Fund (IMF), which whilst generally judging countries they engage with, have now begun to interrogate the manner in which they govern themselves. In a compendium of studies of IMF governance, the question of transparency and accountability, and the manner in which boards conduct themselves is scrutinized (Lamdany & Martinez-Diaz, 2009). This shift is positive and probably reflects the current economic climate which has negated many of the assumptions about how growth and development should take place, by institutions such as the IMF and the World Bank.

The concept of good governance is broad (Weiss, 2000); however, what is clear is that it relates to a way of doing things, or conducting activities that are proper, transparent and

accountable. This discussion will show that different institutions list different elements in their definition of good governance, but common to all is the question of transparency and accountability. When looking at the definitions of agencies such as the Asian Development Bank, the United Nations Development Programme (UNDP), the United Nations Economic and Social Committees for Asia and the Pacific (ESCAP) and the World Bank on governance, variation is demonstrated. This is, therefore, an important discussion as it presents concepts that will be assessed in the perspective chapters of this thesis. The ESCAP, definition lists eight major characteristics, namely consensus oriented, accountable, transparent, responsive, equitable and inclusive, effective and efficient, follows the rule of law, and participatory (Weiss, 2000).

The above definition, if applied to South Africa would be favorable, given the divisive impact that apartheid had on the population. The drive for consensus, being responsive, promoting equitable and inclusive measures, and engaging in participatory practices is very relevant. The element of responsiveness is one of the eight *Batho Pele* principles in South Africa, and measuring it at the service delivery level provides an indication of the quality of governance. Similarly, if public participation practices seek to build consensus, programmes are likely to be more sustainable and owned. The question of equity is particularly important to South Africa which needs to engage in redress mechanisms. The ESCAP model hence has application to the South African situation (Naidoo, 2011).

The African Development Bank (2010) clarifies its concept of governance by identifying four elements, these being accountability, participation, predictability and transparency. This definition would also be applicable to the developmental State in South Africa, especially in terms of participation. The African Development Bank definition addresses issues of participation of project beneficiaries and affected groups, addresses the importance of improving the interface between the public and private sector, and views NGOs as important. The issue of predictability is essential, as this is necessary for investment and growth, as too frequently political changes tend to prevent development from gaining momentum. The issue of policy continuity and stability are measures of good governance and means that policies have a sufficient time to be implemented, provided

off course that they are appropriate and meet the tenets of good governance, Rhodes (2000).

The UNDP (1997: 2) views governance as the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It states that good governance is achieved when the following nine characteristics are displayed; participation, strategic vision, rule of law, transparency, responsiveness, consensus orientation, equity building, effectiveness and efficiency, and accountability.

The rule of law, apart from accountability and transparency, are common features across all good governance definitions. The UNDP prioritizes those aspects relating to participation, consensus orientation (implying democratic processes of engagement to achieve this outcome), equity building and responsiveness. The UNDP definition would, as in the case of the ADP and ESCAP offer some relevance to the South African context where there is a need for improving civil society participation. There is also the need to shift from a central government approach to one that involves all stakeholders and brings in marginalized voices, thus ensuring accountability, with bad governance meaning a lack of accountability, and which comes about when citizens are not involved in the matters of government (Gurung, 2000).

2.7 GOOD GOVERNANCE

According to Ijeoma (2013:186) good public governance is the bedrock of stable society. Public governance represent more than the means for providing good, it can also be related to the government capacity to help a citizen's ability to achieve individual satisfaction, material prosperity and realization of full potential. As an aspect of good governance, service delivery is central to the performance of any public government; be it at the municipal, regional or national level.

According to the academic approach, the generic understanding of governance is the management of resources and policy-making by means of exercising authority (power). Thus, it entails all instruments through which different policy stakeholders exercise legal rights with the aim to achieve political, economic, cultural and social objectives. In this

sense, the term “governance” appears to be more and more used in order to denote a complex set of structures and processes (at the public as well as at the private level), which are generally associated with national administration. However, its definitions offer a rather broad horizon of interpretation: wherever we can find this term, its definition varies slightly (Ijeoma, 2013).

According to Amos, Graham & Plumptre (2003:7) Good governance is a normative conception of the values according to which the act of governance is realized, and the method by which groups of social actors interact in a certain social context. The lack of a generally accepted definition of the concept is compensated by the identification of principles that strengthen good governance in any society. The most often enlisted principles include: participation, rule of law, transparency of decision making or openness, accountability, predictability or coherence, and effectiveness (Amos, Graham & Plumptre 2003:7). The international donor community generally shares the view that these principles stand at the foundation of sustainable development. The first characteristic refers to equal participation by all members of society as the key element of good governance, with everyone having a role in the process of decision-making. Secondly, good governance implies the rule of law maintained through the impartiality and effectiveness of the legal system. Rule of law also means the protection of human rights (particularly those of minorities), independent judiciary and impartial and incorruptible law enforcement agencies. The rule of law involves a variety of conditions, being strongly connected to good administration of justice, good legal framework, verified dispute mechanisms, equal access to justice, and the independence of judiciary workers (lawyers, judges). Good governance is also based on the transparency of the decision-making process, which ensures that information is freely available and accessible to those involved or affected by the decisions taken. Transparency therefore means free access to information. Last, but not least, accountability and responsibility of the institutions, just as much as of the civil society is key requirements of good governance, with all of the participants in the political and economic processes being accountable for their decisions to each other (UNDP, 1997).

Figure 2.6 Principles of good governance

The Five Good Governance Principles	The UNDP Principles and related UNDP text on which they are based
1. Legitimacy and Voice	<p>Participation – all men and women should have a voice in decision-making, either directly or through legitimate intermediate institutions that represent their intention. Such broad participation is built on freedom of association and speech, as well as capacities to participate constructively.</p> <p>Consensus orientation – good governance mediates differing interests to reach a broad consensus on what is in the best interest of the group and, where possible, on policies and procedures.</p>
2. Direction	<p>Strategic vision – leaders and the public have a broad and long-term perspective on good governance and human development, along with a sense of what is needed for such development. There is also an understanding of the historical, cultural and social complexities in which that perspective is grounded.</p>
3. Performance	<p>Responsiveness – institutions and processes try to serve all stakeholders.</p> <p>Effectiveness and efficiency – processes and institutions produce results that meet needs while making the best use of resources.</p>
4. Accountability	<p>Accountability – decision-makers in government, the private sector and civil society organizations are accountable to the public, as well as to institutional stakeholders. This accountability differs depending on the organizations and whether the decision is internal or external.</p> <p>Transparency – transparency is built on the free flow of information. Processes, institutions and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them.</p>
5. Fairness	<p>Equity – all men and women have opportunities to improve or maintain their well-being.</p> <p>Rule of Law – legal frameworks should be fair and enforced impartially, particularly the laws on human rights.</p>

Table 2.1: Extracted from UNDP (2000)

2.7.1 Good governance Technique

The preoccupation with ‘governance’ indicates a particular concern with the problem of steering. In theory as well as practice, the underlying point of the governance perspective is to relocate politics and administration from the problem of the state to the problem of steering, or, put differently, to reframe the state as one particular construct that can be utilized within the more general ‘problematics of government’ (Rose & Miller, 1992). This

general problematic of government is essentially instrumental and practical; it is concerned with how to govern, or, if we are to do away with the remaining state connotations of government: how to steer. Correspondingly, good governance is technical or technocratic, before anything else: it is concerned with the modest and mundane mechanisms by which authorities seek to instantiate government' (Rose & Miller, 1992: 183). The end result of good governance is specific techniques of government, and its main ambition is continuous innovation and refinement of these techniques.

One basic way to circumscribe good governance is in terms of the techniques that it deploys. These techniques include, for example Total Quality Management (TQM) (Motubatse, 2013:7). Techniques can be more or less complex and more or less specific in terms of policy focus, ranging for example from simple guidelines for risk assessment in relation to alcohol consumption to budgetary mechanism covering the entire administration of a given political system. The techniques of good governance all aim, however, to establish a framework for self-governance. The techniques of good governance are deeply ambiguous: on the one hand, they presuppose and in most cases also aim to strengthen the self-governing capacity of organizations and/or individuals, but on the other hand they approach this self-governing capacity as a resource of government; as something that will increase the effectiveness of government if provided with proper guidance and direction (Motubatse, 2013:7-9). The heterogeneous array of good governance techniques does not form a consistent field of intervention in itself, but rather a domain of circulating instruments and mechanisms that can be deployed in relation to specific problems and imagined solutions. This takes place through what has been called translation between techniques and programs (Motubatse, 2013:9).

According to Rose & Miller (1992) programs are identification of particular problems in the conventional sense of a reality failing to live up to a desired state of affairs. We can also talk of strategies: identification of problems and possible solutions leads to specification of means and ends; of certain goals and ways to achieve these. Although programs and strategies can sometimes be fairly abstract and inter-textual, they are often also very straightforward to locate: we find them laid out rather clearly in the reports, white papers, proposals and position papers of ministries, agencies and organizations, as well

as in certain types of legislative acts. Good governance strategies are diverse, but they share a common language of problematization, including possible solutions. On this level then, good governance amounts to a strategy of mobilization. This strategy involves, on the one hand, a call for flexible integration of various forms of knowledge, expertise and resources to tackle complex or 'wicked' policy problems and provide sufficient innovation and ownership of solutions, and, on the other hand, an appropriation of democratic vocabulary in terms of inclusion, accountability and participation. Techniques and programs do not exist in a vacuum. They are constituted in relation to specific rationalities. In most formulations, rationalities are treated as being largely akin to discourses or paradigms (Rose & Miller, 1992). Taking this approach in a slightly more functionalist direction, we can distinguish between two aspects of the issue of rationality. At the most basic level, the rationalities are determined by particular symbolically generalized mediums of communication such as political power, money, law, love, truth, news value (Rose & Miller, 1992). Such mediums define a specific rationality in the very simplest sense, through binary oppositions such as government/opposition, employer/worker, true/false and so on. Mediums and their codes isolate certain communicative domains, also known as function systems, the political, economy, science, family and so on, within which a number of preconditions and motives can be taken as given (Rose & Miller, 1992). In reality good governance, unfortunately, is not restricted to the political domain in the narrow sense, although we focus good governance as politico-administrative strategy the majority of its instruments and techniques are an emulation of business, science and family.

2.8 PRINCIPLES OF GOOD GOVERNANCE

According to Langlands cited in ICGGPS (2004:1) it is imperative for everyone concerned with the governance of public services not only to understand and apply common principles of good governance, but also to assess the strengths and weaknesses of current governance practice and improve it. These standards or principles are useful to

governors or councils who are striving to do a difficult job better, and to individuals and groups who have an interest in scrutinising the effectiveness of governance. Governance is dynamic, good governance encourages the public trust and participation that enables services to improve; bad governance fosters the low morale and adversarial relationships that lead to poor performance or even, ultimately, to dysfunctional organisations (Langlands cited in ICGGPS, 2004:1).

.

The principles for good governance standard in the public services are intended for use by all organisations and partnerships that work for the public, using public money. Most of these are public sector organisations whose services are used directly by members of the public or who are responsible for less visible activities, such as regulation and policy development. However, the use of public money to provide public services is not limited to the public sector. The public also has an interest in the governance of non-public sector organisations that spend public money, and the principles are designed to help them too. The six good governance core principles and its supporting principles by ICGGPS (2004) are discussed below.

Figure 2. 7 Good governance and relevant stakeholders

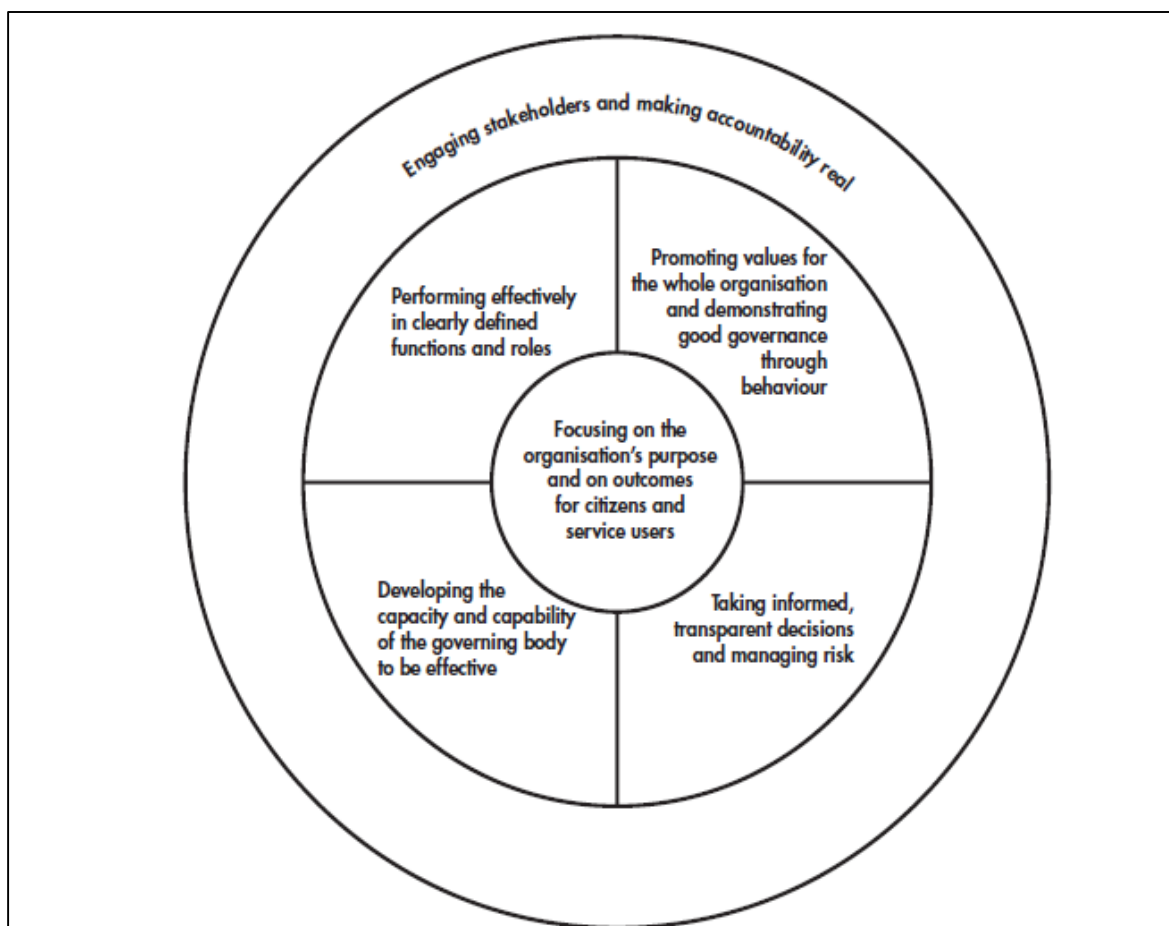


Figure 2.6: Extracted from ICGGPS

2.8.1 Good governance means focusing on the organisation's purpose and on outcomes for citizens and service users

Langlands cited in ICGGPS (2004) state that the function of governance is to ensure that an organisation or partnership fulfills its overall purpose, achieves its intended outcomes for citizens and service users, and operates in an effective, efficient and ethical manner. This principle should guide all governance activity. Each organisation has its own purpose. There are also some general purposes that are fundamental to all public governance, including providing good quality services and achieving value for money. The concept of 'public value' can be helpful when thinking about the unique purpose of public services and therefore of their governance. Public value refers to the things that public services produce, either directly or indirectly, using public money. Public value

includes: outcomes (such as improved health and improved safety); services (such as primary care services and policing); and trust in public governance.

Having a clear organisational purpose and set of objectives is a hallmark of good governance. If this purpose is communicated effectively, it can guide people's actions and decisions at all levels in an organisation. For many organisations, others play a major role in determining policy and resources and in setting or agreeing objectives. In these circumstances, it is critically important that there is a common view of the organisation's purposes and its intended outcomes. The governing body should make sure that there is a clear statement of the organisation's purpose and that it uses this as a basis for its planning. It should constantly review the decisions it takes, making sure that they further the organisation's purpose and contribute to the intended outcomes for citizens and users of services (ICGGPS, 2004).

2.8.1.1 Making sure that users receive a high quality service

All public service organisations provide a service to other people and/or organisations, although not all provide services directly to members of the public. The quality of service is an important measure of how effective an organisation is, and so it is particularly important in governance. Users of public services, unlike consumers in the private sector, usually have little or no option to go elsewhere for services or to withdraw payment.

Providers of public services have fewer direct financial incentives than private companies to improve consumer satisfaction. Organisations that provide public services therefore need to take additional steps to ensure that services are of a high quality.

The governing body should decide how the quality of service for users is to be measured and make sure that it has the information it needs to review service quality effectively and regularly. As part of this, it should ensure that it has processes in place to hear the views of users and non-users from all backgrounds and communities about their needs, and the views of service users from all backgrounds about the suitability and quality of services. The governing body should use this information when making decisions about service planning and improvement (ICGGPS 2004).

2.8.1.2 Making sure that taxpayers receive value for money

All organisations which spend public money (either in commissioning services or providing them directly) have a duty to strive for economic, efficiency and effectiveness in their work. Citizens and taxpayers have an important and legitimate interest in the value for money provided by organisations that use public money.

The governing body should decide how value for money is measured and make sure that it has the information it needs to review value for money effectively, including information about similar organisations, for comparison. It should use this information when planning and reviewing the work of the organisation.

2.8.2 Good governance means performing effectively in clearly defined functions and roles

Good governance requires all concerned to be clear about the functions of governance and their own roles and responsibilities and those of others, and to behave in ways that are consistent with those roles. Being clear about one's own role, and how it relates to that of others, increases the chance of performing the role well. Clarity about roles also helps all stakeholders to understand how the governance system works and who is accountable for what.

2.8.2.1 Being clear about the functions of the governing body

The primary functions of the governing body are to:

- establish the organisation's strategic direction and aims, in conjunction with the executive
- ensure accountability to the public for the organisation's performance
- assure that the organisation is managed with probity and integrity.

In order to direct strategy and ensure that this is implemented and that the organisation

achieves its goals, the governing body has to:

- allocate resources and monitor organisational and executive performance
- delegate to management
- oversee the appointment and contractual arrangements for senior executives, and make sure that effective management arrangements are in place
- understand and manage risk.

Ways of achieving these primary functions include:

- constructively challenging and scrutinising the executive
- ensuring that the voice of the public is heard in decision making
- forging strategic partnerships with other organisations.

2.8.3 Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behavior

Good governance flows from a shared ethos or culture, as well as from systems and structures. It cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements. This spirit or ethos of good governance can be expressed as values and demonstrated in behaviour.

2.8.3.1 Putting organisational values into practice

A hallmark of good governance is the development of shared values, which become part of the organisation's culture, underpinning policy and behaviour throughout the organisation, from the governing body to all staff. These are in addition to compliance with legal requirements on, for example, equal opportunities and anti-discrimination.

The governing body should take the lead in establishing and promoting values for the organisation and its staff. These values should be over and above legal requirements for

example, anti-discrimination, equal opportunities and freedom of information legislation. They should reflect public expectations about the conduct and behaviour of individuals and groups who control public services. The governing body should keep these values at the forefront of its own thinking and use them to guide its decision making.

2.8.3.2 Individual governors behaving in ways that uphold and exemplify effective governance

Individual behaviour is a major factor in the effectiveness of the governing body, and also has an influence on the reputation of the organisation, the confidence and trust members of the public have in it and the working relationships and morale within it. Conflicts, real or perceived, can arise between the organisation's interests and those of individual governors. Public trust can then be damaged unless the organisation implements clear procedures to deal with these conflicts.

2.8.4 Good governance means taking informed, transparent decisions and managing risk

Decision making in governance is complex and challenging. It must further the organisation's purpose and strategic direction and be robust in the medium and longer terms. To make such decisions, governors must be well informed. Governors making decisions need the support of appropriate systems, to help to ensure that decisions are implemented and that resources are used legally and efficiently. A governing body may, for example, adopt the discipline of formally reviewing implementation of a new policy after a defined initial period, to see whether it is working as intended.

Risk management is important to the successful delivery of public services. An effective risk management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective.

2.8.4.1 Having and using good quality information, advice and support

Good quality information and clear, objective advice can significantly reduce the risk of taking decisions that fail to achieve their objectives or have serious unintended consequences. Governors need to receive rigorous analyses of comprehensive background information and evidence, and of the options for action. As governance decisions are complex and can have significant consequences, governors also need professional advice. This includes advice on, for example, legal and financial matters and governance procedures. Such professional advice is also needed at other levels in the organisation where decisions are taken.

2.8.4.2 Making sure that an effective risk management system is in operation

Public service organisations face a wide range of strategic, operational and financial risks, from both internal and external factors, which may prevent them from achieving their objectives. Risk management is a planned and systematic approach to identifying, evaluating and responding to risks and providing assurance that responses are effective. A risk management system should consider the full range of the organisation's activities and responsibilities, and continuously check that various good management disciplines are in place, including:

- strategies and policies are put into practice in all relevant parts of the organisation
- strategies and policies are well designed and regularly reviewed
- high quality services are delivered efficiently and effectively
- performance is regularly and rigorously monitored and effective measures are put in place to tackle poor performance
- laws and regulations are complied with
- information used by the organisation is relevant, accurate, up-to-date, timely and reliable
- financial statements and other information published by the organisation are accurate and reliable
- financial resources are managed efficiently and effectively and are safeguarded

- Human and other resources are appropriately managed and safeguarded.

A risk management system also supports the annual statement on internal control that many public service organisations now have to produce. Appropriate responses to risk will include implementing internal controls, insuring against the risk, terminating the activity that is causing the risk, modifying the risk or, in some circumstances, accepting the risk. The governing body should ensure that the organisation operates an effective system of risk management. This should include:

- identifying key strategic, operational and financial risks
- assessing the possible effects that the identified risks could have on the organisation
- agreeing on and implementing appropriate responses to the identified risks (internal control, insure, terminate, modify, accept)
- putting in place a framework of assurance from different sources, to show that risk management processes, including responses, are working effectively
- reporting publicly on the effectiveness of the risk management system through, for example, an annual statement on internal control, including, where necessary, an action plan to tackle any significant issues

2.8.5 Good governance means developing the capacity and capability of the governing body to be effective

Public service organisations need people with the right skills to direct and control them effectively. Governing bodies should consider the skills that they need for their particular situation. To increase their chances of finding these people, and to enrich governance deliberations by bringing together a group of people with different backgrounds, governing bodies need to recruit governors from different parts of society. Public trust and confidence in governance will increase if governance is not only done well, but is done by a diverse group of people who reflect the community. Governance is also likely to be more effective and dynamic if new people with new ideas are appointed regularly, but this

needs to be balanced with the need for stability to provide continuity of knowledge and relationships.

2.8.5.1 Making sure that appointed and elected governors have skills

Governance roles and responsibilities are challenging and demanding, and governors need the right skills for their roles. In addition, governance is strengthened by the participation of people with many different types of knowledge and experience. Good governance means drawing on the largest possible pool of potential governors to recruit people with the necessary skills. Encouraging a wide range of people to apply for appointed positions or to stand for election will develop a membership that has a greater range of experience and knowledge. It will also help to increase the diversity of governors in terms of age, ethnic background, social class and life experiences, gender and disability

2.8.5.2 Striking a balance, in the membership of the governing body, between continuity and renewal

All governing bodies need continuity in their membership, so that they can make the most of the pool of knowledge and understanding and the relationships that have been formed both inside and outside the organisation. It is also important that governing bodies are stimulated by fresh thinking and challenge and that they avoid lapsing into familiar patterns of thinking and behaviour that may not best serve the organisation's purpose. However, turnover in membership that is too extensive or too frequent can mean that the organisation loses the benefit of longer-serving members' learning and experience.

2.8.6 Good governance means engaging stakeholders and making accountability real

Governing bodies of public services have multiple accountabilities: to the public (citizens) and to those who have the authority, and responsibility, to hold them to account on the public's behalf. These include: commissioners of services, Parliament, ministers, government departments and regulators. Real accountability requires a relationship and a dialogue. Accountability involves an agreed process for both giving an account of your

actions and being held to account; a systematic approach to put that process into operation; and a focus on explicit results or outcomes. Real accountability is concerned not only with reporting on or discussing actions already completed, but also with engaging with stakeholders to understand and respond to their views as the organisation plans and carries out its activities.

2.8.6.1 Taking an active and planned approach to responsibility to staff

Staff are accountable to the governing body, but the governing body also has serious responsibilities, as an employer, to the staff. Recruiting, motivating and keeping staff are vital issues if public services are to be effective. The governing body needs to provide an environment in which staff can perform well and deliver effective services, by creating a culture that welcomes ideas and suggestions, responds to staff views and explains decisions. The governing body is itself the last point of appeal for staff with complaints or concerns that they have not been able to deal with through the organisation's management structures. The governing body should have a clear policy on when and how it consults and involves staff and their representatives in decision making. The governing body should make sure that effective systems are in place to protect the rights of staff. It should make sure that policies for whistle blowing, and support for whistle blowers, are in place.

2.8.6.1 Engaging effectively with institutional stakeholders

Institutional stakeholders are other organisations with which the organisation needs to work for formal accountability or to improve services and outcomes. Public services have a complex network of governance relationships involving lateral relationships between partners and hierarchical relationships between Parliament, central government and local organisations. Some of these are accountability relationships, while others are to do with working together to achieve better outcomes.

Few public service organisations can achieve their intended outcomes through their own efforts alone. Relationships with other organisations are important, especially if they provide similar or related services or serve the same users or communities. Developing formal and informal partnerships may mean that organisations can use their resources more effectively or offer their services in a different and, for service users, more beneficial way (ICGGPS 2004).

2.9 CHARACTERISTICS OF GOOD GOVERNANCE

2.9.1 Participation

According to Bang and Esmark (2007) all men and women, inclusive of the physically challenged, should have a voice in decision- making, either directly or through legitimate intermediate institutions that represent their interests. Such broad participation is built on freedom of association and speech, as well as capabilities to participate constructively. Participation is a process whereby policy- making, prioritizing issues, accessibility to public goods and services and also allocating resources is influenced by key stakeholders. It varies from one context to another and subject to different projects and visions. Participatory processes in a poverty reduction strategy promote information exchange and transparency in decision-making processes (Bang and Esmark, 2007). The World Bank notes that this, in turn, will improve and, as a result, increase the overall governance and economic efficiency of development activities.

Generally, public involvement includes three elements or ‘pillars’:

- Public access to information;
- Public participation in decision-making processes;
- Public access to judicial and administrative redress often termed ‘access to justice’.

Access to information can be passive or active. Passive access is where the public will get information upon request to government institutions. Active access is whereby the government is obliged to give and disseminate information. Access to justice is whereby

the procedural rights of the public to information are respected and guaranteed. This is because for rights to be effective, there should be a corresponding remedy. The above pillars are also known in environmental law parlance as third generation human rights or environmental rights. They are also part of the basic tenets of good governance. The rationale for public involvement can be discussed from various dimensions. From a human rights dimension, people have the right to know, to be informed and participate in decisions that affect them as well as seeking redress. From a legal, ethical and moral dimension, citizens and government officials are obliged to ensure good governance. It has been argued that government processes are improved through public involvement.

2.9.2 Rule of Law

Smith (1995) state that laws, regulations and codes of conduct should be fair and enforced impartially, particularly the laws on human rights. One of the effective ways of tackling weak governance is to look at the disconnection between institutions within the broader governance environment including the scope of operation of the society in general. However, according to Smith (1995) availability of information is critical to good governance. Access to information and the promotion of procedural rights provide an enabling framework where accountability and improved delivery could enhance institutional changes. Scalia, (1989) also agree that information is critical for the leaders and their constituents to be informed of their problems as well as the solutions. Likewise, it is important to review previous institutional constraints in order to map the future with viable options because a poor governance system serves private interests at the expense of the poor and they suffer in a multiplicity of ways. A correct diagnosis of poor governance is important in that it determines practical strategies that are sustainable and effective in reducing poverty (Smith, 1995).

2.9.3 Transparency

According to Scalia (1989) transparency is built on the free flow of information. Processes, institutions and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them. It promotes openness of government action, decision-making processes, and consultative processes among public sector and all stakeholders Scalia (1989). These processes are subject to scrutiny by other government institutions, civil society and external institutions. Smith (1995) attest that lack of transparency, weak accountability, lack of responsiveness and inefficiency also compromise good governance. In a corrupt government, public resources are diverted from meeting the needs of the poor and benefits do not reach the intended beneficiaries Smith (1995). Human security is compromised by corruption. This is because corruption is both a cause and effect of bad governance. The poor are usually disproportionately affected by poor governance because health, education and police services are inaccessible. Their income is usually eroded through payment of bribes. According to Scalia (1989) corruption can be classified into two broad categories, state capture and administrative corruption. State capture takes place when a framework of laws and rules has been distorted. This form of corruption is characterized by enactment of laws, policies and regulations that are influenced through illegal and non-transparent ways, as well as serving private interests. Administrative corruption is about distortion of the implementation of these laws and policies. It refers to the “intentional imposition of distortion in the prescribed implementation of existing laws, rules and regulations to provide advantage to either state or non-state actors as a result of illegal transfer or concentration of private gains to public officials Scalia (1989).”

2.9.4 Responsiveness

Institutions and processes try to serve all stakeholders within a reasonable timeframe.

2.9.5 Consensus Orientation

Good governance mediates differing interests to reach a broad consensus on what is in the best interest of the group and, where possible, on policies and procedures. Underlying this characteristic is the theory of consensus and consensus decision making (Michener, 1995).

2.9.6 Consensus

According to Michener (1995) consensus has two common meanings. One is a general agreement among the members of a given group or community. The other is as a theory and practice of getting such agreements. The process of achieving consensus involves serious consideration of every group member's or stakeholders' considered opinion. Consensus usually involves collaboration, rather than compromise. Instead of one opinion being adopted by a plurality, stakeholders are brought together until a convergent decision is developed (Michener, 1995).

2.9.7 Consensus decision-making

Michener (1995) state that consensus decision-making is a decision process that not only seeks the agreement of most participants, but also to resolve or mitigate the objections of the minority to achieve the most agreeable decision. Consensus decision-making is intended to deemphasize the role of factions or parties and promote the expression of individual voices. However, *ibid* state that this method also increases the likelihood of unforeseen or creative solutions by juxtaposing dissimilar ideas. Consensus decision-making involves identifying and addressing concerns, generating new alternatives, combining elements of multiple alternatives and checking that people understand a proposal or an argument. This empowers minorities, those with objections that are hard to state quickly, and those who are less skilled in debate. Therefore, consensus decision-making can be seen as a form of grassroots democracy (Michener, 1995).

2.9.8 Equity

All men and women have opportunities to improve or maintain their well-being.

2.9.9 Effectiveness and efficiency

Processes and institutions produce results that meet needs while making the best use of resources. Smith (1995) is of the view that this characteristic promotes efficient public delivery systems and quality public outputs. It deals with the amount of public respect the civil service has. One aspect of poor service delivery is corruption. One of the ways of fighting corruption is through competitive salaries and motivating staff through incentives. There is also a need to introduce legislation governing civil service and a code of conduct. This legislation will define the appointments and promotions of civil servants through merit based processes as well as the organizational structure (Smith, 1995).

2.9.10 Accountability

According to Komesar (2001) decision-makers in government, the private sector and civil society organizations are accountable to the public, as well as to institutional stakeholders. This accountability differs depending on the organization and whether the decision is internal or external to an organization. Central to the principle of accountability is information sharing and transparency which should be promoted by governance structures. Hence, accountability is hard to achieve especially in the absence of access to information. Komesar (2001) is of the opinion that public accountability is founded on two pillars. The first pillar is related to accountability by the executive and the second pillar is based on institutional change. Accountability can be classified in four categories. These are public, financial, horizontal and vertical. Horizontal accountability is the relationship between the executive, legislature and the judiciary. Vertical accountability is whereby one actor reports to another subject to the interpretation of constitutional provisions. Informal checks on these relationships are reinforced by the civil society and the donor community (Komesar, 2001).

2.9.11 Strategic Vision

Leaders and the public have a long-term perspective on good governance and human development, along with a sense of what is needed for such development. There is also an understanding of the historical, cultural and social complexities in which that perspective is grounded.

2.10 GOOD GOVERNANCE POSITIVE CONSEQUENCES

- People trust the organization or department
- The department or organisation knows where it's going
- The board is connected to the membership and stakeholders
- The department or organisation get good decisions; people value it's work
- The ability to weather crises
- Financial stability (UN, 1998)

2.11 IMPLICATIONS OF GOOD GOVERNANCE

According to UN (1998) sustainable development, social cohesion and environmental management are dependent on governance and efficient public sector management. Hence, good governance is representative of a successful public sector reform programme that promotes equity and sustainable development. A weak governance system compromises the delivery of services and benefits to those who need them most; the influence of powerful interest groups biases policies, programs and spending away from the poor and lack of property rights, police protection and legal services disadvantages the poor and inhibits them from securing their homes and other assets and operating businesses. Poor governance generates and reinforces – and subverts efforts to reduce it, while bad governance acts as a barrier to economic development to both domestic and foreign direct investment and this leads to the collapse of the nation state (UN, 1998).

2.12 CONDITIONS FOR GOOD GOVERNANCE

Given the characteristics of good governance and its implications, governments must create and sustain the conditions necessary for good governance within their respective territories. According to UN (1998) the conditions are as follows:

- Create and adapt basic legislation and institutions that guarantee political and economic freedoms as well as strive to meet a broader range of basic human needs (food, housing, health and medicare, education, etc.).
- Relax regulations in order to remove obstacles to economic participation.
- Improve financial management.
- Build infrastructure to ensure that organizational capacity is available to handle the growing needs for services, increasing demands for better and more responsive services, and creating conditions for economic progress and social cohesion.
- Train public officers, business people and entrepreneurs. With the improvements in access to education brings the challenge of rapid changes in many knowledge areas therefore government must institute an ongoing development programme for its human resources to ensure that they are equipped with the necessary skills.
- Reform public management practices to address issues such as budget deficits, external pressures on competitiveness (globalization), antiquated work procedures, excessive centralization, inflexibility, lack of efficiency and perceived lack of public confidence in government.
- Freedom from distortionary incentives – through corruption, nepotism, patronage or capture by narrow private interest groups.
- Accountability of politicians and civil servants to ensure that the power given to them through the laws and regulations they implement, resources they control and the organizations they manage are used appropriately and in accordance with the public interest.

2.13 GOOD GOVERNANCE AS A POVERTY ALLEVIATION MECHANISM

Good governance is widely viewed as an essential ingredient for alleviating poverty (World Bank 2001b). Usually, a clear and compelling argument can be made about why each condition of good governance is critical—reducing corruption, improving accountability, decentralizing government, managing public resources better, establishing equality before the law in practice as well as in rhetoric, restructuring the civil service, and so on. Moreover, many of the conditions of good governance are laudable goals in and of themselves—the efficient use of resources, the effective delivery of services, responsiveness to the poor majority, participation in policy decision making. Who can argue with such goals? And who doubts that conditions of poverty could be alleviated if governments performed better?

However, logical arguments need to be scrutinized carefully to assess their purported payoff for poverty reduction. In particular, it is important to assess which reforms are encouraged and pursued because they are good for governance, and which are particularly relevant to poverty reduction. Civil service reform, for example, should improve pay and conditions of work for government officials, and it may even reduce corruption and patronage, but may mean little to the poor unless other conditions are in place, such as political mobilization to ensure that public officials treat them fairly or organizational cultures that encourage a service orientation among public officials (Dilulio, 1995; Grindle, 2002 and Hilderbrand, 1995). In contrast, increased responsiveness to poor constituencies may instead result from the particular details of how a policy is implemented, even while generalized conditions of clientelism and venality continue to characterize the public service. For example, simple procedures to inform beneficiaries of their rights and how to redress wrongs can significantly improve the performance of service providers (Tendler, 1997).

One way to begin to reduce the good governance agenda, then, is to assess more carefully and empirically the payoff of particular kinds of reforms for poverty reduction in a particular country. Do the poor, for example, regularly gain from efforts to reduce corruption? Thinking about the payoff of various kinds of reforms should also illuminate

conditions under which particular reforms are more or less effective in reducing poverty. For example, the mobilization of the poor into political parties, interest groups, unions, and nongovernment organizations (NGOs) may be a condition under which judicial reform, civil service reform, decentralization, and other kinds of changes are most likely to have a significant impact on poverty or on the poor (Grindle, 2005:18).

Figure 2.8 Governance in developing countries

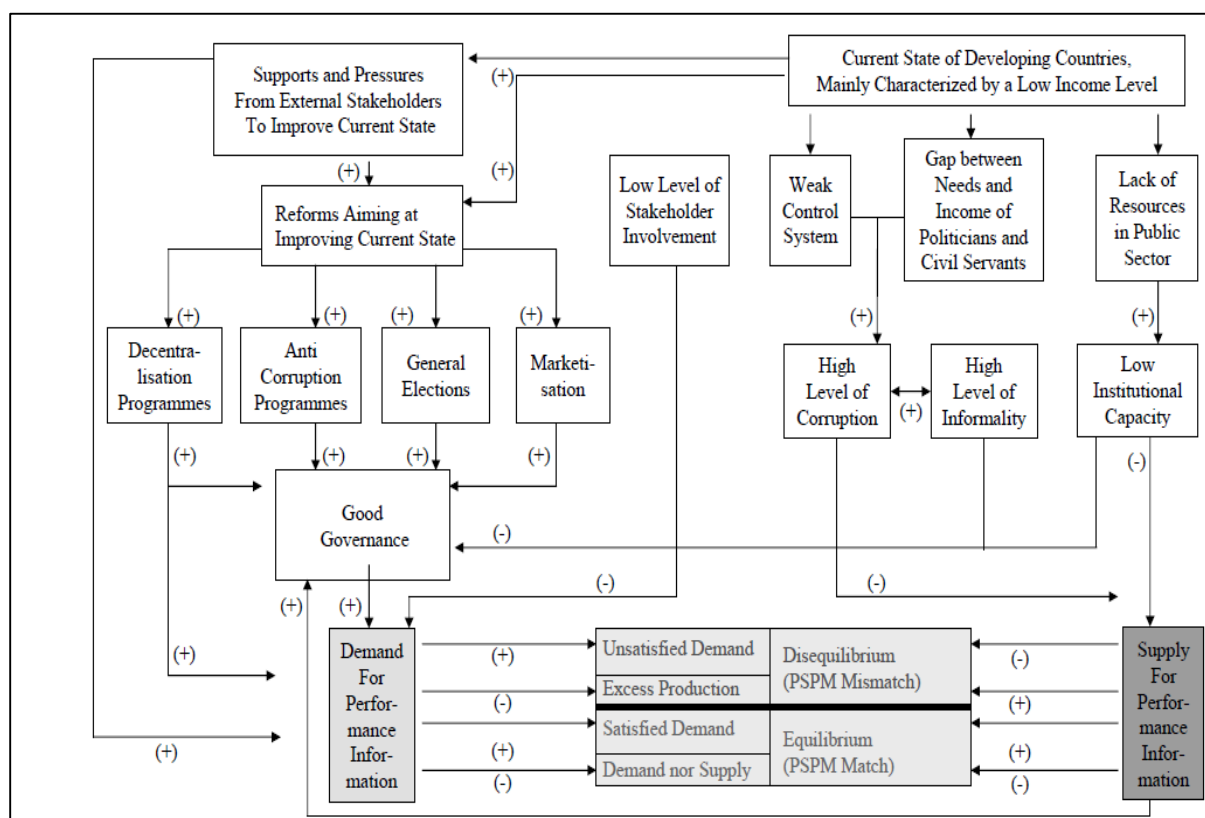


Figure 2.7: Extracted from Mimba, N.S.H., van Helden, G.J and Tillema, S. (2007)

2.14 LEADERSHIP AND MANAGEMENT

According to Ijeoma (2013:184) governance and leadership are related in the sense that leadership has a strong influence on governance. This is because the nature of the traditions and institutions within government are structured based on the style of leadership and the values that govern leadership within the state.

Good leadership and management is critical for the transformation of South African Public Service agenda as visualized in the White Paper on Transformation of the Public Service (1995). According to Ijeoma (2013:249) leaders and managers in the public sector should have necessary skills in order for them to execute their efficiently and effectively therefore promoting good governance. He further states that leadership and management are critical for the survival and success of any organisation in today's world, therefore public departments are no exception.

Leadership defines what the future should look like, aligns people with that vision, and inspires them to make it happen despite the obstacles (Kotter, 1990). Managers are persons who are formally appointed to the position of authority in the organisation. They enable others to do their work and are accountable to a higher authority for work results (Darr, 2011).

Table 2.1 Leadership versus Management

Criteria	Leadership	Management
Change	Provide vision and initiate change	Implement changes as suggested by leader
People	Inspire and develop	Control
Power derived from	Ability to influence others	Authority
Task	Do the right things	Do things right
Communication	Passionate	Impersonal

Extracted from Nel *et.al* (2011)

2.15 HIGH LEVELS OF CORRUPTION

Ramaite (1999) describes corruption as a crime and evil of government and society that cannot be analysed and addressed in a single contribution. It is hoped, however, that this contribution, will stimulate thought and prompt the development of a broad perspective of corruption as an inhibiting factor in the provision of quality service and ascendancy of good governance. Corruption can be defined as the abuse of public power for private gain (Johnston, 1996; World Bank, 1997). This study focuses on corruption that is related to decision-making processes in the public sector. In this context, corruption is defined as

all behaviors of public sector officials and civil servants to misuse their power in decision-making processes for their personal gain that hamper the public interest. A distinction can be made between high-level (grand) corruption and low-level (bureaucratic) corruption (Nabli and Humphreys, 2003).

High-level corruption implies that top-level policy-makers destabilize the government process for their own financial gain; low-level corruption implies that public sector officials and civil servants call for payments from citizens who expect to receive normal public goods and services. In general, developing countries have a relatively high degree of low-level corruption. According to the United Nations (2003), this type of corruption has become one of the acute problems facing the delivery of public goods and services in developing countries. It increases the costs of the public goods and services delivered to the citizens. The high level of poverty in these countries might be the main reason for their public sector officials and civil servants to be susceptible to corruption. Countries that pay inadequate salaries to their public sector officials and civil servants seem to have a higher level of corruption (Van Rijckeghem and Weder, 1997).

The Corruption Perceptions Index ranks

RANK	COUNTRY/TERRITORY	SCORE				RANK	COUNTRY/TERRITORY	SCORE			
1	New Zealand	9.5	25	France	7.0	46	Mauritius	5.1	69	Samoa	3.9
2	Denmark	9.4	25	Saint Lucia	7.0	49	Rwanda	5.0	73	Brazil	3.8
2	Finland	9.4	25	Uruguay	7.0	50	Costa Rica	4.8	73	Tunisia	3.8
4	Sweden	9.3	28	United Arab Emirates	6.8	50	Lithuania	4.8	75	China	3.6
5	Singapore	9.2	29	Estonia	6.4	50	Oman	4.8	75	Romania	3.6
6	Norway	9.0	30	Cyprus	6.3	50	Seychelles	4.8	77	Gambia	3.5
7	Netherlands	8.9	31	Spain	6.2	54	Hungary	4.6	77	Lesotho	3.5
8	Australia	8.8	32	Botswana	6.1	54	Kuwait	4.6	77	Vanuatu	3.5
8	Switzerland	8.8	32	Portugal	6.1	56	Jordan	4.5	80	Colombia	3.4
10	Canada	8.7	32	Taiwan	6.1	57	Czech Republic	4.4	80	El Salvador	3.4
11	Luxembourg	8.5	35	Slovenia	5.9	57	Namibia	4.4	80	Greece	3.4
12	Hong Kong	8.4	36	Israel	5.8	57	Saudi Arabia	4.4	80	Morocco	3.4
13	Iceland	8.3	36	Saint Vincent and the Grenadines	5.8	60	Malaysia	4.3	80	Peru	3.4
14	Germany	8.0				61	Cuba	4.2	80	Thailand	3.4
14	Japan	8.0	38	Bhutan	5.7	61	Latvia	4.2	86	Bulgaria	3.3
16	Austria	7.8	39	Malta	5.6	61	Turkey	4.2	86	Jamaica	3.3
16	Barbados	7.8	39	Puerto Rico	5.6	64	Georgia	4.1	86	Panama	3.3
16	United Kingdom	7.8	41	Cape Verde	5.5	64	South Africa	4.1	86	Serbia	3.3
19	Belgium	7.5	41	Poland	5.5	66	Croatia	4.0	86	Sri Lanka	3.3
19	Ireland	7.5	43	Korea (South)	5.4	66	Montenegro	4.0	91	Bosnia and Herzegovina	3.2
21	Bahamas	7.3	44	Brunei	5.2	66	Slovakia	4.0	91	Liberia	3.2
22	Chile	7.2	44	Dominica	5.2	69	Ghana	3.9	91	Trinidad and Tobago	3.2
22	Qatar	7.2	46	Bahrain	5.1	69	Italy	3.9	91	Zambia	3.2
24	United States	7.1	46	Macau	5.1	69	FYR Macedonia	3.9	95	Albania	3.1

RANK	COUNTRY/TERRITORY	SCORE	RANK	COUNTRY/TERRITORY	SCORE	RANK	COUNTRY/TERRITORY	SCORE			
95	India	3.1	120	Bangladesh	2.7	143	Belarus	2.4	168	Angola	2.0
95	Kiribati	3.1	120	Ecuador	2.7	143	Comoros	2.4	168	Chad	2.0
95	Swaziland	3.1	120	Ethiopia	2.7	143	Mauritania	2.4	168	Democratic Republic of the Congo	2.0
95	Tonga	3.1	120	Guatemala	2.7	143	Nigeria	2.4	168	Libya	2.0
100	Argentina	3.0	120	Iran	2.7	143	Russia	2.4	172	Burundi	1.9
100	Benin	3.0	120	Kazakhstan	2.7	143	Timor-Leste	2.4	172	Equatorial Guinea	1.9
100	Burkina Faso	3.0	120	Mongolia	2.7	143	Togo	2.4	172	Venezuela	1.9
100	Djibouti	3.0	120	Mozambique	2.7	143	Uganda	2.4	175	Haiti	1.8
100	Gabon	3.0	120	Solomon Islands	2.7	152	Tajikistan	2.3	175	Iraq	1.8
100	Indonesia	3.0	129	Armenia	2.6	152	Ukraine	2.3	177	Sudan	1.6
100	Madagascar	3.0	129	Dominican Republic	2.6	154	Central African Republic	2.2	177	Turkmenistan	1.6
100	Malawi	3.0	129	Honduras	2.6	154	Congo Republic	2.2	177	Uzbekistan	1.6
100	Mexico	3.0	129	Philippines	2.6	154	Côte d'Ivoire	2.2	180	Afghanistan	1.5
100	Sao Tome and Principe	3.0	129	Syria	2.6	154	Guinea-Bissau	2.2	180	Myanmar	1.5
100	Suriname	3.0	134	Cameroon	2.5	154	Kenya	2.2	182	Korea (North)	1.0
100	Tanzania	3.0	134	Eritrea	2.5	154	Laos	2.2	182	Somalia	1.0
112	Algeria	2.9	134	Guyana	2.5	154	Nepal	2.2			
112	Egypt	2.9	134	Lebanon	2.5	154	Papua New Guinea	2.2			
112	Kosovo	2.9	134	Maldives	2.5	154	Paraguay	2.2			
112	Moldova	2.9	134	Nicaragua	2.5	154	Zimbabwe	2.2			
112	Senegal	2.9	134	Niger	2.5	164	Cambodia	2.1			
112	Vietnam	2.9	134	Pakistan	2.5	164	Guinea	2.1			
118	Bolivia	2.8	134	Sierra Leone	2.5	164	Kyrgyzstan	2.1			
118	Mali	2.8	143	Azerbaijan	2.4	164	Yemen	2.1			

Extracted from Naidoo: 2011

The Corruption Perceptions Index ranks countries/territories based on how corrupt their public sector is perceived to be (Naidoo, 2011). A country/territory's score indicates the perceived level of public sector corruption on a scale of 0 - 10, where 0 means that a country is perceived as highly corrupt and 10 means that a country is perceived as very clean. A country's rank indicates its position relative to the other countries/territories included in the index.

Public outcry at corruption, impunity and economic instability sent shockwaves around the world in 2011. Protests in many countries quickly spread to unite people from all parts of society. Their backgrounds may be diverse, but their message is the same: more transparency and accountability is needed from our leaders.

The 2011 Corruption Perceptions Index shows that public frustration is well founded. No region or country in the world is immune to the damages of corruption, the vast majority

of the 183 countries and territories assessed score below five on a scale of 0 (highly corrupt) to 10 (very clean.) New Zealand, Denmark and Finland top the list, while North Korea and Somalia are at the bottom.

The Corruption Perceptions Index ranks countries and territories according to their perceived levels of public sector corruption. It is an aggregate indicator that combines different sources of information about corruption, making it possible to compare countries. The 2011 index draws on assessments and opinion surveys carried out by independent and reputable institutions. These surveys and assessments include questions related to the bribery of public officials, kickbacks in public procurement, embezzlement of public funds, and the effectiveness of public sector anti-corruption efforts. Perceptions are used because corruption is to a great extent a hidden activity that is difficult to measure. According to Naidoo (2011) over time, perceptions have proved to be a reliable estimate of corruption.

Corruption is defined by Transparency International (TI) (cited in Naidoo: 2011) as “the abuse of public office or entrusted power for private gain” (for example, bribe-taking by public officials in public procurement) and it reflects perceptions of business people and country risk analysts of levels of corruption among politicians and public officials. Countries worldwide were ranked in the Corruption Perceptions Index (CPI) for 2011. The main international backers of Nepad, the G-8 countries --- with the exception of Italy (69th at 3.9) and Russia (143rd at 2.4) --- score *above 5* out of a clean score of 10 in the rankings: Canada (10th at 8.7), Germany (14th at 8.0), Japan (14th at 8.0), the United Kingdom (16th at 7.8), the United States (24th at 7.1), and France (25th at 7.0); while all the main African Nepad sponsor countries score *below 5* in the rankings --- South Africa (64th at 4.1), Egypt (112th at 2.9), Senegal (112th at 2.9), Algeria (112th at 2.9), and Nigeria (143rd at 2.4). Of the African countries listed in the CPI 2011, no less than 49 out of 53 score *below 5* in the rankings; only Botswana (32nd at 6.1), Cape Verde (41st at 5.5), Mauritius (46th at 5.1), and Rwanda (49th at 5.0) score *5 and above* on the index. It is significant that out of 53 African countries, 24 score *2.5 and below* in the rankings --- if not an indication of endemic corruption, then on a fast-track towards achieving that dubious distinction; Somalia (182nd at 1.0) have the “honour” of bringing up the rear. Clearly, it is self-evident that Africa has a great deal to do as far as fighting corruption is

concerned. Interestingly, and as a caveat: the CPI 2011 lists the three countries of the BRICS (Brazil-Russia-India-China-South Africa) grouping of emerging powers not mentioned here: Brazil (73rd at 3.8), China (75th at 3.6), and India (95th at 3.1). Surely, this provides some fruit for thought.

How does South Africa feature in this equation? According to Dubula (2012), the “disease of corruption has permeated South African society its corrosive effect being felt everywhere, increasingly it defines the rules of the game in the public sector”. It is, therefore, quite instructive that, in his 2010-11 General Report on National Audit Outcomes, former Auditor-General Terence Nombembe found that there were “unauthorised and irregular expenditure” of close to R40bn by state and provincial departments and public institutions, mainly due to uncompetitive and unfair procurement practices (Dubula, 2012). During a media briefing, Nombembe requested the government to address the problem of “fruitless and wasteful expenditure” by appointing experienced officials with appropriate skills in other words on merit and, clearly, a side-swipe at the sometimes unintended consequences of affirmative action (Dubula, 2012).

Public Protector Thuli Madonsela is convinced that the strengthening of compliance and best practice are central to “an effective fight against corruption and maladministration. Poor compliance enforcement not only breeds systemic maladministration but also fosters impunity, which is a major factor behind systemic corruption. But, tragically, as the battle for political power and control of resources is raging unabated in many African countries, “an enabling environment” was created in which “corruption, underdevelopment, poverty, and a disregard for human rights” are thriving. Thus, “corruption has played an important role not only in sabotaging Africa’s quest for economic growth and development, but also in undermining efforts aimed at the consolidation of democracy, human rights, and the rule of law (Madonsela, 2012). The public prosecutor lists some of the factors that have emerged from discourses on combating corruption and promoting good governance.

There must be:

(a) The requisite political will,

- (b) Good leadership,
- (c) A functional democracy based on diffused state power (the separation of powers between the executive, legislature, and judiciary, including the rule of law and the independence of the judiciary),
- (d) Effective and efficient governance systems,
- (e) Strong constitutional institutions (such as the Human Rights Commission, the Independent Electoral Commission, the Auditor-General, and the Public Protector),
- (f) A sound legal and policy framework,
- (g) Strong synergies between enforcement agencies or mechanisms,
- (h) Openness and transparency (underpinned by freedom of expression, freedom of the media, and good service-delivery standards),
- (i) The safeguarding of human rights, and
- (j) The protection of whistle-blowers (Madonsela, 2012).

A united front including public participation is fundamental in addressing corruption and ensuring good governance; and this must be supported by “a sound integrity framework, incorporating the rule of law, freedom of expression, and an unwavering commitment to public accountability and transparency.

However, corruption in South Africa is not only systemic; it is fast becoming endemic. According to Dubula (2012) even a high-ranking governing ANC figure like former Finance Minister Pravin Gordhan acknowledges that “corruption has reached very serious proportions”. Indeed, corruption is tearing the country’s social fabric apart, it has morphed into a cancerous growth, and it has become a crippling scourge (Dubula, 2012). The leadership of the ANC, by silently condoning a post-1994 culture of entitlement, should ask itself what role it has played in creating the rot that’s eating away at the moral and ethical fibre of South African society (Dubula, 2012).

2.16 THE PROMOTION OF DEMOCRACY AND GOOD GOVERNANCE IN AFRICA

According to Venter (1995), the New Partnership for Africa's Development (Nepad) provides for a development partnership between Africa and the world's richer nations, the G-8, with the condition that countries on the continent root out corruption and practice good governance. Nepad argues that Africa needs to involve itself much more closely in the global economy. Under this partnership, as an integral component of the African Union (AU), in return for global assistance for increased aid and investment, external debt relief, and improved trade with the developed world, African governments will commit themselves to standards of good governance and democracy through a system of peer review.

Crucial to this endeavour is the nurturing of a "democracy and governance culture", as opposed to simply putting down guidelines, which must also involve civil society, and "a sophisticated, not a sycophantic media. African leaders do acknowledge that the continent faces grave challenges, of which the most urgent are the eradication of poverty, and the fostering of socio-economic development (Nepad, 2002: 3). It is to the achievement of these twin objectives that the Nepad process is principally directed. The backers of Nepad also believe that these objectives can only be effectively tackled through the promotion of democracy and good governance, the development of human and physical resources, gender equality, wider respect for human rights, openness to international trade and investment, the allocation of appropriate funds to the social sector, and the forging of new partnerships between government and the private sector (including civil society) --- with the private sector providing the engine for economic growth, and government concentrating on the development of infrastructure and the creation of a conducive, macro-economic environment (Nepad, 2002:7).

In reviewing the report on Nepad at the inaugural summit of the heads of state and government of the AU in Durban, South Africa in July 2002, and in accepting the "Durban

Declaration on Democracy, Political, Economic and Corporate Governance”, African leaders reaffirmed their commitment to the promotion of democracy, good governance and human rights, and their belief in transparent, accountable and participatory government (Nepad, 2002: 4).

The African leaders through Nepad, therefore, made a wide-ranging democracy and politically-orientated undertaking: (a) to ensure that national constitutions reflect the democratic ethos and provide for demonstrably accountable governance; (b) to promote political representation, thus providing for all citizens to participate in the political process in a free and fair political environment; (c) to acknowledge the inalienable right of the individual to participate, by means of free, credible and democratic processes, in periodically electing leaders for a fixed term of office; (d) to enforce strict adherence to the position of the AU on unconstitutional changes of government and other AU decisions aimed at promoting democracy, good governance, and peace and security; (e) to strengthen and, where necessary, establish an appropriate electoral administration and oversight body (or electoral commission), and provide the necessary resources and capacity to conduct elections which are free, fair, and credible; (f) to safeguard individual liberties and collective freedoms, including the right to form and join political parties and trade unions; (g) to reassess and, where necessary, strengthen the AU and sub-regional election-monitoring mechanisms and procedures; (h) to adopt clear codes, standards and indicators of good governance at the national, sub-regional and continental levels; (i) to adhere to a governmental separation of powers, including an independent judiciary and an effective parliament; (j) to ensure the effective functioning of parliaments and other accountability institutions, including parliamentary oversight committees and anti-corruption bodies; (k) to facilitate the development of vibrant CSOs, including strengthening human rights institutions; (l) to safeguard the independence of the judicial system in order to prevent corruption and the abuse of power; (m) to uphold the rule of law; (n) to promote the equality of all citizens before the law; and (o) to ensure responsible free expression, including freedom of the press (Nepad, 2002:4).

2.17 CRITIQUE OF GOOD GOVERNANCE

The human development paradigm emphasizes that Good Governance and democracy play a key role concerning human development. Democratic governance is the essence of ensuring and creating human development because it establishes accountability and incorporates civil society. When speaking about Good Governance in development assistance, it is often perceived as a positive thing which no one can disapprove of. There are however sceptics of the Good Governance agenda who criticize the way it is employed in developing countries (Abrahamsen, 2000).

Abrahamsen (2002) believes that the promotion of Good Governance and democracy is another way of establishing or ensuring the hegemony or control of the West. She argues that the Good Governance agenda relies on Western values and political systems, such as democracy and human rights, which makes her compare the implementation of Good Governance with the colonization. The author mentions that democratisation is stated as a moral duty similar to the civilizing of the colonies which gives the Western countries the right to intervene.

Consequently, Abrahamsen argues, that the Good Governance agenda returns to previous development thinking where the developing countries are to be reformed by and reach the stage of the developed countries (Abrahamsen, 2000:36). The good governance discourse endorses the right of Western countries to intervene in the third world to promote their vision of development and democracy, while simultaneously marginalizing alternative interpretations (Abrahamsen, 2000:23). Abrahamsen refers to the theories of Modernisation which stressed the interaction of the developed countries with the developing countries as benefiting the developing countries in their progress of development.

According to Abrahamsen (2002) good governance legitimises economic liberalism because it is perceived to be interrelated to democratisation. This means that promoting democracy implies promoting economic liberalism and delegitimising state-led

development. Abrahamsen furthermore addresses the issue of empowering civil society. The author emphasizes civil society's relation to economic liberalism as emerging from economic liberalisation and reduction of the state. This means that strengthening civil society also involves reduction of the role of the state.

Abrahamsen (2002) moreover argues that empowerment and participation are means to cover the retreat of the state by relying on local initiatives as regards provision of social services, such as water and health care. People have to take care of their own lives. Perceiving empowerment in this manner furthermore reinforces the idea of economic liberalism, as empowerment is used in order to reduce the costs of public provision, cost-sharing, and not necessarily to develop alternatives (Abrahamsen, 2000: 51).

In general, Abrahamsen (2002) stresses the power and influence of foreign donors as affecting the self-determination of the countries in the sense that policies must be made within a certain framework laid down by the donors. It is hence an exclusionary democracy that the Good Governance agenda introduces. The whole discussion of Western development the developed world imposes their values on the developing world.

2.18 LEGISLATIVE FRAMEWORK

The impetus for reforming the public sector is based on several stimuli. Globalisation with its multi-faceted implications is undoubtedly the single most dominating factor. The effects of globalization can be seen in all areas of the business environment. It affects the political, economic, technological and social environs. The concept of public sector reform has evolved from isolated occurrences and is now seen largely as a global movement. The success of reform initiatives has been replicated in a number of territories and this has added momentum to the global revolution.

The pressure exerted on developing countries has also contributed to this paradigm shift. Finally, the inefficiencies and ineffective processes in terms of organizational structure, management practices, legislation, political interference, outdated work processes and

procedures, redundancy, nepotism, poor utilization of resources – human and materials, poor appraisal systems, lack of rewards and recognition systems, poor working conditions and corruption have all contributed to the internal turmoil that is characteristic of public sector departments. Since the advent of democracy in 1994, South Africa has taken many positive steps to transform state structures, laws and processes to improve public finance management. Parliament listed the following laws that relate to increasing transparency amongst others:

- The Constitution of 1996 particularly chapter 10;
- Public Finance Management (Act 1 of 1999) (PFMA);
- Municipal Finance Management (Act 56 of 2003) (MFMA);
- Promotion of Access to Information Act (Act 2 of 2000); and
- Protected Disclosure Act (Act 26 of 2000).

These reforms sought directly to improve the efficiency of allocations and use of funds both internally and externally, to improve public policy, funding choices and enable accountability. Legislation and other controlling instruments related to financial management are explained below:

2.18.1 Constitution of the Republic of South Africa, 1996

Section 216(1) of the Constitution of the Republic of South Africa, 1996 requires national legislation to establish a national treasury and prescribe measures to ensure transparency and expenditure control in each sphere of government, by introducing:

- Generally recognised accounting practice;
- Uniform expenditure classifications; and
- Uniform treasury norms and standards.

Furthermore, the Constitution, 1996 sets out basic values and principles governing public administration and which should be adhered to by all those who practise public administration in the republic. The constitution in section 195(1) states that:

- (a) A high standard of professional ethics must be promoted and maintained.
- (b) Efficient, economic and effective use of resources must be promoted.

- (c) Public administration must be development-oriented.
- (d) Services must be provided impartially, fairly, equitably and without bias.
- (e) People's needs must be responded to, and the public must be encouraged to participate in policy-making.
- (f) Public administration must be accountable.
- (g) Transparency must be fostered by providing the public with timely, accessible and accurate information.
- (h) Good human-resource management and career-development practices, to maximise human potential, must be cultivated.
- (i) Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation.

Du Toit *et.al.* (1998:134) cited in Maclean and Mle (2011) define ethics as the study of human conduct in respect of its rightness or goodness when measured against accepted value norms. It is what is good or bad, acceptable or unacceptable, right or wrong in the eyes of the beholder. According to Maclean and Mle (2011) ethics has to do with human characters and conduct, the separation of right from wrong and one's moral duty and obligation to the entire community. According to Craythorne (2003:260), ethics means a set of moral principles, while the word ethical relates to morals or to being morally correct. Ethics relate more directly to a principle underlying conduct. Murray (1997:43) cited in Maclean and Mle (2011) relates ethics to primary values of truthfulness, good faith, respecting the dignity of human life, doing no harm, doing good and ensuring justice.

Cheminais *et.al.* (1998:66) is of the view that ethics has to do with values and the standards which guide the behaviour and actions of personnel in public institutions and can be seen as moral laws. Ethics are intertwined with professionalism which implies a high standard of work and the observance of certain standards or principles applicable to a particular profession (Maclean & Mle, 2011).

Compatible with ethics is integrity which requires public officials to be honest and morally upright. The Constitution, 1996 also obliges public institutions to be efficient, effective in the use of resources and accountable. Efficiency entails that services must be provided with minimal costs and effectively to accomplish the desired ends. Both concepts are based on the principle of value for money and are thus closely linked to the economy, that is, the term and conditions under which public institutions obtain and utilise resources (financial and human) in the appropriate quantity and quality at the lowest cost (Mle, 2006:20).

2.18.2 Public Audit Act 2004 (Act 25 of 2004)

The Public Audit Act 2004 was established to:

- give effect to the provisions of the Constitution establishing and assigning functions to an Auditor-General;
- provide for the auditing of institutions in the public sector;
- provide for accountability arrangements of the Auditor-General to repeal certain obsolete legislation; and
- provide for matters connected therewith.

2.18.3 Auditor General Act 1995 (Act 12 of 1995)

The Act establishes the requirement for the appointment of the Auditor –General and outlines his or her functions, duties and powers. The Office of the Auditor -General in effect audits and investigates all accounts of the public entities and reports back to Parliament on the findings.

2.18.4 The Public Finance Management Act 1999 (Act 1 of 1999) (PFMA)

Due to economic globalisation, all countries need to apply good governance of public finance to ensure sustainable budget and financial systems, as well as economic growth (Majam, 2012:27). According to McKinney (1995:1) cited in Majam (2012:28), Public Financial Management (PFM) is the process where by a government unit or agency employs the means to obtain and allocate resources or money based on articulated

priorities and then utilises methods and controls to achieve publicly determined needs effectively. However, Ntsingo (2007:40) disagrees and states that Public Financial Management (PFM) rather deals with the management of people's money, which has been entrusted to Government.

It involves decision-making regarding the needed financial resources to implement government programmes and projects, where to obtain these resources, how to collect and utilise the resources and how to control all financial processes within given time frame. Madue (2009:414) insist that PFM focuses on utilising scarce government resources to ensure the effective, efficient and transparent use of public funds and assets, as well as to achieve value for money in meeting the objectives of good public financial governance in the public service delivery.

Section 62 of the PFMA states the duties and powers of the Auditor -General.

The Auditor -General may:

- investigate any public entity or audit the financial statements of any public entity if the Auditor -General is not appointed as auditor and the Auditor -General considers it to be in the public interest or upon the receipt of a complaint; and
- recover the cost of an investigation or audit from the public entity.

2.19 ROLE OF AUDITING IN PUBLIC FINANCE MANAGEMENT

This section discusses the role of auditing in public finance management where the following points are discussed:

- Aiding financial management.
- Support good governance.
- Acting as a 'watchdog'.
- Internal and External Accountability.

2.19.1 Aiding Financial Management

Modern day public auditors perform a variety of audits aimed at satisfying different financial management goals. Financial audits assess the accuracy and fairness of both

the accounting procedures utilised by a government agency and the financial statements reported by the agency. Compliance audits assess whether funds were used for the purposes for which they were appropriated and in compliance with relevant laws and regulations.

Performance audits analyse cost-effectiveness (economy), operational efficiency, and the general effectiveness of government programs in achieving their objectives. There has been a trend in recent years among auditors towards increasing the number of performance audits as these audits are seen as revealing more about the effectiveness of government operations. However, a comprehensive audit framework requires that all three types of audits (financial, compliance, and performance) be combined to provide a complete overview of public financial management (International budget, 2013).

2.19.2 Support good governance

Good governance is classified as being participatory, transparent, accountable, effective, compliant with the rule of law, and responsive to the needs of the people. An effective auditor can play an important role in ensuring that some of these key attributes of good governance are maintained by the government. By auditing public finances, auditors do not only demand accountability of the government but in turn add credibility to the government's public financial policies and practices. By making their audit findings available to the public, auditors provide a critical window on transparency in public finance management and assess whether government agencies have complied with national and/or local laws, regulations, and their annual budgets (International budget, 2013).

Auditing is an integral part of an institutional framework supporting good governance and the realisation of a country's welfare measures and poverty eradication goals. Social welfare programs and other targeted poverty eradication programs in developing countries are characterised by their access to limited resources. To achieve their goals, therefore, these programs depend greatly on the efficient and effective utilisation of these limited resources. Within this framework, the role of the public auditor in monitoring the utilisation of program resources is critical. A vigilant auditor can contribute greatly to the

achievement of social development programs by limiting corruption and strengthening the accountability of responsible agencies (International budget, 2013).

2.19.3 Accountability

The mission of the Office of the Auditor -General is to be a leader in facilitating effective internal and external accountability through auditing on behalf of the taxpayer, and also ensuring that the accounting officers are held accountable on the use of public funds. Public confidence is fostered through the Auditor -General's reporting responsibilities to Parliament. By conducting world class, cost effective and technology advanced independent audits, the AGSA strives to promote clean and transparent administration, the effective and efficient utilisation of resources and good governance (Nombembe:2001).

Furthermore, in the discussions around the role of the Auditor-General held in parliament, AGSA indicated that accountability should be output, outcomes and results-based and not inputs-based as has traditionally been the case. Most African countries are grappling with public finance management and are learning from the PFMA. Both the PFMA and the MFMA are extremely ambitious and potentially effective financial management structures.

2.19.4 Acting as a 'Watchdog'

The Auditor -General acts as a 'watchdog' on behalf of the government. A 'watchdog' is a guardian, a defender against theft or illegal waste and practices. The AGSA therefore, recommends corrective action where non-compliance is reported or where departments require help. If an accounting officer is found guilty of wilful or gross negligence, he or she can face a fine or imprisonment for a period not exceeding five years.

2.20 PROMOTING SOUND PUBLIC FINANCE MANAGEMENT THROUGH PFMA

The PFMA put in place a legal framework for modern public financial management and has been at the centre of government's efforts to enhance public financial management and accountability. Throughout the PFMA and accompanying Treasury Guidelines, individuals are made responsible for the flow of funds and/or establishing systems. Checks and balances have been instituted to ensure that individuals undertake their responsibilities. For example, the payroll is divided into pay points, where the legitimacy of payments needs to be certified monthly by an individual who not the same person is, making the payments.

The PFMA designates heads of departments and constitutional institutions and boards of public entities as accounting officers or accounting authorities and gives them the responsibility for the effective, efficient, economical and transparent use of resources in accordance with the Appropriations Act. In doing so, the PFMA requires them to produce monthly and annual financial reports and ensure effective, efficient and transparent systems of financial and risk management, internal control and procurement. If accounting officers do not comply with these requirements, they are guilty of financial misconduct and can have disciplinary and criminal proceedings instituted against them, depending on the nature of the offence. Furthermore, the PFMA compels ministers to fulfil their statutory responsibilities within the limits of their voted amount in the Appropriations Act, and requires them to consider the monthly reports submitted to them by their accounting officers. It also sets out a framework to clarify accountability when a political directive could result in unauthorised expenditure. In order to ensure effective public expenditure management by government departments, the PFMA sets out the general requirement that accounting officers maintain effective, efficient and transparent systems of financial and risk management and take steps to safeguard departmental assets. In addition, the PFMA and public service regulations both oblige MECs to ensure that their departmental personnel are governed by efficient, effective and economical human resource management procedures. This requires effective performance management systems to govern the employment of all officials. Finally, the PFMA requires that

accounting officers of departments ensure that they establish cost-effective procurement and provisioning systems (SAIIA, 2006:101).

In a report on the Joint Ad Hoc Committee on Economic Governance, Summary of the Auditor-General's Submission, 2005, it was noted that the challenge in the African continent broadly is the lack of a public finance management framework. However, South Africa's specific challenge relates to the level of commitment and political will to comply with the existing legislative framework. Good financial management processes are the key driver to accountability.

2.21 ACCOUNTABILITY IN THE PUBLIC SECTOR

The literature consulted previously emphasised the obligation of executive institutions to account to the legislature for their performance in managing the responsibilities and resources entrusted to them. This need for accountability is discussed below and the following points are addressed:

- What should government be accountable for?
- Institutional arrangements for accountability.
- Annual reports as an accountability mechanism.

2.21.1 The need for Accountability

When the citizens put government into office, they entrust government with the responsibility of governing and managing public resources. This in actual fact constitutes a contract of external accountability between citizens and government. Citizens therefore have the right to know what government intends to achieve and what it has actually accomplished. Good performance information from government will assist citizens, managers in the government service and legislatures to assess government performance in the following ways:

- Citizens can assess the impact government has had on their lives, what has been achieved with their tax money, whether their money and limited resources have been spent wisely, and whether their money has been used in a way that gives

them the best value. Information on government performance can also assist citizens in holding government accountable for the way in which it has carried out its mandate.

- Managers in government will be able to determine how they are doing – where they are succeeding, and where they are not succeeding; what is working and what is not, and how limited resources can be used in the most relevant, economic and effective manner.
- Good budget information empowers the legislature to make an informed choice and to assess priorities and trade-offs between options within the framework of the level of expenditure that can be afforded. The annual report, on the other hand, is the mechanism by which a legislature can assess government's performance by comparing what it intends to achieve with what it actually achieves, and can influence the way programmes are managed through improved public awareness. (<http://www.psc.gov.za/docs/reports/1999/mechanism.html>).

2.21.2 Heads of Department/ Accounting Officers

In terms of section 7(3) (b) of the Public Service Act, 1994 (Procl 103 of 1994) a head of department is responsible for the efficient management and administration of his or her department, including the effective utilisation and training of staff, the maintenance of discipline, the promotion of sound labour relations and the proper use and care of state property, and he or she must perform such functions as may be prescribed.

In terms of section 38(1) (b) of the Public Finance Management Act 1999, the accounting officer who is normally the head of the department is responsible for the effective, efficient, economical and transparent use of the resources of the department.

Section 40(1) of the Public Finance Management Act provides that the accounting officer must -

- prepare financial statements for each financial year in accordance with generally recognised accounting practice; and
- submit an annual report on the activities of the department during that financial year.

Section 40(3)(a) of the same Act provides that the annual report and audited financial statements referred to in subsection 40(1)(d) must

- fairly present the state of affairs in the department, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned (PSC Report :1999).

2.21.3 Research on the accountability of Government departments

The Constitution of South Africa 1996 requires the Auditor-General to audit and report annually on the accounts, financial statements and financial management of all government departments. These reports must then be submitted to the relevant provincial legislature for consideration. A key function of the Auditor-General is to ensure that government departments are properly managed and that their resources “are procured economically and utilised efficiently and effectively.” The provincial portfolio committees must then scrutinise the contents of the annual reports and investigate queries raised. The legislature and its committees must exercise oversight of executive authorities in the province and their corresponding government departments. In carrying out this function, a provincial legislature or any of its committees may require a person or department to appear before it to explain irregularities.

Since 1996, the Eastern Cape Auditor-General had raised the same issues indicating weak financial management in some departments, the Public Service Accountability Monitor (PSAM) found. These issues related to poor asset management, a lack of effective personnel controls, the absence or ineffectiveness of internal auditing, and inadequate controls over transfer payments. The reviewed departments displayed an inability and/or an unwillingness to address problems raised by the Auditor-General and recommendations made by their portfolio committees. For example between 2000 and 2004 the Auditor-General issued audit disclaimer opinions for 74.5 % of the combined budget allocated to the Eastern Cape Departments of Housing, Education, Health and Social Development. This effectively means that these departments could not adequately account for R58.6 billion out of a total of R78.5 billion spent during this period; and in 2002 the Auditor-General pointed out that not a single Eastern Cape Standing Committee on

Public Accounts (Scopa) resolution had been implemented in the seven financial years between 1995 and 2002 (General Report of the AGSA, 1997, section 6).

2.22 CONCLUDING REMARKS

The present chapter has demonstrated that good governance is a rather complex issue to address. The basis of the good governance concept lies in democracy and democratic governance ensuring human rights. This implies that governance is not restricted to concerning only the government but merely includes the whole society. Civil society obtains a role in governance by executing their rights as citizens, thus participating in governance. The legal framework connected with good governance was also explored in order to align the study with the relevant legislation of the Republic. In this chapter of the study literature relating to good governance was thoroughly explored, the guiding theory of the study was systems theory of good governance where it showed that bureaucratic system with bureaucratic leaders delays progress and undermines service delivery as well as good governance. It is through this chapter where it was revealed that some elements of auditing were borrowed from the private sector, this was explain through forensic analysis of internal auditing as a pillar of good governance.

CHAPTER 3

THE AUDITOR-GENERAL AS A SUPREME AUDIT INSTITUTION (SAI) - STRENGTHS AND CHALLENGES OF THE AG

3.1 INTRODUCTION

According Ebrahim (1999:58) corruption has been identified as a scourge capable of threatening our new democracy. Reports on incidences of corruption have become a recurring theme in the media, creating the impression that the new transforming administration of the public service is corrupt and that the rot is setting in. There has been an outcry from civil society, the media, and the public, together with a growing demand that government should prevent this issue from becoming an all-consuming problem. At the same time, there is a growing realization that we need to get to grips with this phenomenon if we are to address it. Fortunately, government is now showing signs of taking the lead in this regard

The Constitution of South Africa (Act 108 of 1996) provides the legal basis for combating corruption, promoting good governance and moved away from apartheid and colonial past. According to Nzewi & Musokeru (2014) the Auditor-General was established on 31 May 1910 as result of South African Act of 1909 (AG, 2011a: 8). According to the AG (2011a:8), it became operational on 12 May 1911 with the commencement of the Exchequer and Audit Act, 1911 (Act No. 21 of 1911). In 1993 the Amendment Act (Act No. 123 of 1992) granted the AG full independence from government, which gave the organisation the requisite autonomy to execute its mandate fully without fear, favor or prejudice (AG, 2011a:8). In 1994, as part of the transitional process, the democratic government incorporated the most appropriate elements of the public auditing from the past into the new dispensation. Since 1994, the AG as SAI of the Republic of South has grown into a respected pillar of the country's democratic architecture. The AGSA is established in terms of section 181 (1) of the Constitution of the Republic of South Africa (1996) as a state institution supporting constitutional democracy. It has a constitutional mandate and as the SAI of the country it exists to strengthen the country's democracy by

enabling oversight, accountability and governance in the public sector, thereby building the public confidence.

This chapter elucidates the state and challenges faced by the office of the Auditor-General as well as its contribution in strengthening good governance.

3.2 THE ROLE OF SUPREME AUDIT INSTITUTIONS IN PUBLIC RESOURCE MANAGEMENT

According to Ramkumar, de Renzio and van Zyl (2009:8) decisions about how to allocate public funds between agencies and activities reflect a government's policy and service delivery goals. But decisions about where to spend money are only effective if such money is actually spent as intended, and if this money is spent in the appropriate way. The authors further state that SAIs are among the most important agencies for ensuring that this actually happens. Though the government itself plays the primary role in implementing the budget, it is the SAI that checks whether the budget has been implemented appropriately. In most countries the legislature should play an important role in enforcing audit findings and recommendations. However, it is the SAI that generates the investigations of the government's budget execution and diagnoses potential problems. Furthermore, the reports of the SAI are the only independent source of information on budget implementation. As such, they are often the only source of reliable information on the government's efficiency and effectiveness available to the public (Ramkumar, de Renzio and van Zyl 2009:8).

The 1977 Lima Declaration cited in Ramkumar, de Renzio and van Zyl (2009:8) states that through their auditing work, SAIs should pursue the following four objectives:

- communication of information to public authorities and the general public through the publication of objective reports
- development of sound financial management
- proper execution of administrative activities
- proper and effective use of public funds
-

3.2.1 Various types of audits

Financial auditing assesses the accuracy and fairness of both the accounting procedures utilised by a government agency and the financial statements it produced. The primary question that it investigates is: “Do the audited statements or reports accurately portray the financial condition and/or activities of the audited entity?” Without such audits it is very unlikely that we would know what the government does with public resources because reliable documents with this information would not be otherwise published.

Compliance audits assess whether funds were used for the purposes for which they were appropriated by the legislature and in compliance with the relevant laws and regulations. The primary question that they ask is: “Did the audited entity comply with applicable laws and regulations?” Transactions are reviewed to determine whether government departments and agencies conformed to all pertinent laws and regulations. Without compliance audits we would not know, for example, whether budgeted resources were spent on the items approved by the legislature.

Some SAIs — mostly in developed countries — have started moving beyond these basic audit functions to evaluate “the proper and effective use of public funds.” This has led them to explore performance audits, also known as value for money (VFM) audits, audits that analyse cost-effectiveness (economy), operational efficiency, and the general effectiveness of government programs in achieving their objectives.

3.3 CHALLENGES FACING THE OFFICE OF THE AGSA

Previous research indicates that despite their critical role in enforcing accountability, Supreme Audit Institutions’ (SAIs) are beset with severe institutional and operational limitations and the AGSA as the SAI of South Africa has no exception (Nzewi & Musokeru, 2014). According to Ramkumar and Krafchik cited in Nzewi & Musokeru (2014) in some countries the SAI is not created by legislation that provides adequate independence and freedom from executive interference. Even in cases in which SAIs have sufficient audit mandate, they may lack additional investigative powers to enable them to follow up on

apparent violations and ensure prosecution of relevant agencies or Individuals (Nzewi & Musokeru, 2014). These are some of the challenges faces by the SAIs. Although the office of the Auditor-General South Africa has in the past years proved to be quite effective in exposing corruption and the unaccountable manner in which government resources are used, the office experiences a lack of authority to ensure that the executive acts on the recommendations of the Auditor-General (Van der Waladt *et al.*, 2002:273). The office of the Auditor-General faces a number of institutional, capacity structural and technical challenges and threats, and it has its strengths at the same time these are discussed below.

3.3.1 Political challenges

According to Nzewi & Musokeru (2014) before one can explain the political challenges besetting the office of the AG in executing its duties, it is imperative to first establish what is meant by politics. Van Niekerk, *et al.*, (2001:311) define politics as an aspect that is concerned with the use of state power. It is the actions that certain role players take to ensure that policies and procedures are or are not implemented (Van Niekerk, *et al.*, 2001:311). According to Fox & Meyer (1995:98) cited in Nzewi & Musokeru (2014), politics refer to the process by which power is applied to determine whether and how government is to be executed in any given area. Thus politics is all about the use of power and authority to govern.

The political challenge facing the AGSA is that it lacks sufficient authority to ensure that audit findings and recommendations are acted on. Visser and Erasmus (2002: 46) argue that it is important to note that Auditor-General's authority ends with the report and recommendations made to parliament on each audited department. The AG has no legal authority to prosecute or dispense disciplinary action; this is left to other public institution such as Director of Public Prosecutors and the Public Protector (Visser and Erasmus, 2002:46). Van der Waladt *et al.*, (2002:273) provided that “the office of the Auditor-General has in the past years proved to be quite effective in exposing corruption and the unaccountable manner in which government resources are used”. Unfortunately, the office experiences a lack of authority to ensure that the executive acts on the recommendations of the Auditor-General (Van der Waladt *et al.*, 2002:273). According to

Van der Walddt *et al.*, (2002:273) while the Auditor-General provides reports and recommendations to the legislative body, these reports are rarely debated in parliament. The lack of power and authority to enforce recommendations is a major challenge to the functioning of the AG; thus resulting in other resolutions aimed at improving financial accountability not being implemented. Although the AG's annual reports offer distressing insights into weak governmental financial systems, the AG can only make recommendations.

According to the Auditor-General (2011b:13) the reason for slow progress towards clean audits in the Eastern Cape is the fact that almost half of the political leaders at municipal level have not been responsive to the messages of the AGSA. In some cases internal audit reports were not responded to at all or were responded to too late for appropriate actions to be implemented, while recommendations were not implemented, resulting in repeat findings during follow up audits.

3.3.2 Debt collection

According to the office of the AG (AG, 2009a: 9) the management of the Auditor-General's working capital and liquidity has become an area of serious concern over the years. Delays in debt collection, which is a key element of working capital, have resulted in serious cash flow problems for the organisation. The Auditor-General will be implementing new working capital strategies to address this challenge (AG, 2009a: 9). The Parliament of the Republic of South Africa (2012:14) provides that at the end of 2011/2012 financial year, the total outstanding debt was R480 million compared to 31 March 2011. This indicates that a number of auditees are not paying their audit fees on time or not paying at all.

Parliament (2012:15) states that the local government was owing R206 million of the total debts of R480 million, the national departments owing R63 million and the provincial departments owing R124 million. This presents a major challenge to the work of AGSA as far as capital management is concerned since it heavily relies on audit fees because it does not receive allocation from the national budget (Parliament, 2012: 20). The debt collecting challenges to the office of the AG also have an impact on the Office's ability to

pay its creditors in time. The AG (2010a: 55) argues that during the 2009-2010 financial year, the rate of compliance with creditors' payment terms was 70% which was below than the target of 80%. This threatens the reputation of the AG to its creditors.

3.3.3 High vacancy rate

According to the AG (2009a: 9) attracting and retaining sufficient qualified skilled staff is becoming increasingly difficult for the AGSA given the scarcity of accounting and auditing professionals in South Africa. The AG operates in an environment where skills are scarce and there is high mobility among professionals with those skills required. Staff retention is a major challenge for the office of the AG, as was clear from staff turnover rate which was 20% and well above the financial sector average turnover of 16% (AG, 2008: 47). To build the AG's auditing and accounting skill base, which is directly affecting its mandate, the organisation has for some time been investing in Trainee Accounting Scheme (TA Scheme) (AG, 2009a: 9). Recruitment for the TA Scheme which also addresses employment equity requirements is now being driven in conjunction with an improved retention strategy (AG, 2009a: 9). According to the AG (2009a: 10), while some degree of outsourcing is a necessity considering the workload of the AG, the current vacancy rate is counterproductive. It compels the organisation to draw disproportionately on outsourcing skills, which adversely affects cash flow management and financial sustainability of the institution (AG, 2009: 10).

3.3.4 The cost of auditing

Another challenge threatening the work of the Auditor-General is the cost of auditing. According to the AG (2009a: 31) the cost of auditing to the government is driven by a combination of factors, those which are controllable and those which are not. The factors over which the AG has significant control and which drive the cost of auditing include the following:

- The span of control within the audit business units and audit teams,
- The ratio between work performed by the AG's own staff (own hours) and that contracted out to private audit teams (contract work),

- The recovery of time ratio of individuals within the audit teams (AG, 2008: 31)

The largely uncontrollable factors which provide challenges and threatening to the office of AG include the scope, size, and complexity of the entity being audited, the inherent risk relating to the nature of activities of the entity and the maturity of financial management capability within the entity (AG, 2008: 31).

The Auditor-General (2009a: 9) states that another ongoing challenge is the need for continuous improvement of the AG's business processes to ensure that they are efficient and cost effective, and support effective risk management and decision making. According to the Auditor-General (2008: 31) the total cost of auditing increased over the years. The major factor that contributes to increase in cost of auditing is the increase in contract work. Contract work increased by 67% as a result of the actual audit staff vacancies and staff turnover being higher than anticipated (AG, 2008: 32). The contracting out strategy assist the AG in managing workload during peak periods and limits idle time during low periods. As a result the cost of auditing continues to be the major challenge that threatens the work of the office of the Auditor-General.

3.3.5 Non-compliance with legislation

Amongst the serious challenges facing the office of the AG is that most institutions and departments in provincial government do not comply with all relevant pieces of legislation that govern public finance management. In the General Report on the Provincial audit outcomes of Eastern Cape Provincial Government 2010-2011, the Auditor-General states that compliance refers to adherence by auditees to the regulations to which they are subject. Conversely, non-compliance refers to acts of omission or commission by auditees, either intentional or non-intentional (AG, 2011e: 23). Non-compliance with laws, rules and regulations is rife in the Eastern Cape provincial government and the AG, more often than not, strongly regrets this. The AG (2010b: 7) provides that a trend of non-adherence to laws and regulations appears to be prevalent within the Eastern Cape provincial government. The Eastern Cape provincial government comprises of 27 auditees, consisting of 15 departments and 12 public entities (AG, 2012: 27). The most prevalent issues relating to compliance with laws and regulations are the non-adherence

to supply chain management policies and procedures, making payments within a prescribed periods and the audit committee as well as internal audit not fulfilling their legislative duties (AG, 2010b: 7).

In 2010, non-compliance with supply chain management principles that resulted in irregular expenditure was reported in the audit and financial statements of nine Eastern Cape provincial governments namely, Agriculture, Economic Development and Environment Affairs, Education, Health, Human Settlement, Public Works, Roads and Transport Safety and Liaison, Social Development and seven provincial entities namely, Eastern Cape Art and Culture Council, Eastern Cape Gambling and Betting Board, Eastern Cape Liquor Board, Eastern Cape Rural Finance Corporation, Eastern Cape Tourism, Eastern Cape Youth Commission and Mayibuye Transport Corporation (AG, 2010b: 30). The accounting officers of three departments (Public Works, Roads and Transport and Social Development) condoned irregular expenditure totaling R90, 6million which arose as a result non-compliance with the supply chain management prescripts (AG, 2009b: 27).

The AG (2009b: 27) argues that the level of non-compliance with the supply chain management regulations and the resultant irregular expenditure are indicative of potential fraud risks in the procurement processes of the affected departments. According to the AG (2010b: 10) during the 2009-2010 financial year, all 13 Eastern Cape provincial departments did not comply with the requirements for effective human resources management. These weaknesses impact on the department's financial management and their ability to deliver services in accordance of their mandate (AG, 2010b: 10). Moreover, all the 13 departments did not meet all the requirements for control over compensation of employees, and these weaknesses could lead to employees receiving compensation and benefits they are not entitled to (AG, 2010b: 10). Departments and public entities are required by the PFMA to submit their financial statements for auditing by 31 May annually and the AGSA is required to complete an audit within two months of receipt of the financial statements. However, by the deadline of 31 May 14 (93%) departments had submitted their financial statements for auditing (AG, 2011e:12). The department of Education was the only auditee within the Eastern Cape portfolio that submitted financial statements after the prescribed date (AG, 2011e: 12). To this end, non-compliance with the relevant

legislative frameworks that governs public finance management by many government departments in the Eastern Cape provincial government is a major challenge hindering the work of the AG.

3.3.6 Technical challenges

The office of the Auditor-General is facing a number of challenges in executing its oversight over sight role of promoting financial accountability and good governance. Technology is extensively used in the office of the AG. Information and communication technology (ICT) supports computers used in auditing. According to the AG (2010a: 65) the networks that connect the office of the AG across the country are used for electronic communications such as conference facility. These have come under pressure due to the increased number of users and applications that use them (AG, 2010a: 65). Another technical challenge facing the office of the AG is that information technology (IT) staff who are technically competent are hard to find (AG, 2010a: 66). Weaknesses such as IT strategic plans not being developed, IT steering committees not having been established and IT not treated as a strategic priority in the Eastern Cape provincial government all impede the office of the AG to effectively perform its responsibilities.

3.3.7 Leadership

According to AG, (2009a: 9) the office of the Auditor-General recognises that an engaged leadership is a critical success factor for all change interventions within the organisation, including those relating to the revised vision, mission/reputation promise and culture. To develop the desired leadership competencies within the Auditor-General, various leadership-focused initiatives for the senior leadership were introduced in 2007 and are being extended to other management levels. These initiatives will ensure that the redefined strategy is effectively communicated and implemented with clear lines of accountability (AG, 2009a: 9).

3.4 STRENGTHS

This section describes the environment in which the Auditor-General operates, highlighting the organisations strengths it has in enabling oversight, accountability and governance in the public sector

3.4.1 Unique and Independent

According to AG, (2009a: 9) the Auditor-General is the only public sector audit institution in South Africa authorized by the Constitution of the Republic of South Africa and PAA to audit and report on the accounts, financial statements and financial management of public sector institutions and administrations. Although it operates in a captive market or environment full of problems and challenges as alluded in the section above, the office of the Auditor-Generals knowledge and experience of South African public sector auditing is unrivalled, enabling it to fulfill its constitutional mandate fully and effectively.

Section 181(1) of the Constitution guarantees the Auditor-Generals independence, and the PAA also underlines the constitutional provisions concerning independence. In addition, the constitutional and statutory framework contains provisions that are accepted markers of independence (AG, 2009a: 9). This allows the Auditor-General to perform its powers and functions without fear, favour or prejudice. The task of the Auditor-General is to provide an independent investigation and evaluation of the financial administration and reporting of the executive authority of the public sector (AG, 2009a: 9). In this way, it assists Parliament or any other legislative body to exercise its oversight function.

3.4.2 Global reputation and among other stakeholders

The AG, (2009a: 9) state that as one of the international supreme audit institutions (SAI), the Auditor-General is part of the international fraternity that provides international audit services. For example, the Auditor-General is involved in developing financial management and accountability models for the public sector in parts of Africa. In addition, the Auditor-General of South Africa has audited the World Health Organization and the United Nations Industrial Development Organization, and is presently auditor to the

United Nations Organization itself. These contracts have been obtained competitively and are evidence of the Auditor-Generals good standing and professionalism (AG, 2009a: 9). Moreover, the AG, (2009a: 9) provides that a recent survey conducted by the Professional Standards Committee of INTOSAI indicated that South Africa is a leader in applying both the International Federation of Accountants (IFAC) and INTOSAI standards in its audits. This demonstrates that the Auditor-General of this country is one of the leading public sector audit institutions in contributing to democratic insight and monitoring the application and use of public funds.

The AG, (2009a: 18) also provides that the involvement of the Auditor-General in the international arena is carefully balanced against its legal mandate. It further state that the strategy is to ensure that, as an SAI, it is able to benefit from and contribute to international auditing developments and also add value to the global public sector audit community. This strategy also provides for knowledge sharing, both internally and externally, as well as opportunities for employees to gain broader experience. Exposure to international auditing assignments is maximised by maintaining a core team of dedicated international auditors, and by providing fixed short-term opportunities to professional audit staff drawn from all the audit business units throughout South Africa(AG, 2009a: 9).

According to AG, (2009a: 9) the results of the most recent annual reputation surveys that the Auditor-General has conducted show that external stakeholders respect and value the role of the organisation in strengthening public sector financial management and, in turn, South Africa's democracy. This is especially so in respect of the Auditor-Generals reputation among key stakeholders such as the National Assembly's Standing Committee on the Auditor-General, the National Treasury, provincial legislatures and professional bodies such as the Accounting Standards Board (ASB). The close working relationships that the Auditor-General has with such stakeholders are essential for the organisation to fulfil its mandate effectively and efficiently, especially considering the technical nature of the work done and the range of audit information required (AG, 2009a: 9).

3.5 CAPABILITY MATURITY MODEL

According to AG, (2009a: 101) the financial management capability model (FMCM) is initially used to assess the financial management maturity of the auditees as part of the audit planning phase. The AG, however, decided to use the same measurement framework in order to ascertain the maturity levels of its own business processes and risks, thus extending the FMCM to be an integrated capability maturity model (CMM) that not only covers financial management, but looks at the AG processes holistically (AG, 2009a: 9). A capability model can be defined as a yardstick against which it is possible to judge, in a repeatable way, the maturity of an organisation's processes and compare it to the state of practice in the industry. It is a tool to measure the current status of an organisation, determine process areas of improvement, and plan, prioritise and evaluate the implementation of the areas of improvement (AG, 2009a: 101). Maturity models therefore provide best practices, measurement standards and improvement paths.

The AG, (2009a: 101) define the term maturity as the effectiveness of an organisation's development processes. When an organisation uses no processes at all, it is considered immature and thus operates in an environment where risk is high and predictability is low. When the organisation uses refined processes it is considered mature and thus operates in an environment where predictability is high and risk is low. The AG, (2009a: 101) provides the levels of maturity as the following:

Level 1: Start-up level where no proper control framework exists

There is evidence that the organisation has recognised that the issues exist and need to be addressed. There are however no standardised processes. The organisation as a whole is not process-orientated. Instead there are ad hoc processes that tend to be applied on an individual or case-by-case basis. The overall approach to management is disorganised. The success or failure of these organisations depends on the talents of staff, good luck or good fortune. The key focus for improvement at this level would be disciplined processes.

Level 2: Development level where a proper internal framework is developed

Processes have developed to the stage where similar processes are followed by different people undertaking the same task. There is no formal training or communication of standard procedures and responsibility is left to the same individual. There is a high degree of reliance on the knowledge of individuals and therefore errors are likely. Here the key focus for improvement would be standard consistent processes.

Level 3: Control level which focuses on the compliance and control

Procedures have been standardised and documented and communicated through training. Projects are managed using repeatable processes and the organisation has the infrastructure to support a process-driven environment. It is however left to the individual to follow these processes and it is unlikely that deviations will be detected. The procedures themselves are not sophisticated but are the formalisation of existing practices. The key focus for improvement would be predictable processes.

Level 4: Information level that measures the utilisation of resources with effective results

The economic, efficient and effective utilisation of resources is managed, measured and reflected in reliable financial information.

Level 5: Management level that will determine the utilisation of resources with effective results

It is possible to monitor and measure compliance with procedures and to take action where processes appear not to be working effectively. Processes are under constant improvement and provide good practice. Automation and tools are used in a limited or fragmented way. At this level we are looking at continuously improving processes.

Level 6: Optimisation level which enables continuous improvement and learning

This is the highest level of maturity. Processes have been refined to a level of best practice, based on the results of continuous improvement and maturity modelling with other organisations. Information technology is used in an integrated way to automate the

workflow, providing tools to improve quality and effectiveness, making the enterprise quick and adaptable.

Figure 3.1 Capability maturity model

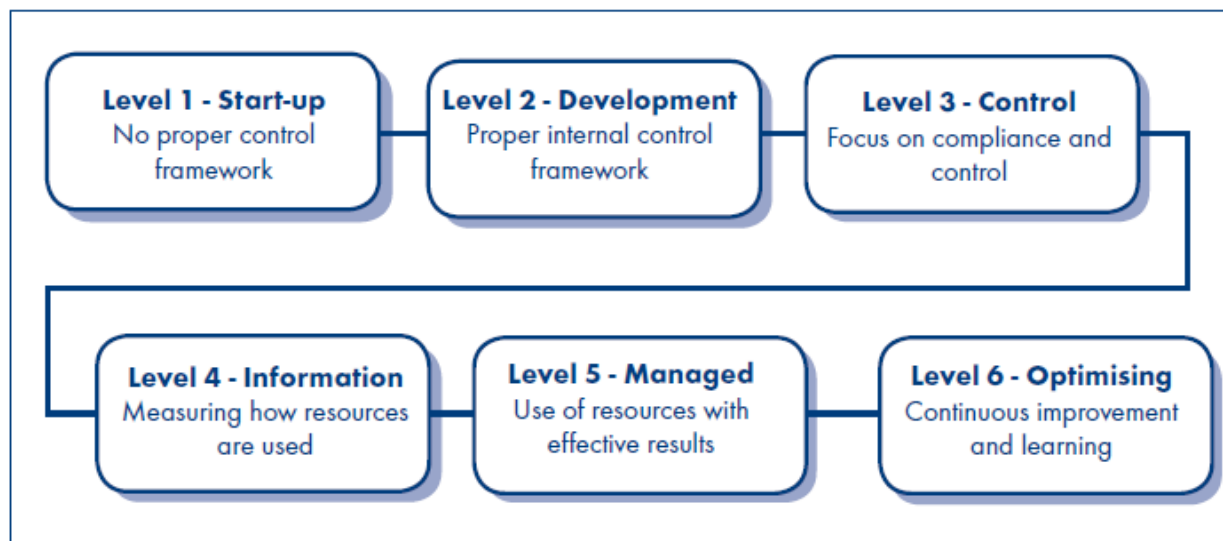


Figure 3.1: Extracted from AG, (2009a: 102)

3.6 THE STRATEGY IMPLEMENTATION PLAN OF THE AUDITOR-GENERAL

3.6.1 Strategic goal: Value and service excellence

In enhance service offerings and other features the AG, (2009a: 16) provides that the Auditor-General aims to fulfill its mandate by delivering the right mix of audit products and services such as regularity audits, performance audits, auditing of performance information and international audits. Although regularity audits remain a main focus area, the other audit services are being increased in response to the imperative of remaining relevant to stakeholders. Performance auditing focuses on the evaluation of measures implemented by management to ensure that auditees procure resources economically and used efficiently and effectively. According to the AG (2011e: 12) in striving for relevant audit reporting, the Auditor-General has been investing significantly in the analysis of audit findings at root cause level. This is part of the process of moving from the provision of one financial audit opinion to four different audit opinions, namely on financial information, performance information, compliance with laws and regulations and internal

control. The move towards expressing a separate opinion on compliance with laws and regulations, as well as on internal control, is in the conceptualisation phase (AG, 2011e: 12). While development is ongoing in all these areas, the most prominent elements are root cause analysis, which will eventually lead to a separate reflection on internal control. Auditing of performance information (AoPI), should lead to a separate opinion on performance information in the near future.

3.6.2 Strategic goal: Financial sustainability

According to AG, (2009a: 25) the Auditor-General aims to continue running its business efficiently by being financially sustainable through the following measurable objectives:

3.6.2.1 Improve financial performance

The financial turnaround plan is a structured plan for diagnosing and addressing the root causes of the sub-optimal performance of the Auditor-General's Finance department. Critical interventions in the financial turnaround plan are to employ the right people in Finance, deliver product that is relevant and timely and streamline processes to increase efficiencies. A number of milestones have been achieved, but the project continues and longer-term milestones will be achieved over the years (AG, 2009a: 25).

3.6.2.2 Improve working capital management

According to AG, (2009a: 26) collecting funds from auditees and paying creditors are both critical factors for the efficient management of working capital. The target is 30 debtors' days for national and provincial government departments and 90 days for local government departments. The payment term for creditors is 30 days after the date of statement. In practice, this results in the Auditor-General collecting its debts in 60 days on average but paying its creditors within an average of 45 days from invoice date. This impacts on the Auditor-General's working capital management. The ring-fencing of certain debt ensures that long-outstanding debt does not affect the collection of current debt. It also ensures that debts which are problematic to collect within the targeted period are dealt with separately, without the risk of their being written off. Another initiative being

employed is the e-billing tool, which will assist in speeding up billing and therefore facilitate collection from auditees.

3.6.3 Strategic goal: Operational excellence

According to AG, (2009a: 26) achieving operational excellence by improving processes is a project that began in the 2006-07 financial year. The project started out by identifying all processes within the Auditor-General, and then pointing out key processes and problem areas requiring immediate attention. Where processes were not at the required level, these would be re-engineered in such a way as to lift their maturity to the desired level. Process maturity has a direct link with an organisation's ability to accept change and ensure consistency of service delivery. It is therefore especially relevant in the light of the service delivery focus of government. The five-year target is to move all key internal processes to level 3 as a minimum, meaning that the processes should have improved beyond just focusing on compliance and control.

3.6.3.1 Risk management

There is a link between risk management and the goal of operational excellence. Specifically, the risks that have been identified dictate which processes are prioritised for improvement projects. In addition to the process improvement aspect of risk management, there is also a legislative requirement for risks to be addressed. Section 43 of the PAA requires the Deputy Auditor-General to establish and maintain a system of risk management and internal control. Up to now, risk management has focused primarily on key operational risks. During 2009-10 financial year, enterprise-wide risk management was introduced. According to the AG (2011e: 12) Enterprise-wide risk management is a structured and systematic process that is interwoven with existing management responsibilities. It provides a framework for analysing risks and opportunities, with the ultimate objective of creating value for the Auditor-General. It entails the alignment of the organisation's strategy, processes, people, technology and knowledge to meet its risk management purpose, and offers a systematic and integrated way of identifying and responding to all the sources of risk. Enterprise-wide risk management provides a coherent framework for dealing with all the risks brought about by operating in the new

economy. It puts managers in the best position to see the risks they face, assess the implications relative to the entire organisation and plan an integrated response (AG, 2011e: 22).

3.6.3.2 Improve information and communications technology tools

According to the AG (2011e: 25) the Auditor-General aims to improve the ICT tools within the organisation. Users will have a suite of technology providing access to relevant information, innovative communications products and streamlined tools to facilitate the audits. To achieve this, the ICT business unit has embarked on a five-year strategic plan that supports the overall organisational strategy. After implementing this strategy, all systems will be integrated and updated, and there will be only one source of all data that all users can access with ease. An enhanced security layer around the technologies will protect the Auditor-General's intellectual capital (AG, 2011e: 25).

3.6.4 Strategic goal: Leadership and transformational excellence

This goal is designed to ensure that the Auditor-General adequately capacitates its employees with the right tools and systems to do their jobs in line with the desired performance-driven culture.

3.6.4.1 Improve leadership effectiveness

After developing a blueprint of the desired organisational culture in 2006, the Auditor-General launched a leadership effectiveness initiative to enhance leadership practices. The next step was to incorporate a measure for leadership into the annual culture index. The rationale for this was that a healthy culture and motivated employee corps are the ultimate reflection of the effectiveness of the leadership of an organisation (AG, 2011e: 25).

According to the AG (2011e: 25) since culture change is a long-term initiative, the focus is continue to support the senior leadership team to

- strategically align the organisation with the desired vision, mission/ reputation promise and culture

- develop leadership competencies
- implement coaching and mentoring processes for senior managers
- redesign and implement performance management, including rewards and recognition schemes.

3.6.4.2 Develop a professional and diverse workforce

According to AG, (2009a: 30) The Auditor-General is committed to recruiting, developing and retaining diverse professionals so that it has the talent to accomplish its mission. Achieving the mission depends on more than just the right workforce size and structure. It also requires the right people, in the right jobs at the right time.

3.6.4.3 Percentage of trainee accountants retained

According to AG, (2009a: 30) More than 50% of the Auditor-General's staff are trainees. The intention is to retain trainee accountants after they qualify but, owing to strong industry competition for auditing resources, it may not be possible to retain 100% of all qualified trainees. To maximise its retention capacity, the Auditor-General will focus on the following:

- Developing and implementing retention strategies for keeping trainee accountants.
- Doing monthly monitoring of attrition and retention rates among trainees.

3.6.5 Reputation management excellence

According to AG, (2009a: 30) The Auditor-General's reputation promise is directly linked to the products and services that it has to deliver to make a difference in South Africa by fulfilling its constitutional mandate. The organisation know will that it has delivered on this strategic mandate and reputation promise when all its stakeholders:

- know and understand the unique role that the Auditor-General fulfils as a Supreme Audit Institution and

- recognise that the Auditor-General is making a relevant contribution in strengthening South Africa's democracy.

3.6.4.4 Improve reputation

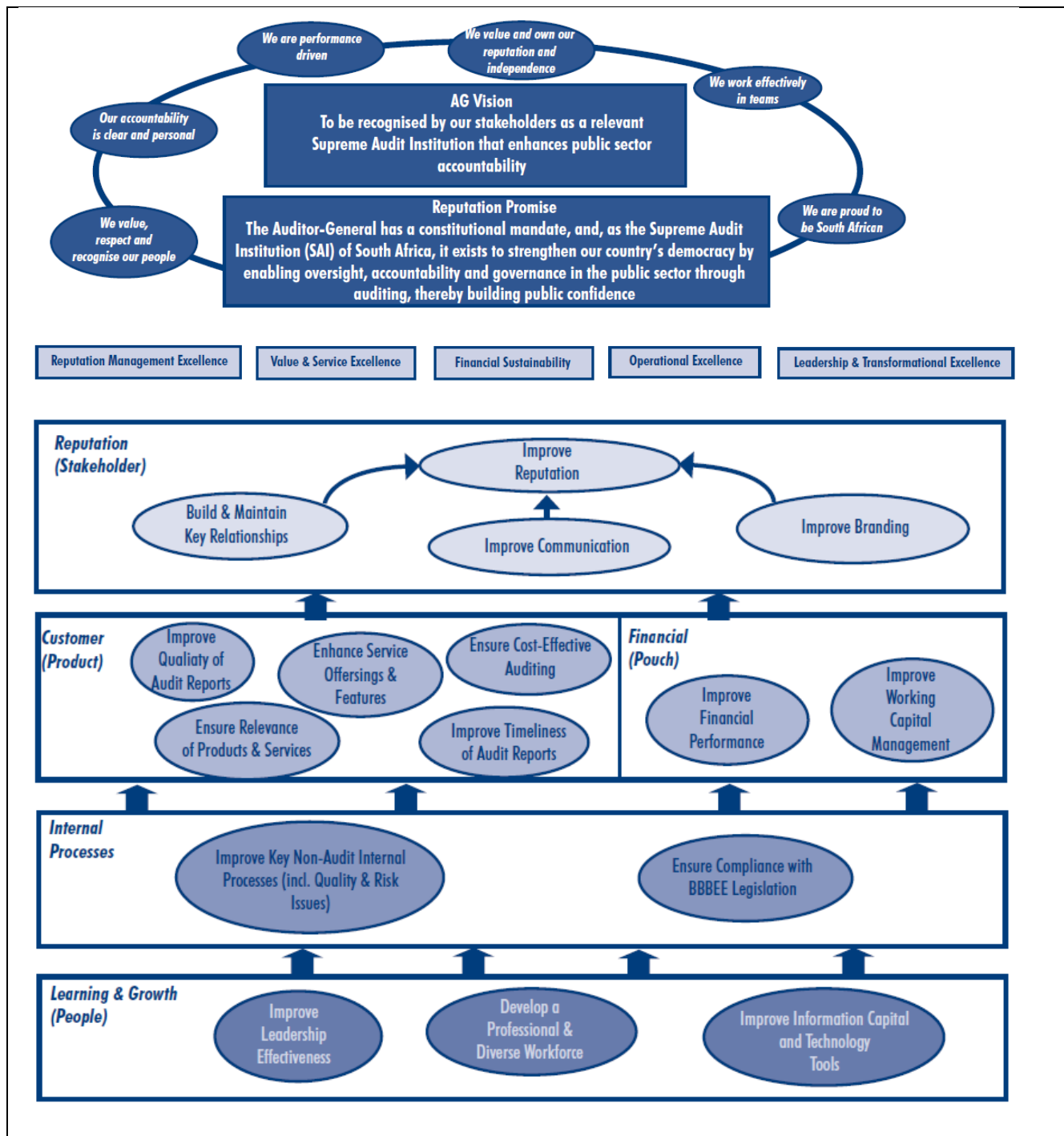
The reputation of the Auditor-General is described as the collective opinion of all its internal and external stakeholders, built over time, in terms of its constitutional mandate and reputation promise. According to AG, (2009a: 30) the following issues will continue to receive specific attention over the years:

- Continued focus on improving and strengthening media liaison, since the media is a key channel for keeping the South African public informed about the Auditor-General's role and contribution to strengthening our country's democracy.
- Increased focus on creating awareness and understanding of the Auditor-General's mandate and performance, by improving and strengthening all internal and external corporate communication messages and channels to effectively reach all its key stakeholders.
- Continued investment in further building and improving the Auditor-General's corporate identity (branding), both in terms of its physical environment and all tangible forms of visual presentation. This will ensure that the way in which the organization visually presents itself is fully aligned with and in support of its desired reputation and culture. This is a multi-year programme.
- Continued focus on supporting the Auditor-General's initiative to make its audit reports more relevant and user-friendly, by helping the institution to communicate more effectively both in the reports and about the reports, in order to get the organisation's message across to all relevant stakeholders.

The Auditor-General's strategic goals are the pillars of excellence that define the organisation's direction and the strategic results it aims to achieve in support of the vision and reputation promise. These strategic goals will ensure that the Auditor-General enhances the customer experience and excels in providing values and services to key stakeholders. The following strategy map of the Auditor-General is a visual representation

of the Auditor-General's strategic objectives and how they align with the organisational vision and reputation promise.

Figure 3.2 Strategy Map



3.7 CONCLUDING REMARKS

According to the various sources consulted in this chapter the AGSA as a Supreme Audit Institution (SAI) is faced with many challenges just like any other public institution and those challenges may hinder its constitutional mandate if they are left unattended to. As a SAI the office of the AG has its set objectives such as among others, communication of information to public authorities and the general public through the publication of objective reports, development of sound financial management, proper execution of administrative activities, proper and effective use of public funds.

The present chapter also revealed that AGSA has its strengths such as uniqueness and independency meaning that no one influences its decisions, it also boasts with good global reputation through participating in international bodies. It was evident through this chapter that the AGSA is operating in the same environment as all the auditees, this means that AGSA has the direct experience of the conditions the auditees experience and therefore can make meaningful recommendations based on being experts in the field of accounting and other related fields as well as being the institution faced with similar organisational challenges itself.

CHAPTER 4

RESEARCH METHODOLOGY

4.1 INTRODUCTION

Research methodology is generally concerned with formulating systematic and logically coherent sets of methods for acquiring knowledge and information. This chapter presents a summary of the research design, and methods which were used. The research design presents the methodology and research methods that were implemented in the study. There are two types of social research, namely qualitative and quantitative research. However, the researcher opted to use a qualitative research. In this approach, procedures are not strictly formalised, while the scope is more likely to be defined and a more philosophical mode of operation is adopted. Creswell (1994:10) propagates that in qualitative research the rules and procedures are not fixed.

Qualitative research is open as well as emerging, and therefore this design calls for an individual, who is willing to take risks inherent in an ambiguous procedure. Clear processes and skilled planning of the research are therefore crucial aspects of qualitative research. The research design enables the researcher to use data collection techniques that suit the research problem. Creswell (2009:4) defines qualitative research methods as a means for exploring and understanding individuals or groups ascribed to a social or human problem.

The research process involves emerging questions and procedures, data typically collected in the participants' settings, and the researcher making interpretations of the meaning of the data. Those who engage in this form of inquiry support a way of looking at a research that honors an inductive style, a focus on individual meaning and the importance of rendering the complexity of a situation (Creswell, 2007:5). De vos *et.al* (2005:333) adds to the above definitions by Creswell when he says that qualitative research covers a spectrum of techniques, the centrepiece of which is formed by observation, interviewing and documentary analysis, and these may be used in a wide

range of disciplines, for the purpose of this study the researcher opted to use documentary analysis.

4.2 RESEARCH DESIGN

The study used the qualitative research approach. According to Van Maanen (cited in Welman, Kruger and Mitchell, 2005) qualitative research is an umbrella phrase covering an array of interpretive techniques which seeks to describe, decode, translate and otherwise come to terms with the meaning of naturally occurring phenomena in the social world. From this assertion, Welman *et al.* (2005) came to the conclusion that the qualitative approach is fundamentally a descriptive form of research. Lewis, Taylor and Gibbs (2005) posit that qualitative data is information gathered in a nonnumeric form. It is a way of collecting information on the knowledge, values, feelings, attitudes, beliefs and behaviours of the target population. Mouton and Marais (1990) writes that qualitative research is characterized by the fact that the researcher is trying to get to multiple meanings and interpretations rather than impose one dominant interpretation.

According to Creswell (2009:3) research designs are plans and the procedures for research that span the decisions from broad assumptions to detailed methods of data collection and analysis. This plan involves several decisions of which design should be used to study the topic. Creswell further states that the selection of a research design is also based on the nature of the research problem or issues being addressed, the researcher's personal experience and the audiences for the study (2009:3). Mouton (2001:55) says that a research design is a plan or blue print of how one intends conducting the research. According to his explanation a research design focuses on the end product, formulates a research problem as a point of departure, and focuses on the logic of research.

4.3 DOCUMENT ANALYSIS

One of the main purposes of this method is a sense-making activity on economic, political and current governance condition within South Africa and its provinces. Another is to

identify issues that still need clarification and further exploratory research, thus assisting in framing questions for other researchers.

The documents selected for this study are based on two aspects; firstly, who produced the document, secondly, when the document was produced. The question of who produced the document is important as the producer needs to have necessary resources to carry out a thorough investigation, reports only facts, and is non-biased (Fay, 1997). Therefore government approved documents are analysed as they are considered to have the necessary resources and non-biased towards a certain view. The date of when the document is produced is important as it provides context in regards to economic and political conditions, as well as providing a tool for pattern findings (Poynton, 2000). Since the AGSA mostly plan for five years, for accuracy of this study it was vital for the researcher to mostly analyse documents from 2009 upwards, for acts and other pieces of legislation used most are those amended after 1994 because that's when the current administration being investigated came into power.

This stage primarily involves obtained texts from books, government departments' documents, laws, codes, and reports. For the purpose of this study, information was sought from the following official documentary sources:

- Auditor General. (2007) *Annual Report of the Auditor General for the Financial Year 2006-2007*. Pretoria: Government Printers.
- Auditor General. (2008) *Annual Report of the Auditor General for the Financial Year 2007-2008*. Pretoria: Government Printers.
- Auditor General. (2009a) *Budget and Strategic Plan of the Auditor General of South Africa 2009-2012*. Pretoria: Government Printers.
- Auditor General. (2009b) *General Report on the Provincial Audit Outcomes of the Eastern Cape 2008-2009*. Pretoria: Government Printers.
- Auditor General. (2010a) *General Report on the Auditor General for the Financial Year 2000-2010*. Pretoria: Government Printers.
- Auditor General. (2010b) *General Report on the Provincial Audit Outcomes of the Eastern Cape 2009-2010*. Pretoria: Government Printers.

- Auditor General. (2011a) *Annual Report of the Auditor General for the Financial Year 2010-2011*. Pretoria: Government Printers.
- Auditor General. (2011b) *General Report on the Provincial Audit Outcomes of the Eastern Cape 2010-2011*. Pretoria: Government Printers.
- Auditor General. (2011e) *General Report on the Provincial Audit Outcomes of the Eastern Cape 2010-2011*. Pretoria: Government Printers.

De Vos *et al.* (2005) cited in Gwanzura (2012) posit that when documents are studied, it is of cardinal importance that the researcher evaluates the legitimacy, or validity and reliability of documents. The reason for this is that the authors of documents sometimes harbour ulterior motives such as money or prestige. The AGSA reports and the Annual Departmental reports were regarded as reliable and valid for the research mainly because they are official government documents. These documents were useful because they contained the relevant information needed for the research project.

As stated by Gwanzura (2012) the document study as the instrument for data collection has the following advantages: *Relatively low cost*- document study is relatively more affordable than, for instance, a comprehensive survey; *Non-reactivity*- unlike surveys or experiments where respondents are aware of the fact that they are being studied, producer of documents do not necessarily anticipate the analysis of their documents at a later stage. The contents of the documents are thus not affected by the activities of the researcher; and *Inaccessible subject*- the researcher does not need to make personal contact with the respondent(s) (De Vos *et al.*, 2005).

However, the researcher was aware of the following disadvantages of document study: *Incompleteness*- reports, statistical records and historical documents are often incomplete, which means that there are gaps in the data base that cannot be filled in any other; *Bias*- since documents were not intended for research purposes, there are factors that can influence the objectivity of documents. For example, annual reports of organisations may be formulated to influence consumers positively; and *Lack of standard format*- Documents differ quite widely as regards their format. Comparison is then made difficult or impossible, since valuable information contained in a document at a particular point in time may be entirely lacking in an earlier or later document (De Vos *et al.*, 2005).

According to Welman, Kruger and Mitchell (2005:151), apart from the non-reactivity associated with the unobtrusive nature of (these) official statistical and archival sources, their greatest advantages are the ease and low cost involved in obtaining them, and the fact that these are especially useful in such large-scale investigations. All the artefacts utilized proved invaluable and freely available on the internet sources as well as on departmental website of the departments under study.

4.4 DATA ANALYSIS

Patton (2002) writes that qualitative analysis *transforms* data into findings. This involves reducing the volume of raw information, sifting significance from trivia, identifying significant patterns and constructing a framework for communicating the essence of what the data reveal. Mouton (1996) describes data analysis as involving 'breaking up' the data into manageable themes, patterns, trends and relationships.

According to De Vos *et al.* (2005) data analysis is the process of bringing order, structure and meaning to the mass of collected data. The purpose of analysis is to reduce data to an intelligible and interpretable form so that the relations of research problems can be studied tested and conclusions drawn. In this study, data was analysed using the filtering technique and content analysis. The filtering method is whereby the researcher filtered out any irrelevant information contained in the voluminous reports (Gwanzura, 2012).

4.5 ETHICAL CONSIDERATIONS

Bak (2004) explains that any research that involves people must show an awareness of the ethical considerations and an agreement to conduct the research in accordance with ethical procedures. There are various ethical considerations when conducting a research, but this study considered honesty in reporting of results. The falsification of research results or the misleading reporting of results was avoided (Welman *et al.*, 2005). The information gathered from official documents was used for academic purposes only.

4.6 LIMITATIONS OF THE STUDY

Like all studies of a similar nature, this study will have limitations which signal caution to the generalisation of the findings. The use of official documents as the only source of data for the study raises some questions over the research findings. Questionnaires and interviews could have been used as other data collection techniques but because of the sensitive and confidential nature of the information sought by the study, the researcher opted for a documentary study.

4.7 CONCLUDING REMARKS

This chapter has given an explanation of the research methodology applied in this study. The researcher opted for the qualitative approach and data was collected from official documentary sources the researcher believed as having the required information. Auditing issues concerning the good governance observed in the study were highlighted and justified. The chapter concluded by detailing how the mass of collected data were analysed using the filtering technique and content analysis. The next chapter will focus on the presenting findings and discussions using the methodology explained in this chapter.

CHAPTER FIVE

PRESENTATION OF FINDINGS AND DISCUSSIONS

5.1 INTRODUCTION

The previous chapter discussed the methods the researcher will use to carry out the research. This chapter discusses the research findings obtained from the documents analysed in order to answer the research question of whether or not the AGSA contributes to the good governance of the Eastern Cape.

5.2 THE EASTERN CAPE PROVINCE 2012-13 GENERAL REPORT OF THE AG

Analysing the results of the audit outcomes of the Eastern Cape provincial government for the financial year ended 31 March 2013 the AG stated that during 2009-10, with the intensified focus on the drive to clean administration by 2014, the AG message started out with the need for the administrative leadership, under the direction and intervention of the executive leadership, to entrench financial discipline through the basic principles of daily, weekly and monthly monitoring and reporting. AG also emphasised the need to validate reported information and constant monitoring.

This message evolved to include the need to fill vacancies with personnel who have the required skills, to implement performance management systems, and to apply consequences for poor performance. According to the AG, 2012 there are those auditees where the executive and the administrative leadership took ownership of the messages or recommendation from the AG and those that did not. On an overall basis, the number of auditees with qualified and disclaimed audit opinions increased, negating a number of significant improvements in outcomes.

According to the AG, 2012 the group of auditees that took ownership of the recommendations by the AG recorded noticeable improvements includes the Office of the Premier and the Provincial Treasury that improved to clean audit opinions. These two departments are now leading by example through focused attention to basic key controls,

which enhances the credibility of information used for enforcing accountability. The AG also take note of the movement of the Department of Education away from the long-standing disclaimed opinion to a qualified opinion as well as the strides that the Department of Health is making in further reducing the number of qualification areas in its audit report. This is significant to the province, as these two departments represent 74% of the provincial budget. The positive response to the audit recommendations by the political leadership at these departments and the focused support from the above-mentioned coordinating departments laid the foundation for the improvement (AG, 2012).

In stark contrast, it is clear that the auditees that regressed did not heed AG recommendations over the past number of years and as a result their control environments have remained unsatisfactory, or have even deteriorated. On this basis, the audit outcome of the Department of Roads and Public Works another one of the big spending departments has steadily regressed and needs urgent attention. The key to sustainable improvements at these auditees is the implementation of effective key controls that filter through to the daily financial and performance management disciplines and the continuous monitoring thereof, which is good governance.

5.3 AUDIT AND REPORTING PROCESS

5.3.1 Internal control/root cause analysis

According to the AG, 2013 different aspects of an entity's internal control may affect the audit. Internal control is a process designed and implemented by those charged with governance and management to address risks that may threaten achievement of the entity's objectives, which include the reliability of financial reporting. The PFMA and MFMA require the accounting officer/authority to ensure that the entity has and maintains effective, efficient and transparent systems of internal control, as well as financial and risk management. As an integral part of the regularity audit, the Auditor-General obtains an understanding of the internal control at the entity and identifies the root causes of matters reported in both management and audit reports, whether due to material misstatements or limitations placed on the scope of the audit. These root causes are directly related to the system of internal control.

According to the AG, 2012 the AG audit all 14 departments and 12 public entities in the province, also called auditees in this study, so that they can report on the quality of their financial statements and annual performance reports and on their compliance with legislation. They also assess the root cause of any error or non-compliance, based on the internal control that had failed to prevent or detect it. The AG include these aspects in the following three types of reports:

- They report their findings, root causes and recommendations in management reports to the senior management and accounting officers or authorities of auditees, which are also shared with the members of the executive council (MECs) and the audit committees.
- The AG opinion on the financial statements, material findings on the performance report and non-compliance with legislation as well as significant deficiencies in internal controls are included in an audit report, which is published with the auditee's annual report and dealt with by the public accounts committee and relevant portfolio committee.
- Annually the AG report on the audit outcomes of all auditees in a provincial general report, in which also analyse the root causes that need to be addressed to improve audit outcomes in the province. Before the general reports are published, the outcomes and root causes are shared with the provincial leadership, the Provincial Legislature and key role players in national and provincial government.

Over the past few years, the AGSA have intensified its efforts to assist provincial government to improve its audit outcomes by identifying the key controls that should be in place at auditees; assessing these on a quarterly basis; and sharing the assessment with MECs, accounting officers or authorities, and audit committees (AG, 2012). According to the AG, 2012 During the audit process at each auditee, the AG work closely with the accounting officer, senior management, audit committee and internal audit unit, as they are key role players in providing assurance on the credibility of the financial statements, performance report as well as the auditee's compliance with legislation. The AG also continue to strengthen their relationships with the Premier, MECs, the Provincial Treasury and the Provincial Legislature, as they are convinced that their involvement and oversight have played and will continue to play a crucial role in the performance of auditees in the province. The AG share their messages and recommendations on key

controls, risk areas and root causes with them, and obtain and monitor their commitments to implement initiatives that can improve audit outcomes.

5.3.2 Components of internal control

- The control environment establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.
- The risk assessment involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.
- Control activities policies, procedures and practices that ensure management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.
- Information and communication supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows the entity's employees to carry out their financial reporting duties.

Monitoring, covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.

Figure 5.1 Audit process and key communication phases

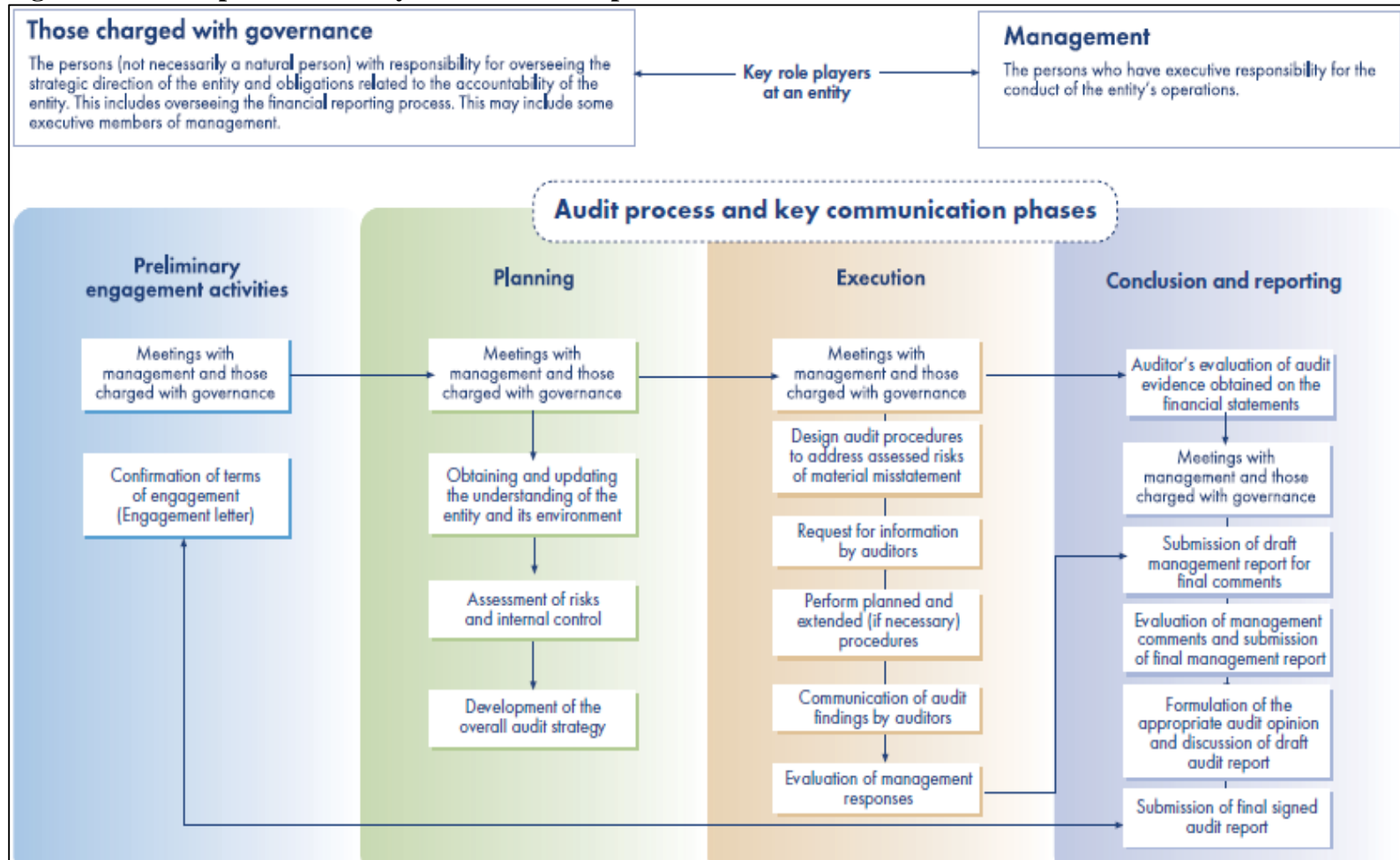


Figure 5.1: Extracted from Audit communication and reporting of the Auditor-General 2013

5.4 OUTCOMES OF THE DEPARTMENTS OF EDUCATION, HEALTH AS WELL AS ROADS AND PUBLIC WORKS

According to the AG, 2012 the highlights in the 2012-2013 cycle is the movement of the Eastern Cape Department of Education from a long-standing disclaimed opinion to a qualified opinion. While the Department of Health (DoH) did not improve its outcome, the number of qualifications was reduced considerably. Although these two departments have made significant strides, a large amount of the work was only done towards the end of the year. This means that daily and monthly processes are not yet embedded in the control environment, which places the sustainability of these outcomes at risk. The continued assistance and support of all role players, including oversight and governance bodies as well as the Provincial Treasury and the Office of the Premier, are required to sustainably build on the positive movement towards clean administration evident in the past year.

The AG office is very concerned about the regression of the Department of Roads and Public Works to a disclaimer. According to the AG, 2012 historically, this department avoided a disclaimer of opinion due to last-minute audit adjustments, but the fact that the response to the AG recommendations remained slow and control shortcomings were not sustainably addressed unavoidably resulted in the regression.

5.4.1 Findings on the quality of the annual performance report

The quality of the annual performance reports improved slightly from the previous year, as eight (32%) of the auditees had no findings on the usefulness or reliability of their performance reports. Unfortunately, the Departments of Education, Health and Roads and Public Works, the departments that are responsible for almost 80% of the provincial expenditure and, accordingly, carry a massive service delivery expectation – all had findings on both the usefulness and the reliability of their service delivery reporting. The fact that the service delivery reporting of such a substantial portion of the provincial budget allocation was less than satisfactory is cause for serious concern.

It is encouraging that the number of auditees with usefulness findings dropped below 40% from 62% in the previous year. This improvement can be attributed to improved planning

processes, while the lack of progress on the reliability of information was the result of inadequate control systems relating to the collection, collation and reporting of actual reported performance information against planned indicators and targets. The lack of appropriate control systems was also the most significant non-compliance finding relating to annual performance reports.

The fact that a lack of competence and skills amongst key officials is identified as a root cause at 85% of the auditees definitely links to the poor showing of auditees in this area of reporting. The provincial leadership is urged to prioritise the appointment of officials with the appropriate competencies and skills in the area of performance reporting, and to support these officials with dedicated training programmes.

5.4.2 Non-compliance with legislation

Compliance with legislation has improved slightly over the past three years, with three auditees (12%) having no findings on non-compliance with legislation. This improvement from two auditees (8%) in 2011 and no auditees in 2012 is particularly encouraging, as it includes the Office of the Premier and the Provincial Treasury, which are two of the three coordinating departments in the province. However, the very slow rate of improvement at the other auditees was due to a lack of consequences for the deliberate or negligent breaching of applicable legislation and a lack of regular reporting on compliance with key legislation. The Department of Education, Health as well as Roads and Public Works were once again among those departments that need to improve.

According to the AG, 2012 the most significant non-compliance findings, which were applicable to more than 50% of the auditees, related to poor procurement practices; material amendments to the financial statements submitted for audit purposes; shortcomings in strategic planning and weaknesses in performance management; and a failure to prevent or detect unauthorised, irregular as well as fruitless and wasteful expenditure. The findings on strategic planning and performance management related mostly to a lack of internal controls over the preparation of performance reports.

5.4.3 Unauthorised expenditure

The unauthorised expenditure for the year has reduced significantly by R53 million, from R306 million in 2012 and R139 million in 2011. Only the Department of Health incurred unauthorised expenditure during the year. This reduction can be attributed to the improved in-year budget monitoring.

5.4.4 Irregular expenditure

Irregular expenditure increased to R2 181 million during 2013 from R1 270 million in 2011. This increase can be attributed to increased non-compliance in the area of supply chain management (SCM), which made up more than 81% of the total irregular expenditure incurred, due to a slow response to AG messages on SCM.

The AG has included these messages in their general reports since 2009-10 and has had many interactions with the political and the administrative leadership in this regard. This is particularly applicable to the Departments of Education, Health as well as Roads and Public Works, as these departments incurred 89% of all of the SCM-related irregular expenditure during the year 2013.

5.4.5 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure increased to R748 million in the year 2013 from R159 million in 2012 and R117 million in 2011. This increase was caused by errors in subsidies paid by the Department of Education to section 21 schools amounting to R614 million and medical malpractice settlements of R108 million paid by the Department of Health.

5.4.6 Department of Education

The department improved from a long-standing disclaimer, based on the inability to produce the necessary supporting documents for the financial statements, to a qualified opinion. Although the sustainability of these outcomes is still questionable this was the result of the following:

- Focused support from the Office of the Premier and the Provincial Treasury.

- Strengthening the leadership by appointing permanent key management officials with the appropriate skills and competencies.
- Regular and robust interaction between the office of the AG and the executive of the department.
- Implementation of action plans to address the previous year's qualifications on compensation of employees, expenditure, and accruals.
- Centralisation of HR information and expenditure vouchers as well as the improved ability of the department to retrieve these documents.

5.4.7 Department of Health

Implementing specific long-term action plans, the political leadership responding to the message and certain recommendations of the AG, as well as the filling of critical vacancies at top management and institutional level with qualified and competent staff, produced positive results at this department. Although the audit opinion of the department did not improve, it showed a marked improvement in the number of qualifications received. The most critical of these that have been addressed are the previous year's qualifications on assets and accruals. However, it remains concerning that although the political leadership was responsive towards the messages of the AG, some stagnation and even regression in the key internal controls were caused by the reluctance and unwillingness of the administrative management to commit to specific improvements as recommended in the audit messages.

5.4.8 Department of Roads and Public Works

The AG remains concerned about this department, and the regression from a qualified opinion to a disclaimer has been inevitable. The message of the AG to the department for the last number of years has been that root causes are not addressed, temporary fixes are put in place, and no commitment to clean administration is evident.

According to the AG, 2012 previous reports clearly indicated that even the qualified outcome was not sustainable. Historically, the department avoided disclaimers of opinion

due to last-minute audit adjustments and interactions. The fact that root causes were not addressed led to a point where audit adjustments alone could no longer prevent the regression from a qualified opinion to a disclaimer. This department is now the only one in the province with a disclaimer of opinion. Critical elements that led to the current status include the following:

- An absence of effective oversight at leadership level to prevent the continued deterioration of the control environment.
- Key positions were not filled, or the officials appointed in these positions did not have the required skills to adequately carry out their functions effectively.
- The daily, weekly and monthly financial routines that we had previously recommended were not carried out.
- The leadership did not implement an efficient, effective and transparent financial and performance management system and did not take accountability for the sound and sustainable management of the affairs of the department.

Figure 5.2 Movement of the 26 auditees in the Eastern Cape Province

		Unqualified with no findings	Unqualified with findings	Qualified with findings	Adverse/Disclaimed with findings
6	Improved	<ul style="list-style-type: none"> Office of the Premier Provincial Treasury Eastern Cape Socio Economic Council 	<ul style="list-style-type: none"> Human Settlements Eastern Cape Provincial Legislature Political Party Fund 	<ul style="list-style-type: none"> Education 	
15	Unchanged		<ul style="list-style-type: none"> Economic Development, Environmental Affairs and Tourism Local Government and Traditional Affairs Provincial Legislature Safety and Liaison Social Development and Special Programmes Transport Eastern Cape Development Corporation Eastern Cape Gambling and Betting Board Eastern Cape Liquor Board Eastern Cape Parks and Tourism Agency Eastern Cape Provincial Arts and Culture Council Eastern Cape Rural Development Agency 	<ul style="list-style-type: none"> Rural Development and Agrarian Reform Health Sport, Recreation, Arts and Culture 	
5	Regressed			<ul style="list-style-type: none"> East London Development Zone Government Fleet Management Services 	<ul style="list-style-type: none"> Roads and Public Works Mayibuye Transport Corporation Eastern Cape Appropriate Technology Unit

Table 5.2: Extracted from General report on the provincial audit outcomes of the Eastern Cape 2012-13

Table 5.2 analyses the movement in the audit outcomes of the different auditees since the previous year. Historically, the public entities formed the pillar of the more favorable audit outcomes, while the departments represented most of the qualified and disclaimed outcomes. In the 2012-13 cycles, however, the situation changed significantly, with the outcomes of four departments and one entity improving and the outcomes of one department and four entities regressing.

The number of unqualified departments improved from 60% to 67%, while the unqualified entities regressed from 92% to 64%. This trend was expected, as support by the Office

of the Premier and the Provincial Treasury focused more on departments, with entities being flagged for support in the 2013-14 financial period. To a lesser degree, the regression at entities can also be attributed to the relatively high turnover of staff in key positions, such as chief financial officers and heads of SCM units.

5.5 INITIATIVES AND IMPACT OF KEY ROLE PLAYERS ON AUDIT OUTCOMES

MECs and accounting officers use the annual report to report on their financial position, their performance against PDOs, and overall governance; while one of the important oversight functions of legislatures is to consider auditees' annual reports. To perform their oversight function, they need assurance that the information in the annual report is credible. To this end, the annual report also includes the AG audit report, which provides assurance on the credibility of the financial statements, and the annual performance report as well as the auditees' compliance with legislation. In addition to the Auditor-General of South Africa, other role players also contribute to the credibility of financial and performance information and compliance with legislation, by ensuring that adequate internal controls are implemented.

Only a limited number of role players at the senior management level of the departments are fully providing the required level of assurance and, as the foundation of assurance, this level needs the most improvement. Accounting officers and MECs rely on senior management, which includes the chief financial officer, chief information officer and head of the SCM unit, for implementing basic financial and performance management controls. These controls include the following:

- Ensure proper record keeping so that complete, relevant and accurate information is accessible and available to support financial and performance reporting.
- Implement controls over daily and monthly processing and reconciling of transactions.
- Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.
- Review and monitor compliance with legislation.
- Design and implement formal controls over IT systems.

5.5.1 Accounting officer or accounting authority

The level of assurance provided by the accounting officers (heads) of departments and the accounting authorities of public entities is marginally better than that of senior management, but their impact on creating an effective control environment is not evident at many auditees. There has been some improvement in the status of those internal controls for which accounting officers and authorities are responsible. However, the still present weaknesses in effective leadership, planning, risk management as well as oversight and monitoring functions do not support sustainable practices that will lead to improved audit outcomes. Although accounting officers and authorities depend on senior management for designing and implementing the required financial and performance management controls, they should create an environment that helps to improve such controls by focusing on the following:

- Provide effective and ethical leadership, and exercise oversight of financial and performance reporting and compliance with legislation.
- Implement effective HR management to ensure that adequate and sufficiently skilled staff are employed.
- Set the correct tone to improve the performance and productivity of staff by implementing sound performance management processes, evaluating and monitoring performance, and imposing proper consequences for poor performance.
- Establish policies and procedures to enable sustainable internal control practices, and monitor the implementation of action plans to address internal control deficiencies.
- Establish an IT governance framework that supports and enables the achievement of objectives, delivers value and improves performance.
- Implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored.

- Ensure that an adequately resourced and functioning internal audit unit is in place and that internal audit reports are responded to.
- Support the audit committee and ensure that its reports are responded to.

5.5.2 Members of the executive councils (MECs)

According to the AG, 2012 the executive authorities in the province are the MECs. They have a monitoring and oversight role in their portfolios and play a direct role in departments, as they have specific oversight responsibilities in terms of the Public Finance Management Act and the Public Service Act. They therefore need to ensure that strategies and budgets are aligned to the mandate and that objectives are achieved. They can bring about improvements in the audit outcomes by becoming more actively involved in key governance matters and by managing the performance of the accounting officers and authorities. In the past three years, the AG has increasingly engaged with MECs on how they can bring about improvements in the audit outcomes of their portfolios. At these interactions, they discussed the status of key controls and MECs' commitments to improve audit outcomes, while also sharing identified risks. The meetings improve MECs' understanding of the audit outcomes and messages and also address the progress of interventions to ensure a positive impact on these audit outcomes.

5.5.3 Internal audit

Internal audit units assist accounting officers and authorities in the execution of their duties by providing independent assurance on internal controls, financial information, risk management, performance management and compliance with legislation. Internal audit units were in place at all departments. Although most were not yet providing the extensive level of assurance required, there has been some improvement since the previous year, 2012. The operations of all the internal audit units complied with relevant legislation. However, the AG assessment of the internal audit units indicates that only 50% of these units had a positive impact on the audit outcomes. Internal audit units can only be effective if they are adequately resourced, audit committees oversee and support their operations, and accounting officers and senior management cooperate and respond to their advice and recommendations.

5.5.4 Audit committee

An audit committee is an independent body that advises the accounting officer or authority, senior management and the MEC on matters such as internal controls, risk management, performance management as well as the evaluation of, and compliance with, legislation. The committee is further required to provide assurance on the adequacy, reliability and accuracy of financial reporting and information. Strong audit committees can provide the momentum for moving forward by pulling the other role players together in a united effort. As an independent adviser and specialist in the control environment, the committee is in a position to not only evaluate the credibility of information but also robustly report to the executive on who is delivering and who is not. This can provide the executive with assurance and empower them to enforce focused accountability. The success of this depends on the degree to which the MEC interacts with and supports the audit committee. On average, the work of the committees covered 92% of all the required aspects highlighted.

5.5.5 Provincial Treasury and Office of the Premier

The Provincial Treasury and the Office of the Premier strengthened and enhanced their oversight role by focusing very specifically on the Departments of Health and Education, which had a significant impact on the improvements at these two departments. Considering the nature and depth of the challenges experienced at these departments, the Office of the Premier and the Provincial Treasury took a hands-on approach and assisted by equipping the departments with appropriate skills and improving the internal controls. This level of support and engagement needs to be expanded to cover all other departments and entities, with specific emphasis on those with qualified and disclaimed audit opinions. In executing their oversight role, the Office of the Premier and the Provincial Treasury aligned their mandate to the strategic objectives in their annual performance plans. The only challenge was that the legislation defining their mandate did not specifically refer to an oversight role, but to coordination and implementation activities. As a result, the measures used in the annual performance plan did not look at audit outcomes or the impact of service delivery, which may reasonably be expected of an

executive authority. Fortunately, this did not influence the assistance provided by the Office of the Premier and the Provincial Treasury, as they still had a significant impact as described above. Going forward, these measures and the reporting thereof will have to be developed further to a level where the performance objectives can become more output driven and where the efficiency and effectiveness of oversight can be further enhanced by looking at the outcome of clean administration and the impact of service deliver.

Figure 5.3 Impact of key role players in the departments

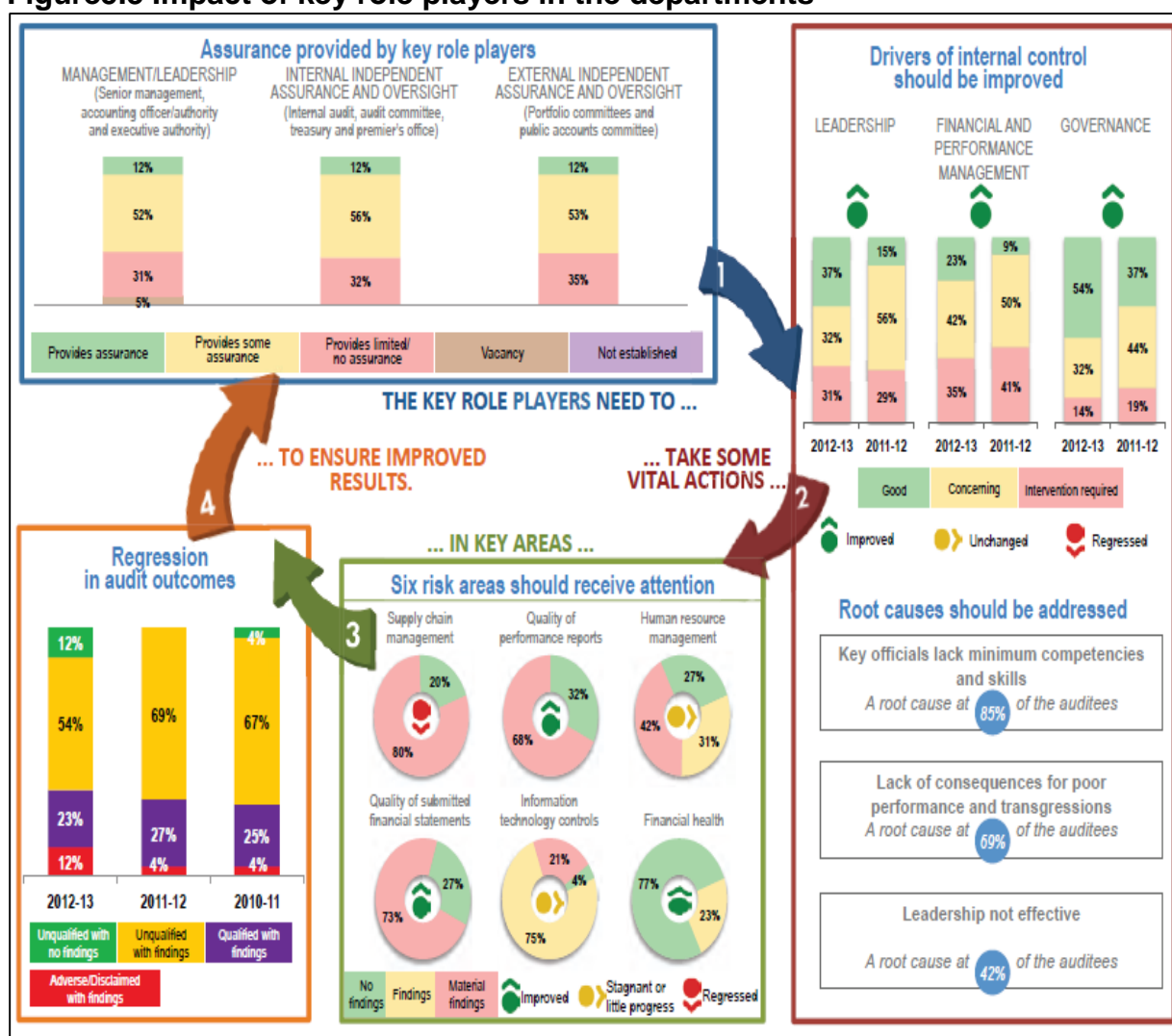


Figure 5.3: Extracted from General report on the provincial audit outcomes of the Eastern Cape 2012-13

According to the figure above there is strong correlation between the status of key internal controls, the assurance provided and ultimately the sustainability of audit outcomes. Although there has been an improvement in the status of internal controls, it has not yet been significant enough to have an impact on the levels of assurance provided. Currently, the quality of information produced at senior management level is not good enough in all the departments studied. This influences the effectiveness of all other levels of assurance as information is not always credible, which weakens effective oversight and decision-making.

A clear pattern of officials not having the required competencies and skills, a lack of consequence management for poor performance as well as ineffective administrative leadership is evident and needs to be addressed as a matter of urgency for the departments under study in the province to make significant strides towards clean administration. These challenges have contributed to the slow progress in addressing irregular expenditure, non-compliance findings, weaknesses in human resource management and the poor quality of financial statements and performance reports.

The AG has noted the positive trend of the political leadership taking the recommendations more seriously, but it is vital that this culture be instilled throughout all departments and entities for the province to move forward. This will create a good basis for fostering a culture of accountability conducive to clean administration. Furthermore, the Standing Committee on Public Accounts (SCOPA) and the portfolio committees must continue to work together and enhance their oversight through improved coordination.

Officials in key positions at 85% of the departments under study did not have the minimum competencies and skills required to perform their jobs. This root cause had an impact on service delivery reporting, financial reporting and compliance with legislation (in particular, SCM compliance). This root cause was due to the appointment of employees who did not have the required minimum competencies as well as current employees not keeping up to date with the changing environment through ongoing training and development. The lack of consequences for poor performance and transgressions was identified as a root cause at 69% of the departments. Where employees are not held accountable for their

actions, it creates a perception that unacceptable behaviour is acceptable and will be tolerated.

The AG also identified the lack of effective leadership as a root cause at 42% of the auditees. The political leadership of the province showed a willingness to address this root cause during the year 2013. This is partly evidenced in the actions taken by MECs to deal with poor performance or non-alignment to the political leadership through a number of changes in the accounting officer positions during the year 2013. However, this positive move is yet to filter through to the various levels of the departments.

5.6 AUDIT OUTCOMES OF THE DEPARTMENTS OF EDUCATION, HEALTH AND ROADS, PUBLIC WORKS AND TRANSPORT

Figure 5.4 The Department of Education

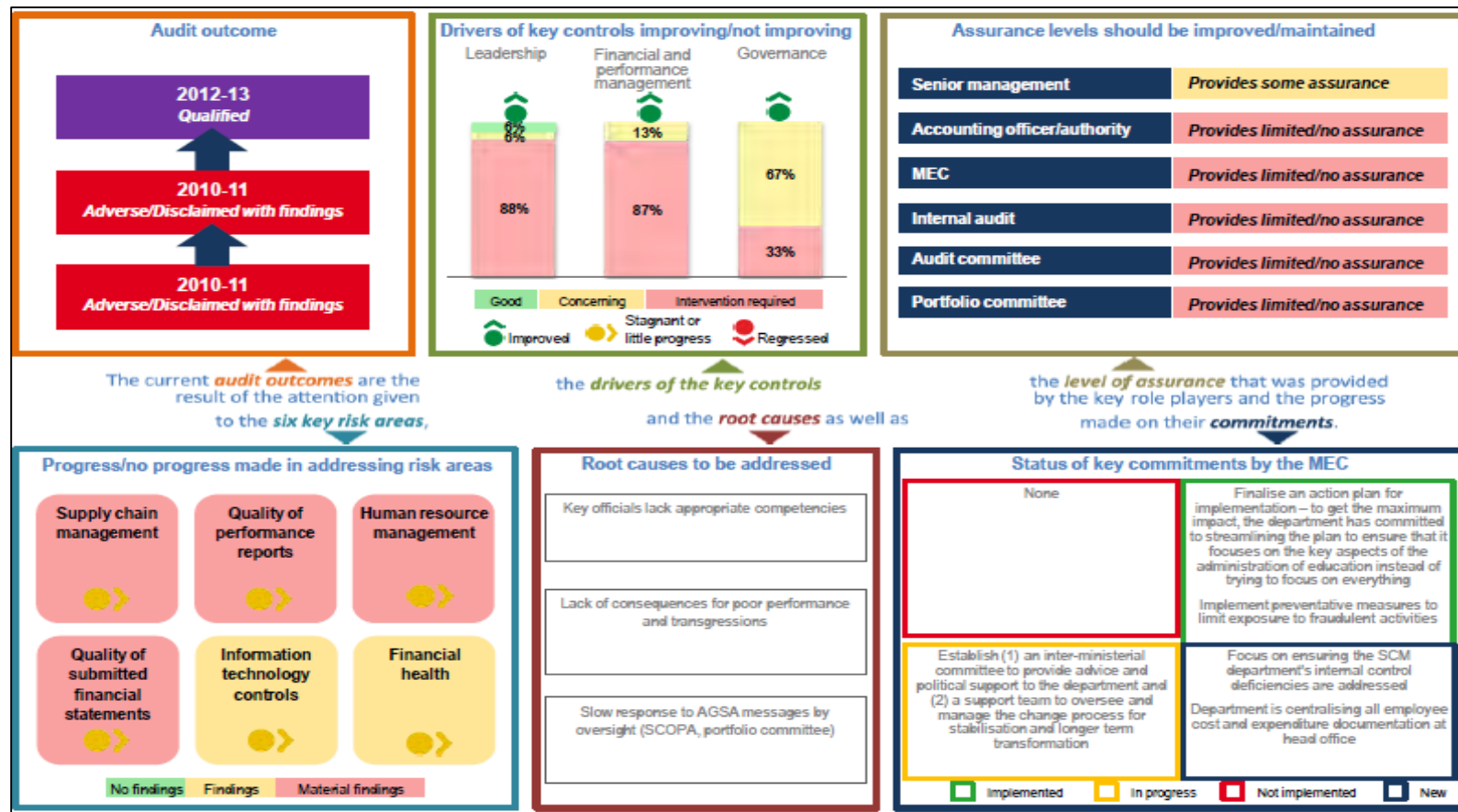


Figure 5.4: Extracted from General report on the provincial audit outcomes of the Eastern Cape 2012-13

5.6.1 Significant movement in audit outcome

The improvement in the audit outcome was the result of a collective effort by the political and the administrative leadership of the DoE, with the assistance of the Office of the Premier and the Provincial Treasury. This improvement can be directly linked to improved leadership and the appointment of key personnel with the appropriate skills and competencies. This addressed the long-standing challenge of not being able to produce information in support of the financial statements.

5.6.2 Six key risk areas

Despite the positive movement in the audit outcome, the daily and monthly financial reporting and monitoring disciplines have not filtered through to the operations of the DoE, and as a result there was not much movement in the six key risk areas. SCM remained a significant challenge, with basic internal controls not functioning to prevent irregular expenditure and an environment conducive to fraud and corruption.

The leadership did not adequately monitor key deliverables, as performance management and reporting systems were inadequate and the DoE lacked the necessary skills and competencies to manage this critical process. There was an improvement in addressing the submission of HR documents for audit purposes, but the document management system within HR should be addressed urgently to prevent a regression in future audit outcomes.

A lack of accountability and year-round financial discipline as well as insufficient review processes resulted in inadequate assurance and credibility of the financial statements. As a result, the financial statements submitted for auditing remained of a very poor quality and there was a high level of reliance on the audit process to correct material misstatements.

There was some progress in two key risk areas, most notably financial health, as measures were implemented to prevent the DoE from overspending. In addition, an IT governance framework was established, but was unfortunately not adequately implemented and monitored within the DoE.

5.6.3 Key controls and root causes

Although there was an improvement in the audit outcome, there was not a significant improvement in the key controls. This was largely due to the processes that had resulted in the improvement not being embedded in the control environment. Designing and implementing the very basic controls of record management, daily and monthly processing and reconciling as well as regular, accurate and complete financial and performance reports should remain a priority within this portfolio if they wish to improve going forward.

The MEC, accounting officer, senior management and those charged with governance should address the root causes of the audit outcomes and inadequate controls as follows:

- Implement and instill formal consequence management.
- Professionalise the DoE by focusing on recruitment and training within the department, as well as performance management.
- Accelerate the implementation of action and turnaround plans already drafted and in place in the DoE.

5.6.4 Impact of key role players on audit outcomes

The assurance provided by the accounting officer was not at the same level, due to the instability of the position, with a permanent appointment only being made at the end of the financial year. This directly affected the credibility of information produced and the ability of the other assurance providers, including the audit committee and the portfolio committee, to effectively discharge their responsibilities.

The AG met with the MEC eight times in the past year and these interactions had a limited impact on the audit outcome. The MEC was responsive to the messages and recommendations by the AG, but could not always implement these recommendations timeously as the administrative leadership only became stable towards the end of the financial year. The assurance levels should be improved by ensuring stability at the level of accounting officer and senior management, using the work already done by the internal audit unit to address control deficiencies, and directing the work of the audit committee towards evaluating turnaround plans as well as HR competencies

Figure 5.5 The Department of Health

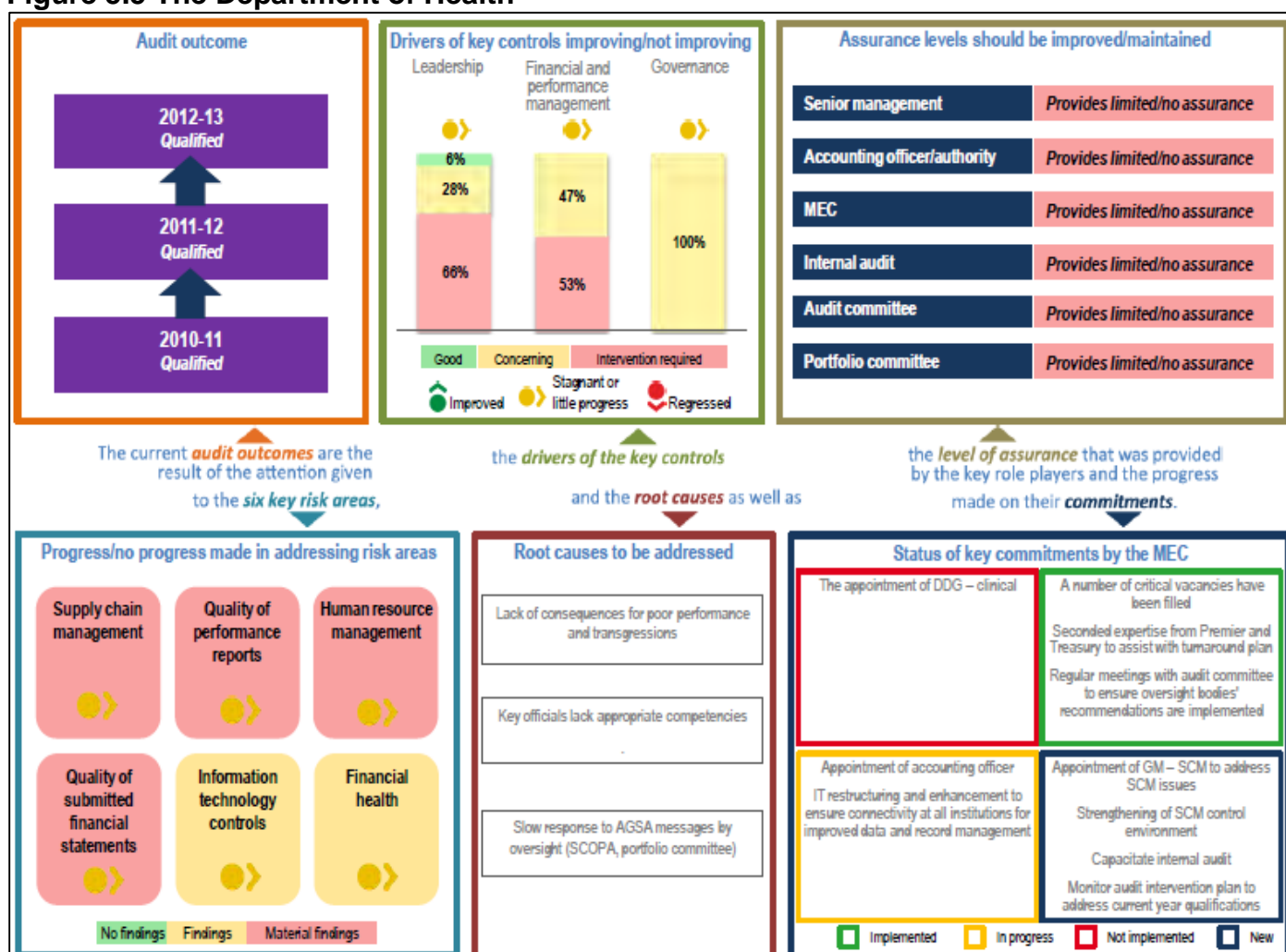


Figure 5.5: Extracted from General report on the provincial audit outcomes of the Eastern Cape 2012-13

5.6.5 Movement in audit outcome

The DoH has maintained a qualified outcome for the past three years. However, the movement of the department towards clean administration has not stagnated, as they have reduced the number of qualifications. The department addressed certain prior year qualifications, as long-term action plans produced positive results, the political leadership took ownership of implementing selected recommendations, and critical vacancies were filled. The sustainability of the progress remains to be seen and further fundamental changes in the daily financial disciplines are required.

5.6.6 Six key risk areas in DoH

Despite addressing some qualifications, the improved financial, reporting and monitoring disciplines have not filtered through to the daily operations of the DoH. This can be seen in the status of the six key risk areas where a decrease in the number of audit findings showed limited progress only in the areas of IT controls and financial health. The remaining four risk areas remained at an unacceptable level with material findings.

Of particular concern is the status of SCM, which was rooted in an outdated SCM policy and a general lack of monitoring and enforcement of legislation. This created an environment favorable for corrupt SCM practices, and affected the department's ability to prevent and detect fraudulent activity. HR management remained a cause for concern. Poor document management led to a lack of progress in addressing performance and leave management risk areas.

A lack of accountability and year-round financial discipline as well as inadequate review processes resulted in inadequate assurance and credibility of the financial statements. As a result, the financial statements submitted for auditing remained of a very poor quality and the DoH relied heavily on the audit process to correct material misstatements.

Figure 5.6 9 Public Works, Roads and Transport

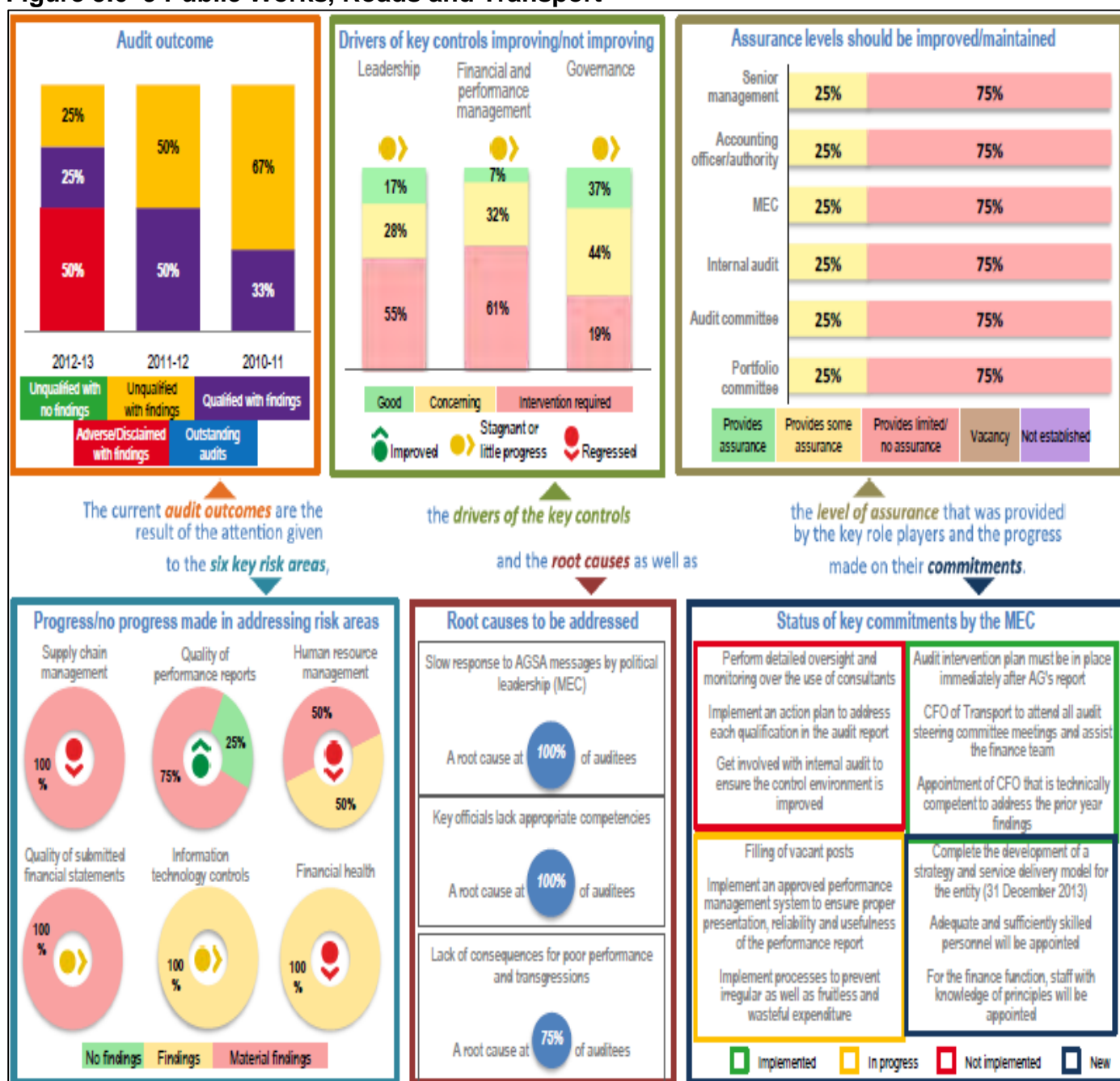


Figure 5.6: Extracted from General report on the provincial audit outcomes of the Eastern Cape 2012-13

5.6.7 Significant movement in audit outcome

At an overall level, there was a regression in the audit outcome of the portfolio. The only department that had an unchanged audit outcome was the DoT, who would have regressed if it were not for the exemption granted by the National Treasury. Historically, the Eastern Cape Department of Transport (DoT) and the Mayibuye Transport Corporation (MTC) have avoided disclaimer of opinions due to last minute audit adjustments, but the fact that the response to the AG recommendations remained slow and internal control shortcomings were not sustainably addressed, inevitably resulted in the regressions.

5.6.8 Six key risk areas

The AG was concerned about the status of the six key risk areas, which indicates that daily and monthly financial and performance reporting and monitoring did not take place in the operations of this portfolio. As a result, there were still many material findings in four of the six areas. These poor financial and performance disciplines, together with a lack of responsiveness to the messages of the AG and appropriate skills, contributed to the poor quality of the financial statements. Inadequate systems and controls as well as a lack of skills to effectively monitor and supervise HR management and SCM resulted in regressions in these critical areas. These issues also contributed to the poor quality of performance reporting, except for the MTC who had addressed all their findings. A lack of accountability for financial management and poor oversight by the leadership contributed to the findings on financial health of the department.

5.6.9 Key controls and root causes

Although there was an overall regression in the audit outcomes, there was not a noticeable regression in the drivers of internal control. This was due to the fact that the AG had identified these weaknesses in their prior year assessment, but they were not addressed by the leadership. However, this department still needs to strengthen monitoring controls if they want to move forward. With the exception of the DoT, the

portfolio will have to design and implement adequate daily, weekly and monthly financial and performance disciplines and a proper record management system. In addition, the MEC and leadership should address the root causes of poor audit outcomes and inadequate controls as follows:

- Fill critical vacancies with qualified and competent staff and provide training for current staff.
- Instill the principle of consequence management and create a culture of accountability.

5.6.10 Impact of key role players on audit outcomes

With the exception of the DoT (which makes up 25% of the portfolio) who had processes to provide some level of assurance, the leadership of the portfolio did not create an environment conducive to producing credible information. This had a direct impact on the effectiveness of the oversight bodies, including the portfolio committee, as they were unable to fully execute their responsibilities and provide adequate assurance. The audit committees continued to assist the leadership in the pursuit of accountability. However, their effectiveness was weakened by the inaccurate information submitted to them. The AG met with the MEC every quarter during the past year. These interactions had a minimal impact on the audit outcomes, as the recommendations were not fully implemented. It is critical that the challenges within this portfolio be addressed as a matter of urgency and that the processes required to enable oversight are implemented.

5.7 AUDIT OUTCOMES OF THE LEADING DEPARTMENTS

The Eastern Cape Office of the Premier (OTP) has finally achieved clean audits through the collective work of all role players and an effective leadership. An integral contribution towards this improvement was qualified key officials, stability within the leadership, and the correct tone from the executive authority. This movement is of significant importance for the province, as the OTP can now lead by example and focus on strengthening and enhancing its oversight role.

5.7.2 Key risk areas

There was an improvement in the six key areas, with no findings on the quality of the financial statements, performance reports and HR management. In respect of the IT controls, the information and communication technology governance framework has been approved, but is still being implemented and should produce positive results in the IT environment going forward. The main concern in respect of the financial health analysis is the deficit that would have been realised by the OTP had their accruals been taken into consideration as part of their current year expenditure.

Figure 5.7 Office of the Premier

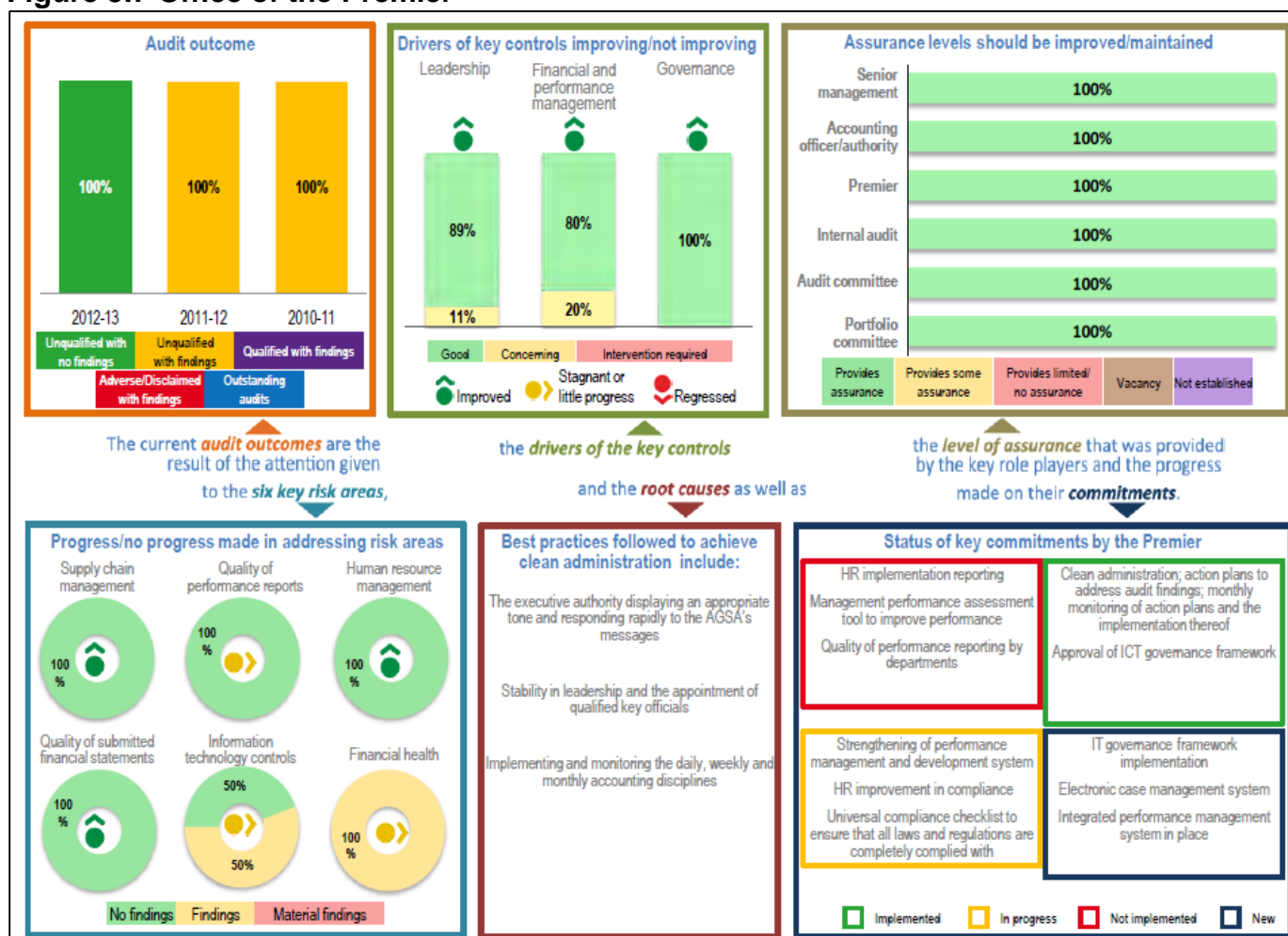


Figure 5.7: Extracted from General report on the provincial audit outcomes of the Eastern Cape 2012-13

5.7.3 Key controls and root causes

The Premier effectively honored her oversight responsibility by focusing on key controls as well as the progress made by her office on her commitments, sustained over a number of years. This was mainly achieved by the OTP taking full ownership of the key controls, with the support of the internal audit unit, as well as actively monitoring these controls on a quarterly basis. In addition, the OTP was very responsive towards the messages of the AG and timeously implemented all the recommendations.

5.7.4 Impact of key role players on audit outcomes

Senior management members understood their role in creating an environment conducive to clean administration and facilitating effective oversight. As a result, there were adequate processes to generate credible information on which to base decisions. All role players provided assurance and a culture of accountability was created for the information produced. This was done throughout the year and must be continued to maintain clean administration. It also enabled all oversight and governance bodies, including the portfolio committee, to effectively execute their oversight functions and provide assurance.

The AG met with the Premier six times in the past year and these interactions had a significant impact on the audit outcomes, as she was very responsive towards the AG messages. The internal audit units and audit committees were effective and assisted in addressing risks that could negatively affect clean administration; in so doing providing sufficient assurance on the control environment. The role players, including the governance and oversight bodies, should not become complacent but continue to execute their duties with diligence to sustain the current audit outcome.

5.7.5 Eastern Cape Provincial Legislature (ECPL) and Eastern Cape Provincial Legislature Political Party Fund (ECPLPPF)

The improvement in the audit outcome of the portfolio was as a result of the ECPLPPF moving from a qualified opinion to an unqualified opinion with findings. This was due to the fund preparing financial statements in accordance with the correct accounting framework prescribed by the National Treasury, unlike the previous years where these prescripts were not adhered to. Although the ECPL's audit outcome remained unchanged on an unqualified opinion with findings, the number of findings on PDOs and non-compliance with legislation, in particular those governing SCM, increased. This stagnated outcome was as a result of management not implementing internal and external audit recommendations, and a lack of consequences for poor performance and transgressions.

Figure 5.8 Provincial legislature

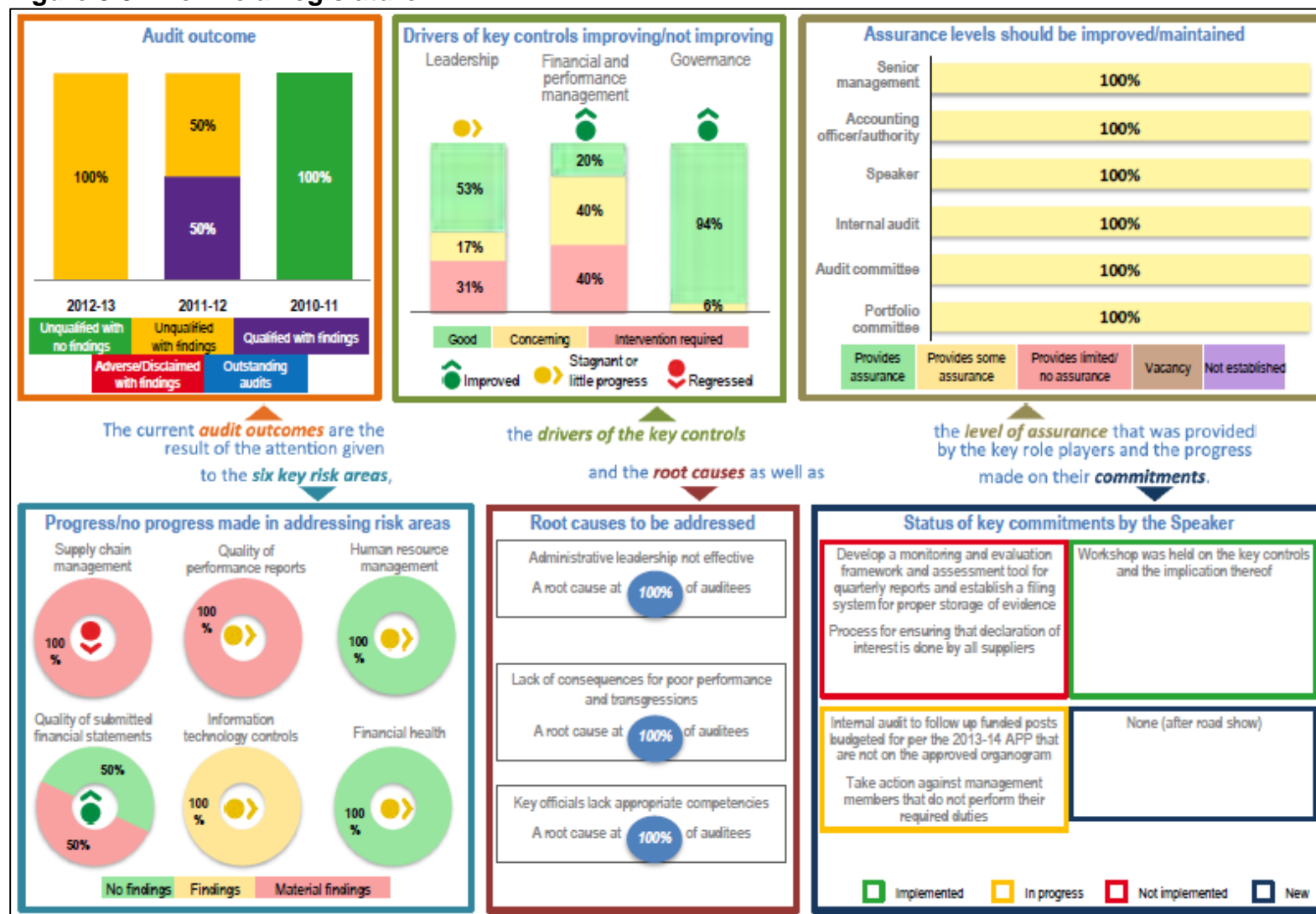


Figure 5.8: Extracted from General report on the provincial audit outcomes of the Eastern Cape 2012-13

5.7.6 Key risk areas

Four of the six key risk areas remained a concern, as the required controls governing these areas were not embedded in the control environment. The improvement in the quality of the submitted financial statements was brought about by the ECPLPPF not requiring adjustments to its submitted financial statements. This was due to it being a small entity with a limited number of transactions. However, a few material audit adjustments relating to the disclosure notes were made to the financial statements of the ECPL, as a result of a lack of monitoring of the financial information.

The regression in SCM findings and the stagnation in addressing PDO findings at the ECPL were due to a lack of daily, weekly and monthly disciplines and the effective monitoring thereof. The PDOs and SCM are not applicable to the ECPLPPF and these focus areas were only audited at the ECPL. The slow response in addressing the IT risks raised in the previous years was due to the leadership not making IT a strategic priority and not procuring the necessary IT infrastructure.

5.7.7 Impact of key role players on audit outcomes

Although senior management provided some level of assurance, it was not at the level expected at such a critical department, especially in the areas of performance information and SCM. This should be addressed by improving monitoring and oversight controls. The inadequate processes to produce credible information in certain areas affected the level of assurance provided by the Secretary to the Legislature and the Speaker. Consequently, the leadership could only provide some level of assurance. This was largely due to the leadership not being responsive towards the messages of the AG and the recommendations of the audit committee.

The AG met with the Speaker three times in the past year, but these interactions had no impact on the audit outcome, and the commitments made were not met. This was largely due to consequence management not being adequate at the ECPL. Although the internal

audit unit and audit committee focused on the key risk areas, their effectiveness was weakened by the fact that the leadership did not implement their recommendations. The assurance provided through the oversight of the Provincial Legislature's portfolio committee should be improved by including in-year monitoring of the implementation of actions to address the findings relating to financial and PDO reporting and compliance with legislation in its work programmes, and taking oversight action where necessary.

5.7.8 Provincial Treasury

The very important improvement of finally achieving a clean audit was the result of effective leadership that continuously monitored actions plans. Critical elements in respect of that improvement were qualified key officials, stability within the leadership, and the correct tone from the executive authority. As is the case with the Office of the Premier, this is a significant movement for the province. The Provincial Treasury has critical oversight and coordinating functions within the province and the improved audit outcome allows them to lead by example and further enhance and strengthen good governance and their provincial role.

Figure 5.9 Provincial Treasury

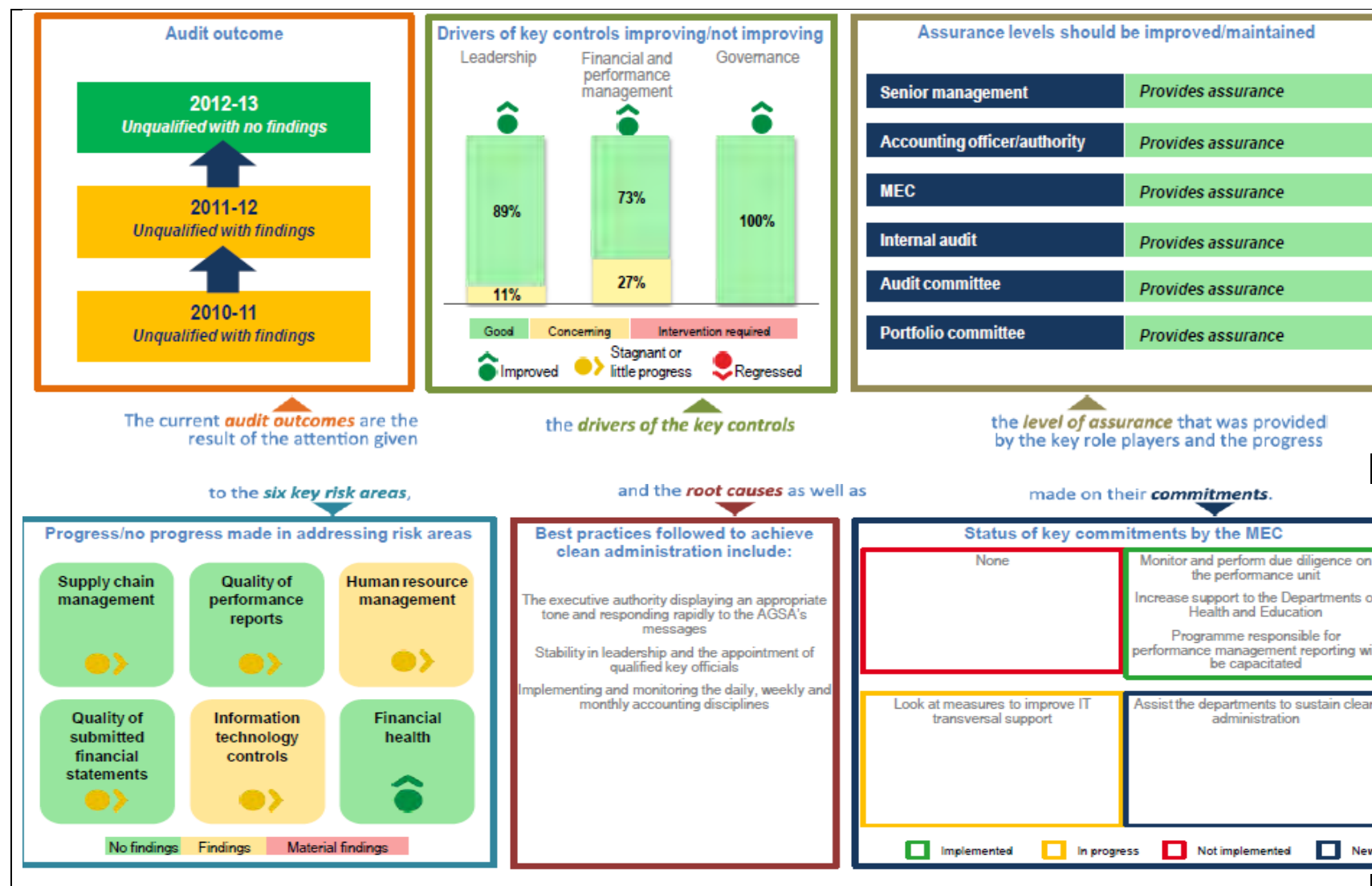


Figure 5.9: Extracted from General report on the provincial audit outcomes of the Eastern Cape 2012-13

5.7.9 Key risk areas

Progress was made in addressing the key risk areas, most notably the quality of performance reports and improvements in controls around compliance with legislation. Although the quality of the annual performance report improved significantly, the Provincial Treasury should focus on the achievement of planned targets in the annual performance plan, as 26% of the targets were not achieved in the year 2013.

Going forward, the HR management and IT controls will have to be strengthened to avoid a regression. Although there were no material findings in respect of the financial health analysis, there are concerned that the Provincial Treasury has had an accrual-adjusted net liability position for the past two years. Sound financial and performance controls are essential for the Provincial Treasury, as they play a vital role in the oversight of financial and performance information in the province and as such should continuously strive to lead by example and assist other auditees to achieve clean administration.

5.7.10 Impact of key role players on audit outcomes

The leadership has created an environment where senior management members understand their role in achieving clean administration and the need to produce credible information. The enhanced controls over daily and monthly activities improved the credibility of the information produced, helping the governance and oversight bodies to provide effective oversight and assurance. This had a direct impact on the effectiveness and assurance provided by the portfolio committee. In addition, the internal audit unit and audit committee were actively involved in addressing the weaknesses that were identified in the previous years' audits and as such were able to provide effective assurance.

The AG met with the MEC three times in the past year and these interactions had a significant impact on the audit outcomes, as he was very responsive towards the AG messages. All role players should work together to further strengthen and enhance the control environment. As part of its coordinating function, the Provincial Treasury should furthermore share its best practices with other departments and entities to make clean administration possible for all auditees in the province.

5.8 CONCLUDING REMARKS

From the above analyses it is clear that the Eastern Cape Province is faced with number of challenges that hinder it to achieve clean administration. Most of the departments' studied in this study and their leadership has failed to set the right tone at the top, total breakdown of internal control systems, poor document management system, deliberate failure to adhere to rules, laws and relevant legislation governing the way public officials should execute their mandate are the example that these departments undermine good governance.

In such environment looting of public coffers, abuse of resources, public and political power is inevitable. However, the AG has noted a number of positives where among those we saw the DoE moving from a disclaimer to an unqualified audit opinion for the financial year 2012-2013. Hence the AG emphasised that the Eastern Cape departments cannot afford to relax to avoid regression, but must continue to work hard and improve on implementing the messages and recommendations by the AG. The following chapter, which is the last, will give an account of the conclusions and recommendations emanating from the findings of this study.

CHAPTER SIX

FINDINGS, RECOMMENDATIONS AND GENERAL CONCLUSION

6.1 INTRODUCTION

This chapter presents the conclusions and makes recommendations based on the research findings. The primary objectives of the study were:

- To assess the contribution of the Auditor-General to the improvement of good governance in the Eastern Cape.
- To assess the ways and strategies used by province to ensure good governance.
- To assess the extent and nature of bad governance in the province
- To assess how the Auditor-General is helping the province to get out of these bad governance problems.
- To come up with the recommendations on how the AGSA can help the people in South Africa.

6.2 RECOMMENDATIONS

Based on the findings of this study, that the office of the AG is faced with number of challenges in performing its duties in the provincial sphere of government. This section offers some recommendations that can be useful in addressing these challenges.

6.2.1 Involving other partners

Public legislative hearings on audit reports can have a multitude of benefits for the AG and the Eastern Cape Province. Firstly they provide access to the full array of non-legislative actors for example academics and professional bodies to present further evidence on and insight into the audited departments and entities. Making the Public Audit Committees (PAC) hearings open to the public also creates pressure for the executive to implement the recommendations of the AG and PAC. Once audit recommendations are public, the media also reports on them, which opens the process to even more people and creates more pressure on government departments. It is recommended that there is

need for continuous support from other agencies and relevant stakeholders. Although the AG has good relations with other oversight institutions, there is a need for the AG to facilitates and strengthen maximum relations between the office of the AG and other oversight institution such as the Public Protector. Good cooperation and relations are crucial for sharing information and to strengthen the fight against bad government tendencies, fraud, corruption and other aspects that are against good governance.

6.2.2 Endorse and follow up on recommendations

As it was indicated throughout the study, the key role of the legislature is to give political support to audit recommendations. At least in parliamentary and board systems, audit recommendations have little force until they have been endorsed by the legislature. Therefore, one of the most important things that the legislature can do for the AG is to promote their recommendations in the political realm.

As evident through the findings presented in this study, even the AG recommendations that have been endorsed by legislatures are often not implemented sufficiently by government departments. The AG and the legislature could cooperate to draw attention to such oversight and give fresh political impetus to these recommendations.

It is the AG that discovers through subsequent audits the poor implementation, or complete neglect, of previous findings. However, there are a number of specific things that PACs can do to help. Good practices in this regard include:

- **Regularly following up on implementation:** it is not necessary to wait for subsequent audit reports by the AG before calling a department back to report on the implementation of audit findings, the researcher suggest that time in time the departments should be made to report about their progress. Cases of public fund mismanagement were picked up during the course of audits. Reports of the Auditor –General reveal a lot of public fund mismanagement mainly in the form of unauthorized, irregular, fruitless and wasteful expenditure. In the light of these challenges the researcher recommends that strict disciplinary actions should be taken against officers

who misuse public funds and public positions. There are instances where officials who misused public funds were let go without warning and continued their duties as usual. The researcher recommends that follow ups should be done so as to ensure good governance and accountability as well as to instil a sense of responsibility within government officials.

- **Making such follow-up meetings open to the media and the public:** this will publicise progress on the audit recommendations and create further pressure for implementation.
- **Limiting the time that the executive has to implement audit findings:** when an audit finding is particularly negative, the PAC could insist that corrective action be taken in a specific timeframe before subsequent audit reports by the AG.

According to Hanekom and Thornhill (1986:115) if the compliers of reports know that they are to be analysed in detail, they are often encouraged to provide a faithful review of their activities. Along with Nzewi and Musokeru (2014: 52) when the Auditor-General's reports and recommendations are sent to Parliament, members of Parliament (MPs) need sufficient technical capacity to understand them and adequate political motivation to ensure that executive acts on the recommendations. To this end Parliament must ensure that the recommendations made by the AG are implemented to complete circle of accountability and thereby promoting good governance.

Throughout the study the AG has been quoted stating that the Eastern Cape departments submit their financial statements very late for auditing, it is recommended that heavy penalties should be set for departments' with such tendencies. For this measure to be effective the office of the AG must be given power to prosecute the offenders, because it only make recommendations based on audit finds but does not have the prosecuting power. Furthermore, as the Supreme Audit Institution, the office of the AG must be allocated more resources to carry its duties and achieve its constitutional mandate with ease. Currently, the AG relies on audit fees; this institution needs to have allocation from the government as it is the case with government departments. Moreover, the AG should come up with a strategy to be used to collect the funds it is owed by its customers. In this

way it will have enough money to carry its duties, if that's not the case the money for audits must come straight from national government not the audited departments.

The departments of the province should convey a clear message that reporting corruption is encouraged as well as valued and that all public officials have a responsibility to report corruption, regardless of individual positions. There should be no assumption that some other officials will make the report. As a matter of urgency, the departments need to establish formal channels for reporting corruption internally to the departments and ensure that officials, at all levels, are informed of these channels.

The head of the departments and the senior managers need to demonstrate a personal practical commitment to stop corruption through:

- Leading by example;
- Ensuring speedy disciplinary investigations and proceedings in cases of alleged corruption involving officials;
- Ensuring that disciplinary proceedings are brought to a swift conclusion;
- Keeping the Provincial Legislature, the media and public officials within the department constantly updated and informed of the outcome of disciplinary investigations and proceedings.

Human Resources and selection committees must verify the information reflected on candidates' applications by means of a:

- Criminal record check;
- Financial/Asset record check;
- Previous employment verification; and
- Security clearance.

The researcher is also of the opinion that internal and external auditors should also monitor and audit the manner in which interns are being managed by the departments. When performance audit is being done for the permanent employees of the organisations, interns' performance should also be considered as they are also part of the organisation and they are the investment as they can be employed in the near future. This can also

improve the quality of employees being recruited into the organisations which will then make public institution more effective when providing services to the general public.

6.3 GENERAL CONCLUSION

The first chapter of this study has briefly outlined the introduction and background of the study, statement of the problem, research questions and the research objectives. It has also presented the significance for undertaking the study, preliminary literature review where the role, duties and responsibilities of the AG as provided by the constitution of the Republic, the Auditors General Act of 1995 and other related pieces of legislation. Good governance and governance as concepts were defined and all the key concepts and terms used in the study were clarified. Finally, the first chapter highlighted the delimitation and limitations of the study and concluded by outlining the preliminary structure for the research.

The second chapter has demonstrated that good governance is a rather complex issue to address. The basis of the good governance concept lies in democracy and democratic governance ensuring human rights. This implies that governance is not restricted to concerning only the government but merely includes the whole society. Civil society obtains a role in governance by executing their rights as citizens, thus participating in governance. The legal framework connected with good governance was also explored in order to align the study with the relevant legislation of the Republic. In the second chapter of the study literature relating to good governance was thoroughly explored, the guiding theory of the study was systems theory of good governance where it showed that bureaucratic system with bureaucratic leaders delays progress and undermines service delivery as well as good governance. It is through the second chapter where it was revealed that some elements of auditing were borrowed from the private sector, this was explain through forensic analysis of internal auditing as a pillar of good governance.

According to the various sources consulted in this study chapter three showed that the AGSA as a Supreme Audit Institution (SAI) is faced with many challenges just like any other public institution and those challenges may hinder its constitutional mandate if they are left unattended to. As a SAI the office of the AG has its set objectives such as among

others, communication of information to public authorities and the general public through the publication of objective reports, development of sound financial management, proper execution of administrative activities, proper and effective use of public funds. The chapter also revealed that AGSA has its strengths such as uniqueness and independency meaning that no one influences its decisions, it also boasts with good global reputation through participating in international bodies. It was evident through the chapter that the AGSA is operating in the same environment as all the auditees, this means that AGSA has the direct experience of the conditions the auditees experience and therefore can make meaningful recommendations based on being experts in the field of accounting and other related fields as well as being the institution directly faced with similar organisational challenges itself.

The chapter four of the study has given an explanation of the research methodology applied in this study. The researcher opted for the qualitative approach and data was collected from official documentary sources the researcher believed as having the required information. Auditing issues concerning the good governance observed in the study were highlighted and justified. The chapter concluded by detailing how the mass of collected data were analysed using the filtering technique and content analysis.

From the above analyses it can be inferred that the Eastern Cape Province is faced with number of challenges that hinder it to achieve clean administration. Most of the departments' studied in this study its leadership has failed to set the right tone at the top, total breakdown of internal control systems, poor document management system, deliberate failure to adhere to rules, laws and relevant legislation governing the way public officials should execute their mandate are the example that these departments undermine good governance. In such environment looting of public coffers, abuse of resources, public and political power is inevitable. However, the AG has noted a number of positives where among those we saw the DoE moving from a disclaimer to an unqualified audit opinion for the financial year 2012-2013. Hence the AG emphasised that the Eastern Cape departments cannot afford to relax to avoid regression, but must continue to work hard and improve on implementing the messages and recommendations by the AG.

The aim of the research was to explore the effectiveness of the AG in ensuring good governance in the public sector. A lot of research findings were discussed which made a vast contribution to the body of knowledge concerning AGSA's efficacy and areas that need attention. The research has shown that to a greater extent the AG is effective in ensuring public sector accountability and good governance. An important factor contributing to the success of the office of the AG is its ability to be independent, to act as a 'watchdog' and to conduct audits timeously. The zeal of the AG in effecting good governance and accountability is also to be commended as well as the passion for improving quality of audits through better planning, execution of audits and reporting skills. Through literature reviewed in this study the researcher has noted that the provincial departments as well as public entities are working hard to strengthen their internal audit structures as the requirement of the Auditor-General. When internal audit of any organisation is strong there very low chances of fraud and corruption without being prevented or detected therefore good governance is being promoted.

The researcher has noted that the auditees however are generally contributing to the ineffectiveness of the AG by submitting financial statements late and also not taking the Auditor –General's recommendations seriously. The inability to timeously compile annual financial statements and the delay of audit reports remain a serious concern to AG's office. The detrimental effect this has on timeous and complete finalisation of audits and audit reports as well as a negative effect this has on public accountability is self-evident.

While the Auditor General is doing a great job in pointing out public funds mismanagement in reports, there seems to be repetition of the same mistakes year after year. Thus strict disciplinary and accountability measures should be put in place so that officials do not continuously mismanage public funds. The AG does not work alone in ensuring accountability and therefore the accounting officers should play their part otherwise it will defeat the whole purpose of auditing and AGSA will automatically be turned into a witch-hunt instead of a watchdog.

One should be careful not to over-generalise, while it is important to commend the AGSA for carrying out its mission in an effective and efficient manner, some areas also need improvement especially with regard to the staff. According to Khumalo (2007) a qualified

workforce is a strong foundation on which any organisation should build on. For AGSA to be more effective it should be able to attract employees who are competent and well qualified. In order to achieve this goal, there is need for the Auditor -General to provide incentives that attract and retain a qualified and competent workforce. However there are many other challenges threatening the work of the office of the AG. These challenges are both external and internal-debt collection, cost of auditing, political challenges, weak internal systems in governments, non-compliance with legislation and technical issues have been identified as some of the major challenges.

The action suggested includes the need for continuous support from other relevant agencies and stakeholders, there is need to consider reports timely and exhaustively by relevant authorities, by imposing heavy penalties on departments that submits reports for audit very late, allocation of more resources to the office of the AG and follow ups to ensure that recommendations made by the AG are being implemented. This study concludes that, financial accountability is the corner stone of democracy and a guideline of good governance. The office of the Auditor-General is an institution that exists to strengthen constitutional democracy and it plays an important role of promoting financial accountability and therefore contributing to good governance of the province as well as the Republic as a whole.

REFERENCES

Abrahamsen, R. (2000): *Disciplining Democracy: Development Discourse and Good Governance in Africa*, London, Zed Books Ltd.

African Development Bank. 2010. *Elements of Governance. Good Governance Practices*. http://adb.org/Governance/gov_elements.asp.

Asare, T. (2008), *A Study of the Role of Internal Auditing in the Public Sector of Ghana: Governance and Accountability*, M.Sc. Dissertation, Birmingham City University Business School, Birmingham, United Kingdom

ANAO (2003), *Public Sector Governance*, Vols.1-2, Better Practice Guide, Commonwealth of Australia, National Audit Office, Canberra

Amos, B., Gaham, J. & Plumptre, T. 2003. Principles For Good Governance in the 21st Century: Policy Brief No 15. Ottawa, Canada: Institute on Governance.

Amuwo, K. 2000. Globalisation, NEPAD and the Governance Question in Africa. *African Studies Quarterly* 6 (3), URL:<http://web.africa.ufl.edu/asq/v6/v6i3a4.htm>

Auditor General. (2012) *General Report on the Provincial Audit Outcomes of the Eastern Cape 2012-2013*. Pretoria: Government Printers

Auditor General. (2007) *Annual Report of the Auditor General for the Financial Year 2006-2007*. Pretoria: Government Printers.

Auditor General. (2008) *Annual Report of the Auditor General for the Financial Year 2007-2008*. Pretoria: Government Printers.

Auditor General. (2009a) *Budget and Strategic Plan of the Auditor General of South Africa 2009-2012*. Pretoria: Government Printers.

Auditor General. (2009b) *General Report on the Provincial Audit Outcomes of the Eastern Cape 2008-2009*. Pretoria: Government Printers.

Auditor General. (2010a) *General Report on the Auditor General for the Financial Year 2009-2010*. Pretoria: Government Printers.

Auditor General. (2010b) *General Report on the Provincial Audit Outcomes of the Eastern Cape 2009-2010*. Pretoria: Government Printers.

Auditor General. (2011a) *Annual Report of the Auditor General for the Financial Year 2010-2011*. Pretoria: Government Printers.

Auditor General. (2011b) *General Report on the Provincial Audit Outcomes of the Eastern Cape 2010-2011*. Pretoria: Government Printers.

Auditor General. (2011e) *General Report on the Provincial Audit Outcomes of the Eastern Cape 2010-2011*. Pretoria: Government Printers.

Bak, N. 2004. *Completing Thesis: A Practical Guide*. Pretoria: Van Schaik Publishers.

Bang, H. & Esmark, A. (Eds.). (2007). *New publics with/out democracy*. Copenhagen: Nordicom.

Borgatti, S.B. (2005). Centrality and network flow. *Social Networks* 27: 55-71.

Bless, C. 2006. (4th ed) *Fundamentals of Social Research Methods: An African Perspective*. Cape Town: Juta & Co. Ltd

Castells. M. (2000). *The rise of the network society (vol. I) - The information age: Economy, society and culture*. Cambridge: Blackwell.

Cloete, G.S. 2002. Improving effective governance outcomes with electronic decision support tools. *Journal of Public Administration*. Vol. 37.No.4, December

Cloete, J.J.N. 1995. *Public administration glossary*. Pretoria: J L van Schaik.

Cheminais J.S. Bayat, Van der Waldt, G. & Fox, W. 1998. *The fundamentals of public personnel management*. Kenwyn: Juta and Co.

Commonwealth of Australia (2008), *Better Practice Guide - Risk Management*, Australian Government, Comcover, available at <http://www.finance.gov.au/comcover/better-practice-guide.html>

Commonwealth Secretariat (2005), *Guidelines for Public Expenditure Reform*, London, Marlborough House

Craythorne, D.L. (2003) *Municipal Administration: The Handbook*, 5th edition, Juta & Co: Ltd Lansdowne.

Creswell, JW. 2009. *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*. California: Sage publications, Inc

Creswell, JW. 1994. *Research Design: Qualitative & Quantitative Approaches*. Thousand Oaks, CA: Sage

- Creswell, JW. 2009. *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*. California: Sage publications, Inc.
- Creswell, JW. 2007. *Qualitative inquiry and research design: Choosing among five approaches (2nd Ed.)*. Thousand Oaks, CA: Sage.
- Darr, K. 2011. *Introduction to management and Leadership Concepts, Principles and Practices*. Sudbury: Jones & Bartlett Learning. LCC.
- Des Vos, A.S., Strydom, H., Fouche, C.B. & Delport, C.S.L. 2005. *Research at Grassroots for the Social Sciences and Human Service Professions*. Pretoria: Van Schaik Publishers.
- Dilulio, J. 1995. Principled Agents: The Cultural Bases of Behavior in a Federal Government Bureaucracy. *Journal of Public Administration Research and Theory* 15:277–318
- Draper, G.M (2000). Reflections on Governance at the turn of the Century. Cape Town. South Africa. CAPAM Biennial Conference
- Dubula, V. (2012). Power to the people. *City Press*. 29 January. Johannesburg. Fighting Corruption: The Imperatives of Democracy, Governance and Leadership
- Du Toit, D.F.P., Van der Waladt, G., Bayat, M.S. & Cheminais, J. 1998. *Public administration and management for effective governance*. Kenwyn: Juta and Co.
- Ebrahim, H. 1999. 'Coming to grips with corruption: a constitutional perspective.' Sangweni and Balia, 1999: 58-85. Fighting Corruption: South African perspectives. Pretoria: Unisa Press.
- Erasmus, C.B. & Visser, P. W. (2002) *The Management of Public Finance: A Practical Guide*. Cape Town: Oxford University Press.
- Fay, J. 1997. Sources of Secondary Data. In *Business Research Methods: Strategies, Techniques and Sources*, eds. Dublin, Ireland: Oak Tree Press.
- Glass, R. (2005), *The Relationship Between Internal and External Audit in the Public Sector*, Presentation to the IIA New Zealand Conference 21-23 November 2005, <http://www.oag.govt.nz/2005/reports/docs/internal-external-audit.pdf> (November 20, 2014)
- Gurung, S.M. 2000. *Dialogue on National Strategies for Sustainable Development in Nepal, December 2000 – January 2001. Good Governance, Participation, Gender and Disadvantaged Groups*. <http://www.nssd.net/country/neap/nep03.htm>.
- Grindle, M. 2000a. *Audacious Reforms: Institutional Invention and Democracy in*

Latin America. Baltimore, MD: Johns Hopkins University Press.

Grindle, M. S., and Mary E. H. 1995. Building Sustainable Capacity in the Public Sector: What Can Be Done? *Public Administration and Development* 15:441–463.

Gwanzura, O. 2012. *An Exploration of Ethical Conduct in the South African Public Sector: A Case of the Eastern Cape Department of Education (2009-2010)*. Unpublished master's dissertation: University of Fort Hare

Henekom, S.X. & Thornhill, C. 1986. *The Functions of the Public Administration*. Durban: Butterworth Publishers.

Herbst, J. (1990). The structural adjustment of politics in Africa. *World Development*, 18, 7, 949-958.

Hutchful, E. (1991). Eastern Europe: Consequences for Africa. *Review of African Political Economy*, 50, 51-59.

Institute of Internal Auditors (2006a), *The Role of Auditing in Public Sector Governance*, Altamonte Springs, FL, Institute of Internal Auditors

Institute of Internal Auditors (2006b), *Organizational Governance: Guidance for Internal Auditors*, Altamonte Springs, FL, Institute of Internal Auditors

Ijeoma, E., Nzewi, O. and Sibanda, M. (2013) South Africa's Public Administration for Community Service, Independent Service Delivery Monitoring Networks (ISDMN) South Africa.

Ijeoma, E. (2013). South Africa's Public Administration in context: Independent Service Delivery Monitoring Networks (ISDMN) South Africa.

INTOSAI (2004), *Implementation Guidelines for Performance Auditing*, Stockholm, July

Johnson, N. 1991. The limits of political science. Oxford. Clarendon Press

The Independent Commission for Good Governance in Public Services (ICGGPS). The Good Governance Standard for Public Services. 2004. Joseph Rowntree Foundation: Hackney Press Ltd

Kaela, L.C.W. 1998. Democracy in Zambia's Third Republic: Dilemmas of Consolidation. Development Policy Management Forum (DPMF) Annual Conference on Democracy, civil society and Governance in Africa, 7-10th December 1998, Addis Ababa Ethiopia

Keller, E. J. (1995). Liberalisation, democratisation and democracy in Africa: Comparative perspectives. *Africa Insight*, 25, 4, 224-230.

Kotter, J. 1990. *A Force For Change: How Leadership Differs From Management*. New York: Free Press.

- Kjaer, A. 2004. *Governance*. Massachusetts. Polity Press.
- Kumar, R. 2005. (2nd ed). *Research Methodology: A step by step Guide for Beginners*. London, Thousand Oaks, New Delhi: Sage Publications.
- Komesar, NK. 2001. *Law's Limits: The Rule of Law and the Supply and Demand of Rights*. New York: Cambridge Univ. Press.
- Madonsela, Thuli. (2012). *Address by Public Protector Thuli Madonsela at the Pan-African Anti-Corruption Conference*. 27 February. Organised by the Institute for Security Studies (Pretoria) and the Hanns-Seidel-Stiftung (München), held in Cape Town, South Africa.
- Maclean, S. & Mle, R.T. 2011. Ethics, integrity and good governance: the case of South Africa's local sphere of government: *Journal of Public Administration*, vol.46, No. 4, pp 1366-1377. December.
- Mensch, J.R. 2010. *Open Democracy. Free Thinking for the World*. Canada. Nova Scotia: St Francis Xavier University. Available at <http://www.opendemocracy.net/james-r-mensch/theory-of-human-rights>
- Michener, Roger, ed. 1995. *The Balance of Freedom: Political Economy, Law, and Learning*. New York: Paragon House.
- Mouton, J. & Marais, H.C. 1990. *Basic Concepts in the Methodology of the Social Sciences*. Pretoria: Human Sciences Research Council.
- Mouton, J. 2001. *The Practice of Social Research*. Cape Town: Oxford University Press.
- Mutheini, Y.G. Khosa, M.M. & Mugabe, B.M. 2000. *Democracy and governance review: Mandela's legacy 1994-1999*. Pretoria. South Africa. Human Science Research Council
- Nabli, M.K. and Humphreys, C. (2003), *Better Governance for Development in the Middle East and North Africa: Enhancing Inclusiveness and Accountability*, World Bank, Washington, DC
- Naidoo, G. 2009. *Leadership and Good Governance in Public Administration: A Critical Need for Transformative African Leadership and Good Governance for Adoption the South African Public Service*. Pretoria. VDM publishing house ltd.
- Naidoo, I.A. 2002. *The role of monitoring and evaluation in promoting good governance in South Africa: A case study of the Department of Social Development*, Unpublished dissertation. University of Witwatersrand, Johannesburg

NAO (2000), *Co-operation between internal and external Auditors*, Good Practice Guide, HM Treasury and National Audit Office, UK

Newman, I., & Benz, CR. 1998. Qualitative-quantitative research methodology: Exploring the interactive continuum. Carbondale and Edwardsville: Southern Illinois University.

Newman, P. & Thornley, A. (1997). *Fragmentation and Centralisation in the Governance of London: Influencing the Urban Policy and Planning Agenda*. Urban Studies 34: 967-988

Nepad --- New Partnership for Africa's Development. (2002). Declaration on Democracy, Political, Economic and Corporate Governance --- Preamble; Democracy and good political governance; Socio-economic development; African Peer Review Mechanism; and Resource flows. In *Nepad at work: Summary of Nepad action plans*. Ed. Pretoria: Nepad Secretariat. July.

Nzongola-Ntala, G. (2002). UNDP role in promoting good governance. "Seminar for the International Guests at the Congress of the Labour Party of Norway," Available at <http://www.undp.org/>

Nzewi, O. & Musokeru, P. 2014. A Critical Review of the Oversight Role of the Office of the Auditor-General in Financial Accountability. *Africa's Public Service Delivery & Performance Review*. 2(1): 38-39. March

Osborne, D., & Gaebler, T. (1992). *Reinventing Government*. How the Entrepreneurial Spirit is Transforming the Public Sector. New York: Addison-Wesley Publishing Company.

Patton, M.Q. 2002. *Qualitative Research and Evaluation Methods*. Thousand Oak, AA: Sage.

PEFA (2005), *Public Expenditure and Financial Accountability Framework, June 2005*, Washington D.C., PEFA Secretariat, World Bank

Plumptre, T. & Graham, J. 1999. *Governance and Good Governance: International and Aboriginal Perspective*. Canada. Institute of Governance.

Pollitt, C. & Summa, H. (1997), 'Trajectories of Reform: Public Management Change in Four Countries', *Public Money and Management*, Vol.17, No.1, pp.7-18

Poyton, C. 2000. Linguistics and Discourse Analysis. In *Culture and Text: Discourse and Methodology in Social Research and Cultural Studies*, eds. Australia: Allen & Unwin.

Ramaite, S. 1999. 'Corruption versus good administration of public affairs'. (eds). *Fighting Corruption: South African Perspectives*. Pretoria: Unisa Press.

Ranney, A. 1971. *Governing. A brief introduction to political science*. New York. Holt Rinechat and Winston.

Republic of South Africa. 1996. *The Constitution of the Republic of South Africa*, Act No. 108 of 1996

Republic of South Africa. *The Public Finance Management Act*, 1999 (Act 29 of 1999).

Republic of South Africa. *The Public Audit Act*, 2005 (Act 25 of 2005).

Republic of South Africa. *Public Service Act*, 1994. Pretoria: Government Printer.

Republic South Africa. *Public Service Commission 1999, Fighting Corruption, Towards A National Integrity Strategy*, Government Printers, Pretoria.

Republic of South Africa 1995. *White Paper on the Transformation of the Public Service*. Government Printer: Pretoria

Rijckeghem, C.V., & Weder, B. 1997. Corruption and the Rate of Temptations: Do Low Wages in the Civil Service Causes Corruption. In IMF Working Paper WP/97/73. Washington DC: International Monetary Fund.

Rhodes, R.A.W. 2000. *Governance and public administration*, In Pierre, J. (Ed) *Debating Governance*. New York: Oxford University Press.

Rose, N. & Miller, P. (1992). Political Power beyond the State: Problematics of Government. *The British Journal of Sociology*, Vol. 43, No. 2. pp. 173-205. June.

Sabatier, P.A. (1999). *Theories of the Policy Process*. Boulder: Westview Press.

Sahgal, V. and Chakrapani, D. (2003) *Clean Government and Public Financial Accountability*. World Bank Operations Evaluation Department (OED) Working Paper Series No. 17. Washington D.C: The World Institute.

Santiso, C. 2001. *Good governance and aid effectiveness: The World Bank and conditionality*, *Public Policy Review*. 7 (1): 1-22.

Scalia, A. 1989. "The Rule of Law as a Law of Rules." *University of Chicago Law Review* 56.

Schacter, M. 2002. Evaluation Capacity Development. Sub-Sahara Africa: Lessons from experience in supporting sound governance. ECD Working Paper Series No.7 February. World Bank Operations Evaluations Department

Mail & Guardian. (2002). 22-27 March. Johannesburg.

Kumar, A. (2001): *Development as Freedom*, First printed in 1999, New York, Alfred A. Knopf.

Smith, S. 1995. "Nonsense and Natural Law." *Southern California Interdisciplinary Law Journal* 4.

Szymanski, S. (2007), *How to Implement Economic Reforms: How to Fight Corruption Effectively in Public Procurement in SEE Countries*, OECD Publications

Tendler, J. 1997. *Good Government in the Tropics*. Baltimore, MD: Johns Hopkins University Press.

Udehn, L. (2001). Methodological Individualism: background, history, and meaning. New York: Routledge.

United Nations (2003), Public Sector Management Reforms in Africa: Lessons Learned, Economic Commission for Africa, United Nations, Addis Ababa.

UNDP. 1997. *Corruption and Good Governance*, Discussion paper 3. New York: United Nations Management Development and Governance Division.

UNDP. 2002. *Human Development Report 2002. Deepening Democracy in a Fragmented World*. New York and Oxford: Oxford University Press.

United Nations Department of Economic and Social Affairs Division for Public Economics and Public Administration 2000: Professionalism and Ethics in the Public Service, Issues and Practices in Selected, United Nation, New York.

Van der Waladt, G., Van Niekerk, D., Doyle, M., Knipe, A. & du Toit, D. *Managing for Results in Government*. Sandown: Heinemann Publishers.

Van Gansberghe, C. N. (2005), *Internal Audit: Finding its Place in Public Financial Management*, Public Expenditure and Fiscal Accountability Programme, Washington D.C., World Bank

Van Niekerk, D., Van der Waladt, G. & Jonker, A. (2002) *Governance, Politics and Policy in South Africa*. Cape Town: Oxford University Press.

Van Nierkerk, D. Van Der Waladt, G. & Jonker, A. 2002. *Governance, Politics and Policy in South Africa*. South Africa. Oxford Southern Africa.

Venter, Denis. (1995). Malawi: The transition to multiparty politics. In Wiseman, John A. Ed. *Democracy and political change in sub-Saharan Africa*. London: Routledge, 152-192.

Weiss, T.G. 2000. *Governance, good governance and global governance: Conceptual and actual challenges*, Third World Quarterly. 21 (5): 795-814.

Welman, C., Kruger, F. & Mitchell, B. 2005. *Research Methodology*. Southern Africa: Oxford University Press.

Williamson, J. 2005. *The Washington Consensus as a policy prescription for development, Chapter 3, in Development challenges in the 1990s: leading policymakers speak from experience* by Besley, and Zaghera, World Bank. Operations Evaluation Dept. World Bank Publications.

World Bank. 1993. *The East Asian Miracle: Economic Growth and Public Policy*. Washington, DC: World Bank.

Walgrave, S. & Van Aelst, P. (2006). The Contingency of the Mass Media's Political Agenda Setting Power: Toward a Preliminary Theory. *Journal of Communication* 56: 88-109.

World Bank. 2006. *A Decade of Measuring the Quality of Governance. Governance Matters*. World Bank. Washington.

World Bank, 2001b. *Good Governance and Anti-Corruption Seminar Report. In Proceedings of the European International Forum (EIPF) Seminar on Good Governance and Anti-Corruption*. Brussels: EPC and World Bank.