AN INVESTIGATION INTO THE CHALLENGES AFFECTING THE EFFECTIVE IMPLEMENTATION OF THE PUBLIC FINANCE MANAGEMENT ACT, 1999 (ACT 1 OF 1999 AS AMENDED BY ACT 29 OF 1999) IN THE EASTERN CAPE PROVINCE WITH SPECIFIC REFERENCE TO THE PROVINCIAL DEPARTMENT OF PUBLIC WORKS.

BY

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DECLARATION

This is to declare that the research work contained in this treatise is my own original work which is submitted in partial fulfillment of the requirements for the degree of Masters in Public Administration at Raymond Mhlaba Research Unit of Public Administration and Leadership in Nelson Mandela Metropolitan University.

It is further testified that, to my knowledge, this work has not been previously submitted for degree purposes to any other university.

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LUTHANDO GILBERT BUSO         DATE
DEDICATION

This Research Study is dedicated to my late Father, Harold Ngwevu Buso, and my mother, Gertrude Maradebe Buso, for wishing their children a good future and quality education. They both could not attain High School qualifications due to poor background, but remained firm and confident that their children and grand children will in future achieve tertiary education. (Ndiyabulela bazali bam)

This study is also dedicated to my beloved wonderful aunt, Nomalizo Abegail Dabula and also my political mentor, Mr. Mahlubi “Radebe” Maqungu of Ilinge Township. My aunt made it sure that I developed love for my primary and high school studies. She also ensured that discipline for the respect of people is instilled in my behavioural conduct for my own bright future. (Thank you so much Bhungane, Mthimkhulu)

Mr. Maqungu as my political mentor taught me how to take care of the poor and how to use my position in government to benefit the society in general. He also ensured that I developed myself through studying for higher degrees so that my political ambitions can be influenced by new technological developments and current global challenges in the wake of high rate of fraud and corruption in government, unemployment, ruining poverty and prevalence of HIV/AIDS in the whole African Continent. (Struggle for good governance will continue Bhungane, Mthimkhulu)
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ACRONYMS

**AIDS**: Acquired Immune Deficiency Syndrome

**AG**: Auditor-General

**ANC**: African National Congress

**ASB**: Accounting Standard Board

**CFO**: Chief Financial Officer

**DORA**: Division of Revenue Act, 2006 (Act No. 2 of 2006)

**DPSA**: Department of Public Service and Administration

**DPW**: Department of Public Works

**DRPW**: Department of Roads and Public Works

**GFS**: Government Finance Statistics

**GRAP**: Generally Recognised Accounting Practices

**HDI**: Historically Disadvantaged Individuals

**HIV**: Human Immunodeficiency Virus

**IMF**: International Monetary Fund

**IMT**: Interim Management Team

**IPFA**: Institute of Public Finance and Auditing

**LCO**: Loss Control Officer

**MEC**: Member of the Executive Council

**MTBPS**: Medium Term Budget Policy Statement

**MTEF**: Medium Term Expenditure Framework
PFMA: Public Finance Management Act, 1999 (Act No. 1 of 1999 as amended)

PGDP: Provincial Growth and Development Plan


PSC: Public Service Commission

RDP: Reconstruction and Development Plan.

RM: Risk Management

SCM: Supply Chain Management.

SCOA: Standard Chart of Accounts

SCOPA: Standing Committee on Public Accounts
TABLE OF CONTENTS

Declaration i
Dedication ii
Acknowledgement iii
Acronyms iv
Executive summary ix

CHAPTER ONE

1. INTRODUCTION AND BACKGROUND

1.1 Introduction 1
1.2 Demarcation of the research 5
1.2.1 Vision 7
1.2.2 Mission Statement 7
1.3 Statement of the problem 8
1.4 Statement of the hypothesis 12
1.5 Research questions 14
1.6 Study objectives 15
1.7 Research methodology 17
1.7.1 Quantitative research methodology 17
1.7.2 Qualitative research methodology 18
1.7.3 Sampling 19
1.7.4 Data collection and interpretation 21
1.8 Literature review study 21
1.9 Arrangement of the study 22
1.10 Conclusion 24

CHAPTER TWO

CONCEPTS, THEORIES AND LEGISLATIVE FRAMEWORKS
FOR SOUND PUBLIC FINANCIAL MANAGEMENT

2.1 Introduction 25
2.2 Concepts of financial management 26
2.3 Theory of Magna Carta 28
# 2.4 Legislative frameworks

- **2.4.1 The Constitution of the Republic of South Africa of 1996**
- **2.4.2 Public Finance Management Act, 1999**
- **2.4.3 Division of Revenue Act, 2006**
- **2.5 Medium Term Expenditure Framework**
- **2.6 Standard Chart of Account**
- **2.7 Conclusion**

# 3.1 Introduction

# 3.2 Research design

# 3.3 Research methodology

- **3.3.1 Quantitative research methodology**
- **3.3.2 Sampling**

# 3.4 Data collection and interpretation

# 3.5 Special questionnaires and findings

- **3.5.1 Auditor-General**
- **3.5.2 Provincial Director-General**
- **3.5.3 Superintendent-General for Provincial Treasury**
- **3.5.4 Accounting Officer for the Department of Public Works**

# 3.6 Conclusion

# 4.1 Introduction

# 4.2 Principles of corporate governance

# 4.3 Establishment of Departmental Anti-corruption Unit

# 4.4 Development of financial control measures

# 4.5 Code of conduct

# 4.6 Improving capacity of public officials

- **4.6.1 Training and Development**
- **4.6.2 Leadership development**

# 4.7 Developing a new organisational structure for the 21st century

# 4.8 Conclusion
EXECUTIVE SUMMARY

The objective of the study was to investigate challenges affecting the effective implementation of the Public Finance Management Act, 1999 (Act No. 1 of 1999 as amended by Act No. 29 of 1999) in the Eastern Cape Province with specific reference to the Provincial Department of Public Works.

The research study has been conducted in such a manner that the reason to send a team of experts by the DPSA on approval by the President to come to the Eastern Cape and assist the ailing administrations of four departments is determined. The four departments that had a problem were:

1. Department of Roads and Public Works
2. Department of Health
3. Department of Education and
4. Department of Social Development

The roads function of the Department of Roads and Public Works was later transferred to the Department of Transport and the Department of Roads and Public Works changed the name to Department of Public Works in September 2004. The team that was sent to the Eastern Cape together with the Director-General of the Province and the Superintendent-General of the Provincial Treasury formed up the IMT. The objective was to introduce turnaround strategies that would enable the four departments to effectively and efficiently implement the PFMA to the best interest of the South African Government.

The PFMA is part of the broader strategy on improving public financial management in the public sector in the Republic of South Africa. It prescribes measures to ensure responsibility, accountability and transparency in national and provincial departments. Qualified Auditor-General’s reports for the previous financial years compelled the President in 2002 to establish Interim Management Team (IMT) in the Eastern Cape, comprising of experts from national government, to assist the ailing administration in four provincial departments, including the Department of Roads and Public Works.
Questionnaires to employees, Auditor-General, Provincial Director-General, Superintendent-General of Provincial Treasury and as well as to the Accounting Officer of the Department of Public Works, were designed and issued out for completion. Interviews were also conducted to some of the employees.

The assumption is that the majority of employees do not understand policies and procedures of the department and they displayed this by remaining neutral in questions asked and disagreed with some of the statements. During the interview process, the majority emphasised their protest against over usage of consultants by the department. Preference given to candidates from outside the department when senior posts are advertised instead of looking for excellently performing candidates from the internal ranks of serving employees, has been outlined as one of the elements contributing to low moral and low productivity in the workplace. Over usage of consultants and a big number of employees who disagreed with statements and remained neutral signify incapacity of the management to perfectly implement the PFMA for sound public financial management in the department. It has been established that regular risk assessments are not conducted, poor organisational structure with many posts that are not filled, no Anti-Corruption Unit to implement Public Service Anti-Corruption Strategy and, no clear managerial lines of accountability due to poor planning, ineffective internal controls and procedures, all render the department incapable of becoming one of the best provincial departments that get unqualified audit report from the Auditor-General.

The findings provide clear indication that drastic transformation of the department into an institution that can perfectly implement the PFMA is necessary. The implication is that mismanagement of financial resources and fraud and corruption defeat service delivery objectives. Strategic objectives of the department are not achieved. The Eastern Cape Provincial Departments are obliged to align their strategic plans to the Provincial Growth and Development Plan (2004 – 2014). Therefore the implication is that, poor performance by the Department of Public Works impacts negatively to this provincial objective. Lack of effective control systems has negative implications on the administration of the department and renders it vulnerable to fraud and corruption.
CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.1 Introduction

This research study focuses on public financial management. The purpose of the study is to investigate the challenges affecting the effective implementation of the Public Finance Management Act, 1999 (Act No. 1 of 1999 as amended by Act No.29 of 1999) in the Eastern Cape Province with specific reference to the Provincial Department of Public Works.

The Public Finance Management Act, 1999 (Act No. 1 of 1999 as amended by Act No. 29 of 1999) (PFMA), Section 38 (1), stipulates that the accounting officer for a department, trading entity or constitutional institution must ensure that the department, trading entity or constitutional institution has and maintains effective, efficient and transparent systems of financial and risk management (RM) and internal control. The PFMA is one piece of legislation that enforces and ensures the improvement of financial management in the public sector. In addition, it prescribes measures to ensure responsibility, accountability and transparency in the national and provincial spheres of government.

Public financial management is a field that can be studied by means of several academic disciplines, but in this exercise public financial management is approached from a Public Administration perspective. Visser and Erasmus (2002: 1) refer to the concept and theory of public
financial management as follows: “public financial management involves general governmental fiscal issues; however, it also covers the full spectrum of social, economic and political dimensions. One approach to this is the assumption that the fiscal operations of government are a reflection and culmination of dynamic interaction between all these dimensions within a particular time frame”.

In advancing this concept and theory of public financial management, van der Waldt, et al. (2002: 4) comment as follows: “public financial management refers to all the decisions and activities of management, as guided by a chief financial officer, that impact on the control and utilisation of the limited financial resources entrusted to management to achieve specified and agreed strategic outputs”.

Critical assumption is that, even if public financial management is studied from a Public Administration perspective, the economics of public finance cannot be avoided and ignored. State departments use limited financial resources to address the unlimited needs of the people, so an economic aspect in the whole process of financial management becomes crucial for effective, efficient and economical management of such resources.

It is argued that the economic system of South Africa describes various methods devised by societies to alleviate the problems of production and scarcity of resources. Erasmus and Visser (1997:9) concur that economic systems are developed to address problems of scarcity, since resources generally have to be well controlled to provide for all the needs and requirements of societies on a constant basis.
With regard to the principles of economics, the scarcity of resources serves as the primary impetus for government intervention in the economic affairs of society. This assumption is based on the economics of scale, relative to the availability of resources and the utilisation thereof, to provide for the needs of all in the society. This scarcity issue provides an indication that a control instrument, as an element of financial management, has to be designed for this purpose and the budget is the most popular one.

The budget operates as a control instrument in that it provides the main framework against which performance and financial management results are determined. In this way, budgets also serve as a framework of reference for both the legislature and other institutions such as the Auditor-General. The Auditor-General (AG) would, for control purposes, not rely totally on the budget, but would also obtain all other documents from departments necessary to conduct any type of audit as required.

This introduction attempts to provide a clear indication that the management in the Department of Public Works (DPW), as a public institution, has to understand the increasing size and complexity of public institutions and the scarcity of resources that emphasise the importance of effective, efficient and economical financial management. The optimal use of financial resources is vital in an environment characterized by constant change and the increasing needs and requirements of the community. The point one makes is that available resources must therefore be managed carefully to ensure that public funds are utilised effectively, efficiently and economically.
PFMA is the law that has been enacted to serve as an implementation tool of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), especially with regard to public financial management. van der Waldt, et al. (2002: 31) state that: “The objective of the PFMA is thus to allow managers in the public sector to manage, while being accountable for the use of the resources made available to them. It emphasises the importance of good management and accountability, and clarifies the accountability chain by defining the division of responsibility between accounting officers and their Ministers or MECs. The PFMA recognizes the importance of sound information for good management practices and for enabling the various stakeholders to fulfill their responsibilities”.

The researcher investigated the effectiveness and efficiency of this aspect of public financial management in general in the Eastern Cape Provincial Department of Public Works. The department’s capacity to promote and maintain a high standard of ethics should be central to sustaining a credible Public Service and safeguarding both its integrity and efficacy.

Public Service Commission’s (PSC) State of the Public Service Report (2006: 6) states that:

“There remains a need for the Public Service to strengthen its capacity for sound financial management in order to ensure the efficient, economic and effective use of resources. This will ensure that resources are deployed cost-effectively and as accurately as possible to key priorities thereby preventing wastage. Therefore, developing capacity to improve financial management cannot be over emphasised.
The PFMA was intended precisely to improve financial management in all the organs of state in South Africa. The capacity to improve compliance with the requirements of this PFMA is therefore critical. Findings from the reports of the AG persistently indicate nominal compliance, unauthorised and irregular expenditure, and failure to manage assets properly as perennial problems. The State of the Public Service reports preceding this one also identifies these as recurring problems”.

1.2 Demarcation of the research

This is a research study that investigates the challenges affecting the effective implementation of the Public Finance Management Act, 1999 (Act No. 1 of 1999 as amended by Act No. 1 of 1999) in the Province of the Eastern Cape with specific reference to the Provincial Department of Public Works. The study is limited to 2000/2001 to 2005/2006 financial years. The Department of Public Works is selected simply because:

1. It is one of the four departments that were identified and put under the IMT, a team that was mandated by both the Premier and the President to investigate and provide solutions to failing administrative systems of such departments. This action was made necessary by the irregularities detected by the Auditor-General during audit cycles. The Auditor-General raised concerns about the poor financial management status of the four departments since 1994 to 2002, and advised the Premier to provide immediate solutions to the problem.
2. The researcher is an employee of the Department of Public Works and is tasked to manage the Inspectorate Section. The inspection function is one of the important duties carried out in the institution to check the effectiveness of control systems. From 1994 up to the end of 2005/2006 financial year, the Department of Public Works did not have an Internal Audit Unit to do risk assessment and test effectiveness of control systems.

The 2000/2001 to 2005/2006 period was found to be relevant simply because of the following reasons:

The year 2000 was the year in which all national and provincial departments were instructed to commence implementing the Public Finance Management Act, 1999 (Act 1 of 1999 as amended).

In November 2002 the Interim Management Team was deployed in the Eastern Cape Province by the Department of Public Service and Administration to investigate and provide solutions to the dysfunctional administrative systems of the four provincial departments. These four departments are mentioned under the heading “Statement of the problem” in paragraph 1.3

From September 2004, the roads function that was attached to the Department of Roads and Public Works was transferred to the Department of Transport, Safety and Liaison.

Since then, the Department of Roads and Public Works was renamed the Department of Public Works. The Department of Transport, Safety and Liaison was renamed the Department of Roads and Transport. The vision
and mission statement of the new Department of Public Works is articulated as follows:

1.2.1 Vision

The Department of Public Works ensures the provision and management of quality and accessible buildings infrastructure in the Eastern Cape by 2009.

1.2.2 Mission statement

To achieve the optimal efficiency, convenient lifespan, economic viability, safety and appearance of any building or structure within our custodianship, by embodying the most effective labour intensive and economic means at our disposal, while contributing to the broader government goals of job creation, poverty alleviation and the fight against the HIV and AIDS pandemic.

The department has to clearly outline its vision and mission statement in its three year Strategic Management Plan document. This plan has to be reviewed annually by the department to remain relevant with the new developments in community needs. The purpose of the vision and mission statements is to inform the Parliament in the case of National Departments, and Legislature in the case of Provincial Departments, about the way in which service delivery to the society is going to be effected and maintained. The Strategic Management Plan, clearly reflecting the vision and mission statements should have measurable objectives and be linked to the budget of the department. In the light of the foregoing exposition, the researcher had to delve deep into the
problems of the department through intensified scientific investigation to identify the gaps within its administrative system.

1.3 Statement of the problem

This interesting study argues from its point of departure that a number of problems (dysfunctions) exist in the financial management system of this department. There are various challenges that show the inefficient implementation of the PFMA in the Provincial Department of Public Works in the Province of the Eastern Cape, namely, the ongoing deteriorating standard of managing financial resources; qualified audit reports, departmental financial reports of 2001/2002, 2002/2003, 2004/2005 and 2005/2006 financial years were declared qualified by the Auditor-General (Auditor-General’s Report 2004/05). Other problems are: corruption, recurring cases of theft by employees of departmental assets such as computers, stationary, etc. poor implementation, monitoring and evaluation of Supply Chain Management (SCM); reluctance to establish an Anti-corruption Unit to investigate fraud and corruption cases; poor management of both sick and vacation leave which results in employees abusing and exploiting the opportunity to their advantage; and staff shortages.

It is in this context that the DPW with three other Departments were considered dysfunctional and were to be placed under the direct control of the Interim Management Team (IMT), signifying huge problems that existed in its administrative system in 2002. The IMT comprised a team of experts sent to the Province of the Eastern Cape by the President of the country to institute control systems and to improve the administration in the following departments:
1. Department of Roads and Public Works
2. Department of Health
3. Department of Education and also
4. Department of Social Development

In addition to the problems above, poor communication with regard to policies and procedures made by both National and Provincial Treasuries contributes to the on-going mismanagement of state funds by the department as such policies and procedures have to be appropriately interpreted and simplified by the office of the Chief Financial Officer (CFO) for implementation and understanding by all employees in the department. Policies and procedures are supposed to be made clear to general employees and adherence and compliance be enforced for the achievement of the objectives as set out in the PFMA. This refers to the implementation process which appears to be a challenge to the department. Engagement of and outsourcing of work to consultants throughout the period under investigation, makes one immediately assume that there is no capacity to perfectly implement the PFMA for healthy and sound financial management. These consultants handle all financial management work for the department, including setting up of controls. This approach deprives departmental employees of an opportunity to display their skills. The Skills Development Act, 1998 (Act No.97 of 1998) requires the employers to train and develop their employees and as such there is a Skills Development Fund for that purpose in each department. Consultants render quality services, but to a lesser extent as they want to be recalled to improve the systems after their contract has expired and this is what has been happening in the
Department of Public Works. Skills transfer is done in such a manner that leaves the employees confused instead of leaving them empowered.

Managing provincial fixed properties (buildings) is a core function of the department, but the assumption is that this function appears to be difficult for the management of the department to discharge, maintain and advance to the benefit of the government. This exercise includes collection of rental revenue from tenants, that is, people who rent state buildings for their own private business purposes and those who occupy them on lease agreement for residential purposes. This problem can be associated with incapacity to manage with a vision through correct and accurate records of state properties.

Also with regard to the issue of managing fixed properties, the fact is that, the department does not exactly know the actual number of its properties as it has inaccurate information on its records, with no existing proper register that contains accurate information. Secondly, it is also a fact that the department continues to pay rental to the landlords even when the contract has long expired and the building not utilised for government operations (2004/2005 Financial Year Report).

The foregoing exposition indicates that the department has a responsibility to provide client departments with office accommodation and to acquire accommodation through lease agreements if circumstances so demand. The landlords are owners of private properties who do business through leasing their properties to the government to generate income.
The foregoing statement is based on current cases of corruption, high rate of state asset losses and also the Auditor-General’s qualified audit report. The attitude of the management towards providing leadership remains suspect in this case and this seriously challenges the Premier of the province to seek some drastic intervention strategies.

The investigation is aimed at identifying the real problems that renders the department ineffective and inefficient in managing state resources and to find ways to address such problems in the best interest of the Provincial Government. The Provincial Government has a constitutional mandate to deliver services, such as the building of clinics, schools, hospitals and offices, to the people of the province with limited scarce resources against unlimited community needs.

In addition, there is a challenge in the lack of capacity in the department and this is a problem to the Government of South Africa. This was noticed by the Minister of Finance who said: “The last spending priority that I wish to deal with relates to the need to improve the capacity of government. There are many components of the civil service that work well, where departments deliver services of high quality and citizens are treated with respect and dignity, many schools where effective learning takes place and many millions of people served by our clinics. However, there are also clear inadequacies. As public spending has accelerated in the past five years, we, as government, are becoming increasingly concerned that in many cases, increased resources have not translated into increased outputs. And so the public has not always seen the benefit of the significant rise in public spending (Medium Term Budget Policy Statement – 25 October 2006: 10)”.
In the light of the foregoing exposition, a statement of the broad research goal has been formulated. This statement of the broad research goal and as well as the setting of study objectives are explained in the following paragraphs:

1.4 Statement of the hypothesis

Welman and Kruger (1999:11) describe a hypothesis as follows: “A hypothesis is a tentative assumption or preliminary statement about the relationship between two or more things that need to be examined, in other words, a hypothesis is a tentative solution or explanation of a research problem and the task of a researcher is to investigate it”.

Braynard and Hanekom (1997: 19) define a hypothesis as: “a hypothesis is a suggested, preliminary, yet specific answer to a problem which has to be tested empirically before it can be accepted as a concrete answer and incorporated into a theory”.

The latter two authors quoted above further advance their argument by stating that hypotheses are tentative, concrete and testable answers to such problems. In other words, a hypothesis which is a suggested answer to a problem has to be tested empirically before it can be accepted and incorporated into a theory. If a hypothesis is not supported by empirical evidence, it must be rejected and the researcher will be obliged to suggest another one. In this sense, the role of the hypothesis is not only to suggest explanation for certain facts or problems, but also to guide the investigation.
In the case of this research study, the two Constitutional values and principles for public administration as enshrined in Chapter 10 of the Constitution, 1996 (Act No. 108 of 1996), serve as the hypothesis:

(1) High standard of professional ethics: Professional ethics which are vital for building and sustaining credible capacity in the department and protecting its integrity and efficacy should be strictly adhered to for maintaining effective and efficient public financial management. High professional ethics lead to the required level of capacity to manage performance in the public service and to effectively monitor and evaluate it. The standard of professional ethics is low in the department, turn-around strategies have to be designed, adopted and implemented to have capacity for sound financial management.

(2) Efficient, effective and economical use of resources: Efficient, effective and economical utilisation of state resources has to be promoted and maintained by the department. The management needs to have the capacity and ability to understand the policies and the programmes of the department, and also the capacity and ability to determine success and failures in the course of implementation. This ensures that resources are utilised cost-effectively and as accurately as possible to key priorities, and wastage is avoided. The incapacity and inability to effectively, efficiently and economically utilise public financial resources, from top management down to the lowest ranking official, poses a serious problem that deserves the Premier’s and MEC’s urgent attention. The foregoing statements indicate that the Department of Public Works is unable to cost-effectively use state resource in
a manner prescribed by legislation and failure to cost-effectively utilise state resources leads to poor financial management.

These hypotheses display interaction between two or more variables, that is, depended and independent variables. Low professional ethics result in poor performance and incapacity and inability to effectively, efficiently and economically utilise state resources leads to poor financial management with a qualified Auditor-General’s report at the end of an audit cycle. Effective, efficient and economical utilisation of state resources leads to healthy financial management with unqualified audit reports for the institution.

Government exists to satisfy the needs of the community. In line with the reform and transformation of the public sector in South Africa to enable it to meet the needs and demands of the community and the objectives of the Reconstruction and Development Programme (RDP), therefore, the Department of Public Works has to strive towards realising predetermined goals that are reflected in its annual operational plan and capital budgets.

1.5 Research questions

1.5.1. Why is it important and necessary for the department to achieve sound financial management through maintaining prudent and responsible fiscal policies?

1.5.2 What strategies are currently in place to champion and accelerate Service delivery by the department through implementation of effective and efficient financial management systems?
1.5.3 What appropriate measures could be taken to remedy the inefficient implementation of the PFMA in the department?

1.5.4 Does the department understand that greater knowledge and practical understanding of all aspects of the financial functions of government is required of every role-player, including new entrants to the public service?

1.5.5 Is the management aware that, in line with the reform and transformation of the public sector to enable it to meet the needs and demands of the community and the objectives of the Reconstruction and Development Programme (RDP), it has to strive towards realising predetermined goals that are reflected in its annual operational and capital budgets?

1.6 Study objectives

The above mentioned broad research questions are to be achieved by setting the following study objectives:

1.6.1 To critically analyse the organisational structure of the Department of Public Works and recommend solutions where discrepancies are detected. The recommendations will be covered in Chapter four of this research study.

1.6.2 To provide an exposition of the content and principles of public finance management.

1.6.3 To critically look at the current situation of the Department of
Public Works and compare it against the Constitutional obligation that has to be adhered to and complied with by the department to effectively and efficiently manage state resources. In that process, a remedy to address discrepancies will be provided to set the department in the right direction for good governance.

1.6.4 The importance of effective implementation of National Treasury Regulations for healthy and sound financial management will be emphasised. These regulations have been issued in terms of the Public Finance Management Act, 1999 hence their importance has to be emphasised.

1.6.5 The budgetary process of the department will be carefully scrutinised and compared with the approved Medium Term Expenditure Framework (MTEF) Treasury Guidelines. This exercise will seek to establish whether the dysfunction of the department is as a result of insufficient budget allocations approved by Provincial Treasury for the department during financial years that fall within the study period.

1.6.6 To provide an overview of legislative measures governing government departments with regard to financial management in South Africa.

1.6.7 To draw conclusions, develop and propose a normative mode that contributes to effective and efficient financial management that will definitely meet the requirements of the PFMA and address all the above mentioned study objectives.
1.7 Research Methodology

According to Braynard and Hanekom (1997:27) research methodology is the way of collecting data and the process thereof within the framework of the research process. Two basic methodologies for collecting data can be distinguished, namely quantitative and qualitative methods. Both methods make use of specific techniques to collect data such as literature reviews, interviews, questionnaires and direct observation.

According to de Vos, et al. (2005: 71) science is an enterprise dedicated to finding out or to advance knowledge, to make discoveries, and to acquire facts. Irrespective of what you want to acquire, there is a process involved. This is a process of scientific enquiry, a way of learning and knowing things about the world around us.

According to Mouton (2004:56) research methodology focuses on the research process and the kind of tools and procedures to be used. It further focuses on the individual (not linear) steps in the research process and the most objective (unbiased) procedures to be employed.

With reference to the study conducted, it became imperative to indicate that two important tools have been chosen and employed, namely; quantitative and qualitative.

1.7.1 Quantitative research methodology

According to Technikon SA BTech Research Book (2001: 76) quantitative research consists of studies in which the data concerned can be analysed in terms of numbers that can be quantified.
Quantitative data collection methods often employ measuring instruments. It is thus essential that we understand certain concepts and principles that are fundamental to measurement before considering the specific measuring instruments, namely, questionnaires, checklists, indexes and scales (de Vos, et al. 2005: 159).

In the case of this study, a questionnaire was selected as the relevant and correct measuring instrument. According to de Vos, et al. (2005: 166), the basic objective of a questionnaire is to obtain facts and opinions about a phenomenon from people who are informed on the particular issue.

It becomes fundamental to indicate that the use of quantitative methods in the decision-making process provides solution to the problem. What has been observed is that, in order for the researcher to be able to apply quantitative methods, certain requirements had to be met as outlined bellow:

- The problem had to be properly defined.
- Analysis of such a problem had to be meticulous and comprehensive.
- Solutions had to take place consciously, rationally, logically, systematically and scientifically.

1.7.2 Qualitative research methodology

Qualitative research methodology rests on the assumption that valid understanding can be gained through accumulated knowledge acquired at first hand by a single researcher (de Vos, et al. 2005: 74). Qualitative
research is suitable for a study of a relatively unknown terrain and it seeks to understand phenomena. In this process, unstructured interviews were selected as the best approach to achieve the study objective.

Welman and Kruger (1999: 196) state that unstructured interviews are usually employed in explorative research to identify important variables in a particular area; to formulate penetrating questions on them; and to generate hypotheses for further investigation.

With the unstructured interviews, an attempt was made to understand how individual officials experience their work environment, that is, what the problem is and what can be the solution to such a problem if there is any?. The questions were directed at the participants’ experiences, feelings, beliefs and convictions about the challenges to the implementation of the PFMA in the department

1.7.3 Sampling

The researcher chose to focus on public officials who occupy supervisory and managerial positions in the department. These are the public officials who are supposed to be the custodians of policies, correctly interpreting, effectively implementing, monitoring and evaluating them on a regular basis, and also design control systems as required by the Public Finance Management Act, 1999 (Act No. 1 of 1999 as amended by Act No. 29 of 1999).

The questionnaires were distributed to Head Office in Bhisho and to all five regional offices of the department. The regional offices are; 1. Alfred Nzo in Kokstad,
2. Amathole in East London,
3. Cacadu in Port Elizabeth,
4. Chris Hani in Queenstown, and
5. O.R. Tambo in Mthatha.

The distribution of questionnaires went as follows; three hundred for Bhisho and one hundred per each regional office which amounted to eight hundred (800) disseminated questionnaires. Not all questionnaires were completed by the public officials mentioned due to different reasons such as commitment in projects and work commitments that demanded officials to travel throughout the province and even outside the province to other provinces and to Pretoria (National Government). According to van der Waldt, et al. (2002: 292) each member of the target population has an equal chance of being selected for participation in the study.

Cluster sampling was also employed to reach scientific conclusions. This is a group that has the required expertise and highest authority in government ranks. The Auditor-General has a Constitutional obligation to oversee strict adherence and compliance with government policies by all National and Provincial Departments, as well as Municipalities and other public entities under his or her jurisdiction. This cluster sampling refers to questionnaires issued, which are different from the ones disseminated to public officials, which comprised five questions (see Annexure B):

- The Auditor-General: In terms of Section 188 of the Constitution of the Republic of South Africa, 1996 (Act No.108 of 1996), Parliament has the authority to oversee utilisation of public money
by public institutions through the Auditor-General. Interference with the Auditor-General’s work is prohibited by Section 181 (4).

- The Provincial Director-General: To outline her or his role with regard to monitoring of service delivery to the community and the general administration of the Department of Public Works.

- Superintendent-General of the Provincial Treasury: The Superintendent-General for Provincial Treasury has to monitor and evaluate implementation of the PFMA by all provincial departments.

- The Accounting Officer of the Provincial Department of Public Works: This officer for the Department of Public Works has an obligation to implement the PFMA and to put in place effective structures for cost-effective utilisation of state resources and effective control systems.

1.7.4 Data collection and interpretation

After the data collection process has been completed, analysis of such data will be done to form supporting statements for the inferences of this research study. The assessment of the researcher and generalisation of study’s findings, the reasoning behind this assessment, and a discussion of limitations in generalising from the sample back to the larger population from which the sample has been drawn, will be dealt with.

1.8 Literature review study

A literature study of available texts comprising relevant books, articles in journals, legislations and other applicable published materials will be consulted.
1.9 Arrangement of the study

This research study is arranged and organised into the following sequence which comprises five chapters:

CHAPTER ONE
INTRODUCTION AND BACKGROUND
This chapter outlines the field of study, demarcation and the research methodology to be used. It also covers the whole spectrum of the formulation of research objectives and provides a general outline of the research study.

CHAPTER TWO
CONCEPTS, THEORIES AND LEGISLATIVE FRAMEWORKS FOR SOUND PUBLIC FINANCIAL MANAGEMENT
This chapter provides the concepts, theory and legislative framework for the study. In this regard, the literature reviews have been conducted and relevant theory adapted and proposed.

CHAPTER THREE
RESEARCH METHODOLOGY, DATA COLLECTION AND INTERPRETATION
In this chapter, the researcher focuses on the research process and the kind of tools and procedures to be used. It also focuses on the steps in this research process and the most objective procedures to be employed. It deals with research methodology for data collection and it comprises two methodologies which are:

- Quantitative research methodology and
• Qualitative research methodology

Data collection, analysis and interpretation are the processes that follow immediately after the research methodology technique has been selected. Collected data has to be analysed and interpreted to determine the results of this research study.

CHAPTER 4: PROPOSED STRATEGIES TO IMPLEMENT PUBLIC FINANCE MANAGEMENT ACT, 1999

The most appropriate strategies for attaining effective, efficient and economical financial management that meet the requirements of the PFMA are proposed, developed and adopted. The strategies provide possible solutions to challenges raised by the IMT such as; lack of discipline amongst the employees, ineffective control systems, fraud and corruption and the incapacity of top management to provide good leadership in the department for sound financial management and quality service delivery to the society.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

The concluding chapter is the most important in a treatise because it presents the end product of the researcher’s endeavour. Main findings obtained during the study by drawing together the results from previous chapters that have been discussed.
1.10 Conclusion

In the introductory chapter, several assumptions were made on the dysfunctions in the financial management system of the Eastern Cape Department of Public Works, key questions to the research were asked and concepts have been defined. Furthermore, the purpose of the research is stated and followed by the research methodology to be used as well as an outline of the proposed study.
CHAPTER TWO

CONCEPTS, THEORIES AND LEGISLATIVE FRAMEWORKS FOR SOUND PUBLIC FINANCIAL MANAGEMENT

2.1 Introduction

Effective and efficient financial management in the public sector is crucial. The state has limited financial resources to provide for the unlimited needs of society. State departments use budgetary processes to establish targets, which are indicators of what should be achieved, when, by whom and why those goals should be achieved. Annually, the budgets of government departments are approved by parliament which exercises control over all government departments for sound and healthy financial management for the benefit of society.

Budgets serve, among other things, to consolidate government spending patterns with objectives, the budget also serves as the basis for public and financial accountability. It is an obligation that the budget must comply with certain legal requirements before it can be used as a basis for public accountability. This provides a clear indication that government as a whole is held accountable for utilisatisation of public monies.

In this chapter, a thorough examination of the Constitutional requirements, existence and objectives of the PFMA and the National Treasury Regulations will be explored. The reasons for deploying the IMT in 2002 as an intervention strategy for the Eastern Cape by National Government will be critically looked at to determine and establish the
actual problem. Broader concepts of public financial management will also be analysed. An assessment of the impact of poor financial management on the objectives of the Provincial Growth and Development Plan (PGDP) will be explained. The objective is to link concepts, theories and the legislative frameworks to the statement of the problem which argue from the point of departure that a number of problems (dysfunctions) exist in the financial management system of the Department of Public Works.

2.2 Concepts of financial management

As enshrined in the Constitution of the Republic of South Africa, 1996, financial management is the cornerstone of any democratic government and best practices in accounting ensures transparent accountability. Financial management focuses on the utilisation of scarce government resources to ensure economic, effective, efficient and transparent use of public money and assets, to achieve value for money in meeting the objectives of government.

Visser and Erasmus (2002: 1) write that “public financial management involves general government fiscal issues, however, it also covers the full spectrum of social, economic, and political dimensions. One approach to this is the assumption that fiscal operations of government are a reflection and culmination of the dynamic interaction between all these dimensions within a particular time frame. Although, this is highly generalised, it does emphasise the importance of public financial management in contemporary society”.
In the past, financial processes in South Africa were centrally controlled by prescribed rules and a system of approval for most aspects by an external institution such as the Treasury. The processes were further centralised within departments in terms of the financial components of managing the budgets for line managers. The introduction of the PFMA to modernise financial management meant a mindset change by all involved and requires leadership skills to implement such changes, but it also meant the acceptance by departments of the responsibility for exercising control and approval.

Accountability in the public financial management serves to provide reasonable assurance to taxpayers that resources are managed in their best interest. Van der Waldt, et al. (2002: 13) advances this statement as follows: “Financial accountability is crucial if the financial resources of a country are to be managed effectively and efficiently. Those public institutions and persons responsible for the management and administration of public funds are accountable to the taxpayers for the effective and efficient execution of tasks, and this includes both collecting and spending of public money”.

The researcher associates the existing problem in the Department of Public Works with lack of accountability and incorrect implementation of policies, rules and regulations, in as far as financial management is concerned. The failure to enforce, monitor, evaluate and control for effective, efficient and economical financial management serve as elements contributing to a dysfunctional management system.

The management incapacity that exists in the Department of Public Works defeats the objectives of the Provincial Growth and Development
Plan (PGDP). All Provincial Government departments have a duty to link strategic plans with the PGDP. The PGDP is a ten-year vision of the Eastern Cape Provincial Government that provides a strategic framework and concrete programmes and projects aimed at rapid improvement in the quality of life for the province’s poorest people. It is also a people’s contract that merges efforts to ideally forever eradicate the scourges of poverty and unemployment in the Eastern Cape (PGDP 2004 – 2014)

The Constitution is the supreme law of the country and therefore, all organs of government have to adhere to and strictly comply with its provisions and with all the legislation, policies, rules and regulations that may be developed as the provision of the Constitution for the benefit of the citizens of the country. The executive “arm” of government is the one that should make sure that strict financial controls exist for the achievement of government goals for the acceleration of service delivery to the people.

2.3 Theory of Magna Carta

It has been observed that in the practice of sound public financial management, accountability plays an important role and this is one of the elements found in a democratic country. Gildenhuy (1997:483) states that it is understandable that the taxpayer will always show interest in the work that the authorities intend to place on taxpayers. He further mentions that this interest led to the establishment of the Magna Carta of 1215 and the measures that followed it, through which the taxpayer in Britain gained a voice in the way in which taxes were to be collected and spent.
Gildenhuys (1997: 52) states further that the Magna Carta is a well-known historical document signed by King John of England on the 15 June 1215. He further writes that, today, this document still serves as the basis of British constitutional law and is one of the cornerstones of western democratic ideology. In the process, Gildenhuys (1997: 52) further states that the origin of the democratic principles of approachability in public finance can be traced back to the English Magna Carta of 1215 and the slogan of “no taxation without representation” of the American Civil war against Britain.

Gildenhuys (1997: 53) continues that the signing of the Magna Carta by King John can, therefore, be regarded as the historical event which granted the taxpayers’ elected political representatives in parliament, the authority over public financial matters, and by which the taxpayers in England obtained indirect authority over the manner in which taxes may be collected and spent.

Critical analysis indicates that the base of the South African public financial management originates from the Magna Carta of 1215. The South African Parliament has Portfolio Committees playing an oversight role in national departments and a Standing Committee on Public Accounts (SCOPA) that checks for financial discrepancies existing in departments as reported and detected by the Auditor-General.

In this study, the researcher found that in all nine provinces of this country there are Portfolio Committees playing an oversight role in provincial departments. There is also a Standing Committee on Public Accounts (SCOPA) undertaking the same task as the one of the national
assembly. Elected political representatives therefore have a tremendous responsibility to the constituents to be accountable in the discharge of duties since the voters/taxpayers have given representatives a mandate to act on their behalf.

Gildenhuys (1997: 54) unequivocally indicates the importance of ten democratic principles as guidelines for public financial management. He states that the first value which can be established is that public financial decision making should always aim at the most reasonable and equitable way in which public financial resources can be allocated, as well as at the most efficient and effective way in which the financial resources can be applied to satisfy the collective needs of the public.

The incapacity that may exist in the Department of Public Works in terms of designing effective control systems to produce healthy financial management can be addressed by the Magna Carta principles. The principles are quite relevant and have to be implemented by the management to turn the department around for quality service delivery objectives in a manner that will benefit the majority of the people of the Province.

Gildenhuys (1997: 54) indicates that the Magna Carta principles are ten in number and refers to them as democratic values which should serve as basic principles in public financial management. These principles are outlined as follows:

- Public financial management decision-making should always aim at the most reasonable and equitable way in which public financial resources can be allocated, as well as at the most efficient and
effective way in which the financial resources can be applied to satisfy the collective needs of the public.

- Utilisation of public financial resources must satisfy the collective public needs optimally.

- Public participation in the financial decision-making process, either direct or indirect, is a primary condition for democratic financial decision-making.

- No tax or other charges can be collected from taxpayers without their consent, and the tax burden must be distributed in a reasonable and equitable way.

- Only the collective body of elected political representatives has the authority to introduce taxes, to collect them, and to decide how and on what they should be spent. Gildenhuys (1997: 54) writes that it is because of this principle that the legislature (Parliament or municipal Council) should not delegate its financial decision-making authority to the executive authority (Cabinet or municipal financial committee).

- The principle of responsibility and accountability of the elected political representatives to the taxpayers for the collection and spending of taxes and other income.

- Sensitivity and responsiveness. This principle says that political representatives must be sensitive to and respond to the collective needs of the community.
- Satisfaction of collective needs. This says that the executive authority has a responsibility to effectively and efficiently executive programmes. Gildenuys (1997: 55) writes that efficiency and effectiveness in an open democratic system means that the execution of budget programmes should satisfy the public’s needs, not only as cheaply as possible, but also as extensively as possible.

- Social equity, Gildenuys (1997: 55) writes that the outstanding characteristic of the concept of social equity is to maintain high ethical and moral standards and it requires political representatives and public officials to act with integrity.

- The tenth and the last value of democracy is that all activities regarding public financial management and administration must take place in public, and not under cover of secrecy or under confidentiality. Gildenuys (1997: 56) writes that this principle requires that account should be given to the public of all financial transactions.

These democratic values are a starting point for effective and efficient public financial management. The Department of Public Works has a responsibility to practically apply them in its daily operations that are aimed to enhance service delivery with limited financial resources against unlimited collective public needs. Sections 38 and 45 of the PFMA cover the objectives of Magna Carta principles as they emphasise effective, efficient and economical utilisation of state resources.
2.4 Legislative Framework

2.4.1 The Constitution of the Republic of South Africa of 1996

The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) expects all government departments to improve the quality of life of all citizens through departmental policies. The Constitution also sets out the principles by which the departments should be managed, the most important ones being:

Section 213(1), states that there is a National Revenue Fund into which all money received by the national government must be paid, except money reasonably excluded by an Act of Parliament.

Section 214(1) (a), states that an Act of Parliament must provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government.

Section 215(1), states that national, provincial and municipal budgets and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and the public sector.

Section 217(1), states that when an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.
The Constitution is the Supreme Law of the country therefore all the actions of the executive authority should strictly adhere to and comply with it. This also compels the judiciary and the legislative authorities to operate within the parameters of the law when handling public affairs. Any violation thereof will be ruled as unconstitutional and against the public interest. Effective, efficient and economical management of state finances is in the best interest of the people who voted for the African National Congress (ANC) to govern the country to provide economic growth and accelerated service delivery for a better life for all.

The Constitutional requirements compel the Department of Public Works to adopt a positive attitudinal and behavioural approach and to strictly adhere to and comply with Constitutional obligations that give direction for healthy and sound financial management.

2.4.2 Public Finance Management Act of 1999

The Public Finance Management Act, 1999 (Act No.1 of 1999 as amended by Act No. 29 of 1999) is one of the most important pieces of legislation that exists to promote the objective of sound financial management in order to maximise service delivery through the effective and efficient use of limited state resources to satisfy the unlimited needs of society. The PFMA has the following three salient features:

- Accountability
- Responsibility and
- Transparency
The National Minister of Finance in the Republic of South Africa, Mr Trevor Manuel, outlines the key objectives of the PFMA as being to give effect to the Constitution and its key objectives as follows:

- To modernise the system of financial management;
- To enable public sector managers to manage and be more accountable;
- To ensure the timely provision of quality information; and
- To eliminate waste and corruption in the use of state assets.

Section 38(1)(a)(i) states that the accounting officer of a department, trading entity or constitutional institution must ensure that the department, trading entity or constitutional institution has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Risk Management refers to identification of possible risks in the institution, analysis of it, development of a Risk Response Plan, implementation, monitoring and evaluating its effectiveness and control of the situation. The Risk Response Plan is composed of control systems and the control elements should consist of a combination of policy, standards, people, procedures, information and technology.

Section 38 (1)(c)(i) states that the accounting officer for a department, trading entity or constitutional institution must take effective and appropriate steps to collect all money due to the department, trading entity or constitutional institution.
Section 38 (1) (c) (ii) states that the accounting officer for a department, trading entity or constitutional institution must prevent unauthorised, irregular, fruitless and wasteful expenditure and losses resulting from criminal conduct.

Section 45 places the responsibility of effective, efficient and economical use of state resources on public officials. Section (45 (e) requires a public official in a department, trading entity or constitutional institution to be responsible for the management, including the safeguarding of the assets within his/her area of responsibility.

Sections 38 and 45 of the PFMA are most important as they contain elements of Magna Carta principles. Furthermore, section 38 gives responsibility for effective, efficient and economical management of state resources to the accounting officer of the institution. Section 45 gives such responsibility to all public officials.

The Department of Public Works appears to be battling to manage state resources in accordance with PFMA requirements. Huge discrepancies detected by the AG in previous audit cycles bear testimony to this statement. Discrepancies detected by the IMT, such as fraud and corruption cases; financial misconduct; irregular, fruitless and wasteful expenditure, etc. indicated gross dysfunctional management systems and these discrepancies were also picked up by the AG. Failure to collect revenue, especially rentals from tenants, and poor management of Lease Agreements, display lack of capacity to manage the department appropriately in accordance with existing regulations issued in terms of the PFMA.
The concepts fraud and corruption are clearly defined in Chapter four of this scientific study. Financial misconduct refers to transgression of the PFMA and in terms of Chapter ten anyone found to be responsible should be disciplined. Irregular expenditure refers to expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation. Fruitless and wasteful expenditure refers to expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Auditing is important and every public institution has to be audited because it operates on public money (budget). Pauw, et al. (2002: 59) states that public money belongs to the people and it must always be used in ways that are in the public interest or of public benefit. Gildenhuys (1997: 491) writes that the aims of the audit function are to ensure high standards of operation by the operational departments. He further states that these aims also serve to report to the executive authority and to the legislature on whether the policy goals, as reflected in the budget documents, have been executed and whether the expenditure of the appropriated funds is being carried out in accordance with the will and wishes of the legislature.

The Department of Public Works has to be audited as it is an entity covered in the PFMA and therefore the Auditor-General has mandate to audit business transactions. Section 188 of the Constitution of the Republic of South Africa, 1996 requires the Auditor-General to perform wide-ranging functions relating to auditing and reporting on accounts, financial statements and management of all levels of government departments, including any institution funded from the National Revenue Fund or a Provincial Revenue Fund, and submit these reports to any
legislature having direct interest in the audit, or to any other authority prescribed by national legislation. The Auditor-General checks adherence and compliance with the PFMA so that public money can be effectively, efficiently and economically utilised to the benefit of the people. Since 1994, the Department of Public Works has never received an unqualified report from the Auditor-General.

2.4.3 Division of Revenue Act, 2006

The Division of Revenue Act, 2006 (DORA) (Act No. 2 of 2006) is the law that provides for the equitable division of revenue to be raised nationally among the national, provincial and local spheres of government for the 2006/2007 financial year and the responsibilities of all three spheres pursuant to such division; and to provide for matters connected therewith. Its preamble is as follows:

“Section 214 (1) of the Constitution of the Republic of South Africa, 1996 requires an Act of Parliament to provide for;

(a) the equitable division of revenue raised nationally among the national, provincial and local spheres of government;
(b) the determination of each province’s equitable share of the provincial share of that revenue; and
(c) any other allocations to provinces, local government or municipalities from the national government’s share of that revenue, and any conditions on which those allocations may be made;

DORA is based on five objectives, but it is the last two objectives that are most important, that is, (d) and (e) as reflected in chapter one, page 8,
because these last two objectives are part of the three salient features of
the PFMA and they are:

- To promote transparency and equity in the resource allocation
  process; and
- To promote accountability by ensuring that all allocations are
  reflected on the budgets of receiving provinces and
  municipalities.

Allocations in the form of infrastructure grants assigned to the
Department of Public Works have to be accounted for and transparency
should prevail in addressing the requirements of the White Paper on
Transforming Public Service Delivery, 18 September 1997.

The noticeable lack of capacity in the management threatens the
accelerated service delivery objectives of the government and drastic
steps have to be taken to remedy the situation. Intervention by the IMT
detected huge discrepancies that are as a result of dysfunctional financial
management systems which drew the attention of the national Minister
of Public Service and Administration (DPSA) who deployed the IMT on
the instruction of the President of South Africa. Therefore DORA has to
be strictly complied with and correctly interpreted for perfect
implementation to achieve the goal of the state. The public expects the
government to deliver on their promises with the limited resources at its
disposal to satisfy their needs for a better life.
2.5 Medium Term Expenditure Framework

The Medium Term Expenditure Framework (MTEF) was introduced in 1998. Pauw, et al. (2002: 77) state that:

“It is regarded as the cornerstone of the government’s budget reform. The MTEF is a set cycle of three-year spending plans for national and provincial governments that is published with the main budget by the Minister of Finance as part of the budget every year. The MTEF is the outcome of the spending plans after a process of technical work, consultation and dialogue, which occurs within each national and provincial government between the governments and legislatures, and between the government and civil society in various forums”.

With regard to preparation of the Eastern Cape Provincial MTEF budget submission (August 2003: 19), preparing the departmental MTEF budget submission involves a bottom-up estimation of the costs preferably using the EC forms for budgeting and resource implications of the revised departmental strategic plan in relation to the medium term budget allocation. The Budget Guidelines (August 2003: 19) further indicate that costing of existing and new policies and service delivery programmes set out in the revised strategic plan informs the preparation of the departmental MTEF budget submission.

There is no indication that the Department of Public Works can underestimate its budget request. The MTEF is a good instrument that gives a clear direction with regard to budgeting. Government priorities are aligned with departmental plans, medium-term allocations and expected service delivery milestones and targets. The important point in MTEF is
that it details a three-year rolling expenditure and revenue plans for national and provincial departments.

This research study indicates that the Department of Public Works has a duty to strive for excellence in service delivery through effective, efficient and economical utilisation of state financial resources. Binza (2000: 21) states that striving for excellence requires dedication, motivation, hard work and diligence on the part of public officials to deliver services by pursuing the clear vision and mission of the government.

2.6 Standard Chart of Account

According to Manik (2004: 9) in 1999, National Treasury embarked on a budget reform programme. The objective was to improve accountability and modernise the accounts of government by bringing reporting in line with international best practice. The ultimate aim of this reform is to provide better quality information to the legislature, enhancing the policy-making process and to reinforce Parliament’s oversight role.

In the process, an important component of the budget reform programme was initiated when the National Treasury and South African Reserve Bank started the process of reclassifying existing expenditure items of government in line with the requirements of the Government Financial statistics (GFS) classification developed by the International Monetary Fund (IMF). According to Manik (2003: 9) during the process it became patently clear that there were systematic flaws in the classification of financial transactions in the South African financial management system.
Manik (2004: 9) writes that in the final quarter of 2001, a team was established, including stakeholders such as Statistics South Africa and the South African Reserve Bank, to initiate the process to address problems associated with data collection and reporting. Upon extensive deliberation, it was agreed that a centrally designed and controlled general-ledger item list, or Standard Chart of Accounts (SCOA), be developed by the team.

Manik (2004: 9) “According to the Office of the Accountant-General (OAG Web) SCOA is about financial accounting and reporting and is elaborated as follows:

SCOA is considered to be a new financial accounting and reporting programme which intends to enhance existing accounting policies and practices to ensure compliance with Generally Recognised Accounting Practices (GRAP) by the Accounting Standard Board (ASB), enabling a transition from the cash basis to an accrual basis of accounting. It also endeavours to improve the timelines, accuracy and efficiency of financial reporting; and to provide mechanisms for improved financial accountability in the public sector.

Furthermore, it aims to improve the quality of financial accounting and reporting by ensuring that appropriate accounting policies and financial practices are developed for improved disclosure. This is an indication that the Office of the Accountant-General has undergone considerable restructuring in terms of improving financial management in South Africa. The Office of the Accountant-General is located in the National Treasury and is responsible for public financial management in three government spheres, namely; national, provincial and local government.
This office also conducts research on best international practices and designs effective policies. The Accountant-General is the overall Head of National Treasury. The Office of the Auditor-General operates in terms of Section 188 of the Constitution of South Africa, 1996, and is an independent office that accounts to Parliament.

Critical analysis indicates that the accounting officers (including the one for Department of Public Works) have to make sure that they strictly comply with norms and values governing public financial management for improvement of the lives of the people of South Africa. All public officials have a responsibility to manage the effective utilisation of state assets in a manner that will benefit the taxpayers.

2.7 Conclusion

This chapter focuses on the concepts, theories and legislative frameworks for the public financial management. The researcher’s approach has not been a mere compilation of separate and isolated summaries of individual studies of previous researchers, but the objective is to show how these studies and theories relate to one another and how the research study ties in with them.

According to van der Waldt, et al. (2002: 287) knowing the field is a vital part of research. This indicates an understanding of the main theories, structures, debates and propositions in a topic area; actively thinking about it; and which public institutions have an interest in it or responsibility for it. Mouton (2004: 179) defines this exercise as a study that provides an overview of scholarship in a certain discipline through an analysis of trends and debate.
CHAPTER THREE

RESEARCH METHODOLOGY, DATA COLLECTION AND INTERPRETATION

3.1 Introduction

This is the most important chapter in the research study. The chapter provides the reader with the information on what methodology has been employed and what research design has been tailor-made to address different kinds of questions that are reflected in the questionnaires.

For the purpose of this study, research methodology has focused on the research process and the kind of tools and procedures the researcher has used to obtain scientific results. The research design is tailor-made to provide information as to how the data has been collected and what resources were available to collect such data.

In research it becomes critical for the researcher to analyse the data after the process of research methodology has been selected, thoroughly applied and the data collected.

According to de Vos, et al. (2005: 214) hand tabulation of aggregated data should be undertaken to ascertain whether the responses reflect sufficient variation to test the study’s hypothesis or to reflect the validity of the findings.

It is necessary to provide information as to how the Auditor-General, Director-General, Superintendent-General for Treasury and the
Accounting officer of Public Works have responded to the questionnaires issued in respect of the strategic positions they hold and responsibilities assigned to them by the government.

3.2 Research design

The research design has been made to address different kinds of questions that are reflected in the questionnaires. When designing a research plan, the researcher has to consider the following key questions:

- For what purpose is the research done?
- What kind of information is needed to make decisions which the researcher intends to make?
- From what sources should the information be collected?
- How that information can be collected (what gathering instruments will be used)?
- When is the information needed (by when must it be collected)?
- What resources are available to collect the information?

3.3 Research methodology

Research methodology is largely discipline specific and varies widely even within some disciplines. It demands the researcher’s proposal to specify the research operations he or she intends to undertake and the manner he or she intends to interpret the results of these operations in terms of his/her central problem.

The focus of the researcher has been on the research process and the kind of tools and procedures that had to be used. Focus has again been on the
individual steps in the research process and the most objective (unbiased) procedures that had to be employed.

According to Braynard and Hanekom (1997: 27) research methodology is the method by which data is collected and processed within the framework of the research process. Two basic methodologies for collecting data can be distinguished, namely quantitative and qualitative. Both methods make use of specific techniques to collect data, *inter alia*, literature reviews, interviews, questionnaires and direct observation.

According to De Vos, *et al.* (2005: 71) science is an enterprise dedicated to finding out or to advance knowledge, to make discoveries, and to acquire facts. Irrespective of what you want to find out, or what one wants to discover or what facts that person wants to acquire, there is a process involved. This is a process of scientific enquiry, a way of learning and knowing things about the world around.

According to Mouton (2004: 56) research methodology focuses on the research process and the kind of tools and procedures to be used. It further focuses on the individual (not linear) steps in the research process and the most objective (unbiased) procedures to be employed. With reference to the study conducted, it is important to note that two specific tools have been chosen and employed, namely quantitative and qualitative.
3.3.1 Quantitative research methodology

According to Technikon SA (2001: 76) quantitative research consists of studies in which the data concerned can be analysed in terms of numbers that can be quantified.

Quantitative data-collection methods often employ measuring instruments. It is thus essential that the reader should understand certain concepts and principles that are fundamental to measure before considering the specific measuring instruments, namely questionnaires, checklists, indexes and scales (de Vos, et al. 2005: 159).

In the case of this study, a questionnaire was selected as the relevant and suitable measuring instrument. According to de Vos, et al. (2005: 166) the basic objective of a questionnaire is to obtain facts and opinions about a phenomenon from people who are knowledgeable of a particular issue.

The questions were directed at the participants’ experiences, feelings, beliefs and convictions about the challenges to the implementation of the PFMA in the department. At the beginning of the process, the purpose of the study was explained to the prospective participants and their cooperation was sought.

3.3.2. Sampling

The researcher chose to focus on those public officials who occupy supervisory and managerial positions and have influence in the decision-making process. The assumption is that these are the public officials who
should be well vested with government policies, interpreting such policies correctly, perfectly implementing the policies, monitoring and evaluating the implementation process superbly and they are also supposed to have the required skills to design the control systems and lead with the heart of dedicated public officials.

Cluster sampling was also employed to reach scientific conclusions. This refers to questionnaires issued to the Auditor-General, Provincial Director-General, Superintendent-General of Provincial Treasury and as well as the accounting officer of the Department of Public Works. This is a group that has the expertise and the highest authority in the implementation of government duties in the department. The Auditor-General has the overall authority to guard deviations from prescribed policies and procedures when government departments discharge assigned responsibilities as delegated authority by the legislature.

The researcher identified and used three approaches to source data from the respondents, namely, questionnaires transported to the five regions. Each region received 100 questionnaires, and field workers disseminated the questionnaires to the relevant research population. Firstly, top management (salary levels 13-14), middle managers (salary levels 9-12), and supervisors (salary levels 7-8). Secondly, a different questionnaire was developed and disseminated to the Auditor-General, Provincial Director-General, Provincial Treasury Superintendent-General and Accounting Officer for Public Works (see annexure B and C respectively). This means that four questionnaires were disseminated to the above respondents.
Eight hundred (800) questionnaires were designed and disseminated as follows: one hundred (100) questionnaires per regional office were disseminated to five regional offices, and (300) questionnaires to Head office. There are five operating regional offices which received questionnaires. They are:

1. Alfred Nzo in Kokstad,
2. Amathole in East London,
3. Cacadu in Port Elizabeth,
4. Chris Hani in Queenstown and
5. O.R. Tambo in Mthatha.

The department has about two thousand five hundred (2500) employees. Questionnaires had to be disseminated to supervisors, middle management and senior management, and it is for that reason that only eight hundred (800) questionnaires were designed and disseminated. This figure excludes the four questionnaires designed for Auditor-General, Director-General, Superintendent-General for Provincial Treasury and the Accounting Officer of the Department of Public Works.

The rest of the employees fall under the category of junior clerks, semi-skilled and unskilled employees who are not familiar with policy matters and government operations.

No reliable source could provide the researcher with accurate statistics with regard to numbers in regional offices and Head Office, even the records in Human Resource Management Division appeared not to be accurate as the “head-count” exercise was in process to identify “ghost” workers.
Out of 800 questionnaires, only six hundred and thirty eight (638) were completed and returned. It was then decided to proceed with the analysis as the researcher had a high response rate. The assumption for not receiving a 100% response rate is that some of the staff members were on leave, and some had no time to complete the questionnaire as they were out of office due to external projects, but for purposes of this study this cannot be cited as a valid reason.

3.4 Data collection and interpretation

Interpreting pieces of data provides information within certain contexts and information provides a basis for action. The data interpretation in this exercise is in the form of explanation of the actual meaning of data that has been gathered, arranged and processed quantitatively and qualitatively.

The following is the interpretation of the collected data:

**LEGEND**
1. Strongly agree
2. Agree
3. Neutral (not sure)
4. Disagree
5. Strongly disagree

1. In terms of the PFMA the accounting officer has to ensure that the department has and maintains effective, efficient and transparent system of financial and risk management and this is what is happening in the department.
Sample statements:

1. 10% strongly agree
2. 15% agree
3. 40% neutral (not sure)
4. 20% disagree
5. 15% strongly disagree

A big number of employees who preferred to be neutral (not sure) plus those who disagree and strongly disagree, indicates that there is a challenge for the department to improve on its capacity to implement the PFMA. National Treasury Regulations, paragraph 3.2.1, requires the accounting officer to ensure that a risk assessment is conducted regularly to identify emerging risks of the institution. In the same paragraph, it is stated that a risk management strategy, which must include a fraud prevention plan, must be used to direct an internal audit effort and priority, and to determine the skills required of managers and staff to improve controls and to manage these risks.
2. The accounting officer ensures that the department’s resources are used in an effective, efficient, economical and transparent way.

Sample statements:

1. 7% strongly agree
2. 35% agree
3. 23% neutral (not sure)
4. 18% disagree
5. 17% strongly disagree

This data interpretation compels the researcher to conclude that more has to be done by the department in order to perfectly implement the PFMA. The statistics indicate that an endeavour has been made to manage financial resources in a manner required by the PFMA, but 33% of employees who disagree and those who strongly disagree, including 23% of those who are not sure, indicate that the department has to drastically improve on maintenance of PFMA principles. Section 38 (1)(b) of the PFMA requires the accounting officer to be responsible for the effective, efficient, economical and transparent use of the resources of the department.
3. In terms of section 76(4) and 77 of the PFMA, public institution should have Audit Committees. The department had appointed its audit committee long ago and it perfectly and efficiently renders its duties to the department.

Sample statements:

1. 3% strongly agree
2. 20% agree
3. 33% neutral (not sure)
4. 28% disagree
5. 16% strongly disagree

The statistics indicate that the PFMA requirement that the department should appoint an Audit Committee is not fulfilled. This is a legal obligation for the department that has to be carried out and made known to the employees. If the Audit Committee exists, therefore its existence and functionality is not visible to the majority of the employees and the assumption may be that the Audit Committee has recently been appointed after the study had been conducted.
3. The PFMA requires the accounting officer to ensure that a risk assessment is conducted regularly to identify emerging risks of the department and this is what Public Works is doing.

Sample statements:

1. 2% strongly agree
2. 30% agree
3. 50% neutral (not sure)
4. 10% disagree
5. 8% strongly disagree

Fraud and corruption defeat the objective of the state to render services to the society; therefore regular risk assessment has to be conducted to identify the risk profile of the department. Data interpretation gives a conclusion that the department is not carrying out this function as required by PFMA. In terms of the National Treasury Regulations, paragraph 3.2.1, this is an obligation that has to be fulfilled by the department.
5. The PFMA also requires that a risk management strategy, which must include a fraud prevention plan, must be used to direct internal audit effort and priority and to determine skills required of managers and staff to improve controls and to manage these risks. All this is happening in the department.

Sample statements:

1. 10% strongly agree
2. 28% agree
3. 30% neutral (not sure)
4. 19% disagree
5. 13% strongly disagree

Paragraph 3.2.1 of the National Treasury Regulations directs that the department must have A Risk Management Strategy and Fraud Prevention Plan. The conclusion in terms of data interpretation indicates that these documents are not known by the majority of the employees. This may also give a conclusion that the documents are not implemented, but only exist for compliance purposes (to be shown to Auditor-General and Provincial Treasury when demanded).
6. The risk management strategy has to be clearly communicated to all officials to ensure that the risk management strategy is incorporated into the language and culture of the institution. It has been discovered that the department strictly complies with this requirement.

![Bar chart showing sample statements]

Sample statements:

1. 21% strongly agree
2. 25% agree
3. 29% neutral (not sure)
4. 21% disagree
5. 4% strongly disagree

As stated in the foregoing data interpretation of statement number five, the Risk Management Strategy is not made known to the employees. Only 46% that claim to know the Risk Management Strategy (those who agree and those who strongly agree).
7. The good performance of the past financial years indicates that the department applies an appropriate procurement and provisioning systems which is fair, equitable, transparent, competitive and cost-effective.

Sample statements:

1. 10% strongly agree
2. 16% agree
3. 27% neutral (not sure)
4. 25% disagree
5. 22% strongly disagree

The interpretation of the data as presented in statistical order makes the researcher to conclude that the department performs poorly in terms of applying appropriate procurement and provisioning systems. Only 26% who support the statement (of those who agree and strongly agree).
8. The department excels in preventing unauthorized, irregular and fruitless and wasteful expenditure through its process of maintaining sound financial management.

![Bar chart showing sample statements](image)

**Sample statements:**

1. 7% strongly agree
2. 9% agree
3. 9% neutral (not sure)
4. 50% disagree
5. 25% strongly disagree

Section 38 (1) (b) (ii) of the PFMA requires the accounting officer to prevent unauthorised, irregular and fruitless and wasteful expenditure. In terms of data collected and interpreted, the conclusion is that little is being done to carry out this legal obligation.

9. It is a fact to state that the department always takes into account all relevant financial considerations including issues of property regularity and value for money when considering policy proposal
Sample statements:

1. 6% strongly agree
2. 9% agree
3. 50% neutral (not sure)
4. 18% disagree
5. 17% strongly disagree

The small number equaling to 15% (of those who agree and those who strongly agree) compels the researcher to conclude that the department lacks the capacity to deal with policy issues.

10. The department has an effective policy that ensures that the provisions of the PFMA are strictly complied with when transferring funds.
Sample statements:

1. 18% strongly agree
2. 20% agree
3. 35% neutral (not sure)
4. 20% disagree
5. 7% strongly disagree

As stated in the foregoing statement, the department lacks capacity to deal with policy issues. If the policies exist, such policies are not known by employees and the probability is that such policies only exist for compliance (to be shown to Auditor-General and Provincial Treasury when demand) and are not implemented.

11. Before transferring any funds to another entity, the accounting officer makes sure that such entity has provided a written assurance that it implements effective, efficient and transparent financial management and internal controls.
Sample statements:

1. 15% strongly agree
2. 21% agree
3. 43% neutral (not sure)
4. 16% disagree
5. 5% strongly disagree

43% of employees are not sure whether this does happen or not. This requires the department to make sure that this legal obligation is carried out. Only 36% of the employees (those who agree and strongly disagree) who agree with the statement.

12. Section 45(e) of the PFMA requires public officials to be responsible for the management, including the safeguarding of the assets within that official’s area of responsibility.
Sample statements:

1. 13% strongly agree
2. 29% agree
3. 28% neutral (not sure)
4. 18% disagree
5. 12% strongly disagree

In terms of Section 45 (e) of the PFMA public officials have a legal obligation to be responsible for the management, including the safeguarding of assets within their areas of responsibility. The big number of those who are not sure, including those who disagree and those who strongly disagree, indicates that the department lacks capacity to implement the PFMA as required.

13. Losses and damages are investigated and those found to have been negligent are taken for disciplinary action as PFMA requires so. This is done irrespective of rank of any particular official.
Sample statements:

1. 11% strongly agree
2. 24% agree
3. 19% neutral (not sure)
4. 28% disagree
5. 18% strongly disagree

46% of employees do not agree with this statement and 19% are not sure. Investigating losses and taking disciplinary action against negligent employees is a legal obligation in terms of the National Treasury Regulations that are issued in terms of the PFMA, therefore the department has to comply with this requirement.

14. For accelerated service delivery to the public, the department ensures that quality training is given to its employees, particularly financial management related training.
Sample statements:

1. 18% strongly agree
2. 45% agree
3. 10% neutral (not sure)
4. 19% disagree
5. 8% strongly disagree

63% agree with the statement and this indicates that training is being given to the employees. The assumption in this case is that training on financial management is given, but no training given that focuses on PFMA.

15. This type of training gives effect to the objectives of the departmental policy designed to facilitate upward mobility of long serving dedicated employees.
Sample statements:

1. 10% strongly agree
2. 23% agree
3. 53% neutral (not sure)
4. 11% disagree
5. 3% strongly disagree

The majority of the employees, those who remained neutral, are not sure about this statement. This means that there is no policy designed for upward mobility as one of the requirements is to make it known to the employees of the department.

16. All employees at level eight and upwards are deeply involved in budget formulation of their respective sections/divisions.
Sample statements:

1. 13% strongly agree
2. 17% agree
3. 19% neutral (not sure)
4. 23% disagree
5. 28% strongly disagree

Transparency as one of the PFMA salient features requires the employees to understand all administrative processes within their areas of responsibilities. Only 30% of the employees who agree that they participate in the budgetary processes of the department. This refers to those who strongly agree and to those who agree.

17. Decision making is a participatory process and not a top-down command process in all financially related aspects.
Sample statements:

1. 16% strongly agree
2. 15% agree
3. 20% neutral (not sure)
4. 31% disagree
5. 18% strongly disagree

The conclusion, according to this data interpretation, is that the department does not involve the employees in decision-making process. Employees should be given a platform to make inputs in decision-making of their institution. 20% of employees are not sure about participation in decision-making and 49% (of those who disagree and those who strongly disagree) do not support the statement.

18. The department is commended for avoiding unnecessary claims and litigation on poor decision making and unnecessary delays in paying out its customers for services rendered.
Sample statements:

1. 16% strongly agree
2. 21% agree
3. 15% neutral (not sure)
4. 24% disagree
5. 24% strongly disagree

Public sector and private sector institutions have an obligation to pay their creditors within thirty days after transactions have been made, but the statistics indicate that the Department of Public Works is not doing well in meeting this obligation. Only 37% who support the statement. This refers to those who strongly agree and to those who agree.

19. Poor performance and dishonesty both render the department inefficient. To avoid this, the department ensures that incentives are paid out to all deserving hardworking employees for effective, efficient and economical financial management.
Sample statements:

1. 4% strongly agree
2. 20% agree
3. 31% neutral (not sure)
4. 27% disagree
5. 18% strongly disagree

Hardworking employees deserve to be rewarded to encourage and sustain good performance. Data interpretation results indicate that no incentives are given to hardworking employees and the possibility is that the employees may lower their performance in the long run. A good institution is the one that has productive staff and paying incentives to those who perform excellently and extraordinarily. In this case the majority of the employees do not support the statement. This refers to those who are not sure, those who disagree and those who strongly disagree.

20. Employees with sound academic and practical experience in financial management are placed in correct managerial positions for achievement of the departmental goals.
Sample statements:

1. No one strongly agrees
2. 25% agree
3. 30% neutral (not sure)
4. 29% disagree
5. 16% strongly disagree

Academic qualifications and sound practical experience are necessary prerequisites of a position which requires one to be responsible and accountable. The personnel should be correctly placed to maintain effective and efficient financial management. The data interpretation results show that the Department of Public Works lacks understanding of this leadership responsibility.

21. Disciplinary action is taken against any particular person flouting the procurement policies and procedures irrespective of rank.
Sample statements:

1. 17% strongly agree  
2. 21% agree  
3. 18% neutral (not sure)  
4. 35% disagree  
5. 9% strongly disagree

All employees are subject to disciplinary action should there be allegations of misbehaviour leveled against them. Action is taken in terms of Chapter Ten of the PFMA and as well as in terms of the Code of Conduct for Public Servants. 44% of the employees, including those who are not sure, do not support the statement and this makes the researcher to conclude that there is no consistency in terms of perfectly carrying out this responsibility. Only 38% of employees who support the statement.

22. Senior and middle managers in the department put every effort to prevent procurement fraud and flouting of laws and procedures for good governance.
Sample statements:

1. 8% strongly agree
2. 16% agree
3. 29% neutral (not sure)
4. 23% disagree
5. 24% strongly disagree

Fighting fraud and corruption in a public institution is the major responsibility of the accounting officer. Looking at the statistical results above, the researcher concludes that the accounting officer does not understand that he/she is legally bound to prevent, detect and investigate fraud and corruption in the department. 29% of the respondents are not sure whether fraud and corruption is prevented, detected and investigated in their department. 23% disagree and 24% strongly disagree with the statement.

23. The Chief Financial Officer fully understands that he has a major responsibility to put in place effective controls to prevent loss of assets, especially the computers
Sample statements:

1. 23% strongly agree
2. 35% agree
3. 18% neutral (not sure)
4. 15% disagree
5. 9% strongly disagree

Section 38 (1) (b) of the PFMA requires the accounting officers to be responsible for effective, efficient, economical and transparent use of the resources of the departments. The accounting officers delegate this responsibility to their Chief Financial Officers. In terms of Paragraph 2.1.3 of the National Treasury Regulations, the duties of the Chief Financial officers relate to the effective financial management of the institution including the exercise of sound budgetary control practices; the operation of internal controls and the timely production of financial reports. 58% of respondents agree that the CFO has a responsibility to put in place effective control systems to prevent loss of assets.
24. The Anti-corruption Unit of the department functions perfectly and as such fraud risk is mitigated to the lowest level.

Sample statements:

1. 9% strongly agree
2. 12% agree
3. 20% neutral (not sure)
4. 27% disagree
5. 32 strongly disagree

In terms of the Public Service Anti-Corruption Strategy as approved in 2002 by the National Cabinet, national and provincial departments have a responsibility to prevent, detect, investigate and resolve corruption. This requires departments to establish Anti-Corruption Units to carry out the above mentioned responsibility. According to the respondents, 20% are not sure whether Anti-Corruption Unit exists or not, 27% disagree and 32% strongly disagree.
25. The Loss Control Officer conducts awareness workshops, investigates reported cases, maintains Loss Register and recommends disciplinary actions. This function receives high priority from the Chief Financial Officer.

Sample statements:

1. 5% strongly agree
2. 8% agree
3. 45% neutral (not sure)
4. 24% disagree
5. 18% strongly disagree

The Loss Control Officer plays a major role in management of state assets. According to the statement, 45% of respondents are not sure whether the CFO prioritises this responsibility or not. 24% disagree and 18% strongly disagree with the statement.

26. The Loss Control Officer conducts awareness workshops, investigates reported cases, maintains Loss Register and recommends disciplinary actions. This function receives high priority from the Chief Financial Officer.
Sample statements:

1. 2% strongly agree
2. 8% agree
3. 25% neutral (not sure)
4. 28% disagree
5. 37% strongly disagree

The Loss Control Officer should be appointed to investigate all losses, register them in Loss Control Register for audit purpose and to recommend preventative measures. This public official has a responsibility to implement Auditor-General’s recommendations and form part of the Departmental Steering Audit Committee. The statistical results in this statement show that the majority of the employees, including those who are not sure, do not support the statement.

27. The Loss Control Officer is part of the Departmental Steering Audit Committee and he/she enforces the implementation of the Auditor-Generals recommendations.
Sample statements:

1. 10% strongly agree
2. 5% agree
3. 41% neutral (not sure)
4. 19% disagree
5. 25% strongly disagree

The respondents (those who disagree and those who strongly disagree, including those who are not sure) do not support the statement. This means that the department has to consider appointing the public official who will be designated as Loss Control Officer to carry out the responsibilities outlined in the statement.

28. The regions receive maximum support from the office of the Director for Finance for achievement of quality objectives and as such there is no shortage of resources and staff to do good work.
Sample statements:

1. 5% strongly agree
2. 21% agree
3. 33% neutral (not sure)
4. 24% disagree
5. 17% strongly disagree

Decentralisation of departmental work will improve service delivery. Regions of the department are the institutions that are very close to the communities; therefore it becomes necessary for the department to accelerate service delivery through regional offices. The majority of the employees, including those who are not sure, do not agree that regions are receiving support from Director for Finance in Head Office (Bhisho) for maximum output.

29. It is a normal practice for the department to hold branch bimonthly or quarterly staff meetings to deal with branch issues that negatively affect service delivery and also to do progress assessment and that is appreciated.
Sample statements:

1. 13% strongly agree
2. 13% agree
3. 20% neutral (not sure)
4. 25% disagree
5. 29% strongly disagree

Branch monthly, or bimonthly or quarterly meetings should be held to address and discuss work related matters. 74% of employees (those who disagree and those who strongly disagree, including 20% of those who are not sure) do not support the statement and this means that the department has to encourage holding of meetings in all branches for participation by all employees in the business of their organisation. Effectiveness and efficiency comes through collective efforts to achieve a common goal.

30. The department does not rely on consultants to make things happen but strongly relies on its work force as officials receive up to standard quality training.
Sample statements:

1. 8% strongly agree
2. 10% agree
3. 5% neutral (not sure)
4. 29% disagree
5. 48% strongly disagree

82% of the employees (those who disagree and those who strongly disagree, including those who are not sure) do not support the statement. This requires the department to train and develop its workforce for effectiveness and efficiency. Outsourcing has to be done when the task cannot be done in-house.

3.5 Special questionnaires and findings
3.5.1. Auditor-General

The office of the Auditor-General responded within twenty four hours to the questionnaire. His response cited gross discrepancies detected during the audit cycle and such discrepancies invite immediate attention and concerted effort of the management of the department. Special attention
has to be directed to the Property Directorate of the Buildings Branch of the department.

Looking at the Auditor-General’s response, it becomes evident that management capacity to effectively, efficiently and economically manage and lead the directorate is lacking. This observation is supported by the fact that the Director for Property Management was suspended probably a year ago, i.e. October 2004, for irregularities within her area of responsibility. This refers to asset management and asset acquisition.

The Auditor-General has stated that discrepancies revealed in the past financial years also appear in the next audit reports as discrepancies. This indicates that the department lacks capacity to implement the Auditor-General’s recommendations and the will to put internal controls and procedures into their administrative system for efficient, effective and transparent utilization of state resources.

The Auditor-General also comments on general aspects in relation to financial management of the department. He quoted issues such as deviations from procurement procedures which resulted in irregular expenditure of R107, 7 million. Variation orders of R31, 3 million in respect of five contracts that relate to the construction of roads in the province. This is a reflection of incapacity, from the management, to lead and manage the department. For more information with regard to Auditor-General’s report, the reader is referred to Annexure B of this document.
3.5.2 Provincial Director-General

It is unfortunate that the researcher could not get any positive response from the office of the Provincial Director-General. Promises were made by her office up until the deadline. The deadline for response to the questionnaire was 30 November 2005 which was extended by ten days to 10 December 2005.

Through the observation, the office of the Director-General does not have a clear programme to monitor and evaluate the general administration of the Provincial Department of Public Works. It would appear that the report of the Interim Management Team (IMT) sent by the Office of the President to the Eastern Cape Province to assist in sustaining the ailing administration in four departments mentioned in page 11 of Chapter one, did not receive any attention in terms of coming up with a prescribed remedy to the ills of the Provincial Department of Public Works.

The observation is based on the results of interaction with some of the members of the Portfolio Committee on Public Works and some of the managers in the department who do not have any idea of what was revealed and recommended by the Interim Management Team.

3.5.3 Superintendent-General for Provincial Treasury

Several attempts to get a response from the Provincial Treasury Superintendent-General proved fruitless. The deadline for a response was 30 November 2005, but this again was extended by ten days.
The Provincial Treasury is the custodian and overseer of policies and procedures implemented in the Province by the Provincial Departments for effective, efficient, economical and transparent financial management, and The Provincial Treasury has to report progress quarterly to the Executive Council (National Treasury Guide for Accounting Officers – 2000: 18). The office of the Auditor-General strongly relies on policies and procedures made by Provincial Treasury when auditing and checking compliance with such policies and procedures (National Treasury Guide for Accounting Officers – 2000: 29). The situation indicates that the Provincial Treasury only focuses on budget control rather than general financial management of the Provincial Departments. When departments deviate from the specified use of the requested funds during a particular financial year, Treasury fails to ascertain whether such a deviation is in terms of the service delivery programme. Provincial Departments have a responsibility to make their programmes feed-in into the Provincial Growth and Development Plan, therefore, Treasury has a major responsibility to check on that whenever budgets of various departments are submitted for approval.

Checking on implementation of the Auditor-general’s recommendations by provincial departments is the responsibility of the Treasury. Provincial Treasuries set norms and standards that should be followed and complied with by Provincial Governments for effective, efficient, economical and transparent financial management.

In terms of Section 38 (1) (g) of PFMA, an accounting officer should immediately report, in writing, particulars of the expenditure to the relevant treasury and in the case of irregular expenditure involving the
procurement of goods or services, also to the relevant tender board on
discovery of any unauthorized, irregular or fruitless and wasteful
expenditure. This is a role that ought to be played by the Provincial
Treasury, but this is currently not happening and never happened in the
past. With such huge irregularities revealed by the Auditor-General in
the Provincial Department of Public Works, the Provincial Treasury
would not take any initiative to enforce compliance with the PFMA,
especially Section 38 (1) (g). This paints an undesirable picture of the
situation in the province with regard to the implementation of the PFMA.
The Provincial Treasury does not even have records of warehouses in the
provincial departments. It does not facilitate the efficient functioning of
such departments.

3.5.4 Accounting Officer for the Department of Public Works

The Accounting Officer of the Department of Public Works requested
the Chief financial officer to provide answers to the questionnaire. Please
see her correspondence with the researcher in Annexure C.

Attempts to get such answers were in vain as the Chief Financial Officer
claimed to be busy all the time. The time limit was further extended from
30 November 2005 to 02 January 2006, but again there was no response.

Unstructured interviews with some managers within the department
indicate that the department lacks capacity to implement and meet the
PFMA requirements. An important indication is that the Pillay
Commission took the department to task for mismanagement of state
resources which has unsettled the whole management hence there has
been no response to the questionnaire.
The Pillay Commission was appointed by Provincial Premier, Mrs. Nosimo Balindlela, in April 2005 to conduct an investigation into the mismanagement of government financial resources. The commission was mandated to focus on 1994 to end September 2006 financial aspects of Provincial Government, looking thoroughly at all discrepancies as detected by the Auditor-General and matters reported to him by people. This report was scheduled to have been submitted to the Commission by the end of September 2006 and the commission would have submitted its report to the Premier, however, the timeframe has been extended to end December 2006. The commission’s scope was wide as the mandate covers all provincial government departments.

The Head of Human Resource Development and Training Division in the Department of Public Works emphasised that quality training had been provided to all Finance Directorate Staff and such under performance puzzled her. Through interaction with some staff members, it surfaced that the problem is with the managers who:

- Lack managerial capacity,
- Are unable to build team spirit for unity and accelerated service delivery,
- Are unable to hold branch monthly meetings with staff to discuss business plans and evaluate progress,
- Are unable to fill vacant posts to meet challenges as reflected in the business plan,
- Exclude staff members from participating in budget formulation of their branches,
• Totally refuse to discipline certain employees for unethical behaviour and transgression of policies and procedures,
• Are unable to put effective internal controls and procedures into place,
• Are unable to establish an Anti-corruption Unit,
• Display negative attitudes towards certain employees and facilitate their immediate transfer,
• Refuse to pay employees what is due to them and other various incentives for excellent performance,
• Have no confidence in the department’s staff and rely on consultants,
• Lack of leadership skills,
• Cannot align the Strategic Plan with the Provincial Growth and Development Plan, and
• Are unable to appoint a Loss Control officer who has the capacity to investigate misconduct cases, investigate fraud and corruption, record all losses and maintain a Loss Register.

Thorough observation indicates that great improvement can come about in the department due to studies of this nature and the consequences of the Pillay Commission. The management is learning the hard way from the Pillay Commission which investigated cases of mismanagement and financial irregularities that occurred between 1994 to 2006. The Pillay Commission has collected all the Auditor-General’s Reports of various departments and other relevant documents to build their cases against departments.

Quality training is given to all employees and therefore problems posing challenges stem from poor management and leadership. This poor
management and leadership leads to poor performance by employees in the department. This is a major problem that means that the department does not receive an unqualified report from the Auditor-General. It is also a problem that negatively impacts on the objectives of the Reconstruction and Development Plan. Financial mismanagement defeats the objectives of the Provincial Growth and Development Plan.

The questionnaire designed for the Auditor-General, Director-General, Provincial Treasury Superintendent-General and the Accounting Officer for the Department of Public Works is attached as Annexure D.

3.6 Conclusion

The aim of analysis in this study was to understand the various constitutive elements of the data through an inspection of the relationship between concepts, constructs or variables, and to check whether there have been any patterns or trends that could be identified or isolated, or to establish themes in the data.

Interpretation has been done to relate the study results and findings to existing theoretical framework, proposed model, and to show whether these are supported or falsified by the new interpretation. The findings are simplified in such a manner that the reader can easily understand the content of the chapter and are the end result of data collection, analysis and interpretation.
CHAPTER FOUR

PROPOSED STRATEGIES TO IMPLEMENT THE PUBLIC FINANCE MANAGEMENT ACT, 1999

4.1 Introduction

The most appropriate strategies to ensure a sound financial management system in the Provincial Department of Public Works are proposed, developed and adopted. The aim is to minimize financial management challenges experienced by the department since the democratic government was ushered in 1994, as well as to comply with the requirements of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), Section 195 (1) and Section 38 of the Public Finance Management Act, 1999 (Act No. 1 of 1999 as amended) respectively.

4.2 Principles of corporate governance.

Good governance is considered to be one of the most important requirements of sound financial management in the public sector. All the provincial departments in the Province of the Eastern Cape are encouraged to be innovative so as to improve the governance processes and systems for the better service delivery. It is in this view that Department of Public Works should adopt, implement and adhere to the principles of good-corporate governance as outlined in the King 11 Report. The King 11 Report provides for Code of Corporate Practices and Conduct for both the public sector and private organisations,
including the Public benefit organisations formerly known as non-
governmental organisations. Corporate governance is concerned with
‘holding the balance between economic and social goals and between
individual and communal goals … the aim is to align as nearly as
possible the interest of individuals, corporations and society’ (World

The King 11 Report adopts the aims of the King Report of 1994 which
are to: (1) promote the highest standards of corporate governance in
South Africa, and (2) recognise the increasing importance placed on
reporting on social, ethical, environmental, health and safety matters.

These principles are, namely:

- Discipline: commitment by senior management to adhere to
  underlying principles of good corporate governance.
- Transparency: the ease with which an outsider is able to make a
  meaningful analysis of a company’s actions, its economic
  fundamentals and the non-financial aspects.
- Independence: extent to which mechanisms have been put in
  place to minimise or avoid potential conflicts of interest.
- Accountability: individuals are accountable for decisions or
  actions.
- Responsibility: senior management must act responsively and
  with responsibility towards all stakeholders
- Fairness: taking into account all those that have an interest in the
  entity and its future.
- Social responsibility: be aware of and respond to social issues,
  placing a high priority on ethical standards (Pro-active College,
  2002: 5).
It is argued that the PFMA does have some sections that provide for some of the principles mentioned above. For example:

- Section 38 (1)(a) of the PFMA stipulates that the Accounting Officer of a department, trading entity or constitutional institution must ensure that the department, trading entity or constitutional institution has and maintains effective, efficient and transparent systems of financial and risk management and internal control.
- Section 38 (1) (b) of the PFMA assigns the responsibility for the effective, efficient, economical and transparent use of the resources of the department to the Accounting Officer.
- Section 45 of the PFMA assigns the responsibility of ensuring that the systems of financial management and internal control are established for the department for all officials within their areas of responsibility. Section 45 (e) of the PFMA stipulates that an official in a department, trading entity or constitutional institution is responsible for the management, including safeguarding of the assets and the management of liabilities within that official’s area of responsibility.

4.3 Establishment of the Departmental Anti-Corruption Unit

The strategy of establishing a departmental Anti-Corruption Unit within the Department of Public Works to fight fraud and corruption is considered to be long overdue as the IMT once made such a recommendation in 2002. The respondents in this study supported the statement of establishing such a unit within the department.
The main responsibility of the Anti-Corruption Unit is to implement the Public Service Anti-corruption Strategy which was approved by the National Cabinet in 2002. The Department of Public Service and Administration issued an instruction that all National and Provincial departments were to establish minimum anti-corruption capacity by the 31 July 2004. However, the establishment of the departmental Anti-Corruption Unit in the Eastern Cape Provincial Department of Public Works is still a lip service and this remains a challenge to leaders and top management of the department.

The Public Service Anti-Corruption Strategy mentioned above is aimed at fighting-corruption in a holistic and preventative manner and it contains the following proposals (Guidelines for implementing the Minimum Anti-Corruption Capacity Requirements in Departments and Organisational Components in the Public Service, 2002:5):

1. Review and consolidate the legislative framework relating to corruption.
2. Increase institutional capacity to fight fraud and corruption
3. Improve access to report wrongdoing and protection of whistleblowers and witnesses.
4. Prohibit corrupt individuals and business.
5. Improve management policies and practices.
6. Manage professional ethics.
7. Partnership with stockholders.
8. Social analysis, research and policy advocacy.
9. Awareness, training and education.
This strategy as mentioned above requires the department to address the following:

- Corruption
- Fraud
- Conflict of interest
- Extortion
- Abuse of power
- Bribery
- Embezzlement of funds
- Favouritism and nepotism
- Insider trading/ abuse of privileged information

According to leaflets issued by the Department of Public Service and Administration (DPSA) and the Anti-Corruption Unit in the Eastern Cape Premier’s Office, titled “Help Government Root out Fraud and Corruption”, the foregoing cited elements of fraud and corruption are defined in detail below:

Corruption: is described as any conduct or behaviour in relation to persons entrusted with responsibilities in public office who violate their duties as public officials which is aimed at obtaining undue gratification of any kind for themselves or others.

Fraud: the statement in the leaflet says, in South Africa fraud is defined as the unlawful and intentional making of a misrepresentation which causes actual and or potential prejudice to another. It is further said that the use of the term is in its widest possible meaning and is intended to include all aspects of economic crime and acts of dishonesty.
Bribery: involves the promise, offering or giving of a benefit that improperly affects and influences the actions or decisions of public servants. This benefit may accrue to the public servant, another person or an entity. Example; a traffic officer accepts a cash payment in order not to issue a speed fine.

Embezzlement: is the action or behaviour by persons entrusted with the authority and control of such resources. Example: when hospital staff steals medicine and in turn sell it to private pharmacists.

Extortion: involves the coercion of a person or entity to provide a benefit to a public servant, another person or an entity in exchange for acting (or willing to act) in a particular manner. For example; a public health official threatens to close a restaurant on the basis of fabricated health transgressions unless the owner provides the public health official with regular means.

The last also includes a public servant who uses his or her vested authority to improperly discriminate against another public servant, person or entity. For example; during a tendering process before actual selection of a successful contractor, the head of department expresses his or her wish to see the contract awarded to a specific person.

Abuse of power; is when a public servant uses his or her vested authority to improperly benefit another public servant, person or entity (or using vested authority to improperly discriminate against another public servant, a person or entity). For example; during a tendering process but before actual selection of a successful contractor, the head of department expresses his or her wish to see the contract awarded to a specific person.
Conflict of interest: involves a public servant acting or failing to act on a matter where the public servant has an interest or another person or entity that stands in a relationship with the public servant has an interest. For example; a public servant considers tenders for a contract and awards the tender to a company of which his or her partner is a director.

Abuse of privileged information: is the use of privileged information and knowledge that a public servant possesses as a result of his or her office to provide unfair advantage to another person or entity to obtain a benefit, or to accrue a benefit to him or herself. For example; a Local Government official has, as a result of his or her office, knowledge of residential areas that are to be rezoned as business areas, and informs friends and family who acquire the residential properties with a view to sell these as business properties at a premium.

Favouritism: involves the provision of services or resources according to personal affiliation (for example ethical or religious) of a public servant. For example; a regional manager in a particular province ensures that only persons from the same ethnic group are successful in tendering for the supply of food.

Nepotism: occurs when a public servant ensures that his or her family members are appointed to public service positions or those family members receive contracts from the state. For example; a head of department appoints his or her sister’s child to a position when a more suitable candidate has applied for the position.
DPSA’s and the Anti-Corruption Unit of the Premier’s Office’s leaflets reflect that the above examples of the manifestations of corruption are by no means complete or exhaustive. It is further stated that corruption appears in various permutations and degrees.

The model proposes that there should be an effective Internal Audit Unit established within the Department of Public Works. This must not be an outsourced function, but a component of the department with its head accounting directly to the Accounting Officer and to the Audit Committee.

In terms of the National Treasury Regulations, paragraph 3.2.2, each institution to which these regulations apply must have an internal audit function. Paragraph 3.1.5 of the regulations stipulates that audit committees must be constituted so as to ensure their independence and their membership is disclosed in the annual report of the institution.

4.4 The development of financial control measures

The National Treasury Regulations (2005:14) provides that the accounting officer must maintain efficient and effective controls measures and to enable all staff members within the department to understand and execute the control measures accordingly. It is required of the control measures to encompass the following:

(a) The information systems environment.
(b) The reliability and integrity of financial and operational information.
(c) The effectiveness of operations.
(d) Safeguarding of assets and
(e) Compliance with laws, regulations and controls.

This strategy enables the department to establish an internal audit committee which will liaise with the external auditors in particular the Office of the AG. Puttick, et al. (2003:822) agree that an internal audit should liaise and cooperate with other internal providers of assurance and with the external auditors to ensure proper attention to financial, operational and compliance controls and to minimize the duplication of effort.

It is considered that with this strategy, the department will start to be in receipt of unqualified financial reports. However, the internal audit committee must not be a ‘paper’ committee; it must be provided with resources so as to function effectively. It is considered that the audit committee will enforce the implementation of PFMA and Supply Chain Management systems of the department. Functions that the audit committee will perform are, namely,

(a) The effectiveness of the internal control systems
(b) The effectiveness of the internal audit function
(c) The risk areas of the institution’s operations to be covered in the scope of internal and external audits
(d) The adequacy, reliability and accuracy of the financial information provided to management and other users of such information.
(e) Any accounting and auditing concerns identified as a result of internal and external audits.
(f) The institution’s compliance with legal and regulatory provisions; and
(g) The activities of the internal audit function, including its annual work programme, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.

4.5 Code of Conduct

The development of a financial code of conduct to enhance sound financial management can be considered to be an effective strategy to enforce compliance with the PFMA. The model also proposes that the organizational integrity/ code of ethics is maintained and promoted for the professionalism in the department. The government of the Republic of South Africa has demonstrated its commitment to organizational integrity by setting out its standards in a code of conduct as contained in Government Regulations [provide the number of this regulation].

The Code of Conduct acts as a guideline to employees as to what is expected of them from an ethical point of view, both in their individual conduct and in their relationship with others. Compliance with the code enhances professionalism and helps to ensure confidence in the public service.

Heads of departments, by virtue of their responsibility in terms of Section 7(3) (b) of the Public Service Act, 1994 (Act No.103 of 1994), have a duty to ensure that the conduct of their employees conforms to the basic values and principles governing public administration. The Head of Department of Public Works has to ensure that her staff is acquainted with these measures and that they accept and abide by them.
The Code of Conduct must also be made easily accessible to all employees (Chapter 2 of Public Service Regulations, 2001: 35).

4.6 Improving capacity of public officials

The capacity development is considered important for competent government finance officials. In a keynote address delivered at the Institute for Public Finance and Auditing (IPFA) workshop for tertiary providers in June 2004, by the Accountant-General, Mr. Freeman Nomvalo, greater issues were raised for the benefit of the delegates. Mr. Nomvalo commented as follows on the issue of competency:

“It is generally accepted that government finance officials are less than fully-competent and that capacity building is a priority if the financial management reforms undertaken to date are to be fully implemented and entrenched throughout the public sector. Without financial management knowledge, skills and expertise, government will not be able to achieve its commitment to provide a better life for all South Africans, by delivering basic services to communities and at the same time, retaining credibility with both citizens and the international community” (Manik 2004: 2).

The research study indicates that management’s incapacity problem is related to lack of required skills and expertise. Necessary skills and expertise include elements such as planning, budgeting, accounting and control which form an integral part of the department.
4.6.1 Training and development

According to Manik (2004: 3) National and Provincial Treasuries have a clear responsibility to oversee the implementation of the PFMA. Training and development is considered to be one of the means for effective implementation of the PFMA. The view is that leaders must enable and “let managers manage”. This implies that training is a departmental responsibility. The acceptable view in the department is for the manager to train and develop his/her subordinates (Skills Development Act, 1998).

As indicated by the Office of the Accountant-General, funds should be made available for training and development of the public officials. Training needs should be catered for through the Skills Development Fund which should exist in every department in the Province as required by the Skills Development Act, 1998 (Act No. 97 of 1998). This Act aims to develop the skills of the South African workforce and to improve the quality of life of workers and their prospects of work. It also aims to improve productivity in the workplace and the competitiveness of employers and to promote self-employment.

Cloete (1993: 211) agrees that training and development would enable employees to acquire relevant knowledge and skills required to perform the job, and to move into senior positions with the department. The view is that scientific and technological developments nowadays require that everyone who aspires to higher posts should have appropriate knowledge and skills relevant to the functional field in which he works. Cloete further states that effectiveness and efficiency of any functionary who
serves as a leader should be determined by other factors than his functional proficiency or his dexterity with techniques and tools (ibid).

4.6.2 Leadership development

Leadership development in public finance is considered to be an effective strategy to enable the department to deliver on its constitutional mandates. The view is that the department of Public Works needs competent and charismatic public finance leaders to help move all employees towards achieving a desired goal of a stable department that is able to implement the PFMA and at the end of the financial year be in receipt of an unqualified financial report. Schwella, et al. (1996: 114) agree that a competent, charismatic individual with all the innate and acquired characteristics necessary for effective leadership is not enough to play a leading role in public finance and therefore, a manager has to become a leader and an adept financial manager.

Schwella, et al. (1996: 115) further state that in leading, financial managers influence productivity considerably, and in the first place, they do so by appointing employees with the greatest ability to perform their responsibilities and who are able and willing to learn new skills.

4.7 Developing a new organisational structure for the 21st Century

When presenting the picture of an effective organisational structure for the Department of Public Works, focus will be on a Finance Programme under the direct control of the Chief Financial Officer (CFO). The following programmes will be left out of the discussion as the subject is
on public financial management which is a delegated responsibility of the CFO of the department. The programmes to be left out are;

1. Buildings Branch under the direct control of the Chief Director as a Programme Manager,
2. Corporate Services Branch under the direct control of a Chief Director as a Programme Manager and lastly,
3. Public Works Programmes under the control of a Chief Director as a Programme manager

The structure reflects different units that should exist within the Finance Component and are illustrated as follows:

PROPOSED SERVICE DELIVERY MODEL
DEPARTMENT OF PUBLIC WORKS
The above structure endorses the actual understanding that the South African Government adopted a hierarchy culture that comes close to the most effective traditional model of bureaucracy, with a strong emphasis on controls and on formal rules and procedures as outlined in the PFMA. The PFMA enforces the three following salient features for effective, efficient and economical management of state resources:

1. Responsibility
2. Accountability and
3. Transparency.

In the light of the foregoing, it becomes necessary to attach major responsibilities of directorates that appear in the diagram to substantiate the validity of the proposed model for efficiency in the management of state resources by the Department of Public Works. The CFO is appointed to assist the Head of Department with management of state resources in a most effective, efficient and economical manner that does not invite any audit queries. In that process, the CFO has to outline responsibilities per each directorate as follows:

1. DIRECTOR FOR FINANCIAL MANAGEMENT: The incumbent is in charge of the general financial management aspects within the Finance Branch of the department. He/she accounts for his/her daily operations to the CFO. This person has to put his/her main focus on finance policies and procedures, interpretation and implementation of such policies and procedures. He/she makes sure that training and development of finance staff is taking place and further conducts awareness campaigns on such policies and procedures so that employees
can clearly understand them. His/her core function is to design policies and procedures. The person has to conduct research on new developments with regards to financial management and also to manage adherence and compliance with such policies and procedures.

2. DIRECTOR FOR ACCOUNTING SERVICES: The core function of the incumbent is cash management. This requires him/her to strictly focus on cash flow and the investment of surplus funds. Importantly, his/her responsibility revolves around collection and disbursement of public money and utilisation of such money between the time of receipt and disbursement in an approved manner.

3. DIRECTOR FOR BUDGET MANAGEMENT: The incumbent of this post has to discharge the following core functions:
   1. Planning
   2. Coordination
   3. Communication
   4. Motivation and
   5. Control

The director has to make sure that strategic planning is thoroughly done which entails the formulation of broad financial objectives for the Department of Public Works. Budget coordination is important in the institution as that consolidates budgetary work of various programme managers into a consolidated comprehensive effort of the department. Maintenance of channels of communication is critical in
compiling a budget. Programme managers should make strong motivations for their budget requests to be approved by the accounting officer. Budget control is important and the in-year-monitoring process serves as a best control instrument. The focus is on operating budget and capital budget. Operating budget is compiled for the short term, normally a period of one year. The capital budget forms the next main component of the principal budget.

4. DIRECTOR FOR SUPPLY CHAIN MANAGEMENT: The core function of the director for Supply Chain Management (SCM) is to procure state goods and services in a manner that is in line with the law. Procurement should be carried out in terms of Section 195 (1) of the Constitution of the Republic of South Africa, 1996 (Act No.108 of 1996), which demands that public administration should be governed by democratic values such as; effective, efficient and economical use of state resources. The constitution, Sections 217 (1) and 217 (3) dictates that public procurement must be done in a manner which is fair, equitable, transparent, competitive and cost-effective.

5. DIRECTOR FOR INTERNAL AUDIT: The director is required to carry out internal audits and reports to Audit Committee of the department. His/her work should be of a high quality so that the Auditor-General can recognise the work done by Internal Audit Unit. Evaluation of control systems is done by this unit and should regularly report its findings to the CFO.
6. DIRECTOR FOR FRAUD RISK AND ETHICS MANAGEMENT: The core function of this unit is to fight fraud and corruption and manage ethics. Fraud and corruption cases have to be thoroughly investigated and disciplinary measures be taken against the offenders. Training on ethics has to be conducted to make employees aware of how they should conduct themselves in the workplace. Fraud risk assessment and analysis have to be periodically carried out so that the fraud risk profile of the department can be known. Fraud Prevention Plan has to be designed to address fraud risk profile. Fraud cannot be eradicated, but can be mitigated to the lowest levels.

4.8 CONCLUSION

In this conclusion, which tries to perfectly reflect on the responsibility of the management, the researcher discusses more serious issues that should be taken into consideration by the Department of Public Works. Managers in this department have a responsibility to supply and deliver goods and services to the public and in doing so they will be executing their functions in order to realise the goals and objectives of government as per the mandate given to their department by the Eastern Cape Provincial Government. At that point, financial accountability becomes crucial if the financial resources of the department are to be managed effectively and efficiently.

The chapter seeks to introduce potential dramatic changes that have to be adopted by the Department of Public Works to perfectly implement the PFMA. South Africa is a democratic country, meaning that this is the government of the people, by the people and for the people. In that case,
all public institutions and public officials responsible for the management and administration of public funds are accountable to the general public for the effective, efficient and economical execution of their tasks, and this includes both the collecting and spending of public money.

This proposed model (new paradigm shift) serves to inform Public Works’ management that public financial management has to be understood as involving general governmental fiscal issues, as it also covers the full spectrum of socio-economic and political dimensions. Diagrams indicate the most serious issues that have to be given urgent consideration; an addition is further made by mentioning the following critical points:

Organisational structure: the department has to review its organisational structure frequently to make it appropriate for accelerated service delivery for sustainable livelihood for the people of the province. The structure should be populated, i.e. vacant posts be filled.

Leadership suitability: In terms of achieving the goals, the institution has to monitor and evaluate the performance of its senior managers. This process assists in discovering wrongly placed managers so that they can be correctly placed or fired if circumstances so demand. Leaders in the Finance Directorate should have the required expertise and perform excellently for the institution to realise its objectives. Performance contracts should be effectively managed to determine the results of each senior manager, based on what was agreed upon in the contract (output against measurable objectives).
Financial planning: This paragraph relates to the above paragraph. Senior managers should understand that financial planning covers the following:

- The link between objectives, goals and action plans
- The complimentary nature of organisational mission and finance
- Applying strategic evaluation and its application
- Planning within a quality framework.

Planning alone can be defined as the establishment of objectives and the formulation, evaluation and selection of the policies, strategies, tactics and action required for achieving these objectives.

Strategic Human Resource Management: Without effective and efficient human resource management policies, the Department of Public Works will never deliver on its mandate from legislature. The researcher emphasises that strategic human resource management is an answer to the problems of the Department of Public Works as decision-making about future opportunities and threats facing the department will drastically improve. Strategic Human Resource Management stimulates development of appropriate aims and objectives that serve as strong motivations and incentives, and further enables the department to discharge its activities proactively and to influence its environment. It also facilitates collective efforts of the management to achieve service delivery excellence for a better life for the people they are employed to serve.
CHAPTER FIVE
RECOMMENDATIONS AND CONCLUSIONS

According to Mouton (2004: 124) the concluding chapter is perhaps the most important in a treatise because it presents the end product of one’s endeavour. Chapter one outlines the field of study, demarcation and the research methodology used. Chapter two specifies the research methodology, data collection and interpretation. Data collected and interpreted has been necessary and sufficient to generate findings. Recommendations and conclusions are based on the findings as reflected in this chapter. Chapter three focuses on concepts, theories and legislative frameworks that provide fundamental principles in the study of public financial management and this scientific study has been conducted along such principles. Chapter four proposes strategies for effective implementation of the PFMA in the Department of Public Works and these proposed strategies will turn around the department for sound financial management.

In this chapter, the main findings obtained during the study by drawing together the results from the previous chapters, are discussed. It became essential to show that the results and conclusions relate to the literature and theory in the domain. This has been done by showing the connections between the results and the literature reviewed in Chapter three. The relevance and value of the study is shown. Gaps and uncertainties that may require further study are also shown. This chapter concludes with recommendations regarding the implementation of possible remedies to detected ills and policy implications.
The researcher found that the problem has been poor financial systems and controls; the department’s failure to manage Lease Agreements on state properties and accurately collect rentals from tenants. Illegal occupation of state houses and government employees renting some of these properties to their friends and families indicate Management’s lack of capacity to provide good leadership and efficient management of state resources. This also displays the lack of required minimum capacity to fight fraud and corruption in the department.

The Department of Public Works, as a public institution, is expected to function in accordance with government policies and procedures. The management has a duty to provide good governance through strategic management and good leadership, to make their institution deliver quality services to the poor as per given mandate by the Provincial Legislature.

In terms of the scientific results obtained, it became clear that the management of the department has a lot to do before they can progressively meet and address the challenges of the PFMA. The questionnaires issued to workers of all levels indicate that the majority of the workers in the department are not familiar with the policies and procedures they should abide by when discharging their official responsibilities. A column in the questionnaires with “neutral” words enjoyed higher percentages when responses were collected from participants. The meaning of “neutral” in the questionnaires refers to “not sure”.

The literature reviewed set the record straight in terms of what the actual objectives of the PFMA are with regard to effective, efficient,
economical and transparent public financial management. The actual problem appears to be a failure to control, manage and lead. The former Member of the Executive Council in charge of Department of Public Works, Mr. P.G. Masualle, once said the workers must work, supervisors must supervise and managers must manage and lead for sustainable and efficient management of state resources and quality service delivery to the people of South Africa.

The quality of training given by the department is quite relevant and of high standard, but no mechanisms are in place to effectively apply such skills in the workplace for quality production. Failure to correctly utilise people with such skills enables other provincial departments to recruit these people for their benefit. This simply tells that the management lacks potential and capability to identify people with skills and also fails to utilise such abundance of skills to the best interest of the institution.

It has been noted with great dismay that internal controls and internal procedures are not implemented, monitored and evaluated for healthy management. The crucial aspect to be taken note of is the issue of failure by the department to understand that sound financial management by the government of the day is achieved through maintaining prudent and responsible fiscal policies. Its effectiveness permeates all levels of society. Results are measured by the quality and extent of service delivery, optimal public fund utilization and adequate custody of both resources and funds.

Training of employees should be the ongoing process aimed to better the institution’s management for quality service delivery to the society. It is important to note that the key to sound financial management is proper
training of public officials of all categories in the hierarchy of the department rather than reliance only on legislation and procedural frameworks, since legislation and procedural manuals alone cannot instill the powers of insight, interpretation, evaluation or deduction in the officials responsible for implementation.

Leadership in the department requires good managers with vast practical experience and should have, at least, gone through certain levels of supervision. The correct administrative process requires one to first become an ordinary functionary, from there to supervisor, middle manager, senior manager, general manager, etc. The current scenario in the department is that of employing a functionary to an administrative position requiring a manager. The manager is characterised by reasonable experience in team-building, conflict management, negotiations skills, mentoring of subordinates, able to set measurable objectives, meeting deadlines, consistently applying disciplinary measures for sustainable discipline within the institution, etc.

Setting up of structures such as an Anti-corruption Unit and Risk Management Unit can serve a meaningful purpose in the department. Internal Audit does not serve such a purpose and broadly covers the wide spectrum of the operations of the two units. Transgression of the PFMA by public officials in senior positions within the department is a norm. The salient features of PFMA such as accountability, responsibility and transparency are given no special respect.

The foregoing stems from the fact that the study revealed that there is no Anti-corruption Unit and no Risk Management Unit. Risk Management Unit takes care of all losses and provides wide spectrum of loss control
duties, including maintenance of a Loss Register for audit purposes. The
two units have equal responsibility to analyse risks, update Fraud
Prevention Strategy, implement a Fraud Prevention Plan, and conduct
awareness campaigns on loss control and fraud prevention, workshop
public officials on internal controls and internal procedures.

The business plans of various programme managers that are supposed to
be evolving from the department’s vision and mission appear to be less
described and quantified in detailed outputs and required inputs. Having
gone through the Strategic Plan Document of the department, nothing
has convincingly informed the study that output objectives, performance
measurement and indicators are accurately linked to the strategic plan to
address the Provincial Growth and Development Plan (PGDP) needs.

The issue of organizational structure not completely populated,
magnificently contributes to ineffectiveness and inefficiency of the
department. This matter has been raised several times by Auditor-
General. The Chief Financial Officer in the department appears to be not
sure whether he has to take drastic steps against any particular
programme manager on aspects of under spending and overspending.
Under spending indicates poor performance and poor performance is a
financial misconduct in terms of the PFMA. Financial discipline is only
applied where accountability is enforced, in this case the department is a
dismal failure and such anomaly has to be corrected for efficiency and
transparency purposes.

Litigation on minor issues involving refusal to pay what is due to
employees, poor decision-making on challenging matters, late payments
of suppliers, late payments of gratuities to retired employees, refusal to
pay performance bonuses and rank promotions still outstanding, impacts negatively on the objective of the department as outlined in the business plans of various programmes.

Over usage of consultants bears negative impact on the ailing administrative system of the department. The study has revealed that the process of transfer of skills is not monitored by the department and this has led to some managers being compelled to employ people from these consulting companies on advertised posts to the disadvantage of long serving dedicated officials. This act has contributed to problems that exist within the department to such an extent that the relationship and trust between managers and general staff has declined to undesirable levels. Public Administration as a science advocates strong supervisor-subordinate relationships for effective and efficient sustainable results in the workplace. According to van der Waldt and du Toit (1997:17) an effective manager is a good leader who creates a favourable work environment for employees, works with and through other people, and provides subordinates both with the opportunity and incentives to perform well within the constraints of the limited availability of resources. Strong working relations for sound financial management become critical for the department to improve on its administrative system. Another study of this nature has to be carried out to touch on broader hierarchical issues of the department.

In the light of the foregoing exposition, it becomes imperative to state that good management is necessary to enable the department to achieve its objectives at the highest possible level of productivity. It is again necessary to direct the department towards the effective achievement of objectives and necessary to keep the department in balance with its
environment. According to this study, management of the department, in all categories, lack the following characteristics:

- The managers appear not to be the leaders with vision and judgment to identify the right things to do. They do not understand that they are active participants and communicators of the department’s vision to subordinates.

- They fail to understand that they are supposed to create a favourable work environment and place their subordinates in a position where it is possible for them to achieve success.

- They lack understanding that they work with and through other people where they are supposed to use the skills and abilities of their subordinates to let them perform the tasks necessary to achieve the stated goals.

- Managers fail to understand that they have to rank the goals or projects in order of priority according to their vision and allocate resources in a fair and balanced way so that the best results can be achieved with limited resources.

In this country (South Africa) resources are extremely limited and it is of cardinal importance for the department’s managers to utilise the existing resources more effectively in order to achieve greater satisfaction. With the implementation of the PGDP, available resources being reallocated and a shift in emphasis is taking place with regard to priorities.
This study will provide the managers in the Department of Public Works with a clear purpose to understand the concept of public management, the need for public management and the necessity for training, development and creative thinking to apply this understanding in the work situation. To somebody else, the study will make him/her to develop an appreciation of the role public managers can play in South African Government and the contribution they can make for a better life for all.

In the near future a study of this nature has to be carried out, but such study should be broad and cover the whole Eastern Cape Provincial Administration and should strictly focus on public financial management of the province. This proposed study will greatly assist the National Government, especially the National Treasury and the Department of Public Service and Administration to understand the actual performance of the province with regard to public financial management.

It is recommended that the Department of Public Works should take the budget as a control instrument. According to Gildenhuys (1997: 133) the budget is an excellent control instrument for the legislative authority to use over the executive authority and the executive authority over the administrative authority, and even for internal control within a single component or section of the administrative authority.

Furthermore it is recommended that the departmental and the public servants in the Province of the Eastern Cape in general should be committed to provide excellence public service to the citizens of the province and departmental customers, in particular. Hilliard (1995: 70) concurs that a new loyalty towards the public service should be fostered
in order to streamline the quest for service excellence and to promote the cause of total quality management.

In addition, a Risk Management Unit should be established within the Department of Public Works for the purposes of providing a strategy for managing risks affecting individual divisions/ components/ programmes, operations, across the whole department. Reference is herewith made to certain legislation relevant to the requirements of business risk management. Within this attempt, the risk management strategy, which must include a fraud prevention plan, must be used to direct the internal audit effort and priority, and to determine the skills required of managers and staff to improve controls and to manage these risks.

It must be considered that the effective implementation of the PFMA requires enforcement of certain legislations, in particular, the Preferential Procurement Policy Framework Act, (PPPFA) 2000 (Act No. 5 of 2000). The PPPFA was passed to give effect to Section 217(3) of the Constitution, 1996 (Act No. 108 of 1996) by providing a framework for the implementation of the procurement policy contemplated in Section 217(2) of the Constitution. The Act aims to compel public institutions like the Department of Public Works to follow a preference point system in awarding tenders so that the historically disadvantaged individuals (HDI’s) can receive preferential treatment in the awarding of tenders. This is also to ensure that programmes of the Reconstruction and Development Programme are implemented successfully.

The view is that with effective implementation of PPPFA as well, the procurement of goods and services according to correct procedures is of fundamental importance in a state department. Therefore the implementation of Supply Chain Management policy will be critically
evaluated and a remedy will be given to address detected discrepancies during the investigation process.

In this research study it became important for the researcher to begin with the objective of the research and in that manner the rationale of the research was clarified. The purpose of the research objectives is to explain the intention, focus and motivation of the research. In formulating the objectives the researcher had to pay attention to the following:

- The research subject
- The relevance of the research for the discipline (public management).
- The relevance of the problem and solution for the society, i.e. the researcher had to make sure that the research is socially significant and contributes to the solution of the stated problem.

In this important study, theoretical dimension has assumed an idealistic point of view, resulting in a normative and descriptive framework of what public financial management should entail in a public institution like the Department of Public Works in the Eastern Cape.

This study has managed to establish the parameters within which public financial management operates and this gives the department an opportunity to take stock of its process and correct the wrongs.
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