

Public sector inefficiencies: Are we addressing the root causes?

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Public sectors all over the world face challenges and, thus far, public sector reforms have not been very successful. The public sector, as a key component of any economy, needs to address its challenges adequately to prevent economic growth and development from being curtailed. This article hopes to spark debate about whether too much emphasis is being placed on symptoms of public sector challenges instead of addressing these challenges at their root. The article focuses on the South African public sector – a third world country public sector – and examines reports by the Auditor General of South Africa and the Public Service Commission of South Africa for recurring themes and findings. The results of the study clearly suggest that the South African public sector is not yet adequately addressing its challenges at their roots, resulting in the challenges recurring year after year.

Key words: public sector inefficiencies; economic growth and development; internal auditors; service delivery; accountability

Introduction

At the joint annual discussion held in Tokyo in 2012, World Bank President Jim Yong Kim told Boards of Governors of the World Bank Group: ‘There is an urgent need for a science of delivery in development’ (World Bank, 2012). This statement was a response to the challenges governments face in delivering goods and services to their people. Many countries are good at policy development and understand the policy directions they would like to take, but are less successful at implementing policy (Blum, Manning & Srivastava, 2012, p. 1). Service delivery in line with policy is instrumental in ensuring that countries’ development goals are achieved.

The world is facing unprecedented economic, political, social and technological challenges (Erridge, Fee & McIlroy, 1998, p. 342). These challenges are forcing government institutions to look at new ways of improving the public sector, including undertaking various reforms (Bhuiyan & Amagoh, 2011, p. 227). A reform can be described as an instrument used to improve functional efficiencies, or to change what is deemed unsatisfactory (Merriam-Webster, 2014).

In Africa, according to Ayee (2008, p. 8), the ongoing process of reform in the public sector started 25 years ago, prompted mainly by a decrease in government taxes and the

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urgent need for better service delivery. This argument is in line with studies by Dza, Fisher and Gapp (2013, p. 51), Gabel-Shemueli and Capell (2013, p. 588) and Modell (2005, p. 57). So far, however, most strategies implemented by African countries to reform their public sectors have been unsuccessful, in large part due to difficulties in implementation (Aye, 2005, p. 44). Siddiquee and Mohamed (2007, p. 308) confirm that public management reforms have had very little impact on the performance of the public sector. Ghobadian, Viney and Redwood (2009, p. 1532) suggest that this situation could be the result of either conflicting public sector management, or discontent by public servants who have to apply private sector techniques to public sector problems. The picture is clear: the public sector in Africa has not yet been very successful in addressing its challenges.

The public sector is a key component of the economy, and it plays a critical role in economic growth and development in a country. According to Curristine (2005, p. 128), governments need to meet many challenges, both simple and complex, relating to service delivery. Many studies have been conducted on challenges that public sectors face and how best to deal with them (for example, studies by Moe & Päivärinta, 2013, pp. 310–311; Jarrar & Schiuma, 2007, p. 6; and Modell, 2005, p. 58). However, it seems that studies tend to focus excessively on symptoms, so that the resulting recommendations place too much emphasis on the initial evidence of something that has gone wrong (Montiel, 2011, p. 528; Watson, Bonham, Willging & Hough, 2011, p. 113), rather than on underlying root causes. The question then arises whether or not studies focus sufficiently on the roots of problems.

The main objective of this article is therefore to try to understand public sector inefficiencies, particularly why problems which recur are not adequately resolved. The fact that over time, problems come up again and again suggests that the root causes of these problems have probably not been addressed. This objective is achieved by reviewing various reports issued by two South African public sector bodies, namely the Public Service Commission South Africa (PSC) and the Auditor General of South Africa (AGSA), to determine whether (and why) fairly simple problems continue to surface. Although the results cannot be generalised for the South African, African or global public sectors (Amaratunga, Baldry, Sarshar & Newton, 2002, p. 388), the article hopes to spark debate about whether too much emphasis has been placed on symptoms rather than on the actual root causes of the inefficiencies experienced in the public sector. The article also intends to provide insights and guidance to both policymakers and public sector internal auditors who are faced with such recurring issues.

The remainder of the article is structured as follows: a literature review on the public sector is presented to demonstrate the need for reform, general issues around inefficiencies and problems in the South African public sector and root cause analysis. Thereafter, recurring issues and challenges experienced in the South African public sector are explored by examining PSC and AGSA reports. The article concludes by suggesting possible strategies to overcome recurring public sector inefficiencies.

The role of the public sector

The mandate of the public sector is to improve the general welfare of society by delivering public goods and services to individuals, and to private and other public sector organisations, playing a critical role in both the country and the global economy (Linna, Pekkola, Ukko & Melkas, 2010, p. 480).

The public sector has a wide range of stakeholders, and each of these stakeholders has its own interests, resulting in a variety of expectations which are imposed on the public

sector (Mimba, Van Helden & Tillema, 2007, p. 195; Björk, Szücs & Härenstam, 2014, p. 27). In order to address the needs and expectations of all these stakeholders, the public sector needs to be effective and efficient in fulfilling its responsibilities. Efficiency and effectiveness in a public sector relate to the maximisation of resources, relative to the outputs achieved (Mihaiu, Opreana & Cristescu, 2010, p. 132). This implies that the public sector needs to provide public goods and services in a manner that responds adequately to the needs of its stakeholders, within the constraints of its budget (Donnelly, 1999, p. 47). In order to be more effective and efficient in managing the interests and assets of its stakeholders in an ever-changing environment, the public sector has to reform (Gabel-Shemueli & Capell, 2013, p. 587).

According to Lufunyo (2013, p. 27), public sector institutions throughout the world have undergone various reforms since the end of World War II, in order to bring about positive change. The urgency of such reforms was a result of numerous concerns around cost effectiveness, efficiency, accountability, better performance management and, ultimately, service delivery. Most African countries also initiated public sector reforms. However, despite great effort and the amount of resources assigned to such reforms, progress has remained slow and limited (Ghobadian et al., 2009, p. 1514; Lufunyo, 2013, p. 28), primarily as a result of political interference, unaccountable civil servants, non-compliance with reforms and the overall decline in governance. There is concern that these reforms have not had a positive impact on service delivery and that positive outcomes on the public in general are not forthcoming – improved processes do not guarantee improved service delivery, as public sector management tends to prioritise the interests of the government, who is the main source of public sector resources, even when the government's interests are contrary to the needs of the people (Ghobadian et al., 2009, pp. 1520–1528).

Another school of thought around why reform in African countries in particular has progressed so slowly is that it is a result of the developing world's attempt to implement developed world reform models. According to Ohemeng (2010, p. 457), such approaches are difficult, if not impossible, in the short term, because developing countries are controlled by informal markets with informal socio-economic and political environments. Van de Walle (2008, p. 336) argues that there is no ideal benchmark to use in changing the performance of public institutions. What may work in one country may not work in another, because the countries' social, economic, cultural and political environments differ.

The South African government has often been accused of not delivering services to its citizens. The mass media have reported on service delivery protests that are indicative of inadequately addressed problems in the public sector (Nengwekhulu, 2009, p. 349; Carrim, 2009, p. 6; COGTA, 2009, p. 4; Akinboade, Mokwena & Kinck, 2013, p. 465; Wijnberg, 2013; Fakir, 2014; Beukes, 2014). These protests cannot all be blamed on municipalities' perceived dismal performance – it is evident that something more serious underlies these problems, possibly involving underperformance in all spheres of government (Carrim, 2009, p. 8).

Various aspects impeding service delivery include incompetent public servants, a lack of accountability, poor human resources practices, inadequate procurement practices and a lack of leadership (Janse van Rensburg, 2014, pp. 33–35). Key problem areas that have emerged include service delivery difficulties, poor management of finances, high levels of unemployment, nepotism and corruption (COGTA, 2009, p. 33; Akinboade, Kinck & Mokwena, 2012, p. 183).

Although these aspects and problems all contribute to the inadequate service delivery in South Africa, Francis (2013, p. 29) suggests that ineffective leadership is the ultimate key problem, and that it has been evident in the South African public sector environment for

quite some time. Francis (2013) adds that this situation is predominantly caused by appointing incompetent senior officials and the absence of accountability from public sector leaders. However, there is limited scientific evidence on what works best in improving the performance of the public sector (Blum et al., 2012, p. 3).

Root cause analysis

Every problem has a root cause (Doggett, 2005, p. 34). If one looks only at symptoms, problems will persist, and interventions become pointless if they do not address root causes. Symptoms are usually the initial evidence that something has gone wrong; root causes are normally only identified after in-depth analysis, tracing events and activities back to their origin (Dorsch, Yasin & Czuchry, 1997, p. 271). The Institute of Internal Auditors (2013) defines root cause analysis as identifying why a problem occurred – the issue can be a problem, error or instance of non-compliance. Sarkar, Mukhopadhyay and Ghosh (2013, pp. 172–183) suggest that the root causes of problems are normally process or input factors that define the reason for the problem. Root causes are those factors that should be actionable and under the control of management. Correcting root causes prevents the recurrence of problems. This is confirmed by the Institute of Internal Auditors (2013), who argue that the probability of a recurrence of a problem increases if an effective root cause analysis is not performed.

Root cause analysis can provide valuable insights into problems, as well as suggest corrective actions if it is used properly (Giardina, King, Ignaczak, Paull, Hoeksema, Mills, Neily, Hemphill & Singh, 2013, p. 1373). This technique can facilitate the identification of process problems that have previously not been considered. It can also promote policy-based initiatives to anticipate process bottlenecks and improve performance. According to Dorsch et al. (1997, p. 269), some managers of service organisations are reluctant to incorporate root cause analysis techniques to identify and correct deficient systems and/or processes. These managers tend to seek temporary quick-fix solutions without considering the overall negative impact on the organisation. In using root cause analysis to solve problems, it is important to differentiate between symptoms and root causes (Mind Tools, 2014). Treating symptoms may provide temporary satisfaction, but ultimately fails to correct the problem (James-Ward, Frey & Fisher, 2012, p. 57). Even though root cause analysis tools assist in identifying the root causes of problems, it is only a facilitation mechanism. The individuals using these tools hold the key to the problem-solving process (Doggett, 2005, p. 44; Okes, 2008, p. 20). In order to use these techniques effectively, managers need to have a working knowledge of the tools, their processes and the likely outcomes.

Methodology

This article is based on a literature study where the purpose was, firstly, to try to understand the concept of root causes in the context of the public sector. Secondly, the purpose was to analyse reports of public service inefficiencies by the PSC and AGSA. Information from PSC and AGSA reports was reviewed and key recurring findings were extrapolated.

The PSC is required by the *Constitution of the Republic of South Africa, 1996* (Act 108 of 1996), to monitor, evaluate and investigate the administration of the public service. Hence, the PSC attempts to generate an annual assessment on the extent of compliance by the public service to the values and principles of the *Constitution* (PSC, 2014). The AGSA is a Chapter 9 institution supporting South African democracy. The AGSA is required to perform mandatory audits of all government entities. Each year, the AGSA

produces audit outcomes on government departments, public entities and municipalities (AGSA, 2014).

The PSC’s ‘State of the Public Service’ reports were obtained from 2004 onwards and included every year until 2011, with the exception of the 2009 report, because the 2009 report was primarily focused on the readiness of South Africa for the 2010 Soccer World Cup. This means that seven reports were included in the analysis (PSC, 2004, 2005, 2006, 2007, 2008, 2010, 2011). Reports could not be obtained for 2012, 2013 or 2014 at the time of writing this article. The reports that were considered from an AGSA perspective were those produced on audit outcomes for departments, public entities and municipalities for the financial years 2003/2004 up to and including 2012/2013, resulting in eighteen reports (AGSA, 2004a, 2004b, 2005a, 2005b, 2006a, 2006b, 2007a, 2007b, 2008a, 2008b, 2010a, 2010b, 2011a, 2011b, 2012a, 2012b, 2013a, 2013b). These reports were used purely to assess the Expenditure Management theme. No reports for 2013/2014 could be obtained at the time of writing this article and the audit report for the year 2008/2009 was not considered because of the fact that the PSC’s ‘State of the Public Service report for 2009 was left out of consideration. In total, twenty-five reports were analysed, covering a period of ten years.

The analysis was conducted by identifying recurring themes. Findings were measured against these themes. Six themes were identified, with a total of 18 recurring findings, in other words, three key recurring findings for each theme that was analysed. The number of years in which findings recurred is indicated by a tick (see Annexure A), and was aggregated per theme (the number of years a finding within a theme reoccurred was added together with other reoccurring findings within the same theme and the average taken). Recurring percentages were based on the number of years a finding has reoccurred over the period as a percentage of the total number of years all findings have reoccurred. Where a year is left blank or there is no tick, this does not suggest in absolute terms that the finding has been addressed; nor does it indicate that the problem is still present. It is merely an indication that the authors of the reports did not present any direct discussion on the findings, and probably found other issues more important in that particular report. The findings are discussed below.

Findings

From the analysis of the various reports, six themes were identified and three key recurring findings were selected for each theme. The findings addressing each theme are summarised in Table 1 (see Appendix 1 for more detail).

Table 1. Summary of findings on themes.

No.	Themes	Average no. years findings recurred	Recurring percentages
1	Ethics	5.33	14.41%
2	Resource Optimisation	7.00	18.93%
3	Service Delivery	3.67	9.90%
4	Compliance	6.00	16.22%
5	Transparency and Accountability	6.33	17.11%
6	Expenditure Management	8.66	23.43%

Findings relating to the 'Expenditure Management' theme recurred in all nine years comprising this study, suggesting that public funds are possibly not being managed in an effective and efficient manner. The findings that recurred most often in the 'Expenditure Management' theme were uncompetitive/unfair procurement processes and internal control deficiencies in expenditure management. These findings may imply a lack of internal financial controls and a general lack of capacity and skills within the finance departments of government entities analysed. These findings can also be directly linked to both the 'Transparency and Accountability' and the 'Resource Optimisation' themes, further suggesting that personnel may have been appointed to positions for which they have either limited or no experience. It further demonstrates that accountability is possibly not being taken seriously. It can also be noted that the 'Qualified Audit Opinion' finding under the 'Transparency and Accountability' theme reappeared in each year analysed. A 'Qualified Audit Opinion' is a negative measure used by government to assess whether or not public sector institutions are executing financial management practices according to recognised standards in an adequate and effective way. As long as these institutions are not addressing the root cause(s) of poor financial management by public servants, 'Qualified Audit Opinions' will continue to recur.

The theme that recurred second-most often was 'Resource Optimisation'. On average, findings in this theme resurfaced for seven years. This theme has an individual finding which re-emerged in eight of the nine years analysed, suggesting that either the wrong cause of problems had been addressed or that poor performance is not being taken seriously.

Compliance issues seemed to be a constant challenge too. There seemed to be no or very few consequences when regulations were contravened, resulting in the constant recurrence of non-compliance findings. If these problems are not addressed at their root causes, non-compliance may soon become a norm in the public sector environment and possibly part of its culture.

Maintaining a high standard of professional ethics featured as the theme with the fifth-most recurring findings. A finding of particular concern, with the greatest number of recurrences in the theme, is senior officials' non-disclosure of financial interests. Not only does this finding suggest public officials' disregard for ethics; it also describes an environment that may be conducive to wrongdoing, fraud and corruption. The number of years in which the problem recurred certainly suggests that the root of the problem has not been adequately addressed.

Although the 'Service Delivery' theme had the fewest recurrent findings, this does not necessarily mean that this theme is not as problematic as the others. Based on the fact that the findings in this theme resurfaced in more than two periods, it would seem that the public sector is facing serious challenges in addressing its service delivery problems.

Discussion and recommendations

Findings extrapolated from the PSC and AGSA reports indicate that negative findings in the South African public sector tend to resurface consistently, year after year. Overall, the findings related to the themes discussed resurfaced, on average, 6.17 years in the nine-year period covered in this study. This suggests that key challenges in the public sector have less than a 50% chance of being resolved, if at all. These recurrences also imply that overall the South African public sector struggles to address functional and process issues that affect efficient and effective delivery of services. Furthermore, the analysis of the PSC and AGSA reports and the findings drawn from the analysis suggest that the actual root causes of the public sector problems have not yet been adequately investigated, analysed or addressed. However, even though the results of this study may not be conclusive, since it is based on a limited sample, it does provide evidence that the public sector struggles with adequate and sustainable corrective action.

The consistent recurrence of themes and related findings may imply that the public sector needs to reconsider its problem resolution processes to gain a better understanding of the actual root causes of the challenges it faces. In order to minimise the probability of negative or qualified findings or problems recurring, root cause analysis techniques should perhaps be further explored as an alternative method to counter this situation. As indicated in the literature review, the technique can provide valuable insights into problem-solving and may be able to assist with effective policy formulation. It can also be used to leverage efficiencies, improve management understanding of issues and assist with decision-making. Although the advantages of using root cause analysis are obvious, prior studies, as indicated in this article, suggest that very few institutions apply this approach. As a result, challenges to effective implementation of root cause analysis should be researched and investigated.

As civil society expectations rise and public sector challenges become increasingly severe, public sector institutions need to find mechanisms to overcome their current operational bottlenecks and process problems. Research makes it clear that there is no 'one size fits all' solution. The public sector should find new and innovative ways to address problems and their recurrence. Root cause analysis is a possible solution that should be explored.

Conclusion

The literature and data reviewed in this article identified recurring problems in the South African public sector, indirectly raising the question of whether the public sector should pursue root cause analysis as an alternative method to identify and address public sector challenges. Key findings in the literature review are the following:

- consistent recurrence of findings;
- resource optimisation, accountability and a non-compliance culture seem to be the main problem areas in the public sector; and
- the root causes of problems are not being adequately addressed.

Future research should emphasise the relevance and importance of identifying the root causes of problems in the public sector environment and effective application of this approach in the public sector context. In addition, an answer is required to the question of whether or not root cause analysis techniques can have a positive impact on addressing challenges and minimising their recurrence. However, the effective teaching and training on how to use the cause analysis techniques will have a direct impact on its usefulness and ultimately its effectiveness.

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Appendix

Table A1. 18 outcomes over a period 9-year period.

THEMES AND FINDINGS	2013	2012	2011	2010	2008	2007	2006	2005	2004	No. of years finding recurred over the 9-year period	Recurring % compared to total no. of recurrences
THEME 1: Ethics											14.41%
1. Weak investigation capacity to deal with cases of financial misconduct			✓	✓	✓		✓		✓	5	4.50%
2. Senior managers not disclosing their financial interests	✓	✓	✓	✓	✓	✓	✓	✓		8	7.21%
3. Inadequate implementation of ethics infrastructure				✓		✓		✓		3	2.70%
THEME 2: Resource Optimisation											18.93%
4. Resources not optimally used	✓	✓	✓	✓		✓			✓	6	5.41%
5. Unauthorised, irregular and unauthorised expenditure	✓	✓	✓	✓	✓	✓	✓			7	6.31%
6. Inadequate management of poor performance	✓	✓	✓	✓	✓	✓	✓	✓		8	7.21%
THEME 3: Service Delivery											9.90%
7. Inadequate implementation of poverty alleviation programmes					✓	✓		✓	✓	4	3.60%
8. Dispersed and fragmented public service							✓	✓	✓	3	2.70%
9. Performance-related inefficiencies	✓	✓	✓	✓						4	3.60%
THEME 4: Compliance											16.22%
10. Non-compliance with <i>Promotion of Administrative Justice Act</i>			✓	✓	✓	✓	✓	✓	✓	7	6.31%

(Continued)

Table A1. Continued.

THEMES AND FINDINGS	2013	2012	2011	2010	2008	2007	2006	2005	2004	No. of years finding recurred over the 9-year period	Recurring % compared to total no. of recurrences
11. Women and people with disabilities not well represented in the public sector			✓	✓	✓	✓	✓	✓	✓	7	6.31%
12. Non-compliance with financial regulation	✓	✓	✓	✓						4	3.60%
THEME 5: Transparency and Accountability											17.11%
13. Qualified audit opinions	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	8.11%
14. Annual reports not clear or easily understandable to the public			✓	✓			✓	✓	✓	5	4.50%
15. Challenges accessing government information			✓	✓	✓	✓			✓	5	4.50%
THEME 6: Expenditure Management											23.43%
16. Uncompetitive or unfair procurement processes	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	8.11%
17. Contract management inadequacies	✓	✓	✓	✓			✓	✓	✓	8	7.21%
18. Internal control deficiencies in expenditure management	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	8.11%