

Administration of the Public Finance Management Act, 1999 in the North West
Provincial Administration in South Africa

By

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Declaration

I declare that the thesis, which I hereby submit for the Degree PhD at the University of Pretoria, is my own work and has not previously been submitted by me for a degree at this or any other tertiary institution.

Simon John

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Simon John

Abstract

Administration of the of the Public Finance Management Act, 1999: North West Provincial Administration

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In South Africa, the Public Finance Management Act, 1999 (Act No. 1 of 1999) is a piece of legislation that is flexible and adaptable compared to the repealed Exchequer Act (Act No. 66 of 1975), which was prescriptive and rule driven. The administration of finance in the public sector involves numerous challenges such as the lack of adequate capacity, integrity of personnel and unqualified personnel. Solutions are sought simultaneously for prospects to achieve value for money through economy, efficiency and effectiveness. Those who manage public affairs and public finance are subject to public scrutiny. Transparency, accountability and honesty as well as prudence in the management and administration of public finance are imperative.

The problem statement is divided into the following research questions:

What is the PFMA (Public Finance Management Act) and how is it administered? How is the PFMA administered in the North West Provincial Administration? In order to research the above-mentioned problem and sub-problem, the following objectives were formulated:

Determine from the literature the nature and scope of the PFMA and its administration; establish the reason for the introduction of PFMA in South Africa; and determine the administration of the PFMA in the North West provincial administration.

In implementing policy, the following elements were considered: The availability of trained personnel, administrative arrangements to implement policy, material resources required for proper implementation, procedures and directives for effective implementation, role of auditing staff, and both internal and external, role of independent institutions such as the Public Service Commission, Provincial Public Accounts Committee and the Auditor-General (AG).

The managerial control and fiduciary duties by the structures in government departments will have to be enhanced in order to ensure that financial management is aligned with the PFMA. Policy implementation requires the necessary tools, techniques, procedures, shared vision, strategy, structure, systems, skills and staff. The study critically determines and establishes various challenges experienced while managing finances through the administration of the PFMA.

From the data gathered, analysis and interpretations were derived to arrive at the findings, interpretations, inferences and recommendations. There is evidence of financial qualifications in the audit opinion, shortcomings in various departments, capacity constraints, and a lack of a clear trail of supporting documentation, ineffective leadership, supervision, monitoring and support. Appropriate recommendations are provided to remedy the situation.

Acronyms and Abbreviations

AFS	Annual Financial Statements
AG	Auditor-General(the person)
AGSA	Auditor-General of South Africa (the institution)
APAC	Association of Public Accountants Committees
APP	Annual Performance Plan
APRM	African Peer Review Mechanism
AU	African Union
BAS	Basic Accounting System
BCP	Business Continuity Plan
BRICS	Brazil Russia India China and South Africa
C&AG	Comptroller and Auditor General
CBPP	Centre on Budget and Policy Priorities
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
COBIT	Control Objectives for Information and Related Technology
COGTA	Department of Cooperative Governance and Traditional Affairs
DORA	Division of Revenue Act
DPSA	Department of Public Service and Administration

DRP	Disaster Recovery Plan
DTCO	Digital Tachograph
EA	Executive Authority
ECDOH	Eastern Cape Department of Health
EITI	Extractive Industries Transparency Initiative
FCGO	Financial Comptroller General Office
FMS	Financial Management System
FPP	Fraud Prevention Plan
FSF	Financial Stability Forum
G7	Group of Seven
GAAP	General Accepted Accounting Practice
GDP	Gross Domestic Product
GEAR	Growth, Employment And Redistribution
GFS	Government Financial Statistics
GITO	Government Information Technology Officer
GNP	Gross National Product
GRAP	General Recognised Accounting Practice
HOD	Head of Department
HR	Human Resource
IDP	Integrated Development Plan
IIA	Institute for Internal Auditors

IMF	International Monetary Funds
IT	Information Technology
LOGIS	Logistical Information System
M&E	Monitoring and Evaluation
MEC	Member of the Executive Council (of a province)
MFMA	Municipal Finance Management Act
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NAO	National Audit Office
NCOP	National Council of Provinces
NDP	National Development Plan
NDPB	Non-Departmental Public Body
NEA	Nepal Electricity Authorities
NEPAD	New Partnership for Africa's Development
NGO	Non-Government Organisation
NIFA	New International Financial Architecture
NOC	Nepal Oil Corporation
NPAI	New Public Administration Initiative
NPM	New Public Management
NT	National Treasury
NWPG	North West Provincial Government

OECD	Organisation of Economic Cooperation and Development
OOP	Office of the Premier
PAA	Public Audit Act, 2004(Act No. 25 of 2004)
PAIA	Promotion of Access to Information Act
PDO	Predetermined Objective
PERSAL	Personnel and Salary Administration System
PFMA	Public Finance Management Act, 1999(Act No. 1 of 1999)
PMAS	Performance Management Appraisal System
PPAC	Provincial Public Accounts Committees
PPB	Planning Programming Budgeting
PPPFA	Preferential Procurement Policy Framework Act, 2000(Act No. 5 of 2000)
PRSP	Poverty Reduction Strategy Paper
PSA	Public Service Act, 1994(Proclamation No. 103 of 1994)
PSC	Public Service Commission
RDP	Redistribution and Development Plan
RSA	Republic of South Africa
SADC	Southern African Development Community
SAICA	South African Institute for Chartered Accountants
SALGA	South African Local Government Association
SARS	South African Revenue Services
SCM	Supply Chain Management

SCOPA	Standing Committee on Public Accounts
SITA	State Information Technology Agency
SLA	Service Level Agreement
SMS	Senior Management Services
SOX	Sarbanes-Oxley
UN	United Nations
USA	United States of America
VAT	Value Added Tax
VFM	Value For Money
WPSTE	White Paper on Public Service Training and Education
ZBB	Zero Base Budgeting

Definition of concepts

<p>Accounting Officer</p>	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) an accounting officer means a person mentioned in section 36, which reads as follows:</p> <ol style="list-style-type: none"> (1) Every department and every constitutional institution must have an accounting officer. (2) Subject to subsection (3) <ol style="list-style-type: none"> (a) the head of a department must be the accounting officer for the department; and (b) The chief executive officer (CEO) of a constitutional institution must be the accounting officer for that institution. (3) The relevant treasury may, in exceptional circumstances, approve or instruct in writing that a person other than the person mentioned in subsection (2) be the accounting officer for-: <ol style="list-style-type: none"> (a) a dependant or a constitutional institution; or (b) a trading entity within a department. [Sub-s. (3) amended by s. 18 (a) of Act No. 29 of 1999]. (4) The relevant treasury may at any time withdraw in writing an approval or instruction in terms of subsection (3). [Sub-s. (4) Substituted by s. 18 (b) of Act No. 29 of 1999]. (5) The employment contract of an accounting officer
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	<p>for a department, trading entity or constitutional institution must be in writing and where possible, include performance standards. The provisions of sections 38 to 42, as may be appropriate, are regarded as forming part of each such contract.</p>
<p>Accounting Authority</p>	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) an accounting authority means a body or a person mentioned in section 49, which reads as follows:</p> <ol style="list-style-type: none"> (1) Every public entity must have an authority which must be accountable for the purpose of this Act. (2) If the public entity- <ol style="list-style-type: none"> (a) has a board or other controlling body, that board or controlling body is the accounting authority for that entity; or (b) does not have a controlling body, the chief executive officer or the other person in charge of the public entity is the accounting authority for that public entity unless specific legislation applicable to that public entity designates another person as the accounting authority. (3) the relevant treasury, in exceptional circumstances, may approve or instruct that another functionary of a public entity must be the accounting authority for that public entity. [Sub-s (3) substituted by s. 28 (a) of Act No. 29 of 1999]. <p>the relevant treasury may at any time withdraw an</p>

	<p>approval or instruction in terms of subsection (3). [Sub-s. (4) substituted by s. 28 (b) of Act No. 29 of 1999].</p> <p>(4) A public entity must inform the Auditor-General promptly and in writing of any approval or instruction in terms of subsection (3) and any withdrawal of an approval or instruction in terms of subsection (4).</p>
Accounting Standards Board:	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) an Accounting Standard Board means the board established in terms of section 87, which reads as follows:</p> <p>(1) The Minister by regulation in terms of section 91 must establish a board to be known as the Accounting Standards Board.</p> <p>(2) The Accounting Standards Board is a juristic person. (Date of commencement of s. 87:2 March, 1999).</p>
Accounts payable(also referred to as creditors)	Money owed by the auditee to companies, organisations or persons who have supplied goods and services.
Accounts receivable(also referred to as debtors)	Money owed to the auditee by companies, organisations or persons who have received goods or services from the auditee.
Adverse audit opinion	The financial statements contain mis-statements that are not confined to specific amounts, or the misstatements represent a substantial portion of the financial statement.

Annual Division of Revenue Act	According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) Annual Division of Revenue Act means the Act of Parliament which must annually be enacted in terms of section 214 (1) of the constitution
Asset	Any item belonging to the auditee, including property, plant, cash, and debt.
Asset Impairment	The reduction in value of an asset below its normal value at which it can be converted into cash through sale or by other means.
Assurance	A positive declaration that is intended to give confidence. Through the audit report, it provides assurance on the credibility of financial and performance information as well as auditee's compliance with legislation. Other role players in the public sector also contribute to assurance and confidence ensuring that internal controls are implemented. Such assurance providers include various auditee officials, committees and internal audit units, oversight structures as well as coordinating or monitoring departments.
Audit Outcome	The audit opinion on an auditee's financial statements, together with any material findings on that auditee's annual performance report and/or material findings on non-compliance by the auditee with applicable legislation.
Capital budget	The estimated amount planned to be spent on capital items in a particular financial period; for example, fixed assets such as land and buildings with long expected lives and that produce income or support

		operations.
Cash flow		The flow of money from operations: incoming funds are revenue and outgoing funds are expenses.
Clean audit outcome		The financial statements of the auditee are free of material mis-statements (in other words, a financially unqualified audit opinion) and there are no material findings on reporting on performance objectives or non-compliance with legislation.
Commitments(from role players)		Initiatives communicated by role players to improve audit outcomes.
Commitments(in financial statements)		The cost of goods and services to be received in the following year, which the auditee has already contractually agreed to purchase in the current year.
Conditional grants		Money transferred from one sphere of government to another, subject to certain services being delivered or on compliance with specific requirements.
Consolidated financial statements		Financial statements that reflect the combined financial position and results of a department and those of the entities under its control.
Constitutional Schedule 1:	Institution:	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999)</p> <p>Constitutional Institution means an institution listed in Schedule 1 which reads as follows:</p> <ol style="list-style-type: none"> 1. The Public Protector of South Africa. 2. The South African Human Rights Commission. 3. The Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic

	<p>Communities.</p> <ol style="list-style-type: none"> 4. The Commission on Gender Equality. 5. The Independent Electoral Commission. 6. The Independent Communications Authority of South Africa. 7. The Financial and Fiscal Commission. 8. The Pan South African Language Board. 9. The Municipal Demarcation Board.
Contingent liability	A potential liability, the amount of which will depend on the outcome of a future event.
Current assets	These assets are made up of cash and other assets, such as an inventory or debt, which will be traded, used or converted into cash in less than 12 months. All other assets are classified as non-current, and typically include property, plant and equipment as well as long-term investments.
Department	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) department means a national or provincial department or a national or provincial government component;</p> <p>[Definition of “department” substituted by s. 1 (a) of Act No. 29 of 1999 and by s. 43 of Act No. 30 of 2007].</p>
Disclaimer of audit opinion	The auditee provided insufficient evidence in the form of documentation on which to base an audit opinion. The lack of sufficient evidence is not confined to specific amounts, or represents a substantial portion of the information contained in

	the financial statements.
Executive Authority	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) executive authority –</p> <p>(a)</p> <p>in relation to a national department, means the cabinet member who is accountable to Parliament for that department;</p> <p>(b)</p> <p>in relation to a provincial department, means the member of the Executive Council of a province who is accountable to the provincial legislature for that department;</p> <p>(c)</p> <p>in relation to a national public entity, means the Cabinet member who is accountable to Parliament for that public entity or in whose portfolio it falls; and</p> <p>(d)</p> <p>in relation to a provincial public entity, means the member of the provincial Executive Council who is accountable to the provincial legislature for that public entity or in whose portfolio it falls.</p> <p>[Definition of “executive authority”]</p>

	substituted by s. 1 (b) of Act No. 29 of 1999].
Financial and performance management	The management of resources to achieve the financial and service delivery objectives of the auditee. This is one of the three key overall drivers of internal control that should be addressed to improve audit outcomes or to sustain good audit outcomes.
Financial Statements:	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) financial year means –</p> <ul style="list-style-type: none"> (a) a balance sheet; (b) an income statement; (c) a cash-flow statement; (d) any other statement that may be prescribed; and (e) any notes to these statements.
Financial Year	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) financial year–</p> <ul style="list-style-type: none"> (a)

	<p>means a year ending on 31 March; or</p> <p>(b)</p> <p>in relation to a public entity that existed when this Act took effect and that has a different financial year in terms of other legislation, means that financial year, provided the National Treasury has approved that other financial year;</p> <p>[Para. (b) amended by s. 1(c) of Act No. 29 of 1999].</p>
Financially unqualified audit opinion	The financial statements contain no material misstatements. Unless we express a clean audit opinion, material findings have been raised on either reporting on predetermined objectives or non-compliance with legislation, or both these aspects.
Fruitless and wasteful expenditure	According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.
General Ledger	A record of all the financial transactions of the auditee.
Going Concern	The presumption that an auditee will continue to operate in the foreseeable future, and will not go out of business and liquidated its assets. For this to happen, the auditee should be able to raise enough resources to stay operational.
Governance	The governance structures (audit committees) and processes (internal audit and risk management) of an

	<p>auditee. (This is one of the three key overall drivers of internal control that is required to improve audit outcomes or to sustain good audit outcomes).</p>
<p>Generally recognised accounting practice</p>	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) generally recognised accounting practice means an accounting practice complying in material respects with standards issued by the Accounting Standards Board.</p>
<p>Human Resource(HR) Management</p>	<p>The management of auditee’s employees, or human resources, which involves adequate and sufficient skilled resources as well as the adequate management of employee performance and productivity.</p>
<p>Information Technology (IT)</p>	<p>The computer systems used for recording, processing and reporting financial and non-financial transactions.</p>
<p>Irregular Expenditure</p>	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) irregular expenditure means expenditure, other than unauthorized expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including–</p> <ul style="list-style-type: none"> (a) this Act; or (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulation made in terms of that Act; or (c)

	<p>any provincial legislation providing for procurement procedures in that provincial government.</p> <p>[Definition of “irregular expenditure ” amended by s. 1(d) of Act No. 29 of 1999].</p>
IT governance	The leadership, organisational structures and processes which ensure that the auditee’s IT resources will sustain its business strategies and objectives.
IT security management	The controls preventing unauthorised access to the computer networks, computer operating systems and application systems that generate and prepare financial information.
IT service continuity	The process of managing the availability of computer hardware, systems software, application software, (computer programs) and data to enable auditees to recover or establish information system services in the event of a disaster.
IT user access management	The procedures through which auditees ensure that only valid, authorised users are allowed segregated access to initiate and approve transactions on the information system.
Internal control(also referred to as key controls)	The process designed and implemented by those charged with governance, management and other employees to provide reasonable assurance about the achievement of the auditee’s objectives with regard to the reliability of financial reporting, the effectiveness and efficiency of operations, and compliance with applicable legislation. It consists of all the policies and procedures implemented by auditee management to assist in achieving the orderly and

	efficient conduct of business, including adhering to policies, safeguarding assets, preventing and detecting fraud and error, ensuring the accuracy and completeness of accounting records, and timeously preparing reliable financial and service delivery information.
Inventory	Goods held for resale or for internal use.
Key drivers of internal control	The three components of internal control that should be addressed to improve audit outcomes, namely leadership, financial and performance management, and governance. (These three components are also defined individually in this glossary).
Leadership	The administrative leaders of an auditee, such as accounting officers and senior management. (This is one of the three key overall drivers of internal control required to improve audit outcomes and to sustain good audit outcomes). It can also refer to the political leadership (including the members of the executive council) or leadership in the province (such as premier).
Liability	Short-term and long-term debt owed by the auditee.
Material Finding	An audit finding on reporting on predetermined objectives or non-compliance with legislation that is significant enough in terms of its value, its nature or both its value and its nature that is requires to be reported in the audit report.
Material misstatement	A misstatement that is significant enough to influence the opinions of users of the misstatement, or both of these aspects.
Mis-statement	Incorrect or omitted information in the financial statements

	or annual performance report.
Main division within a vote	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) main division within a vote means one of the main segments into which a vote is divided and which–</p> <p>(a)</p> <p>specifies the total amount which is appropriated for the item under that segment; and</p> <p>(b)</p> <p>is approved by parliament or a provincial legislature, as may be appropriate, as part of the vote;</p> <p>[Definition of “main division within a vote” amended by s. 1 (f) of Act No. 29 of 1999].</p>
MEC for finance	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) MEC for finance means the member of an Executive Council of a province responsible for finance in the province.</p> <p>[Definition of “MEC for finance” inserted by s. 1 (e) of Act No. 29 of 1999].</p>
Minister	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) minister means the Minister of Finance.</p>
Modified opinion	A qualified, adverse or disclaimer of opinion.
National Department	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) national department means a department listed in Schedule 1 to the</p>

	Public Service Act, 1994(Proclamation No. 103 of 1994), but excluding the office of a Premier.
National government business enterprise	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) national government business enterprise means an entity which –</p> <ul style="list-style-type: none"> (a) is a juristic person under the ownership control of the national executive; (b) has been assigned Financial and Operational authority to carry on a business activity; (c) as its principal business, provides goods or services in accordance with ordinary business principles; and (d) is financed fully or substantially from sources other than- <ul style="list-style-type: none"> (i) the National Revenue Fund; or (ii) by way of a tax, levy or other statutory money;
National Treasury	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) national treasure means the national treasury established by section 5 which read as follows:</p> <p>(1) A National Treasury is hereby established, consisting</p>

	<p>of –</p> <p>(a) the Minister, who is the head of the Treasury; and</p> <p>(b) the national department or departments responsible for financial and fiscal matters.</p> <p>(2) The Minister, as the head of the national Treasury, takes the policy and other decisions of the Treasury, except those decisions taken as a result of a delegation or instruction in terms of section 10.</p>
<p>National public entity:</p>	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) national public entity means –</p> <p>(a)</p> <p>a national government business enterprise; or</p> <p>(b)</p> <p>aboard, commission, company, corporation, fund or other entity (other than a national government business enterprise) which is –</p> <p>(i) established in terms of national legislation;</p> <p>(ii) fully or substantially funded either from the National Revenue Fund, or by way of a tax, levy or other money imposed in terms of national legislation; and</p> <p>(iii) accountable to parliament.</p>
<p>Net current liability</p>	<p>The amount by which the sum of all money owed by an</p>

	auditee and due within one year exceeds amounts due to the auditee within the same year
Net deficit	The amount by which an auditee's spending exceeds its income.
Operational budget	A short-term budget, usually prepared annually, based on estimates of income and expenses associated with the auditee's operations, such as administration and salaries.
Overspending	<p>(a) According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) overspending in relation to a vote, means when expenditure under the vote exceeds the amount appropriated for that vote; or</p> <p>(b) in relation to a main division within a vote, means when expenditure under the main division exceeds the amount appropriated for that main division, subject to section 43.</p>
Ownership Control	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) ownership control, in relation to an entity, means the ability to exercise any of the following powers to govern the financial and operating policies of the entity in order to obtain benefits from its activities:</p> <p>(a)</p> <p style="padding-left: 40px;">to appoint or remove all, or the majority of, the members of that entity's board of directors or equivalent governing body.</p> <p>(b)</p> <p style="padding-left: 40px;">to appoint or remove that entity's chief</p>

	<p>executive officer;</p> <p>(c)</p> <p>to cast all, or the majority of, the votes at a meeting of that board of directors or equivalent governing body;</p> <p>(d)</p> <p>to control all, or the majority of, the voting rights at a general meeting of that entity.</p>
Payroll	Data relating to employees' earnings.
Property, plant and equipment	Assets that physically exist and are expected to be used for more than one year, including land, buildings, leasehold, improvements, equipment, furniture, fixtures and vehicles.
Provincial Department	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) provincial department means –</p> <p>(a)</p> <p>the office of a Premier listed in Schedule 1 to the Public Service Act, 1994; or</p> <p>(b)</p> <p>a provincial department listed in Schedule to the Public Service Act, 1994.</p>
Provincial Government Business Enterprise	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) provincial government business enterprise means an entity which –</p> <p>(a)</p> <p>is a juristic person under the ownership control of a</p>

	<p>provincial executive;</p> <p>(b)</p> <p>has been assigned financial and operational authority to carry on a business activity;</p> <p>(c)</p> <p>as its principal business, provides goods or services in accordance with ordinary business principles; and</p> <p>(d)</p> <p>is financed fully or substantially from sources other than-</p> <p style="padding-left: 40px;">(i) provincial Revenue Fund; or</p> <p style="padding-left: 40px;">(ii) by way of tax, levy or other statutory money;</p> <p>[Definition of “provincial government business enterprise” inserted by s. 1 (g) of Act No. 29 of 1999].</p>
<p>Provincial Public Entity</p>	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) provincial public entity means –</p> <p>(a)</p> <p style="padding-left: 40px;">a provincial government business enterprise; or</p> <p>(b)</p> <p style="padding-left: 40px;">a board, commission, company, corporation, fund or other entity (other than a provincial government</p>

	<p>business enterprise) which is-</p> <ul style="list-style-type: none"> (i) established in terms of legislation or a provincial constitution; (ii) fully or substantially funded either from a Provincial Revenue Fund or by way of tax, levy, or other money imposed in terms of legislation; and (iii) accountable to a provincial legislature; <p>[Definition of “provincial public entity” inserted by s. 1 (g) of Act No. 29 of 1999].</p>
<p>Provincial Treasury</p>	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) provincial treasury means a treasury established in terms of Chapter 3, section 17 of the PFMA, which read as follows:</p> <ul style="list-style-type: none"> (1) There is a provincial treasury for each province, consisting of- <ul style="list-style-type: none"> (a) the MEC for finance in the province, who is the head of the provincial treasury; and (b) the provincial department responsible for financial matters in the province. (2) The MEC for finance as the head of a provincial treasury takes the policy and other decisions of the treasury, except those decisions taken as a result of a delegation or instruction in terms of section 20. <p>[Definition of “provincial treasury” inserted by s. 1 (h) of Act No. 29 of 1999].</p>

Public entity	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) public entity means a national or provincial public entity;</p> <p>[Definition of “public entity” substituted by s. 1 (h) of Act No. 29 of 1999].</p>
Qualified audit opinion	<p>The financial statements contain material mis-statements in specific amounts, or there is insufficient evidence for the auditors to conclude that specific amounts included in the financial statements are not materially mis-stated.</p>
Revenue Fund:	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) revenue fund means:</p> <p>(a) the National Revenue Fund mentioned in section 213 of the Constitution; or</p> <p>(b) a Provincial Revenue Fund mentioned in section 226 of the Constitution;</p> <p>[Definition of “Revenue Fund” amended by s. 1 (i) of Act No. 29 of 1999].</p>
Reconciliation	<p>The process of matching one set of data to another, for example, the bank statement to the cash book or the accounts payable balances to the corresponding general ledger account balance.</p>
Reporting against predetermined objectives(PDOs)	<p>Reporting by auditees in their annual performance plans (APP) on their actual achievements against the performance objectives they had set at the beginning of the period. The performance objectives relate mostly to service delivery.</p>

Root causes	The underlying causes of drivers of audit findings; in other words, why the problem occurred. Addressing the root cause helps to ensure that the actions address the real issue, thus preventing or reducing the incidents of recurrence, as opposed to simply providing a temporary or short-term fix.
Supply chain management(SCM)	Procuring goods and services through a tender or quotation process and monitoring the quality and timeliness of the goods and services provided.
Trading entity	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) trading fund means an entity operating within the administration of a department for the provision or sale of goods or services, and established –</p> <p style="text-align: center;">(a)</p> <p style="text-align: center;">in the case of a national department, with the approval of the National Treasury; or</p> <p style="text-align: center;">(b)</p> <p style="text-align: center;">in case of a provincial department, with the approval of the relevant provincial treasury acting within a prescribed framework;</p> <p>[Definition of “trading entity” amended by s. 1 (i) of Act No. 29 of 1999].</p>
Treasury	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) treasury means the National Treasury or a provincial treasury, as may be appropriate in the circumstances;</p> <p style="text-align: center;">[Definition of “treasury” substituted by s. 1 (k) of Act No. 29 of 1999].</p>

<p>Unauthorised expenditure:</p>	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) Unauthorised expenditure means –</p> <p>(a)</p> <p style="padding-left: 40px;">overspending a vote or a main division within a vote;</p> <p>(b)</p> <p style="padding-left: 40px;">expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.</p>
<p>Vote</p>	<p>According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) revenue fund means one of the main segments into which an appropriation Act is divided and which-</p> <p>(a)</p> <p style="padding-left: 40px;">specifies the total amount which is usually appropriated per department in an appropriation Act; and</p> <p>(b)</p> <p style="padding-left: 40px;">is separately approved by Parliament or a provincial legislature, as may be appropriate, before it approves the relevant draft appropriation Act as such.</p> <p>[Definition of “vote” amended by s. 1 (l) of Act No. 29 of 1999].</p>

CHAPTER 1 - Introduction, research design and methodology

1. 1 Introduction

The purpose of this chapter is to provide an overview of the study. The motivation for the research, the statement of the problem and its objectives in aligning the administration of financial management with the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) in the North West provincial administration, is provided. The literature survey on financial administration and management in South Africa prior to 1999, the responsibilities of accounting officers and the weaknesses in the financial management system are scrutinised and discussed. Research methods, social science research, the positivistic approach to research study, research techniques as well as qualitative research methods are surveyed. The research design and the selected methodology is also described. A brief overview of the content of each chapter is provided.

Public administration is for the public good of which the foremost objective is to implement laws. Public administration is as old as human existence and civilization. Public sector officials are tasked with the responsibility of rendering service to the public. Public Administration has evolved over the passage of time and has found its rightful place among the social sciences. Research is central to Public Administration and in the practice of public administration, as in any other field of human activity. This chapter will focus on the purpose, objectives and methodology of the study.

1. 2 Overview of the study

The implementation and analysis of policy is important in Public Administration as a field of study. This study focuses on aligning the administration of financial management with the Public Finance Management Act, 1999 (Act No. 1 of 1999) in the North West provincial administration.

Prospects, problems and challenges of policy implementation and related studies, especially with respect to recent policies are crucial for service delivery enhancement or improvement in terms of economy, efficiency and effectiveness. The Public Finance Management Act (PFMA), 1999 is one such Act, which merits research. The need for scientific research on the

implementation of the Public Finance Management Act, 1999 (Act No. 1 of 1999) is necessary for further review in order to enhance policy prescripts for the relevant Act and other amended Acts. Therefore, research was undertaken of the administration of the Public Finance Management Act (PFMA) in the North West provincial administration.

1. 3 Motivation for the research

South Africa has enacted many laws since the advent of the democratic dispensation in 1994. Numerous policies have been implemented, however, not without challenges. The annual reports and audit reports of various government departments reveal several implementation challenges.

The PFMA Act, (Act No. 1 of 1999) is a piece of legislation, flexible and adaptable compared to the repealed Exchequer Act 1975, (Act No. 66 of 1975), which was prescriptive and rule driven. The management of finance in the public sector poses numerous challenges. Fraud, theft, mismanagement, greed are prevalent in society. There are numerous problems for which solutions are required and simultaneously prospects must be identified to achieve value for money through economy, efficiency and effectiveness. Those who manage public affairs and public finance are subject to public scrutiny. Transparency, accountability and honesty as well as prudence in the management and administration of public finance are crucial.

Optimum utilisation of scarce resources should be the ideal in the public service to achieve the predetermined goals and objectives. Productivity in the public sector has to be enhanced through economy, efficiency and effectiveness due to the availability of scarce resources. The development agenda of the country depends on the prudent usage of scarce resources. Do public managers who administer the laws of the country possess the passion, commitment and patriotism? Is there commitment and dedication among public servants?

1. 4 Problem statement

How is Public Finance Management Act, 1999, administered in the North West provincial administration?

The above problem is on the minds of many academics, citizens and practitioners and requires scientific research and exploration. Public affairs and public administration gives prominence to public financial administration and management since scarce resources should be utilised for

optimum outputs and outcomes. Public finances should be handled with utmost diligence because resources are scarce, while needs are enormous, especially in a country where there is a wide gap between the rich and the poor. Legislation is enacted for a purpose and specific intentions. It is worth examining the effectiveness, efficiency, and economy utilised in the administration and management of PFMA in the North West provincial administration.

1. 4. 1 Research question

Are there effectiveness, efficiency and economy in the administration of public financial management aligned with the Public Financial Management Act, 1999, (Act No. 1 of 1999) in the North West provincial administration? Public sector financial management is faced with perturbing challenges such as fruitless, wasteful and unauthorised expenditure coupled with fraud and corruption. The demand for services out-weighs the limited scarce resources due to, amongst other; a minute section of the South African population pays tax, high unemployment rate and the current international economic downturn. Developing countries are faced with competing priorities, such as, human capital development, infrastructure development and meeting the targets of Millennium Development Goals. Unemployment, poverty, hunger, and disease, the lack of: infrastructure, poor roads, housing, water supply, electricity, schools, telecommunications and a distinct shortage of many other facilities are among the multitude of challenges South Africans are confronted by on a daily basis. The demand by the inhabitants is enormous while the resource to meet the demand is inadequate. Therefore, it was deemed necessary to examine the economy, effectiveness and efficiency of financial management in the North West provincial administration departments.

The problem was divided into the following research sub-questions:

- (i) Which elements in terms of economy, effectiveness and efficiency are prevalent in the PFMA (Public Finance Management Act 1 of 1999)?
- (ii) How is the PFMA administered in the various departments in the North West provincial administration?

1. 4. 2 Research objectives

The following objectives were formulated:

- (a) To determine from the available literature the nature and scope of public financial management and administration;
- (b) To analyse the reason for the introduction of specific guidelines for financial management through the PFMA;
- (c) To examine how the administration or implementation of public financial management is aligned with the PFMA in the various departments of the North West provincial administration; and
- (d) To analyse the effectiveness, efficiency and economy of the administration of PFMA in the North West provincial administration.

1. 4. 3 Limitations and delimitations of the study

There may be limitations to this research study. On establishing the findings to the research questions and the objectives, recommendations will be made. However, not all variables, such as, the in-depth study of competencies, skills levels of personnel in various departments, structure and size of departments, the relationships between strategy and structure, similarities of systems or differences thereof and methodology of operations could be factored in the research. It is assumed that qualified personnel with the required skills are recruited to appropriate positions in order to operationalise and implement policies and administer various government policies. Contextual factors which affect various departments, the size of the budgets, and the level of complexities of activities of the departments as well as the implementation of numerous policies are not the subject of inquiry of this particular study. There could possibly be further scope for research in this regard.

1. 4. 4 Research title

The title of the research topic is: “Administration of the Public Finance Management Act, 1999, in the North West provincial administration in South Africa”.

1. 5 Review of the literature

A literature review survey was undertaken to establish from the existing body of knowledge information in terms of administration of policies which was compared against the current study and the implementation of or administration of PFMA in the North West provincial administration.

Policy formulation is considered easier than policy implementation. Pressman and Wildavsky (1973:21) note the major difficulties in implementing new social programmes or programme modifications, of which two were highlighted in particular: multiplicity of participants and multiplicity of perspectives. These two factors converge to delay and, in many instances; stifle administrative efforts to secure the joint action required for the implementation of a programme. This thesis investigated policy, implementation and how PFMA is administered or implemented in the North West provincial administration. The stages of implementation, public policy implementation and the multiplicity of participants as well as perspectives were examined and discussed. Preconditions for successful implementation and implementation under sub-optimal conditions and challenges were discussed before drawing inferences.

Another approach to facilitate the communication of policy change is through policy development. Policy deployment is a strategic management tool to facilitate communication. Senior management establishes critical goals such as improving service delivery, changing the composition of staff or reducing costs (Carr et. al. , 1995, 124 – 131, 426 -427).

Financial deepening cannot occur without the development and maintenance of the infrastructure necessary to sustain lasting and meaningful change: in systems technology the skills of staff in public policy plays an important role in financial market development. In order to establish effective institutions, the following are essential: (a) competence, insulation, and low level of corruption; (b) pragmatism and flexibility of management; (c) transparency of government operations and (d) the prevalence of due process of law. The way forward for developing countries is to establish stable institutions before implementing financial market reforms (Awasu, 2002:36). The use of policy instruments alongside the optimal non-linear income tax can improve the efficiency of redistribution by expanding the second-best utilities possibility frontier (Broadway, 1998:563). In order to utilise scarce resources optimally, redistribution and innovative ways of increasing the revenue are devised by administrators.

Public finance has a great influence on the stability of the economy of any nation state. Sustainable growth of the economy is the policy intent of the government of the day. A balanced application of various policy instruments and tools are used together with appropriate procedures. The PFMA affords managers flexibility to be creative. It is less prescriptive than the previous Exchequer Act.

Performance specifications, measurement and accountability ought to be apportioned to officials responsible for the implementation of PFMA.

1. 5. 1 Financial Administration and Management prior to 1999 in South Africa

It is worth examining the history of financial management and administration prior to the enactment of the PFMA. The reason for the changes, the strengths, if any and the weaknesses of the Exchequer Act, 1975, is analysed objectively. An informed comparison of the old and the new Acts is necessary for a scientific study of this nature. Public financial management, an integral part of public administration, is important to ensure and safeguard scarce public resources. The historical past, the present policy implementation processes and procedures and critical analysis will enable the government departments to function effectively in the future. The monitoring and evaluation as well as support functions followed by an oversight function of the legislature assists in adopting corrective measures, where necessary. There was a lack of discipline in recording assets and liabilities. The information strategy, financial management systems and processes were weak.

1. 5. 2 Responsibilities of accounting officers

The Exchequer Act, 1975, placed specific responsibilities on accounting officers. Their tasks were further defined in the Financial Regulations and Chapter A of the Treasury Instructions issued in terms of the Exchequer Act, 1975 (Viljoen & Van Rooyen, 1996:38). In terms of Financial Regulation 1 (1), an accounting officer is responsible to identify and determine those essential services which he/she has to provide to meet the needs of the state; determine within the limits of the funds which has been or could be made available, the priority which should be given to the provision of a particular service; determine and plan the most economical means by which a service can be effectively provided; the submission and motivation to the Treasury in such form as the Treasury may determine for the allocation of money for this purpose; the most advantageous utilisation of money allocated to him/her in the approved estimate; the regular evaluation and, where possible improvement of the effectiveness and the efficiency achieved in meeting the requirements and providing the services for which state moneys have been made available; all expenditure from state moneys under his/her control and for ensuring that appropriate authority exists for all payments made by him/her and on his/her behalf. In addition, an accounting officer is required to provide the Auditor-General a voucher or an order made in terms of section 42, (9) (c) of the Exchequer

Act, 1975, for every payment made by him/her from state moneys; the accuracy of the accounting records, accounts and other financial documents under his/her control and for instituting and maintaining adequate systems of internal checks of and control over state moneys, other state property and securities; replying to all queries which the Auditor-General in the performance of his/her duties, may direct to him/her; promptly, notifying his/her departmental accountant when changes in departmental policy and administration, a new project, scheme or service or changes to an existing project, scheme or service which will have an effect on expenditure or revenue, are being considered; and the early submission to the Treasury of requisitions for credits from moneys in the Paymaster-General's Account in respect of voted moneys, which he/she requires to defray expenditure (Viljoen & Van Rooyen, 1996:39-41).

An accounting officer has additional duties and responsibilities as set out in Chapter A of the Treasury Instructions, which are as follows: The accounting officer accepts responsibility for financial accounting matters in respect of which he/she does not necessarily need specialist knowledge, but should have general knowledge. The person should ensure that the relevant acts, regulations and instructions are complied with. There should be a specialised accounts branch that controls the general administration of state money. The departmental accountant should answer directly to the accounting officer, advise him/her on financial matters and undertake financial administration. The accounting officer should ensure that the financial implications are taken into consideration at all stages of planning and implementation of policy as availability of funds plays an important role. All directions in acts, financial regulations and Treasury Instructions are meant to ensure financial regularity. If problems are detected in specific instances in complying with the above, the accounting officer should bring it to the attention of the Treasury *ex-ante*, and not *ex post facto*. The accounting officer is answerable to Parliament for the performance of his/her duties and responsibilities. If need be, the accounting officer may be required to appear before a committee probing the revenue and expenditure of the department, to answer queries. The accounting officer and the minister, departmental accountants, programme managers and the Public Accountants Committee had specified roles and responsibilities. However, weaknesses still prevailed (Viljoen & Van Rooyen, 1996:41).

1. 5. 3 Weaknesses in the financial management system

Certain weaknesses could be identified in the financial management system prior to the PFMA, 1999, namely: an outdated accounting system, which cannot readily and timeously provide data for processes such as budgeting, budgetary control, performance monitoring, financial planning; a consequential lack of reliable up-to-date financial information; a lack of information regarding assets and liabilities; obsolete and overcomplicated Treasury Instructions; outdated computer equipment and systems; lack of quantifiable objective descriptions and performance criteria; widespread shortages of appropriately qualified and trained financial staff at junior and middle management levels largely attributable to uncompetitive remuneration and the enticing away of staff by the private sector; duplication and fragmentation of government institutions and services at various levels (Viljoen and Van Rooyen 1996:47-48).

Since 1994, the democratic dispensation of South Africa identified several policy gaps, numerous challenges as well as weaknesses in the financial management system in the public sector. Prior to 1994, public finances in South Africa were enveloped in a cloud of secrecy, (Fölscher, 2002:258). Since the transition to democracy, remarkable progress has been made in establishing greater transparency and public participation in the budget process and public finances in general.

The Public Finance Management Act, (Act No. 1 of 1999), is flexible compared to the rigid Exchequer Act of 1975. The need to link policy, strategy and the budget was realised. Numerous challenges are experienced in managing public finance. There are major problems for which solutions are sought as well as various prospects to achieve value for money through economy, efficiency and effectiveness of financial management in government departments. Those who manage public affairs and public finance are subject to public scrutiny. Transparency, accountability and honesty as well as prudence in the management of public finance are imperative.

According to PFMA Act No. 1 of 1999 section 38, an accounting officer's general responsibilities are, amongst other, to ensure that the department and trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control. An internal audit system controlled and directed by an audit committee is required to comply with and function in accordance with the prescribed regulations and

instructions in each government department. An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective should be in place as well as a proper system to evaluate all major capital projects (South Africa, 1999: 36 – 38).

The accounting officer is also responsible for the effective, efficient, economical and transparent use of the department, trading entity or constitutional institutions' resources.

The research aims to examine and analyse various challenges experienced while administering and managing public finance in terms of the PFMA. Moreover, recommendations were provided based on the findings. Comparative studies were undertaken between similar departments and critical success factors identified for the purposes of benchmarking against best practices in the country and internationally, including countries such as Britain, Indonesia, United States of America (USA) and Canada. Most aspects in the PFMA are adapted from New Zealand, Australia, Canada and Britain. The area of budgeting, expenditure control and financial reporting were reformed which have in turn improved the way government projects and programmes are managed, monitored and evaluated. The outcomes and outputs are considered and weighted more than the number of resources utilised.

1. 6 Research methods

There are two approaches to research, namely: the quantitative and the qualitative approach. The quantitative paradigm is based on positivism, which is systematic and numerically based. In contrast the qualitative paradigm emanates from an anti-positivistic, interpretative approach. It is apt to explore the positivistic approach to scientific research, its criticisms, contributions as well as the current views.

A conscious selection of levels of analysis and models of organisational effectiveness should be undertaken in organisational research. These choices should be keyed specifically to organisational life cycles, constituency and environmental conditions. Empirical investigation of life-cycle development in organisations has largely been ignored in organisations. This study suggests that consideration of organisational behavior will be enhanced if significance is assigned to this important phenomenon (Cameron & Whetten, 1981: 542). For this study, public financial management and the administration of PFMA in government departments in the North West Province only published reports and documents

such as annual performance plans, annual and audit reports were analysed due to ethical reasons. Ethical considerations in research are very important.

1. 6. 1 Social science research

Social sciences contend with investigations into the properties and laws of social phenomena. The development of the social sciences has its roots in the need for the management of social affairs. Social sciences are affected by certain properties of society which are not crucial in the natural sciences. Moreover, the actual object of investigation and research problems related to the social sciences introduced new methodological complexities. Generally, there are many uncontrolled factors due to the complexity of social reality since exact laws can rarely be found. The results are frequently expressed in terms of probability, which is itself a reflection of some margin of ignorance (Bless & Smith, 1995: 9 – 10).

Therefore, research in pragmatic fields such as public finance, public affairs, public administration or public financial management require practical approaches when selecting research methodology, research techniques or research tools.

1. 6. 2 Positivistic approach to scientific research and study

Positivism is an epistemological position that advocates the application of the methods of the natural sciences of social reality and beyond (Bryman, 2001: 12). The term stretches beyond this principle, though the constituent elements vary among authors. However, positivism is also taken to entail: only phenomena and hence knowledge confirmed by the senses can genuinely be warranted as knowledge (the principle of phenomenalism), and the purpose of theory is to generate hypotheses that can be tested and thereby sanction an explanation of laws that need to be assessed (the principle of deductivism). Therefore, knowledge is arrived at through gathering of facts that provide the basis for laws (the principle of inductivism), and science should (and presumably can) be conducted in a way that is value free (that is, objective). There is a clear distinction between scientific statements and normative statements and a belief that the former are the true domain of the scientist. This last principle is implied by the former because the truth or otherwise of normative statements cannot be confirmed by the senses (Bryman, 2001: 12). According to Longman dictionary of contemporary English, normative means formal describing or establishing a set of rules or standards of behaviour (Longman, 2009: 1186).

Research methods, processes and approaches may differ in the pure sciences and social sciences. Public administration and public finance are dynamic not static. Therefore, appropriate research methodology may be selected in Public Administration and Financial Management and Administration.

Joseph (2003:68) argues that positivism stresses the importance of facts which exist outside the individual. In its broadest sense; positivism is a rejection of metaphysics. It is about finding truth and proving it through empirical means. It is a philosophical position that holds that the goal of knowledge is simply to describe and, in some designs, to explain and also to predict the phenomena that we experience (whether quantitatively or qualitatively) (Henning, 2004: 17). The epistemic orientation, which emphasises the mind mirroring reality, is broadly positivist in nature (Fay, 1996: 202).

Epistemology is concerned with the nature of knowledge and how it may be acquired. The main epistemological stances are positivism, which holds that methods of the natural sciences are appropriate for social enquiry because human behaviour is governed by law-like regularities; and that it is possible to carry out independent, objective and value free social research. The opposing view, known as interpretivism, claims that natural science methods are not appropriate for social investigation because the social world is not governed by regularities that hold law-like properties. Hence, a social researcher has to explore and understand the social world through the participants and their own perspectives and explanations can only be offered at the level of meaning rather than cause. Qualitative research is largely associated with interpretivism (Snape & Spencer, 2003: 23). There is also epistemological debate about the relative merits of induction and deduction as noted by Ritche and Lews (2003: 1-23). Induction tries to identify patterns and associations derived from observation of the world; deduction generates proposition and hypotheses theoretically through a logically derived process. Although qualitative research is often viewed as a predominantly inductive paradigm, both deduction and induction are involved at different stages of the qualitative research process (Snape & Spencer, 2003: 23).

Public officials render services for the public good. Financial management in public administration is undertaken in various circumstances and contexts. Qualitative researches involve making sense of phenomena in the natural setting and interpret according to the meaning researchers and administrators accord them. It can be inferred that the same or

similar set of documents or data may be analysed by different researchers qualitatively, interpreted differently and arrive at different conclusions.

Some of the major criticisms of positivism or positivism's limitations as a philosophical doctrine are: Positivist approaches (including the hypothetico-deductive method) are inappropriate to research social phenomena which are products of human action while the study of people and their actions is not amenable to the research techniques most closely associated with positivism. At the most obvious level, for ethical reasons, it is not possible to experiment on people to any great extent or with any breadth of purpose (Clark *et. al*, 2000: 13 – 14).

Therefore, the methods of positivism are effectively limited to what can be explained and described about human behaviour. In the world of social phenomena (in contrast to that of natural phenomena) the focus is on people and human behaviour which is to a large extent constructed through shared meanings and to study such behaviour because it is necessary to identify, understand and interpret such meanings. People are directed, capable of making choices: they are not inanimate and their behaviour is to a large extent not readily understood in terms of simple causal factors. Opinions may differ depending on the situations and contextual factors.

The extent to which positivism and the hypothetico-deductive method are objective and value-free is another issue. Some critics argue that true value-freedom is impossible to attain since any (human) decision about what to study and how an issue should be studied is necessarily ideological, reflecting the interests and values of the person or people making these choices. Therefore, no decisions of this kind are ever entirely neutral (Clark *et. al*, 2000: 13 – 14). Research findings may differ if different groups of researchers undertake research on the same topic due to the value system and level of interpretation and skills researchers possess.

The contributions of the positivistic approach to research are enormous. Babbie & Mouton (2002: 20-21) include in the positivist tradition all those philosophers of (social) science who have supported the idea that the social sciences should emulate the methodology or logic of the natural sciences.

The first assumption of scientific maturity is the argument that the natural sciences have made spectacular progress, especially since the scientific revolution of the seventeenth century. It

is reasonable to assume that this progress is largely due to its particular methodology. The social sciences, on the other hand, have not yet made similar advances and are, therefore, when compared with the natural sciences, still at a stage of relative underdevelopment and immaturity. Therefore, the solution to this problem lies in the application of the methodology of the natural sciences in social science research. The second assumption of a sufficient degree of similarity in the research domains applies to the natural sciences methodology in the study of human or social reality which presupposes that one accepts that natural and social phenomena are sufficiently alike. This has also been a central assumption of the positivist tradition, although interpreted differently in different traditions. The third assumption that social and natural phenomena are sufficiently similar to warrant similar methodological approaches is based on an analogy that is drawn between human beings and other living organisms (Babbie & Mouton, 2002: 20-21). However, different societies develop at different stages. The systems of government may also develop at different phases. Moving from apartheid to democracy has had its own challenges. Democratic values in Asia, Africa, Europe and America may differ. The level of education of citizens will also influence interpretations. Therefore, the outcomes of social science research may differ.

It could be deduced that the positivistic approach could be utilised in social science research such as in the case of public financial management and administration in public sector departments.

Another contribution that researchers could make is to work within a paradigm and incorporate a theoretical perspective, especially at the doctoral level. Oliver (2004: 28) provides the following example:

Theoretical perspectives, which include a positivist perspective tends to assume that research methods of the natural sciences may generally be applied to the social sciences. Positivism tends to be associated with the use of quantitative data. Interpretivism is associated with a number of perspectives used in research including phenomenology, interactionism, feminism, ethnography and action research. Such perspectives tend to primarily employ qualitative data (Oliver, 2004: 28). It is further noted that within the interpretative perspective, it is not assumed that there are predetermined social facts which can be collected and analysed, but rather that the social world exists in a state of fluid interaction and has to be interpreted to be at least partially understood. Laudan (1996: 25) argues that positivism transforms itself into a

potent tool for resurrecting the very anti-empirical ideologies that it was invented to banish. It could, therefore, be deduced that social science research could be undertaken in a hybrid form. A combination of qualitative and quantitative methodology could be mixed according to the context. If data is gathered qualitatively, it could be categorised and analysed. Various interpretations could be arrived at and conclusions drawn.

There are two main paradigms that form the basis of social science research: positivist and naturalist (Kumar, 1999:13). The crucial question that divides the two is whether the methodology of the physical sciences can be applied to the study of social phenomena. The paradigm that is rooted in the physical sciences is called the systematic, scientific or positivist approach. The opposite paradigm has come to be known as the qualitative, ethnographic, ecological or naturalistic approach. Both paradigms have developed their own values, terminology, methods and techniques to understand social phenomena. However, since the mid-1960s there has been a growing recognition that both paradigms could be acknowledged. The research purpose should determine the mode of inquiry, hence the paradigm. To indiscriminately apply one approach to all the research problems can be misleading and inappropriate (Kumar, 1999:12).

It could be argued that a positivist paradigm lends itself to both quantitative and qualitative research. One can conduct qualitative research within the positivist paradigm. However, Kumar makes a distinction between qualitative researches on the one hand and naturalistic and ethnographic research on the other hand as they follow different value systems and to some extent different methodologies. No matter what paradigm the researcher works within, she/he should adhere to certain values regarding the control of bias, and the maintenance of objectivity in terms of both the research process itself and the conclusions drawn (Kumar, 1999: 12). It is the application of these values to the process of information gathering, analysis and the interpretation that enables it to be called a research process. The large majority of the social sciences research adopts and adapts the qualitative research methodology. Consequently, research in public affairs as well as public administration utilises qualitative research processes.

The relationship between ontology, epistemology and methodology are important in the process of research. Ontological issues have considerable theoretical importance. Epistemology may be used in the context of a positivist epistemology. The methodology is

used to refer to the research procedure adopted. Research processes whether positivist or non-positivist, that is, quantitative or qualitative exist on a logical basis starting with ontology and epistemology and ending with methodology. The distinction between qualitative and quantitative research may fade or overlapping may occur depending on the object, subject and context. A new hybrid form may also evolve with time. Society, thought processes and any human endeavour including research are dynamic, not static. Therefore, a new theoretical framework, paradigm and methodology will evolve with time.

1. 6. 3 Research techniques

This research adopted the qualitative research methodology. Documentary analysis was undertaken of published reports and documents from various departments including the Auditor-General's office and the Public Service Commission reports. Public Administration is a dynamic and ever-changing field. Therefore, it requires a combination of research methods. Qualitative approaches such as document analysis, content analysis and policy analysis was used. The tools and techniques were explanatory and interpretive while induction and deduction was applied.

The research assumptions, questions, data collection as well as the collection of evidence should be informed by truthful processes. Therefore, the processes of ensuring truthfulness were of paramount importance. It required thoroughness which was the cornerstone of the research process. The moral and ethical dilemma of dealing with issues of confidentiality, consent and trust were acknowledged while deceptions and/or doubts were eliminated. The provincial departments in the North West provincial administration were the units of analysis since they are responsible departments for the administration and implementation of the PFMA Act, 1 of 1999. An extensive analysis of published reports and documents were undertaken.

The following documents were analysed, for example, annual reports, audited reports and publications from oversight bodies. Archives and libraries are useful sources of information that can be helpful to contextualise information (Rossouw, 2003: 157). Documents were analysed, interpreted and inferences where applicable were drawn. Content analysis and narrative analysis could be used to work with qualitative data (Elizabeth *et. al.* 2005: 102).

Published documents such as Annual Performance Plans, Annual Reports, Strategic Plans, Medium-Term Strategic Framework as well as departmental Audit Reports were scrutinised

and analysed. Annual reports, audit reports, articles, books and annual performance plans were utilised.

The comparative analysis of public policies across countries is a well-developed research area with a long tradition in political science. One of the major debates in this field of research centre round the question as to whether and why different countries develop similar policies over time (Knill, 2005: 764 &770).

Human development and human thoughts have no boundaries. Consequently, similar policies could emerge from different countries during a similar period. This situation should be exploited for international benchmarking and adoption of best practices.

Researchers should use the triangulation research approach if it can contribute to understanding a particular phenomenon. However, they must be able to articulate why the strategy is being used and how it might enhance the study. Appropriately used, the triangulation research approach could enhance the completeness and confirmation of data in the research findings of the qualitative approach. The use of both the quantitative and qualitative strategies in the same study is a viable option to acquire complementary findings and to strengthen research results. If different philosophic and research traditions will help to answer a research question in its entirety, then researchers should use the triangulation research approach (Streubert & Carpenter, 1999: 307). The findings by internal auditors, external auditors, the Public Service Commission, Provincial Public Accounts Committee (PPAC) or any other oversight body's report could be used for the purpose of triangulation. The following reports: internal audit, external audit, Public Service Commission, Provincial Public Accounts Committee as well as any relevant published report can be assessed as a validity test and reliability test. Media as a watch dog also reports on the performance of departments.

1. 6. 4 Qualitative research methods

The major purposes of qualitative research methodologies include, amongst other, explore, describe and / or understand the phenomenon of interest. In qualitative research there is no fixed recipe or design for the researcher to learn the ropes or how data should be gathered. The only specification is that it should be gathered systematically over a period of time (Berg, 1998:4& and Schurink, 2010: 425 – 430).

The researcher may use the qualitative research and data collection approach because it is a source of well-grounded, rich descriptions and explains the processes in identifiable contents (Miles & Huberman, 1994: 10 & Keyter, 2010: 21).

Debates over ontology, epistemology and methodology in the field of Public Administration are an ongoing process. Ontology constantly enquires: ‘What is reality?’ and ‘What is existence?’ It questions whether reality can be an objective phenomenon or whether it is a social, political or gendered construct. On the other hand, epistemology enquires: ‘What can we know?’ and ‘How do we know what we know?’ Riccucci (2010: 4) identifies a typology of epistemic traditions in public administration, which may provide a framework for a number of research approaches. These approaches include: interpretivism, rationalism, and empiricism, logical positivism, post-positivism and post-modernism. The different ontologies and epistemologies associated with these approaches point to different methodologies and recording techniques for each. This shows the range of heterogeneity in research traditions in public administration (Sibanda, 2012: 620). Public administration could adopt quantitative or qualitative or mixed method approaches and develop a hybrid research design depending on the necessity to suit the research problem.

It is necessary to specify the characteristics of the contexts in which street-level bureaucrats do their work and to clarify the consequences of these characteristics for the manner in which professionals in public service are held accountable. Two ideas that Hill and Hupe (2002) explored in their book *Implementing Public Policy* and in subsequent articles were utilised to analyze the issue of accountability at the street level. The first notion elucidated that decisions determining action in public policy are nested in a multi-dimensional institutional system. A policy system involves ‘a nested sequence of decisions – about structure, financing and about the management of outputs – for which different actors may be accountable, perhaps in different ways’ (Hill, 2005: 277 – 278). These nesting decisions, in turn, set (quasi-)institutional contexts for each other. The dynamic of relations between the layers a policy process encounters going along a vertical line involves a succession of struggles for control over action. This action can, whether clustered as ‘action levels’ or as ‘stages’, take various forms. In the context of governance, ‘the street-level’ needs to be conceived of as a layer – administratively formal or not – where governance may be multiple. Governance of and by street-level bureaucrats is practiced in a variety of action situations, while street-level bureaucrats are held accountable in various relations: bottom-up as well as top-down, but also

‘sideways’. The second notion elaborated that alternative forms of accountability exist. These can be seen as relatively appropriate in different settings. Financial management in public administration requires prudence; attain value for money and accountability. Responsible behavior, honesty and integrity are essential when public officials manage public finances.

Hence, an emphasis on multiple accountability does not imply a dismissal of debates about who should be in control. It is obvious that on what looks appropriate are essentially political judgments. This emphasis indicates that arguments about appropriate forms of accountability can be grounded in a precise understanding of the issues that are at stake and the contexts in which they are disputed. Multiple accountabilities may be necessary in practice; they may also be regarded as desirable (for example, they may increase the range of influence points available to citizens). The complexity of governance, therefore, means that there are multiple accountabilities: issues of holding to account emerge in political-societal relations at various places. For some, this perhaps lessens the need to be too concerned about ‘control deficits’. Street-level bureaucrats are held accountable in distinctive ways and to varying degrees, but certainly in more ways than strictly only from the political centre. Within the web of these multiple accountabilities which possibly produce contradictory action imperatives, street-level bureaucrats constantly weigh up how to act. An evaluation of these acts, particularly at an aggregated level, ultimately remains a matter of political judgment. However, analysing these accountabilities as practised at the street level is open to empirical-comparative research. This latter may add a new chapter to the development of the theme of street-level bureaucracy (Hupe& Hill, 2007:295 - 296). Administrative accountability, political accountability as well as citizen accountability is needed in a democratic society.

Qualitative researchers need to be explicit about how and why they choose specific legitimising criteria to ensure the robustness of their inquiries. A shift from a position of fundamentalism to a more pluralistic approach as a means of legitimising naturalistic inquiry is advocated. It is clear from the literature that some disagreements remain about the demonstration of rigour in qualitative inquiry. Challenges towards validating or demonstrating rigour in the qualitative paradigm continue to be raised from the quantitative community and questions are also being raised among the qualitative community. This is encouraged, as debate will enable further clarity and ultimately lead to greater understanding and transparency. There is a need to avoid simplistic views of concepts such as robustness

and triangulation as confirmation and a requirement to demonstrate logical understanding of what we do, how we do it and equally important, why we do it. It is advocated that a move from narrow methods of assuring rigour gleaned mainly from the positivist tradition to a more pluralistic approach as a means of legitimising naturalistic inquiry. In particular, the concepts of a triangulation state of mind and search for goodness that should permeate a study from beginning to end are to be commended (Tobin & Begley, 2004: 388,394). Public servants should be exposed to research methodology in order undertake independent basic research in their respective domains. If research becomes a way of life, informed decision-making can be assured. Duplication of efforts, fruitless and wasteful expenditure could be avoided.

Qualitative research involves research that uses observational, communicative and documentary methods in a natural setting (Riehl, 2001: 116) in an effort to understand the social world. According to Denzin and Lincoln:

Qualitative research is multi-method in focus, involving an interpretive, naturalistic approach to its subject matter, that is, qualitative researchers study phenomena in their natural settings, attempting to make sense of or interpret phenomena in terms of the meanings people bring to them. Qualitative research involves the studied use and collection of a variety of empirical methods – case study, personal experience, introspective, life story, interview, observational, historical, interactional, and visual texts – that describe routine and problematic moments in individuals' lives (Denzin & Lincoln, 1994: 2).

Certain qualitative researchers remained squarely in the scientific tradition of post-positivism; insisting on objectivity, rigorous research design, and examining causality (Maxwell, 2004). Others are more rooted within interpretive traditions, including symbolic interactionism, ethno-methodology, hermeneutics, postmodernism, feminism, critical theory and cultural studies (Riehl, 2001: 116) and in varying degrees reject post-positivist notions of scientific rigor (Fischer *et. al*, 2007:417). Researchers in Public Administration and Management tend to select the qualitative research methodology. The subjective nature of social phenomena, social development issues which may not be measured in statistical terms require qualitative research techniques.

1. 7 Preliminary framework of the research project

An extensive literature review was undertaken. Studies carried out in the similar field of academic discipline were also examined to establish the available research outcomes on the identified topic and avoid duplication. The structure and format of the research is comparable to other credible studies in the field and at the same level. The thesis comprises of the following chapters:

Chapter 1 reflected on the PFMA in the North West provincial administration in South Africa. An overview, the motivation for the research, the research problem and research objectives were expounded upon. An extensive literature review was undertaken which incorporated financial management prior to 1999 in South Africa, including the weaknesses in the financial management system. The research design including the various research methodologies, approaches research techniques, qualitative research methods and research design were explored in detail.

A methodology is used to refer to the research procedure adopted. Research processes whether positivist or non-positivist, that is, quantitative or qualitative exist on a logical basis commencing with ontology and epistemology and eventually methodology. The distinction between qualitative and quantitative research may fade or overlapping may occur depending on the object, subject and context. A new hybrid form may also evolve with time. Society, thought processes and any human endeavour including research is dynamic not static. Therefore, new theoretical frameworks, paradigms and methodologies evolve overtime. Chapter one introduced the topic, justified the reasons for the study and explained the tools and techniques of research methodology which were adopted.

This study adopted the qualitative research method. The documentary analysis was utilised. Since Public Administration is a dynamic ever-changing process, it requires a combination of research methods. Qualitative approaches including document analysis, content analysis and policy analysis methods were utilised. The tools and techniques included: explanatory, interpretive as well as induction and deduction approaches. The research assumptions, questions, inquiries, data collection as well as evidence collection should be informed by truthful processes. Therefore, the process of ensuring truthfulness is of paramount importance since it requires thoroughness which is the cornerstone of the research process. Consequently, the moral and ethical dilemma of confidentiality, consent, trust, deception or

any doubt is eliminated. Annual reports, audit reports, newspapers, journal articles as well as annual performance plans were scrutinised and analysed. The North West provincial administrations are the units of analysis for the administration of PFMA in the province. The reports from the Auditor- General, Public Service Commission, Parliamentary committees and other investigative units were used. Various reports were compared to test the reliability, validity and interpretations of the findings.

Chapter 2 focused on the meaning of administration and public administration. Public spending and budgeting reform as the cornerstones of public administration are highlighted. Public Administration as a field of study, public administration as a profession, public administration and the new role of government as well as the functions of public administration were described. Policy in public administration, policy formulation, policy implementation, stages in policy implementation, multiplicity of participants, multiplicity of perspectives on implementation, including preconditions and implementation under suboptimal conditions were examined. Management in the public sector, controlling public services and government, accountability and public financial management was discussed. The PFMA and the basis of budgeting were also perused.

Policies are formulated, published however; the implementation of policies is slow, unsuccessful and carried out partially. There is a serious gap in communicating strategies and policies from top management to operational staff. Poorly trained or untrained staff contributes to the implementation process. Management capacity is also lacking. Human resource development and appropriate training and capacity building programmes must be in place. New policies are implemented using outdated and obsolete techniques. Creativity and innovation should find its place in public administration and management. Modernisation of government and the projectisation of implementation processes are essential to enhance service delivery. The synchronisation of thoughts and ideas as well as the optimal utilisation of resources with the support of modern technology could enhance implementation. Monitoring and evaluation (formative and summative) and timely intervention to adjust, adapt and fast track the implementation process could change the current situation. Research and development and expert advice will also assist in rectifying the current situation. Public financial management in public administration should yield economy, effectiveness, efficiency and value for money.

In Chapter three, public finance was examined in detail since it formed the basis of the research. International public finance and the new international financial architecture were scrutinised. The international best practices, accountability, budgeting, organisational prerequisites, government and functions formed a significant part of this study. The concepts of economy, efficiency and effectiveness were illustrated. The legislative framework of auditing, the responsibility of accounting officers, the mandate of internal and external auditors, performance auditing and the necessity of performance auditing were explained. Accountability in the public sector and the meaning and various discourses of accountability were espoused upon. Management in the public sector, budgetary function reform, the public sector reform challenge in developing countries, guidelines for effective financial management and government debt management was also discussed.

In Chapter four, the North West Province's demarcation since the democratic dispensation after 1994 was discussed. An overview of the North West Province included an illustration of maps of the provincial and district boundaries defining the geographical area of the province. The composition of the provincial government and a table containing the provincial departments and the changes in configuration over the years was illustrated. The budgeting process and the role of the provincial Treasury were described.

Chapter 5 expounded upon public financial management, reforming financial management, the importance of accountability in public management, requirements of effective financial management, modernised financial management, weakness in the financial management system and barriers which stifle progress in the improvement in public financial management. Approaches to transform centralised modes of control, a constitutional mandate in terms of financial management as well as governmental accounting and financial performance monitoring were discussed. Furthermore, this chapter examined public internal financial control, internal audit structures of the North West provincial administration, functions of the Public Service Commission, the co-ordination between portfolio and standing committees, and the North West Provincial treasury's monitoring mechanisms and short and long term intervention strategies.

The findings of the PFMA related to reporting and a comparative table dating a decade of years audit opinions of various provincial departments were tabulated. A summarised table and graphs indicating the change in audit opinions were plotted. Various qualification details of

audit opinions, internal audit in combating fraud as well as audit findings related to other matters was also provided. The rationale for performance auditing, performance auditing results of the North West Provincial departments, together with the results of good practice indicators as well as redundant audit outcomes were explained. The deficiencies in the internal controls, their root causes and the actions taken to eliminate these were tabulated. The resolutions of the Provincial Public Accounts Committee which had not been implemented timeously were tabulated to demonstrate the negligence or delays by the departments.

Chapter 6 provided the interpretation of the findings, recommendations and conclusion. An area for further research was also suggested.

1. 8 Conclusion

The democratic dispensation in South Africa, since 1994, brought about many changes and many laws were enacted by the legislature. Public administration, public financial management as well as public financial administration underwent transformation. The passing of the Public Finance Management Act, 1999, (Act No. 1 of 1999), after repealing the Exchequer Act, 1975, was intended to improve the public financial management and administration. The need for continued research in Public Administration, especially the aligning the management of public finance with the PFMA, served as a motivation to undertake the study. The theoretical and practical aspects of the study in the field of public administration and financial management and administration in the public sector as well as the research methodology was discussed. The outline and framework of each chapter was also provided.

In the following chapter, the contextualisation of Public Administration will be discussed in detail. The concepts of administration, public administration, policy, policy implementation related issues, management, control, accountability, financial management and budgeting aspects will be explored.

CHAPTER 2 -Contextualisation of public administration

2. 1 Introduction

Chapter one dealt with the overview of the study, including the research design and research methodology. Chapter two will deal with the contextualisation of public administration. The concepts administration and public administrations are defined. Public spending and budgeting reform as the cornerstone of Public Administration is discussed. Public Administration as field of study, as a profession, the role of government as well as the functions of public administration is described. Policy in public administration, policy formulation, policy implementation, stages in policy implementation, multiplicity of participants and perspectives of implementation, preconditions of successful implementation and implementation under suboptimal conditions are examined. Management process in the public sector, controlling public services and government, government and accountability, and public financial management are also expounded upon. The PFMA and the basis of budgeting are also analysed. Finally, challenges in the implementation of public finance and public administration are discussed.

2. 2 Meaning of ‘administration’

The word administer, is derived from a combination of two Latin words, namely: ‘ad’ and ‘ministrare’ which means ‘to serve’. Administration is only that type of collective activity which involves rational organisation and management of men and materials (Pruthi, 2005: 23 – 24).

Traditionally, pre-colonial Africa had notions of well-functioning village democracy which was effectively applied in different contexts. These should find expression in modern scholarships in democracy in the teaching of public administration. Indigenous systems of administration practiced delegation, division of labour as well as co-operative propensities. It was common practice for members of the community not only to deliberate general issues of public concern but also to decide on the necessary action. This is what is meant by public administration as ‘implementing public action’. In many parts of Africa, especially in the British colonies where indirect rule was the norm, the indigenous systems of government survived and were used by the colonial powers alongside the colonial system of administration (Basheka, 2012: 32 – 33).

2. 3 Public administration defined

Public Administration is that species of administration which operates within a specific political setting. It is a means by which policy decisions are made by the political decision-makers and carried out. It is action undertaken by the government, that is, the means by which the purpose and goals of the government are realised. The following are several renowned definitions of Public Administration:

Public Administration “is the detailed and systematic execution of public law. Every particular application of law is an act of administration” (Pruthi, 2005: 23 – 24). The implementation of an enacted law by officials gives rise to public administration in practice.

Public Administration is “the art and science of management applied to the affairs of the State” (Pruthi, 2005: 23 – 24). Management and administration are dynamic in nature. The figurative use of, for example, “it is both an art and science” is true in the case of public management as well as public administration because creative solutions are required to solve current challenges.

Public Administration comprises the activities of the executive branches of the National, State and Local Governments (Pruthi, 2005: 23 – 24).

The *‘public’* aspect of Public Administration gives the discipline a special character. It can be formally considered to mean *government*. So, public administration is government administration, the focus being specifically on the functions of public officials in supervisory posts. This is the meaning commonly used when discussing public administration. Public administration in a wider sense expands its ambit by including any administration that has considerable impact on the public (Pruthi, 2005: 2 – 3). A rational activity involving organisation and management of men and material in the state, central, regional, provincial or local, is called Public Administration (Pruthi, 2005: 23 – 24).

Literature on public administration dates back to ancient civilizations. The ancient Egyptians and Babylonians left considerable advice on the techniques of management and administration as well as the civilizations of China, Greece, and Rome (Shafritz and Hyde, 2007: 1).

Public Administration was to be a field of study not about the function or an enterprise but rather about an entire major sector of what would grow to be the largest and most influential economy the world has ever seen (Shafritz, 2004:13).

Effective government agencies have high levels of motivation among their members, including a high level of public services motivation, mission motivation and task motivation (Rainey & Steinbauer, 1999: 22).

It is important to develop a cadre of career public servants who are highly motivated to administer and manage the public service for the good of the public. Patriotic, selfless, highly motivated career public servants should be trained for the present and the future demands of nation building.

Public service motivation can be defined as a general altruistic inspiration to serve the interests of a community of people, a state, a nation or humankind. Major social scientists have recently referred to evolutionary developments that have fostered in human beings motives and attitudes conducive for communal and collective behavior, including trust, reciprocity and identification with an organisation (Ostrom 1998:n. p & Simon 1998:n. p). Since animals display altruistic behavior, behaviors that involve self-sacrifice on behalf of their groups, should be as strong as the more extrinsic motives for money or other material gain. Such forms of motivation have been part of human discourse since classical times, when, for example, Athenians pledged to leave their city better than they had found it for the use of future generations.

Motivation to serve the public has been part of discourse in public administration for centuries. Frederickson & Hart (1985:n. p), for example, discuss “patriotism of benevolence” that involves benevolent impulses and behavior toward a broad community. They defined it as affection for all in the nation and a devotion to defending their basic rights as granted by enabling documents such as a constitution.

Seeking to refine the conception of public service motives, Perry & Wise (1990:n. p) suggest that public service motives can fall into three categories: instrumental motives, including participation in policy formulation, commitment to a public programme because of personal identification, advocacy for special or private interest, loyalty to duty and government and

social equity; and affective motives, including commitment to the programme based on the conviction about its social importance and the patriotism of benevolence.

South Africa needs a cadre of public servants with integrity, honesty and patriotism. Missionary zeal should be nurtured from a young age. Career guidance and counseling young and old is important. The selection criteria should be revised as the country moves towards a modern democratic dispensation. Merit, competencies, capabilities, skills, knowledge and abilities should be considered to build a dedicated and committed public service to serve the nation with patriotism and motivation.

The White Paper on the Transformation of the Public Service (1995: 48-51) states that institution building and management are part of the creation of a strategic framework. In this respect, the White Paper indicates that it is necessary to empower, challenge and motivate managers at all levels to be visionaries, initiators, effective communicators and decision-makers, capable of responding pro-actively to the challenges of the change process, rather than acting as administrators of fixed rules and procedures. The current challenge is the lack of skilled management (Miller, 2005:124). The training of public servants, including management, is necessary in order to equip public servants with the skills, knowledge and competencies to deliver quality services effectively and efficiently (White Paper on transformation Public Service, 1995:64).

Fraser-Moleketi (2007:3) stresses the importance of training management in appropriate leadership skills to improve organisational performance and capacity to deliver services. Training and development are seen as leverage for change and, in this regard, the White Paper on the Transformation of Public Service (1995:64) envisages that training should be strategic based on need, linked to institutional transformation and building (Naidoo, 2009:5).

Creativity and innovation should be encouraged amongst the public servants to use initiative to solve everyday challenges. Proper records and minutes should be kept for future reference and audit. In-service training and development opportunities should be afforded for personal and professional growth.

2. 4 Public spending

Government depends on taxes for its revenue. Financial management by the government is conducted through prudent and responsible fiscal policies. Public finance may be referred to

as finances of the public sector. The public sector is managed according to non-profit principles. Government officials manage public finances through cost-benefit analysis and in accordance with pre-determined objectives and allocated budget.

Pauw *et al.* (2002: 352 - 358), provides the following overview of the system for consideration in managing public money:

(i) Policy objectives

The legal mandate and citizens mandate with due consideration of the policy imperatives should be the foundation for financial management in the public sector. There should be no policy vacuum. Functional planning and systematic management are crucial in policy implementation.

(ii) Strategic Planning

The modern tools and techniques of strategic planning should be adopted and long-term, medium-term and short-term plans developed with measurable objectives. Performance indicators in line with agreed time lines and budget are developed. The objective of strategic planning is to select a focus area for auditing as part of the annual planning process. Selection of focus areas for audit could, however, also occur on an *ad hoc* or as needed basis if necessary. The steps below are based on the approach suggested by the institute of internal auditors (international) in their publication performance auditing:

Step 1 Identify possible focus area.

A complete list of all programmes, projects and systems as implemented by the various business units should be compiled to assist with the selection of possible focus areas. For large programmes it is advisable to also indicate the sub-programmes. In the public service environment it is easiest to identify the programmes and sub-programmes from strategic and annual plans.

Step 2 Choose selection factors.

Selection factors are those factors considered important for identifying focus areas that warrant audit control. The following selection or criteria factors are used often:

Financial significance, Public complaints, Known or alleged problems or wrong doing, financial condition, risk of loss, fraud or corruption, Public welfare, public interest, recent audit coverage new developments and Now-performance reflected in the performance reports (Prinsloo Roos, 2011 : 27).

It is a prerequisite by the prescripts of PFMA to conduct strategic planning before the annual budget is compiled. It should not become a ritual; it should be done to address real-life problems in the communities.

In strategic planning, options are identified and chosen in the light of fundamental values and purposes. Annual budgeting is then used to allocate resources according to the established priorities. Strategic planning can be an extremely time consuming process in which various plans, often presented in great detail, are drafted, reviewed and then modified. This process usually involves developing an overall plan and then revising the plan annually to reflect new information and revised priorities (Robert, Ronald & Phillip, 2008: 155).

Thus the strategic planning process will yield a collectively agreed plan for execution with the participation of all stakeholders.

(iii) Medium Term Expenditure Framework (MTEF)

The Medium Term Expenditure Framework (MTEF) is the three-year cycle budget, informed by the strategic planning exercise. The three-year projections help eliminate uncertainty and allow predictability which foster stability in the system.

(iv) The annual budget

The annual budgeting cycle and the various activities are undertaken as a routine. But, care should be taken to avoid any pitfalls detected from the previous cycle.

(v) The costing basis

The effectiveness and performance of the budget depends on the proper costing exercise. Public sector operations are unique and they differ from department to department. All direct and indirect costs as well as the provision for overheads and inflation should be considered. The costing produces the budget and the outcomes and outputs, which lead to

the report at the end. Therefore, various performance management tools, both financial and non-financial tools should be in place. An appropriate costing system should be in place.

(vi) The current budget and its introduction

The annual budget takes effect on 1 March each year. The programme managers, sub programmes, chief users, the Chief Financial Officer, the Accounting Officer and various staff are involved in the roll out and implementation of the budget. It is crucial to be acquainted with the responsibility and accountability at various levels.

(vii) The current budget and its refinement

The budget is also a living document. Therefore, internationally recognised and accepted systems are adopted in the management and reporting of the budget.

(viii) Strategic misrepresentation in budget forecasting

Thirteen specific considerations that enhance misrepresentation in budgeting are divided into two categories which are technical, Political and Administrative. The technical includes: Overall constraints, information asymmetry, growth and decline, financial rules, pre-existing conditions and short- versus long-term issues. The Political and Administrative include: uncertainty, political ideology, micromanagement, rigid controls, decision windows and audit pressures. There are also twelve principles of ethics applicable to the public sector, developed by Lewis (1999, n. p.), which demonstrate the connection to the crucial consideration of ethics, namely: Rule of law and justice, evidence based decisions, accountability, merit, equality(right and opportunity), honesty and fairness, transparency, efficiency and effectiveness, co-operation, truthfulness, trusteeship and inclusiveness. There are, however, five core ethical mandates that serve as a basis for a code of forecasting (Prinsloo & Roos, 2011: 84).

Public sector managers should be aware of the above strategic misrepresentation possibilities while forecasting budgets for their departments.

(i) Honesty

The conduct of the individual forecaster must be consistent with the presentation of complete and accurate information at all times. Public interest: Analysis and judgements regardless of any prevailing point of view or favouritism to any one party or group. Merit: The forecaster

is bound to honour professional and technical standards. Trust: Impartiality is the basis for loyalty to the organisation, government, and citizens. Fairness: Forecasters should embrace the viewpoint that all views in the public arena matter and inclusiveness in forecasting assumption and methodology are to be incorporated (Lynch & Sun, 2008: 531).

(ii) Accountability

Accountability, as a basic principle of the management of public money, requires that the use of public money is transparent. Therefore, reporting activities in the public spheres is of key importance.

(iii) Internal and external accountability

Internal accountability deals with taking responsibility for the task we have been given in the institution. We direct internal accountability at our supervisor. External accountability is to owners, shareholders or stakeholders (Van der Linde, *etal.* 2009: 28).

Public financial management should be subjected to internal and external accountability.

(iv) The accounting system

The Basic Accounting System (BAS) is used by a number of departments to monitor and report on their budgets. The system provides information to ensure budgetary control on a continuous basis which is essential to ensure effective expenditure and revenue control (National Treasury, 2000: 35)

The introduction of accrual based accounting and production of a full balance sheet are the new demands of the PFMA in the interest of transparency, accountability and credibility in the democratic dispensation.

(v) The Sub-system

The personnel system and the supply chain management system (the procurement system) are elements of the accounting system. The upgrading of systems is an ongoing process to improve the efficiency, effectiveness and economy.

(vi) The Reporting

Monthly, Quarterly and Annual reports are also tools to take corrective measures to enhance performance (Pauw *et al.* , 2002:35).

(vii) Financial Management System (FMS)

The tool utilised by the majority of the departments to capture and monitor budgetary information is the FMS. An online budgeting facility is available, which can show the approved appropriation allocated by the relevant legislature. This facility facilitates budgets to be captured and updated on the system (the current financial year, Y0; plus the forthcoming year, Y0+1) for two years. The original budget can be reflected separately from the adjustment budget while the current budget figure is available for control purposes (National Treasury, 2000:33)

(viii) Personnel and Salary Administration System (PERSAL)

As personnel expenditure is the largest expenditure item in most departments' budget, it is imperative that it is monitored on a continuous basis, not only to ensure proper budgetary control but also to achieve the most efficient and effective utilisation of available staff.

(ix) Logistical Information System (LOGIS) Training uses in stock control techniques and benefits in order to understand stock management use LOGIS and the LOGIS Balanced Scorecard as a tool. The LOGIS system will be adapted according to General Recognised Accounting Practices (GRAP) as defined in the Public Finance Management Act (PFMA) (National Treasury, 2000:41).

There are various systems available to administer diverse functions. However, the interface between systems is still questionable. Although various systems are available, the performance with respect to financial management and administration is still not at the desired level. The North West provincial departments, amongst other, should endeavour to enhance the functionality, usage and application of the systems to attain the optimum level.

(x) Ethics and accountability

The PSC has since 2007 been conducting studies to assess the state of professional ethics in the respective provinces. These studies assist the PSC to identify a province and assess the state of professional ethics based on identified indicators. In 2010/11, the PSC conducted an assessment of the state of professional ethics in the North West Provincial Government

(NWPG). The broad aim of the study was to assess the status of professional ethics in the North West Provincial Government. The following were the specific objectives: assess the level of compliance with national norms and standards in respect of combating and prevention of corruption; assess the effectiveness of existing provincial specific anti-corruption measures in the NWPG; assess the effectiveness of existing provincial specific anti-corruption structures; identify the difficulties and weaknesses with respect to the prevention and combating of corruption in the province and recommend effective mechanisms for the management and promotion of professional ethics in the NWPG (PSC, 2011: vii).

The above study supplements the findings of the Auditor-General's report (A. G. 2008: n. p.).

The findings revealed that the state of professional ethics in the province varies from one department to another. There are departments that have adequate systems in place to ensure that the state of professional ethics is effective. However, there are also departments that do not have such systems. Furthermore, there is no uniformity in the application of the anti-corruption initiatives and Fraud Prevention Plan (FPPs) in the province. It is hoped that the provincial administration through the Office of the Premier would note the findings and recommendations contained in this report to improve the state of professional ethics in the North West Provincial Government (PSC, 2011:37).

The findings of the Public Service Commission and Auditor General's office bear testimony to the state of affairs in the North West provincial administration departments.

2. 5 Budgeting reform as cornerstone of public administration

According to Pauw *et al.* (2002: 63 – 65), the basis of preparing budgets in the national and provincial spheres of government are: per objective which indicates the purpose of the expenditure; per responsibility, this indicates the place of financial responsibility; per standard item, this indicates the items to be financed and purchased; per fund, this indicates the source of finance for the budget; and per economic classification, capital and current. The differentiation between current and capital expenditure is a statutory requirement in terms of the PFMA to support the compilation of government finance statistics required by the International Monetary Fund (Pauw *et al.* , 2002: 63 – 65).

The budget process does not allow for effective civil society participation in arguments about the need to allocate sufficient resources to fulfil socio-economic rights obligations. During the drafting of the budget and the next medium-term expenditure framework to ensure that the constitutional obligation to realise socio-economic rights is placed firmly on the budgetary agenda. All stakeholders should be consulted, as the budget is considered a public policy in terms of government's income and expenditure.

Managerialism has been an important element worldwide in public sector management for a number of years. (Hood, et. al 1995: 93) refers to the changes introduced under the banner of managerialism as the new public management (NPM). The development of a Managerialist culture has arguably changed the operations of many public sector organisations but simultaneously proven to be controversial. Included in this NPM is programme budgeting, which has also proven to be controversial.

For a budgetary method to be effective it should have an impact on budgetary decisions. If a budgetary method affects budgetary decision one would expect alternative programs to be selected and made operational (Kluvers, 1997:29, 42).

It is obligatory for any democratic governments to hold proper consultation on policy issues as well as budget policy matters. Outcome budgeting has been characterised as a potential major budgetary reform of the 21st century and the efforts by some government agencies to implement this budgeting system signal the emergence of an important paradigm of an effective governmental management and accountability tool (Miller, 2001:3). An outcome-based budgeting system places more emphasis on strategic and performance plans with measurable results, performance budgets, on accountability process, a performance evaluation that de-emphasises' micro-managing of line-item spending and annual reports for communicating with stakeholders. These elements are depicted in the conceptual framework of an ideal outcome budget. A budget should: a) clearly define policy direction; b) translate appropriated resources into concrete levels of service; c) communicate to stakeholders the consequences of changes in service; d) facilitate control over expenditures; e) motivate and provide feedback to employees; and f) evaluate employee performance and audit the organisation and make adjustments (Aristigueta, 1999:17). Best practice in terms of budgeting should be selected from previous experience and best practice elsewhere by considering contextual factors. Community involvement, multi stakeholder participation,

transparency and accountability may lead to optimal utilisation of resources for public good as well as economic, effective and efficient financial management in the public sector.

Generally, the following statutes require:

- (a) A strategic plan, which covers a period of at least five years and includes a mission statement; outcome-related, measurable goals and objectives; and plans agency managers and professionals intend to follow to achieve these goals through their activities and through their human, capital, information and other resources.
- (b) An annual performance plan, which is similar to a business plan and includes performance indicators that should cover relevant outputs, service levels and outcomes. The legislature intended to establish a direct annual link between these plans and budgets (GAO, 1999: 60 - 61) in order to capture the long-term implications of choices and decisions in the budget process (GAO, 2000; GASB, 1999: 510 – 511.). (Ngoyi, Miller & Holzer, 2000: 8).
- (c) An annual programme performance report, to be provided to the legislature that contains the previous fiscal year's performance measures including information on how well goals have been achieved (Ngoyi, Miller & Holzer, 2000: 8).

Democratic dispensations across the world have similar requirements to satisfy the legislature, the executive and the judiciary. In the South African context, the legislature at the national parliament requires national departments to submit the strategic plan, annual performance plan and the annual report while the provincial legislature receives the similar documents from all provincial departments.

2. 6 Development of Public Administration in South Africa

The public sector in South Africa should be understood in light of the particular and largely exceptional history of both the pre-apartheid state and the transition from apartheid. The history of the incorporation of the former homelands, such as Bophuthatswana, Transkei, and Venda and Ciskei administrations into provincial government in support of a broader argument is worth noting. The constraints, especially in provincial and local government are related to the unwitting effects of compromises made during the original constitutional settlement. The ruptures and continuities, for example, have been created in the contemporary South African public sector (for example: organisational culture, norms and values) with the administration of

the pre-apartheid state (Chipkin & Meny-Gibert, 2012: 111 – 112). Before 1994, the South African government was a separatist racial country ruled by an absolute minority regime. The post 1994 era is characterised by unprecedented demand for goods and services to serve in an equitable manner inclusive a vast majority of the population who were systematically excluded from almost forms of services. It is not easy to erase the past culture, norms and values of the public sector. There is a need for strong, dedicated and committed leadership and a caring government administration.

(i) Public Sector restructuring in South Africa

The envisaged transformation of the government sectors disclosure has penetrated the South African public service and broader society since the 1994 transition to democracy. This contribution takes into account two major influences. One is political, namely: apartheid and its demise and the other is economic; the current global movement in line with the pressures of neo-liberal politics aimed at movement towards the minimal state.

(ii) The vision of the post 1994 government

In 1994 a new government came to power. This power was further secured by an almost two-thirds majority in the 1999 general democratic election. The new government's vision is reflected in the priorities identified in the White Paper on Public Service Transformation (WPPST) that was adopted in 1995. This involved extensive restructuring of the public sector/public service interface (Liebenberg, Roos, 2003: 30).

The democratic dispensation in South Africa envisages cultivating fairness, objectivity and the need to redress the imbalances of the past in administrative and management practices. It encourages creativity, innovation and professionalism in the public service.

2. 7 Public Administration as a field of study

Public administration as a governmental activity has existed as long as political systems have been functioning and trying to achieve programme objectives set by political decision-makers. Public Administration as a field of systematic study is recent. Advisers to rulers and commentators on the workings of government have recorded their observations from time to time in sources as varied as Kautily's *Arthashastra* in ancient India, the *Bible*, Aristotle's *Politics*, and Machiavelli's *The Prince*. It was not until the eighteenth century that

cameralism, concerned with the systematic management of governmental affairs, became a specialty of German scholars in Western Europe. In the United States, such a development did not take place until the latter part of the nineteenth century. In 1887 Woodrow Wilson's famous essay, "The study of Administration" (Political Science Quarterly, July 1887), is generally considered the starting point. Since then, Public Administration has become a well-recognised area of specialised interest either as a subfield of political science or as an academic discipline in its own right (Heady & Otenyo, 2006: 61). Public administration as a body of knowledge is also evolving and developing as an academic discipline and it is claiming its rightful place in learning and teaching as well as in research.

Public administration stands at the intersection of theory and practice. Within the field of study there have been heated debates over the relative weights that should be assigned to those two alternative possibilities. In addition to standing at the interaction of theory and practice, Public Administration also stands at the intersection of a number of academic disciplines as well as having a distinctive literature of its own. Leaving aside, for the time being, the literature that can be labelled "purely" Public Administration, political science, economics, sociology, psychology, law, management and philosophy (Peters & Pierre, 2012: 9).

With regard to the study of Public Administration in South Africa, it is important to take cognisance of the fact that Cloete (1967: ch. 3-8) proposed in 1967 a rational analytical framework through the identification of a specific connection between the administrative functions identified by various contemporary writers as the subject-matter of Public Administration (Hanekom, 1987: 20).

Cloete grouped the public administration functions into six categories, which he originally termed processes, but later books referred to as the generic functions, namely: policy-making, organising, financing, personnel provision and utilisation, determination of work procedure, and institution of control measures (Hanekom, 1987: 20 -21).

In addition to the above six generic functions, auxiliary activities such as decision-making, communication, programming, and data processing formed the curricula at South African universities and technikons for the training of civil and municipal officials. This was indicative of the opinion of academics and practitioners with regard to the subject matter (focus) of the discipline while the locus, that is, its home is social sciences and the focus can be identified as the public institutions (Hanekom, 1987: 20 -21). However, administration is

dynamic, not static, therefore, the curricula has grown and evolved as the application of various disciplines is required in public administration.

2. 8 Public administration as a professional practice

Given that no single discipline can provide the kind of knowledge needed by administrators in the public sector, it is hoped that all disciplines would contribute what they can. This view of public administration as a profession, perhaps even more than the other views presented here, prevents the possibility of a comprehensive and integrated theory of public organisations as well as the possibility that theory will fully match the interests and concerns of practitioners (Denhardt, 2004: 13).

In the study of public administrative functions, expectations exist in the pursuit of excellence and scholarship, which include, the quality of the programme, accountability of the programme to national and stakeholder needs, accessibility of programmes, mobility or portability of skills or credentials, relevance and responsiveness to the needs of the public sector and the effective governance of society and the commitment to teaching, research and the public (Kuye *et al.* , 2002: 23).

The professional practice of public administration has to be elevated as a career. Politicians and political parties may be replaced through elections and democratic processes. But administrators remain and execute their duties irrespective of political affiliations and need to be apolitical. In a professional career, there ought to be adequate training and opportunity to learn on the job, or internship or learnership opportunities. In the present situation any person could enter the profession of public administration without specific training in the field which could be rectified by providing in-service training. Public officials may be encouraged to pursue the desired field of study before entry into the service like any other professional practice such as teaching, law, medicine or engineering. There ought to be minimum requirements for entry level in terms of knowledge and competencies. Professional and personal growth opportunities should be afforded to entry level officials to progress to mid-level, senior level and top level career public servants. Public administrators are required to have adequate knowledge, understanding, skills, competencies, talent and motivation to serve the public with honesty, integrity and patriotic feeling. The public service should be a chosen career to serve selflessly, as a calling or vocation with passion, dedication and commitment with missionary zeal. A public service with high moral and ethical standards upholding a

good value system should be the pride of any country. Then policy administration and management could reach an optimal level if the right value systems and patriotic considerations with service mentality are instilled.

2. 9 Public administration and the role of government

A critical link for the study of public administration was its concern and almost obsession with organisation and control. Bureaucratic control has been and will always be present in public administration. By definition, control is built into an organisational structure and design to assure both accountability and efficiency. In fact early management theories assume that organisation and control were virtually synonymous (Shafritz, 2004: 14).

Theories have remained tools to deal with phenomena as they arise. South Africa has, however, provided for principles governing its public administration within its constitutional establishment. Those principles are in place to guide any theoretical disposition to be applied in practice (Nkuna & Sebola, 2012: 84). Public financial management and administration also undergoes many challenges. Practical solutions need to be derived from experience.

As a field of study and as a practice, public administration has been influenced by many approaches and paradigms, which are aimed at improving the functioning effectiveness and efficiency of public institutions for better service delivery. It is true that public administration is very important in the lives of people and that Public Administration theorists can hardly stand aloof from public administration in some sterile and neutral position outside society. Therefore, Louw poses the question: “Are Public Administration academics failing to put together a science that can solve societal problems, for example, fraud, corruption and nepotism?” (Louw, 2012: 99).

There is increased pressure on the public service to improve service delivery along with public accountability for every cent spent. This forces the South African government to use rigid control systems. With respect to communication, much gets lost and re-interpreted along the way, and it is often a slow process. The public often complains about red tape and the bureaucracy that characterises the public service, a system not well-suited to deal with change and complexity. If change is necessary, management prefers that it takes place at a modest pace under their control and direction. They are skeptical about, and resistant to, public servants that want to initiate significant change on a number of fronts within a short period of

time. The premium is on reliability, steadfastness and loyalty to the government of the day, rather than on creativity, innovation, and critical thinking. People, who do not fit the mould either stagnate, leave or are forced out of service. Without effective strategic leadership, the probability that public service organisations led by visionary leaders who are supported by a strong management team may have an even more positive impact on outcomes than organisations only led by managerial strategic leadership. That public service organisation in South Africa can achieve above average or even satisfactory performance when confronting the challenges of service delivery will be more likely and members of the public service ought to therefore be trained so that there is a greater emphasis on implementing strategic leadership in their organisations.

South Africa urgently needs a leadership cadre not only with commitment to its founding values but also capable of thinking institutionally, as organisations are complex in nature. Above and beyond the preservation of institutions, the country needs to recognise, as Bryce did more than a hundred years ago, that corruption is more than the stealing of money. Even more difficult would be reversing the vicious circle between the corruption of public values and public looting, the everyday theft that confronts public institutions (Mangcu, 2011:1165). In the end, corruption in the political culture is unlikely to be solved outside of a bottom-up institutional, leadership and values revolution. The central elements of such a revolution must be a participatory political culture underpinned by strong community-based institutions with the policy knowledge to engage with government as equal partners, and yet able to hold it accountable, within a broader political culture of local government as local democracy (Mangcu, 2011:1165).

Stakeholder participation is of paramount importance in clean government and administration. There should be checks and balances and citizen participation in communal and political affairs of the nation.

Public learning assumes that public organisations are more than mere instruments to produce public goods and services; they provide a large mechanism for political decision-making in a democratic polity. There is a need to focus on social values and it seeks critical and reflective awareness by both administrators and the public in order to identify unintended and indirect outcomes or other normative consequences of public action. Public learning is facilitated by an emphasis on social knowledge and a disaggregated approach to public affairs (Nkuna,

2009:636). In a multi-cultural and diverse society, managing public organisations require awareness of diversity and create unity out of it. Various contextual factors are to be considered and foresee and be able to predict the desired outcomes or impact before public activities is implemented. All public organisations ought to be learning organisations. Continuous learning in a collective manner may lead to creative and innovative ways to solve society's complex needs.

Societal norms and values needed to be upheld. The values and principles as stated in the Constitution of 1996 (Chapter 10) requires that the Public Service be governed by the democratic values; maintain and promote a high standard of professional ethics; promote efficient, economic and effective use of resources; oriented towards development; deliver services impartially, fairly, equitably and without bias; respond to people's needs and encourage public participation in policy matters; be accountable for actions; be transparent by providing the public with timely, accessible and accurate information; maximise human potential; and be broadly representative of the South African population (PSC, 2002: 2). Learning and development are to be encouraged and the value of social capital should be appreciated.

The political transition in South Africa necessitated administrative reform. The role of the public service in post-apartheid South Africa is more appropriately that of servant of the public and provider of services, than that of an instrument of state power and controller of the public. The public service is required to play a vital role in the delivery of services to all South Africans and will have to become more client-centred. The discipline of Public Administration in South Africa has recognised the need to adapt its training to fit the requirements of this new responsive public service as well as the shift in paradigm. Hence, the emergence of the New Public Administration Initiative (NPAI) within the South African discipline occurred. The existing theory, practice and paradigm of public administration became redundant. New approaches to the study, teaching and practice of Public Administration became necessary, which should entail: an explicit normative focus on, *inter alia*, promoting more democratic, inclusive and participatory government and public service at all spheres of government; a just equitable and non-racial society with equal access for all people to societal resources; providing better public services to people to enable them improve their quality of life and become more self-reliant; maintaining suitable economic, social and political growth and development; and promoting values such as efficiency, effectiveness,

productivity, accountability, responsibility and responsiveness. It is necessary to have more rigorous scientific analysis, explanation and prediction of Governmental phenomena than their mere description. It also encouraged an open and critical debate on explanatory models. Instead of a control and regulation-oriented public service, an explicit developmental focus needed be established. This could include rationalisation between Public Administration and Developmental Administration. The need for developing proactive and useful international networks is also identified (Schutte *et al.* , 1995: 4 – 5). Post-apartheid, democratic South Africa, has to grapple with training its public service the new democratic values, encouraging participatory democracy, in a developmental state. Vigorous debates, research and development political oversight are order of the day. Public administration and public financial management also required to promote the values such as value for money concept, economy, effectiveness and effectiveness.

New trends in management and administration ought to be adapted by the North West provincial departments in order to derive economy, efficiency and effectiveness as well as to enhance service delivery.

2. 10 Functions of public administration

According to Thornhill (2012: 5) and Cloete the South African public administration and management executive institution performs the following administrative functions, which include, policy-making and analysis, organising, staffing, financing, determining work methods and procedures as well as controlling. In addition to the above, there are auxiliary functions such as: research, conducting public relations, providing legal services, notifying functions, constructing and maintaining information systems. In addition, instrumental functions such as personal and impersonal functions are done. Other functional activities or line function duties are also performed (Thornhill, 2012: 5). The above are still relevant in the light of the New Public Management (NPM) approach. Every public manager is responsible for his or her cost centre in all aspect of management including financial management and budgeting. The manager may neither shift responsibility to the CFO (Chief Financial Officer) nor HR to his or her colleagues or subordinates.

It could be deduced that financial administration and management are two areas which form part of the generic administration functions. The focus of the study is located in the field of public administration in the discipline, Public Administration.

As a field of study and as a practice, public administration has been influenced by many approaches and paradigms, all of which are aimed at improving the functioning, effectiveness and efficiency of public institutions for improved service delivery. It is true that public administration is very important in the lives of people and that Public Administration theorists can hardly stand aloof from public administration in some sterile and neutral position outside society. Therefore, the researcher poses the question: “Are Public Administration academics failing to put together a science that can solve societal problems, for example, fraud, corruption and nepotism?” (Louw, 2012: 99).

In the South African context, the Ministry of Public Service and Administration’s values and principles are encapsulated in terms of section 196(4) of the 1996 Constitution which stipulates the following aims: promote and maintain a high standard and maintain a high standard of professional ethics; promote the efficient, economic, and effective use of resources; provide services impartially, fairly, equitably, and without bias; and to respond to people’s needs and encourage participation in policy-making; and to be accountable and transparent by providing the public with timely, accessible, and accurate information.

In South Africa, the public service is the supplier or provider of particular products or services that South African citizens might need. It, therefore, goes without say that, in order to be able to provide these services; the South African public service is in need of educated, trained and professional public servants (Van Jaarsveldt, 2000: 258).

Approaches which build on existing administrative capacity should be based on the evaluation of the skills, capacity and potential of the existing administration. Management reform goes hand in hand with worker empowerment. The central thrusts of worker empowerment are human resource development and the decentralisation of operational responsibility. It is important to draw a distinction between capacity as a generic ability to get things done and capacity as a specific ability to get certain things done.

With reference to an institution, the notion capacity would signify the specific capabilities that would enable an institution to perform the specified objectives efficiently and effectively. The capacity of an institution is essentially the product of the dynamic interactions of the performance of the people running and managing the specific institution, with laws, rules and regulations, norms and traditions pertaining to the institution. The performance of the employees will be determined by three factors: the availability of the supportive institutional

infrastructures, equipment and adequate financial resources; technical skills and professional competence to achieve the objectives of the institution; and commitment and integrity in observing the rules and regulations, norms and conventions of the institution (Mohiddin, 2008: n. p.), (Vyas-Doorgapersad, 2010: 54 – 56).

The above is applicable to public administration as well as public financial management. The availability of supportive institutional infrastructures, equipment and adequate financial resources, the technical, professional competence and commitment of staff, the integrity in observing the rules and regulations and norms and conventions of the public sector are crucial in managing the public finances in government departments.

2. 11 Policy in public administration

In a complex society, there are several policies that are administered in the public administration arena. Academics and practitioners have a duty to assess the impact of the policy they administer.

According to Jreisat (2012: 112), noted by Lane (2000: 2), it is impossible to draw a sharp separation between policies and administration in the public sector. Public administration is fully engaged in the various phases of public policy process. Public administration embraces the policy objectives, participates in their formulation, and employs its resources for achieving these policy objectives. It is further noted that the challenge from theory and practice is how to integrate the various elements of setting policy goals, deciding means of implementation and designing rules for monitoring and regulating these functions (Jreisat, 2012: 112). Various aspects of policy are discussed below:

2. 11. 1 Policy formulation

Policy formulation is considered an easier task than policy implementation. Pressman and Wildavsky (1973:n. p) note that among the major difficulties in implementing new social programmes of programme modifications, two in particular stand out: the multiplicity of participants and the multiplicity of perspectives. These two factors converge to delay – and, in many instances, stifle – administrative efforts to secure the joint action required in programme implementation. This study considers the content of policy implementation. The preconditions for successful implementation and implementation under suboptimal

conditions are examined and certain recommendations are made prior to the concluding remarks.

The purpose of the public services is not to make a profit but to collectively provide protection, help, education, recreation and care outside market relations (Fly, 2007:1).

Politics affects the public sector both in policy and in management. If ruling politicians are not clearly committed to the activities and institutions of the state, managers at senior levels may find it difficult to manage the services entrusted to their institutions. Tension between managers and politicians can produce stressful and unproductive relationships (Fly, 2007:43). This will have a negative effect on the delivery of services.

Governments experience the problems of performance, productivity, and service quality and customer satisfaction in the public services over a period of at least three decades if not since the establishment of the institutions of the welfare state six decades ago (Fly, 2007:271). Public service delivery in a democracy continues to be a central issue in public administration. Democracies cannot survive without a strong, technically competent, efficient, and responsive public service but the existence of such a public service contradicts the democratic notion of government by the people (Box, 2007:3). For the past two decades, many governments have paid growing attention to a tool that has been around for almost a century - performance measurement. With the advancement of information technologies, the ease of data analysis and the popular concept of results-oriented government, performance measurement have become more sophisticated and is now commonly used in today's public management (Box, 2007:115).

There are several departments on the national or provincial spheres of government. Numerous policies are implemented in all those departments. The managers and administrators are tasked with the responsibility of policy implementation in their respective sectors. Public administration is continuously engaged in developing new policies, reviewing existing policies and amending obsolete clauses. Financial management is one of the core functions of all departments. All National and Provincial departments are required to comply with the Public Finance Management Act, 1999. The Public Audit Act, 2004 (Act No. 25 of 2004) is utilised to audit the implementation of PFMA administration in departments. Therefore, there is interdependence and integration of policies, which is also relevant in public administration. Different provincial departments are tasked with a variety of tasks. The

nature of service differs drastically. The Department of Public Works is tasked with large capital projects such as construction of road infrastructure, building projects, for example, offices, schools and hospitals. While there is a demand for technical and professional expertise, simultaneously financial management skills are also crucial. The Department of Education, the Department of Health and Department of Social Development and Welfare are tasked with human capital development and social capital development leading to economic capital development in the knowledge economy. The administration of public financial management and administration must conform to the PFMA in the variety of departments. All senior managers are required to manage finances in their respective cost centres as a delegated function or line function. All the managers, irrespective of their field of specialisation, are required to economically, effectively and efficiently manage the budget and public finance. This places the managers in a specific position, that is, technical, general, and financial as well as manages the performance of his or her unit and colleagues.

2. 11. 2 Policy

Hanekom and Thornhill (1986: 63) note that public policy is the formal articulation, statement or publication of a goal that government intends to pursue with society. Any policy to be regarded as ‘public policy’ should be undertaken within the framework of governmental procedures, influences and organisational structures.

According to Jreisat (2012: 112), whether health care, education, environment protection, transportation, or foreign affairs, policy is seldom a stagnant or invariable construct. As needs and conditions change, or different public officials take office, policies are also confirmed, altered, revised or amended accordingly (Jreisat, 2012: 112). It is further noted that despite the apparent conformity in the literature on the main phases of the policy process, one finds divergent views on the use and meaning of the term *policy*. Jreisat quotes, Mark Turner and David Hulme (1997: 59), that the term policy has several application such as a field of study, an expression of general purpose, a specific proposal, a decision of government, a formal authorisation, an output or outcome or theory or model and a process (Jreisat, 2012: 112). It can be observed that policy has varied meaning as the context differs. Public policy and public administration are inseparable; they are integral part in the public service in an ever-changing world. The link between policy and administration are crucial in a transforming environment.

Policy at all levels is extremely important to performance auditors because they are required to evaluate the formulated and implemented policies by the executing department to ensure the economical procurement and utilisation of resources to achieve national, provincial and local government policy objectives. The following types of policy can, therefore, be distinguished:

National Policy: This is a broad directive policy that is made by the legislative authority, for example, the Public Finance Management Act, 1999.

Executive policy: The broad directives policy becomes more concrete in terms of decisions relating to, amongst other, resource management and financial management. Examples of executive policies are the Treasury Regulations, 2005, promulgated in terms of the Public Finance Management Act 1999.

Administrative Policy: At the administrative level, policy-making involves practical steps to execute a policy and as such is the general responsibility of the head of department.

Operational Policy: Prescribes routine decisions and focuses on day-to-day activities. The implementation of and adherence to operational policy is generally the responsibility of middle management and supervisors. An example of an operational policy is a policy on the official working hours of an institution (Prinsloo & Roos, 2011: 90 - 91).

The auditors follow a prescribed policy and conduct their audit on evidence-based procedure and protocol.

The PFMA is administered or implemented to achieve economy, efficiency and effectiveness. Several Treasury Regulations, procedure manuals are issued to enable public servants to budget, manage supply chain issues, conduct internal auditing, compile financial statements and prepare for external auditing. Various practice notes are also issued in order to streamline the activities of various departments and synchronise them.

2. 11. 3 Policy implementation

Policy implementation is the application of the policy by the government's administrative machinery (Anderson, 1997: 40). Attention is on what one has put into effect or how to apply the adopted policies. Further development or elaboration of policies will occur in the course of giving effects to them, that is, during the implementation stage by releasing regulations and interpretations through simplified versions. Implementation involves questions such as: Who

is involved? What, if anything, is done to enforce or apply a policy? How does implementation help shape or determine the content of the policy? (Anderson, 1997: 41). It can be argued that administration is concerned with the implementation of the will of the state.

Anderson (1997: 257) argues that a complete study of policy-making should cover not only the events leading up to a decision on policy but also what is done to implement it and ultimately whether policy is complied with. The mechanism by which policy is put into practice is a central concern of social policy analysts (Palfrey *et al.*, 1992: 41). They argue that implementation though distinct from an evaluation of the effectiveness of particular programmes, is often closely linked. Thus, implementation requires careful analysis of qualitative data that may not be particularly influential in altering political positions but which is crucial to the professional or practitioner in gaining an understanding of the goals to be achieved and improving competencies of the officials responsible for the implementation.

(a) Causes of policy convergence

Firstly, cross-national policy convergence might be simply the result of similar but independent responses of different countries to parallel problem pressure (such as ageing of societies, environmental pollution or economic decline). Policy convergence is caused by similar policy problems to which countries react. Secondly, several studies emphasise that convergence effects stem from the imposition of policies by exploiting asymmetries in political or economic power. Thirdly, emphasis is placed on the harmonization of national policies through international or supranational law (Bennette, 1999:231).

Humankind and humanity should co-exist. Therefore, policy convergences whether incidental, co-incidental, as long as it is for the benefit of mankind, should be cherished from the practical challenges during implementation. This research was undertaken to examine the manner in which the PFMA is administered in line with public finance management principles and the various challenges it may yield.

The resurgence of interest in evidence-based policy-making indicates the continuing force of optimism about the potential to achieve social progress through the application of reason. Sanderson sought to present a case for evaluation as playing an increasingly important role in a project but evaluation is conceived somewhat differently than in traditional terms. A focus on the role of evaluation in reflexive policy, learning is required to resolve a paradox in late

modern society. While increasing complexity of social systems progressively undermines notions of certainty in social knowledge, it simultaneously raises the stakes in relation to rational guidance of those systems (Sanderson, 2002:19, 20). The introduction of a dedicated unit, Monitoring and Evaluation Department at the national sphere is testimony to the importance of continuous and regular requirement for monitoring and evaluation, thereby rendering support where needed.

Logic and reason should prevail in policy-making and implementation. Contextual factors and emergent issues might not have been thought through at the time of policy-making. Therefore, there should be space to fine tune or improve policies and procedures. A research and development agenda could assist in developing new policies and or review existing policies.

Policy-making and evaluation need to be conceived as an instance of ‘practical reason’ rather than as solely technical exercise. If evaluation is to fulfill its potential for driving policy learning, it must be fully integrated into ongoing discourse, able to sustain advocacy of the ‘evidential voice’ and help policy makers to ‘... think more intelligently about the domain in which they worked to realize the promise of theory-based evaluation in the context of policy initiatives to address complex economic and social problems represents a major challenge, especially where integrated policy solutions are sought to address problems in joined up ways’ (Weiss, 2001:141). There are multiple needs in a developing country such as South Africa. Prudent management of public finance is imperative to deliver goods and services in the interest of the public in general. Since the PFMA has been in place for several years, research outcomes of various studies of the PFMA will be useful to bridge the gaps and enable policy makers to arrive at solutions to address complex implementation or administration challenges.

It can be argued that policy implementation or administration or review need to be pragmatic depending on the needs of each country or province. Policy-making and evaluation need not be undertaken merely for the purposes of compliance. It ought to assist with solving realities based on research findings. Therefore, ingenuity, creativity and innovation should play a role.

One is concerned with the instruments used by government to influence the economy of society and with the differential impact that the selection of instruments can have on the

success of programmes. The other concern is the massive transformation in public administration/ management during the past several decades and the potential impact of those administrative changes on public policies. This link with management is in some way a diversion from the central project of examining the nature of policy problems and of analysing the contingent fits of tools and problems. Still, this exercise does point to the necessity of thinking about the way tools will be administered to understand the dynamics of the process or to offer any practical advice to policy-makers. Policy instruments are rarely as automatic as they are conceptualised to be. Without understanding that any instrument must be managed and administered if it is to be successful, serious errors can be made in the selection of the instruments (Peters, 2000:35). Although there were good intentions when the PFMA was enacted, the desired results in terms of economy, efficiency and effectiveness from its implementation or administration is doubtful.

Therefore, governments and departments should not hesitate to revise policy prescripts if anomalies are detected during the implementation or evaluation stage. The necessary amendments could be effected with stakeholder participation and new tools, programmes or projects and instruments used for new envisaged outcomes.

The experience of debating policy issues with ordinary villagers in Toleni, in their language, at their venues and times convenient to them give confidence to the fact that they can be co-originateurs and co-authors of public policy. What needs to be solved is the speed and superficiality which often characterises government engagements with ordinary people and communities. The performance of public policy, especially if it is to be legitimate and accepted, needs to involve communities, first at the level of conceptualisation and then at the levels of implementation and monitoring. Communities have their own language and reference points which enable them to engage meaningfully and usefully as co-originateurs of policy issues and programmes (Kondlo, 2011:n. p.). PFMA affects various stakeholders such as vendors who are from the community and supply goods and services to government departments who in turn are supposed to settle the claims within thirty days. In many instances this does not happen.

From the above experience, it is evident that community participation and stakeholder involvement at every stage of policy-making is crucial and beneficial. In a democratic state

or province, it is necessary to consult and interact with communities in their own language. It leads to a sense of ownership which in turn supports policies during implementation.

(b) Implementation

The stage of execution or enforcement of a policy by the responsible institutions and organisations that are often, but not always, part of the public sector, is referred to as implementation. Policy implementation is broadly defined as “what happens between the establishment of an apparent intention on the part of the government to do something, or to stop doing something, and the ultimate impact in the world of action” (O’ Toole, 2000: 266). This stage is critical as political and administrative action at the frontline is hardly ever perfectly controllable by objectives, programmes, laws and the like (cf. Hogwood and Gunn, 1984). Therefore, policies and their intentions will often change or be distorted and its execution delayed or obstructed altogether (Fischer *et al.* , 2007: 51). It is recommended that an ideal process of policy implementation would include the following elements: firstly, the specification of programme details is essential (in other words, how and by which agencies / organisations should the programme be executed? How should the law / programme be interpreted?); secondly, details about how the allocation of resources is to be carried out (in other words, how are the budgets distributed? Which personnel will execute the programme? Which units of an organisation will be in charge for the execution?); thirdly, decisions made (in other words, how will decisions of single cases be carried out?) (Fischer *et al.* , 2007: 52). Clear procedure manuals are required to operationalise each policy including PFMA and how it can be administered or managed using public finance management principles.

Provincial departments could face implementation challenges as mentioned above. It is the prerogative of management to take appropriate action to overcome any challenges. PFMA is implemented or administrated in the national and provincial departments as well as public entities, while Municipal Finance Management Act (MFMA is implemented or administered in municipalities or the local sphere of government. Therefore, clear guidelines and regulations and rules of implementation may be necessary to avoid ambiguity and misunderstanding while implementing PFMA.

2. 11. 4 Stages in policy implementation

There are three independent stages of policy implementation (Hanekom, 1995: 60): firstly, the development of particular implementation guidelines. The first stage refers to the translation of legal prescriptions (government policy as embodied in legislation or other policy statements) into executive actions including priority determination and budgeting. Secondly, is the translation of executive policy into administrative policies, which involves matters such as personnel provision and utilisation, work procedures and organisational structures?

Thirdly, (as an aspect of administrative policy but with a significant bearing on the success of policy implementation), is the management of the implementation, auditing of financial accounts, and evaluation of the achievements of the policy. In the case of implementing and administering the PFMA, all the above stages are applicable. Treasury regulations are published to give effect the PFMA administratively. Various frameworks such as the cost containment policy of the North West provincial government dated August 2012 are also issued to operationalise the policy.

Attempts to identify factors which contribute towards co-ordinated or integrated policies clearly point at the existence of a gap between the existing and the desired situation: policies are often not sufficiently integrated to effectively address policy issues, particularly those that have a strong cross-cutting nature. Simply stating that policies should be more integrated and be provided with tools to do so, gives a rather simplistic representation of the complex endeavour of policy integration. A review of the lists of facilitators, inhibitors, costs and benefits of policy integration makes it clear that achieving better integrated policies is dependent on a multitude of factors which concern, for instance, individuals, organisations, culture, process, instruments and politics. Achieving integrated policies is dependent on a multitude of indicators such as organisational factors, behavioural or personalised factors, political factors, economic or financial factors, process or instrumental factors, contextual factors and specific factors relating to the issue involved (Meijers& Stead, 2004: 12-13). PFMA is one piece of legislation. It has to be implemented or administered in conjunction with other policies in the national and provincial departments. The officials are from different backgrounds and at varied levels of education and work experience. There is a need to issue regulations and frameworks to guide various levels of employees to avoid pitfalls during interpretation and implementation or administration.

It is important to avoid duplication and find synergy in policy integration and policy co-ordination while administering policies formulated by government departments.

2. 11. 5 Public policy implementation

According to Mutahaba and Balogun (1992: 43), many public policies fail at the outset partly because they have not been sufficiently analysed. Hence, their implications – political as well as resource-oriented – are not clearly understood from the outset. They further note that policy implementation is an expensive undertaking which requires commitment on the part of the initiators, and also requires human and financial resources, which are often in short supply (Mutahaba, 1992: 43).

In administering the PFMA, qualified and skilled personnel are required in the field of accounting, auditing and information system administration and management. A financial resource to attract and retain qualified and skilled employees competing against private sector is required when there is a shortage of skills. The education system should produce the required skills in terms of human capital.

The key to any initiative is the commitment of all the role-players to ensure the successful roll-out of the initiative. It is, therefore, worth exploring the meaning of the term commitment. In essence, commitment refers to an ability to maintain the focus on an initiative. One view is that political backing is needed, implying that commitment is mainly a top-down issue. Others regard commitment as something that has to be developed from the bottom up (Brynard, 2001: 561).

There should be an understanding of policy integration on the one hand and identifying and synthesising the facilitators and inhibitors of policy integration on the other. Studies on policy integration, and the term itself, are rather uncommon in academic literature. Consequently, policy integration should be regarded as a relative frontier of knowledge. An understanding of policy integration can build on decades of research in organisational science addressing co-operation and co-ordination between different sectors. The nature of the objective (cross-cutting) differs from policy co-ordination and co-operation; it necessarily involves both at the same time. Moreover, a variety of synonymous concepts can be found, such as cross-cutting policy-making, holistic or joined-up government. Policy integration concerns the management of cross-cutting issues in policy-making that transcend the boundaries of established policy fields which do not correspond to

the institutional responsibilities of individual departments. An integrated policy is comprehensive, aggregated and consistent (Meijers & Stead, 2004:12). The nature of services rendered by the various national and provincial departments differs widely. The specifications of goods and services required as well as services delivered differ. There has to be expertise to assess and evaluate all aspects of supply chain management and financial management in order to administer, implement and integrate the manner in which different policies operate. Administration of the Public Finance Management Act in the various departments requires integration and co-ordination of various policies which are implemented in the respective departments. The specific and unique nature of different departments and the challenges in implementing integrated policy prescriptions should be taken into account.

2. 11. 6 Elements considered in administering policy

It is of paramount importance to examine the various elements that are necessary to administer policy effectively, efficiently and economically. The following elements are crucial in administering policy:

- (a) The availability of trained personnel.
- (b) Administrative arrangements in place to implement policy.
- (c) The client or stakeholder or vendor education for compliance.
- (d) Material resources, such as systems, records management, tools and techniques required for the proper implementation of financial management.
- (e) Procedures and directives in place for effective implementation of financial management.
- (f) Cost benefit analysis of the implementation of financial management practices.
- (g) Role of auditing staff both internal and external.
- (h) Role of independent institutions such as the Public Service Commission, Financial and Fiscal Commission and the Auditor-General.
- (i) The role of the three arms of state, namely: the legislative, executive and judiciary to undertake checks and balances.

Managerial control and fiduciary duties of the governing structures will be examined in the implementation or administration of financial management through the PFMA. Policy implementation requires the necessary tools, techniques, procedures, shared vision, strategy, structure, systems, employees and skills.

2. 11. 7 Multiplicity of participants in implementation of policy

The following quotation as a preamble to the chapter on process evaluation and implementation theory is worth noting: “A single governmental strategy may involve the complex and interrelated activities of several levels of governmental bureaus and agencies, private organizations, professional associations, interest groups and clientele populations. How can this profusion of activities be controlled and directed? This question is at the heart of what has come to be known as the ‘implementation problem’” - (Bardach in Vedung, 1997: 209). The public service needs to attract trained, knowledgeable and skilled employees so that complex situations may be handled. A high level of management and administrative skills are necessary. Competency audit of employees and managers should be undertaken and training and capacity development opportunities should be afforded at all levels to officials in the public service.

2. 11. 8 Multiplicity of perspectives on implementation of policy

It is noted that much of the academic literature on policy implementation (Pressman and Wildavsky, 1973; Mazmanian and Sabatier, 1983) share the view of the politicians responsible for pushing managerialism in the public sector (Farazmand, 1994: 110). It could be argued that the literature on implementation works from the underlying premise that most of what malfunctions in government is largely a function of faulty administration (Linder and Peters, 1987). Therefore, if systems of implementation are designed properly, there will be fewer policy failures and better government. Often, the communication gap between policy formulators or developers and the policy implementers result in non-implementation or unsuccessful implementation of policy.

Policy integration may well be an aspiration for many policy-makers and politicians and there are undeniably several good reasons for policy integration but there are also limits to which policy integration can be achieved in practice. In this respect, the OECD remarks that the ‘pragmatic approach adopted. . . has led to a measure of caution concerning the extent to

which coherence can, in practice, be strengthened. It has also raised the concern that excessive efforts to enhance coherence can result in a high degree of central control, and a consequent loss of flexibility in the policy making system' (OECD, 1996:8). With respect to the gap between the need for coherence and the capacity to achieve it, they conclude that this is due to the complexity of governing contemporary society and the multifaceted nature of the public policy domain. The recent report of the Dutch Scientific Council for Government Policy on sustainable development expresses similar views, stating that the propensity for internality 'disguises the fact that there are always multiple, complex and conflicting goals at issue in the public arena, which do not generally complement one another but require choices to be made' (Scientific Council for Government Policy, 2002), (Meijers& Stead, 2004:13). Service providers for government departments aim to maximise profit. Government departments are required to source goods and services at optimal prices. Therefore, the PFMA, supply chain management as well as other policies in their application and implementation, result in conflicting interests among the various stakeholders. This may lead to kick backs, bribery, fronting, delivery of cheap and sub-standard goods and services as well as exploitation and profiteering may occur.

In South Africa and especially in public financial management there are many conflicting interests. Political and administrative conflicts, stakeholder conflicts, profit orientation motives and conflicting goals may occur while striving for policy integration, coordination and implementation of policies.

2. 11. 9 Preconditions for successful implementation of policy

The preconditions for or obstacles to successful policy implementation are: communications, resources, dispositions or attitudes (of the implementers) and bureaucratic structures (Denhardt, 1993: 163). The communication strategy should be well thought out. Adequate financial, human, and technical resources should be in place. The structure and shared vision should support strategy and policy.

It is noted that scientific knowledge is used to design policy measures and an implementation programme. It is further argued that after authoritative decision-making, the implementation phase is considered a non-political, technical and potentially programmable activity. The criterion for success or failure is the attainment of the formal policy goals (Kickert *et al.* , 1997: 7-8). The Rational Central Rule Model provides the following reasons for failure,

namely, incorrect assumptions about the casual relation between goals and means and the effectiveness of steering instruments, resistance from implementing bodies or target groups, lack of information about the goals of the policy and, lack of control. Therefore, according to this model public policy-making and implementation may be improved by rationalisation of policies, clarification of policy goals, reduction of the number of participants in the implementation phase, better information concerning the intentions of the policy and increased monitoring and control of activities (Kickert *et al.* , 1997: 7-8). The PFMA was formulated after analysing relevant international policies. The weaknesses of the Exchequer Act, 1975 were considered. Based on the PFMA, various frameworks and treasury regulations were implemented. The PFMA provides provisions for the functions, duties and responsibilities of political office bearers, accounting officers and other functionaries. Procedural issues, the role of internal and external auditors and the role of oversight committees are clarified in PFMA.

2. 11. 10 Implementation of policy under sub-optimal conditions

Countries or nations are at different levels of development, namely: developing, underdeveloped, developed and emerging economies. The conditions or resources obtainable in different countries differ widely. Many countries operate under suboptimal conditions (Rosenbloom, Goldman & Ingraham, 1994: 431-433) note that a frequently voiced criticism against both legislators and scholars is that they have been more concerned with the passage of legislation than with its effective implementation. The academic community has developed a great interest in policy implementation and evaluation. In reality, the legislators and policy formulators concerned with effective implementation operate under substantial constraints that make it extremely difficult for their performance of tasks. The reasons could be many including: non-availability of valid technical theories; imperfect information; goal conflict; multiple voices; non-supportive implementation agencies for attaining policy objectives and lack of monitoring and evaluation (formative and summative) mechanisms (Rosenbloom *et al.* , 1994: 431 – 433).

Even though all the necessary conditions are not available, innovative and creative ways could be adopted. Rosenbloom (1994: 432) argues that even under such suboptimal conditions, several steps can be taken to increase the probability of effective implementation. The following comments are worth mentioning: If a valid “technical” theory linking target group

behaviour to policy objectives is not available or is clearly problematic, then the authors of the statute should make a conscious effort to incorporate in it a learning process through experimental projects, extensive research and development, evaluation studies, and an open decision process involving as many different inputs as possible. If the legislature insists on passing legislation with only the most ambiguous policy directives, then supporters of different points of view can initiate litigation in the hope of finding a court that will invalidate the law as an unconstitutional delegation of (legislative) authority.

If implementation cannot be assigned to strongly supportive agencies, then it is absolutely crucial to provide for intervention by outsiders through citizen suite provisions, periodic reporting to sovereigns and evaluation studies by prestigious and relatively independent outsiders and perhaps special legislative oversight committees. If there are no active supportive interest groups with the necessary resources to monitor implementation carefully, then identification and mobilisation of such a group should be a major priority. If a “fixer” is not readily available, then programme supporters must make a major effort to find or develop one (Rosenbloom *et al.* , 1994: 432). In South Africa, there is a need to set up multi-stakeholder forums inclusive of government, business, labour unions, civil society groups, traditional affairs, citizen formations of youth women and any other interested parties to supervise, monitor and quality assure delivery of projects and programmes.

Monitoring and evaluation (formative and summative) as well as timely intervention could enhance the effective implementation of any policy.

According to Bless and Higson-Smith (1995: 47), evaluation research aims to test interventions to see how effective they are and therefore represents an important means of linking action and research in a constructive manner. Social interventions may benefit from evaluation research in a number of ways. Three important means are: firstly, evaluation research used as a diagnostic tool may help the people implementing an intervention to identify neglected areas of need, neglected target groups and problems within organisations and programmes; secondly, a comparison of a programme’s progress with its original aims is another of the functions of evaluation research. This may serve to adjust the programme to the particular needs and resources of the community within which it is situated. Evaluation designed to promote the effectiveness of a programme is called formative evaluation and thirdly, evaluation research can furnish evidence about the usefulness of a programme. In this way a programme may

gain credibility with funding organisations, as well as the community within which it is operating. This is known as summative research (Bless & Smith, 1995: 47 - 48),

Various policies are formulated and published. The implementation of policies is often slow, unsuccessful or carried out partially. There is a serious gap in communicating strategies and policies from top management to operational staff. Poorly trained or untrained staff contributes towards obstacles in the implementation process. Management capacity is also lacking. Human resource development and appropriate training and capacity building programmes should be in place. New policies are being implemented using outdated and obsolete techniques. Creativity and innovation should find its place in public administration and management. Modernisation of government and the projecting of the implementation process are essential for enhanced service delivery. Synchronisation of thoughts and ideas as well as optimal utilisation of resources with the support of modern technology could find implementation enhanced. Monitoring and evaluation (formative and summative) and timely intervention to adjust, adapt and fast track the implementation process will definitely change the current situation. Research and development and expert advice will also assist in rectifying the current situation. The implementation and administration of PFMA in alignment with public finance management principles and procedures also require all the above elements for deriving the desired economy, efficiency and effectiveness.

It is noted that a frequently voiced criticism against both legislators and scholars is that they have been more concerned with the passage of legislation than with its effective implementation. Academic communities have developed an interest in policy implementation and evaluation. In reality, the legislators and policy formulators concerned with effective implementation operate under substantial constraints that make it extremely difficult to perform their tasks. The reasons include: non-availability of valid technical theories; imperfect information; goal conflict; multiple voices; non-supportive implementation agencies to policy objectives and lack of monitoring and evaluation (formative and summative) mechanisms (Rosenbloom *et al.* , 1994: 431-433).

Thus, in the case of financial management, attention should be paid to the possible impending factors such as ensuring that sufficient information regarding the relevant legislation is made available. The goals of the policy to be achieved with the findings should be coordinated. The departments and sections in the organisation should work together and have the same

goals. It is also required that the functionaries in the finance section should monitor and evaluate the administration.

Several steps can be taken to increase the probability of effective implementation, even under suboptimal conditions. If a valid “technical” theory linking target group behaviour to policy objectives is not available or is clearly problematic, then the authors of the statute should make a conscious effort to incorporate it in a learning process through experimental projects, extensive research and development, evaluation studies, and an open decision process involving as many different inputs as possible.

If the legislature insists on passing legislation with only the most ambiguous policy directives, then supporters of different points of view can initiate litigation in the hope of finding a court that will invalidate the law as an unconstitutional delegation of (legislative) authority. If implementation cannot be assigned to strongly support agencies, then it is absolutely crucial to provide for intervention by outsiders through citizen suit provisions, periodic reporting to sovereign and evaluation studies by prestigious and relatively independent outsiders and perhaps special legislative oversight committees.

If there are no active supportive interest groups with the necessary resources to monitor implementation carefully, then identification and mobilisation of such a group must be a major priority. If a “fixer” is not readily available, then programme supporters must make a major effort to find or develop one (Rosenbloom *et al.* , 1994: 432). Monitoring and evaluation (formative and summative) as well as timely intervention could enhance the effective implementation of any policy. This is also applicable to the PFMA. The relevant departments should institute research on the implementation and impact of all applicable policies, including the PFMA. The findings could be used to fill the policy gaps through amendments.

2. 12 Management in the public sector

All government departments are required to develop Medium Term Strategic Framework (MTSF), Medium Term Expenditure Framework (MTEF) and Annual Performance Plan (APP) for the outer years and Annual Report of the previous financial year and submit to the relevant legislature before the budget is approved the following year. The National Development Plan (NDP) is an example of government’s desire to plan on the long term.

The government endeavours to develop better methods for long-term planning and strategy management. This means deciding on the organisation's mission, planning the achievement of goals and objectives, including how the organisation relates to its environment. These techniques offer better utilisation of resources by appending outcomes to resources, especially when combined with programme budgeting. Strategy is establishing objectives and priorities for the organisation (on the basis of forecasts of the external environment and the organisation's capacities) and devising operational plans to achieve these objectives (Hughes, 2003:54). This has particular implications for financial management in the public sector and the administration of the PFMA.

What government should or should not do needs to be of fundamental concern to public managers. In mixed economies there must be some demarcation between those activities that fall in either the public or private sector (Hughes, 2003:71). Therefore, the PFMA has been adopted as the central policy framework for financial management in the public sector.

Public sector reform processes have seen an array of changes, including quite unprecedented cut-backs in expenditure, the drive for efficiency and various forms of privatisation. Debate and interrogation of the role of the public sector is healthy in democratic society, however, government has a positive role to play in the community and it is one which has developed over a period of time in response to the political wishes of the electorate (Hughes, 2003:93). The PFMA is enacted to derive efficiency, effectiveness, economy as well as value for money in the public sector. The implementation of the PFMA should be examined in order to rectify any anomalies detected during its administration.

The series of unrelenting attacks on government and bureaucracy, followed by a series of bewildering changes including those of performance measurement and personnel changes, have caused problems of morale. Human capital management, talent management, performance management and retention strategy in the public sector is not at the desired level. Public administration during its golden age was a valuable and valued profession. This was no longer the case by the 1980s and individual bureaucrats had to cope with antipathy from the citizenry (Hughes, 2003:162). The credibility of the public service could be restored through optimal implementation of policy. If taxpayers' money is prudently utilised, and value for money and productivity is enhanced in the public sector, a credible public service could be built. Appropriate talents should be in place at the right posts at all times. Training and

development of employees in the public service at various levels is important in developing a proud and patriotic career public servant.

The importance of human resources development is emphasised in the White Paper on Public Service Training and Education (WPSTE) (1997: n. p). The objective of WPSTE is to enable departments to design and implement training programmes according to their strategic goals and needs. Departments are confronted with the challenge of a shortage of management capacity in the South African public service. Directors-General, who were interviewed by the author said that personnel conflicts were a problem and continues to present problems. Many managers lack the ability to make effective strategic decisions, delegate and solve problems innovatively (Smit& Cronje, 2003:15). Related to the problem of human resources is that public servants either did not deliver services, delivered poor service, or displaced goals by complying with rules and regulations rather than achieving departmental goals. Occasionally, political sensitivities inhibited Director-Generals' decision-making such as the reluctance to dismiss a non-performing public servant due to political considerations (Naidoo, 2006:257).

Human capital development is an investment and asset for any nation. An oversupply of skills will not be wasted. Abundant and extra skills will be utilised by the world. Even if South Africa produces more skills than required, human capital can be exported and the country can benefit from foreign currency by exporting the additional available skills. With the advent of modern technology, virtual offices are a reality. There should be flexibility in the operational procedures, rules and regulations. In order to achieve effectiveness, efficiency as well as productivity, new approaches could be developed with proper consultation based on the needs and contextual factors and proper records should be kept for accountability purposes. The administration and implementation of the PFMA is hampered by the lack of appropriate skills at the following levels: operational, supervisory, middle management, senior management, strategic, executive and political oversight. Therefore, highly educated, trained and capacitated citizens are required in the public sector as well as in the private sector.

2. 13 Control in the public service and government

Control is whatever keeps the state of any given system within some desired subset of all its possible states. The two classical institutional mechanisms for making executive government accountable and keeping it under control in liberal-democratic states are oversight by elected representatives and legal adjudication by an independent judiciary (Hood, 2004: 5).

In keeping with the principle of popular sovereignty, members of society could exercise popular control over the activities of policy makers and public officials (Hanekom & Thornhill, 1998: 178 - 179). Control can be defined as the process of monitoring activities to determine whether individual units and the organisation itself are obtaining and utilizing their resources effectively and efficiently so as to accomplish their objectives and, where this is not being achieved, implementing corrective action (Masango, 2009: 129-130).

The legislative oversight body, Sub-committee on Public Accounts (SCOPA) at the national sphere of government and the Provincial Public Accounts Committee (PPAC) at the provincial sphere plays a vital role in checking and controlling public financial management and administration, in addition to the routine managerial control and reconciliation undertaken at departments. The internal auditors, the accounting officers, the chief financial officers and other delegated officials also perform monitoring and control functions of the department's financial activities and performance. The Auditor-General and Public Service Commission is also mandated to perform auditing and verification duties.

2. 14 Government and accountability

Cain and Thurston (1998: 9-10) concur with the World Bank's, Governance and Development, in that 'good governance' is broadly synonymous with 'sound development management'. It encompasses a wide range of elements involving political legitimacy, accountability and official competence. Good governance is closely linked to public sector accountability, which in turn requires measurement and verification of government performance. Cain and Thurston reinforce their argument by quoting from Peter Bunt's 'Cultural relativism, "good" governance and sustainable human development', 1995, as follows: 'there is a link between the bureaucratic accountability of government officers and organisations, transparency and the availability and validity of information. Efficient markets and bureaucratic transparency are heavily dependent on the availability and validity of information'.

Quality of information, risk management tools, cost control mechanisms are required to make quality decision-making. Government is clearly a major source of information as well as a major user. Government policies are vulnerable to poor-quality information in the same way that information about the economy and market conditions is essential to valid private sector calculations (Cain & Thurston, 1998: 9-10).

Good governance is considered synonymous with sound development management. However, economic governance of the national state is facing serious problems because its traditional sovereignty over economic affairs has been imperceptibly eroded to other levels of world economy (Bertucci, 2000: iii). An important constituent requirement in economic governance is public sector financial management.

The setting for the effective discharge of accountability obligations continues to change as governments seek new techniques to deliver community programmes effectively and efficiently. Some of these changes such as those associated with multiparty delivery require new approaches about how best to inform stakeholders about achievements. The traditional model does not envisage a sharing of responsibility – yet accountability is shared in increasingly more circumstances. It is beyond doubt that leadership is required in seeking appropriate ways to adapt to those influences of change. Perhaps the form of leadership needs to be more participative and collaborative than the practice that served us well in the past where central agencies determined the course for others to follow. Managers of tomorrow will increasingly require to factor into their reform agenda time and opportunity for buy-in and joint problem-solving. There will be times when leaders will continue to take the initiative and establish broad directions, but the mode, nature and pace of progress, because it affects others, will require consultation and negotiation if solutions are to endure. Our challenge is to ensure all stakeholders are sufficiently well-informed about progress made in achieving governmental goals (Cameron, 2004:67). A multi-stakeholder forum established from the outset of a project or programme initiation of the concept stage will assist to determine whether implementation will add value in taking ownership, monitoring and support activities.

It is of great importance to manage public finance properly and report audited findings annually to ensure accountability. International norms and standards should be followed. South African legislation stipulates accountability to the public. Annual report and audited statements of the previous financial cycle are submitted to the legislature together with the budget and annual performance plan for the following year for scrutiny and approval by the legislature.

Increased accountability is a prerequisite for a good democracy and for improved service delivery. The audit committee is the legislated accountability instrument in the public sector.

It is argued that if these committees function effectively, they will contribute to improved corporate governance. When measuring the perceived efficacy of audit committees in national government departments from an external audit perspective, areas for improvement of these committees are identified. This provides an indication of how successful the public sector has been in implementing the Public Finance Management Act, 1999 (Act 1 of 1999). However, in the case of the North West provincial government departments, the audit committees are required to enhance their functionalities and duties towards improving accountability.

There is, to a large extent, compliance with legal requirements regarding audit committees as well as best practice requirements. Some audit committees function as model audit committees in the respective national departments. It is, however, disturbing that certain audit committees do not function effectively and are not making the required contribution to improve corporate governance and accountability in terms of financial management in the public sector. The majority of the audit committees are not seen as ineffective, but there are areas for improvement in their operations to achieve the level of desired accountability.

It should be noted that the following areas need focus: attendance by accounting officers at all audit committee meetings be made mandatory; chairpersons, members and departments should ensure that their recruitment processes identify persons who possess the skills, experience and competence to make a meaningful contribution to serve on the committee. With regard to members' remuneration, an investigation should be conducted to establish whether the remuneration is market related and adequate to attract competent, experienced members and chairpersons to public sector audit committees. A key finding was the assessment of audit committees which in general, were not performed in the departments. It is recommended that an audit committee self-assessment exercise be undertaken for the audit committee bi-annually. Parliament should recognise the importance of audit committees as an accountability instrument in departments and focus on their effectiveness since this could provide them with an independent opinion of risk management, financial reporting and the control environment in departments. Risk management should be a standing item on all committee agendas. The audit committee should ensure that the department has a risk assessment programme and ensure that it is updated annually. It is recommended that an internal audit monitoring process is developed by the audit committees to evaluate internal audit compliance with the standards for the Professional Practice of Internal Auditing as developed by the Institute of

Internal Auditors. The emphasis on improved corporate governance, control frameworks and financial management will place the onus on the audit committees to act as an accountability instrument in the departments. Therefore, it is crucial that accounting officers, Treasury and policy makers appreciate the value of effective audit committees as accountability instruments and that their actions should be directed towards strengthening these committees and monitoring their effectiveness. This will then contribute towards improved accountability in the public sector (Van der Nest, Thornhill & de Jager 2008:545, 556-557).

The public financial management and the public audit requirements in South Africa are comparable with international norms and standards. The deficiencies are related to officials who fail to comply with the rules and regulations; deviate from the norms and incur fruitless, wasteful and irregular expenditure; non-attendance at committee meetings, management meetings, oversight committee meetings and ignore remedial measures from previous years' recommendations.

The proposed Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets proposes how the public sector should account for liabilities. This will change the outlook of the statement of the Financial Position of entities, as will the other Standards on assets. It will have an impact on the amounts and when to recognise liabilities at the reporting date as well as on the information to be disclosed in general financial statements. It is important that those preparing financial statements comment on the applicability of the requirements contained in the proposed Standard (Ngosi, 2005:40).

Liabilities and assets are equally important in financial statements to ensure a true reflection of any department's financial status. All published audited reports should contain both.

2. 15 Public financial management and administration

Public finance, unlike the market place, has no one single bottom line of profitability. It fulfils a constellation of goals namely: the provision of public goods, the management of externalities, the regulation of monopolies and the correction of other market failures to enhance economic efficiency. It also fosters equity, alleviates poverty promotes stability in output, employment and pricing. These objectives should be raised and probable approaches to achieve these in the global arena as well as the nation states – together with the operation of the international political process is strongly advocated (Mendez, 1992: 279). Public (unlike

private) finance deals with the revenues and expenditures of government and related issues concerning the public sector, or that part of the economy that is publicly owned (Mendez, 1992:29). Public sector finance forms an integral part of society and as public finance in its broadest sense impacts on all social, economic and political dimensions of a country, it is inevitably exposed to a variety of influences. Given the role and purpose of the state and government in contemporary society, these influences are considerable. The state generally assumes responsibility for the welfare, health, and prosperity of its citizens. In order to achieve these objectives, the state has to perform various functions and services. These public services and functions are provided, according to specific principles and assumptions, through the various government structures developed and maintained for that purpose. The principles and assumptions are based primarily on government and not the market system. Government is responsible for the country's economic well-being and therefore fulfils an economic regulatory function. The country's resources belong to all the inhabitants and not exclusively to the market sector (Visser & Erasmus, 2009: 3-4)

Financial management is arguably the most important aspect of internal management of government. Because of the increasing pressure on government, both to provide services and to contain or reduce its costs, the budgetary process has become a crucial requirement. Financial management is dependent on personnel and performance management under the umbrella of financial management. In turn, the most important part of financial management, the centre of activity for the corps of officials, is the government budget (Hughes, 2003: 165 – 166).

The doctrine of fiscal federalism, a system of taxation and public expenditure in which revenue raising expenditure powers are vested in various layers of government, provides another analogy between national and international public finance. Under this system, national governments assist sub-national governments (state and local) to distribute public goods and tax burdens more evenly, and to regulate externalities. It also divides responsibilities between the different levels of authority. This would suggest that in the international scene, certain economic and environmental issues such as the management of the global commons and the protection of the global environment should be the responsibility primarily of an international regime such as the United Nations (Mendez, 1992: 52). A fair, just new world order and a world government are essential.

The application of the PFMA, chapter 1, section 3 of schedule 1 and 2, is amazingly wide. It covers departments, provincial legislatures, constitutional institutions such as the public protector (not the Auditor-General), a number of parastatals and public corporations. It also covers certain commercial entities, under what is called ‘ownership control’ of the political executive which should fall under the Act. The PFMA, therefore, enables authorities to ensure that the public financial interest is protected (Van der Linde *et. al.* , 2009:4). 2009: 4). The PFMA protects the public interest.

The Public Finance Management Act, 1999 (Act No. 1 of 1999) was enacted as a result of the constitutional mandate set out in Chapter 13T. After the advent of the democratic dispensation, in 1994, the current PFMA (Public Finance Management Act) is designed to enhance service delivery and remedy the weaknesses of the past. According to the treasury regulations for department, trading entities, constitutional institutions and public entities issued in terms of the Public Finance Management Act, 1999 March 2005, it is worth examining the features and elements of the PFMA. In the Public Finance Management Act, 1999 (Act No. 1 of 1999), Part I of the PFMA deals with general definitions and applications.

Part II provides for management arrangements. Section 2. 1 provides for the appointment of a CFO, who is directly accountable to the accounting officer (South Africa, 2005: 19). Sections 76(4) (d) and 77 of the PFMA provide for the appointment of Audit committees as a measure of internal control. Chapter 5 sections 38(1) (a) (i) and 76(4) (e) of the PFMA makes provision for the establishment of internal control and internal audit functions. A risk management strategy should be in place. Sections 85(1) (b), (c) and (d) of the PFMA provide for the institution of the investigation of alleged financial misconduct and section 86 of the PFMA allows to institute criminal proceedings if financial misconduct is confirmed. A report should be forwarded to the executive authority, the Department of Public Service and Administration and the Public Service Commission on the outcome of the disciplinary proceedings as per section 85(1)(a) and (e) of the PFMA (South Africa, 2005: 20-24).

(a) Strategic Planning

Each year, the accounting officer of an institution must prepare a strategic plan for the forthcoming Medium Term Expenditure Framework (MTEF) period (three-year cycle) for approval. The approved strategic plan must be submitted to Parliament or the relevant legislature at least seven days prior to the discussion of the department’s budget vote. Section

27(4) read with 36(5) of the PFMA provides for the evaluation of performance (South Africa, 2005: 27).

(b) Budgeting and related matters

The accounting officer must comply with the circular issued by a relevant treasury. Chapter 4, section 27(3) of the PFMA gives the minimum requirement for the formats of the annual budget. Other provisions for virement, rollovers, transfer of functions, and provision of additional funds through an adjustment budget are legally provided for in the PFMA (South Africa, 2005: 28-30). There are clear guidelines on revenue management as well as expenditure management. Chapter 5, sections 38(1) (g) and 76(2) (e) of the PFMA provides for the handling of unauthorised, irregular, fruitless and wasteful expenditure (South Africa, 2005:33-37).

(c) Fruitless and wasteful expenditure

According to chapter 1, section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. Ineffective activities that make no contribution to the public benefit, as defined in the budget, are said to involve fruitless and wasteful expenditure.

Typical examples hereof are:

Managers arrange meetings for their sections and fail to attend as well as undertake projects that cannot be successfully completed with the available funds. Accounting officers are held responsible for such expenditures and may be found guilty of financial misconduct if they wilfully or negligently make or allow these (Van der Linde *et al.* , 2009: 23). Public officials must avoid fruitless and wasteful expenditure.

(d) Asset and liability management

According to the treasury regulations for departments, trading entities, issued in terms of the PFMA Act, 1999 Part 5 deals with asset and liability management. There are clear provisions in the PFMA regarding asset management, management of debtors, management of loss and claims, loans, guarantees, leases and other commitments, money and property held in trust. Various frameworks on banking, cash management and investment, public/ private

partnerships and supply chain management are provided in the PFMA (National Treasury, 2005: 27-35)

(e) Accounting and reporting requirements

According to the treasury regulations for departments, trading entities, issued in terms of the PFMA Act, 1999 Part 7 deals with accounting and reporting requirements. Basic accounting records and related issues, monthly and annual reports and the formats and guidelines are given in detail. Therefore, the submission of these reports is a policy imperative.

Treasury regulations are issued to fill the gaps while National Treasury issues, for example, practice notes at regular intervals to provide additional guidelines. But the real question is how implementation is taking place. What are the challenges? Are the personnel adequately trained and capacitated? Why is service delivery slow? Are there systems in place? Are the structures appropriate to deal with the policy and procedures? How is the monitoring and evaluation-taking place? Are there relevant skills available? These are some of the questions researchers ask. There is scope for further research at different spheres of government regarding the implementation of the Public Finance Management Act.

In brief, the reporting requirements specified in chapter 4 section 32, in chapter 5, section 40(4) of the PFMA, and also in sections 7 to 9 of Division of Revenue Act (DoRA), require expenditure and revenue information for all programmes be provided monthly to the National Treasury. Failure to provide this information is not only illegal but also grounds for sanctions under the PFMA chapter 4 section 33 by withholding of the appropriated funds to take effect. For example, should unauthorised expenditure occur and the accounting officer be unable to demonstrate that he or she had made use of the monthly reports required by the Act and had taken appropriate remedial action, the relevant treasury may wish to institute charges of financial misconduct (National Treasury, 2000:4-6)

Regardless of these legislative requirements, the monitoring of financial data is an essential element in managing the performance of any spending agency. Unless managers receive appropriate information on the services for which they are accountable, effective management and governance is impossible.

(f) Best practice internal reporting

Section 51(1) (1) and 76(4) (b) and (e) of the PFMA stipulates directives for best practice in internal reporting. Just as the qualities of information are important, so is the manner in which it is communicated. Complex financial data presented in endless columns and rows of figures may meet all the qualities outlined above but still prove ineffective if managers are unable to access to use it to assist in the decisions they take. Information to managers and Ministers or Members of the Executive Councils (referred to as Executive Authorities) is usually presented in internal reports, which should be designed to facilitate control of the current activities of the organisation; plan its future strategies and operations; improve objectivity in the decision-making process; optimise the use of resources; measure and evaluate performance and improve internal and external communication. Internal reports must achieve a balance between presenting sufficient detail to be meaningful without overburdening the author or swamping the reader and focus on critical outputs with accurate and timely data, which is presented concisely.

‘Best practice’ internal reporting suggests that management information should include a graphical presentation of performance for the period indicating Key Performance Indicators (KPIs) (provided seldom); an emphasis on both operational and financial KPIs which is the focus for senior management; written commentary on the overall performance of the entire organisation; a set of financial statements (ideally compiled on the accrual base, but noting the limitations of the current cash-based system); a concise report from each major business unit, highlighting variances against budgets.

The PFMA specifies that a variety of reports be prepared (monthly, quarterly and annually). There are different responsibilities for Executive Authorities and Accounting Officers. The PFMA promotes the need for in-year management of resources and requires, with immediate effect, accounting officers to act as managers and ensure that effective in-year management mechanisms are in place. Accounting officers should monitor the progress of the department’s operational plan (which includes the budget) and produce, consider and act on monthly and quarterly reports, which must be submitted to the executive authority and the treasury. Systems and processes already exist for monitoring and reporting monthly budgetary performance but accounting officers are required to scrutinise the (financial) data, including data on grants and transfers produced before signing off the reports required by the Act.

Financial data is a leading performance indicator (in other words, it is normally available before other non-financial data) and should ideally be accompanied by non-financial indicators. Both indicators should be submitted to the Executive Authorities and Cabinet or the Provincial Executive Committee on a quarterly basis. Since April 2002, it is an obligation of the PFMA. Accounting officers are expected to use international best practice which will be monitored by the relevant portfolio committee and SCOPA (National Treasury, 2000:4-6).

The division of revenue allocation to the three spheres of government is a legal requirement. The provincial allocations are then allocated to the various provincial departments. The accounting officers are the heads of departments, who are required to present the strategic plans, annual performance plans and the annual report of the previous financial year and the budget of the departments to the provincial legislature for approval. The PFMA has all the prescripts for regular monitoring process as stipulated in Chapter 6 part 4 sections 58, 59, 60, 61 and 62. The PFMA makes provision for the appointment of external auditors while the Auditor-General can report to the political head, provincial legislator and national parliament on the audit findings.

2. 16 Basis for budgeting in the national and provincial spheres

According to Pauw *et al.* (2002: 63 – 65), the basis of preparing budgets in the national and provincial spheres of government in South Africa are as follows: per objective – indicates the purpose of the expenditure; per responsibility – indicates the place of financial responsibility; per standard item – indicates the items to be financed and purchased; per fund – indicates the source of finance for the budget; per economic classification – capital and current. The differentiation between current and capital expenditure is a statutory requirement in terms of the PFMA to support the compilation of government finance statistics required by the International Monetary Fund (Pauw *et al.* , 2002: 63 – 65).

Budgeting is the starting point of public spending. Strategic planning sessions are held annually and review the medium term strategic framework and align it with the medium-term expenditure framework. A budget projection is undertaken for a three year cycle. Currently, zero-based budgeting has been adopted. Zero-based budgeting is an approach where the budget is defended in its entirety as if it were the start of a new programme. There is no provision for projection from previous years.

Normative analysis is especially important to public finance due to the design of public sector institutions. Decisions should be taken on what type of institutions would be desirable. Despite the ambiguities inherent in normative analysis, any application of public finance theory in the design of public sector institutions must involve the making of value judgements as the public ultimately makes normative decisions in democratic public policy settings. Generally, agreed-upon normative methods and principles can help frame any public policy debate. This is why normative issues have a special significance for public finance (Thomson and Green, 1998: 1).

The legislature invites input from citizens during the legislative process. The responses were minimal because the majority of the population were excluded and the level of education was prescribed to the majority. Fortunately, civil society organisations, labour unions, faith-based organisations, non-governmental organisations and political formations do make a contribution. Multi-party democracy will presumably encourage participation.

The goal of public financial management should be to derive value for money through economy, efficiency and effectiveness as indicated below:

According to (Coombs & Jenkins, 2002: 2), the pressure on managers in the public sector to perform entails delivering Value For Money (VFM), which is defined as the achievement of economy. Economy is the practice of management of sound housekeeping and the virtue of thrift. An economical operation acquires resources of appropriate quality and quantity at the least cost. Efficiency ensures that the maximum useful output is gained from the resources devoted to each activity or, alternatively, only the minimum level of energy and work necessary is used for a given level of output. Effectiveness ensures that output from any given activity is achieving the desired result. It should be stressed that value for money (VFM) is only achieved when all three requirements are combined and no longer seen as a virtue but a necessity for the public sector managers to achieve (Coombs & Jenkins, 2002: 2). The PFMA stipulates that no wasteful or fruitless expenditure may be incurred. Prudent use of scarce resources is essential to derive value for money.

2. 17 Conclusion

In this chapter, the meaning of administration and public administration was defined. Public spending and budgeting reform as the cornerstones of public administration were highlighted.

Public administration as a field of study, public administration as a profession, public administration and the new role of government as well as the functions of public administration were described. Policy in public administration, policy formulation, policy implementation, stages in policy implementation, multiplicity of participants, multiplicity of perspectives on implementation, preconditions of successful implementation and implementation under suboptimal conditions were examined. Management in the public sector, controlling public services and government, government and accountability and public financial management was examined. The PFMA and the basis of budgeting were also discussed.

Policies are formulated and published, however, implementation of policies is slow, unsuccessful or effected partially. There is a serious gap in communicating strategies and policies from top management to the operational staff. Poorly trained or untrained staff affects the implementation process. Management capacity is also lacking. Human resource development and appropriate training and capacity building programmes should be in place. Moreover, new policies are implemented using outdated and obsolete techniques. Creativity and innovation should find their place in public administration and management. The modernisation of government and the projecting of the implementation process are essential for enhanced service delivery. Synchronisation of thoughts and ideas as well as optimal utilisation of resources with the support of modern technology could enhance implementation. Monitoring and evaluation (formative and summative) and timely intervention to adjust, adapt and fast track the implementation process will definitely change the current situation. Research and development and expert advice will also assist in rectifying the current situation and improve management in the public sector.

In the next chapter, public finance will be discussed in detail and a comparative study of public finance in other countries will be undertaken. The New International Financial Architecture, practices elsewhere in terms of economy, efficiency and effectiveness will be examined. Internal and external audit accountability budgetary function, public sector reform challenges in developing countries as well as guidelines for effective financial management will be analysed.

CHAPTER 3 - Public Financial Management

3. 1 Introduction

Public finance will be examined in detail followed by international public finance and the New International Financial Architecture. International best practices, accountability, budgeting, organisational pre-requisites, government and functions are discussed while economic efficiency and effectiveness is illustrated. The legislative framework of auditing, the responsibility of accounting officers, the mandate of internal and external auditors, performance auditing and the necessity for performance auditing is explained. Accountability in the public sector and the meaning of various discourses of accountability are discussed. Management in the public sector, budgetary function reform, the public sector reform challenge in developing countries, guidelines for effective financial management and government debt management is also expounded upon.

3. 2 Public Finance

Public (unlike private) finance deals with the revenues and expenditures of government and related issues concerning the public sector, or that part of the economy that is publicly owned (Mendez, 1992:29).

Mendez (1992:52) argues that the doctrine of fiscal federalism, a system of taxation and public expenditure in which revenue raising expenditure powers are vested at various levels of government and provides another analogy between national and international public finance. Under this system, national governments assist the state and the local spheres (sub-national governments) in order to distribute public goods and tax burdens are spread more evenly to regulate externalities. It also divides responsibilities between the various levels of authority. This would suggest that on the international scene, certain economic and environmental issues such as the management of the global commons and the protection of the global environment should be the responsibility primarily of an international regime such as the United Nations (Mendez, 1992: 52). A fair, just new world order and a world government are essential. In South Africa, the three spheres of government share the revenue as per the Division of Revenue Act (DoRA).

The PFMA gives effect to certain prescriptions in the Constitution by providing detailed measures and stipulations. Chapter 5, section 38(1)-(b) of the PFMA stipulates that with the introduction of new financial management dispensation in South Africa, effectiveness, efficiency, economy and transparency of resources were made obligatory by law. Pauw, Woods, Van der Linde, Fourie and Visser (2002:23) agree and add that the pursuit of effectiveness has repercussions for financial management. The objective of financial management in the public sector is to support management in the allocation of limited resources, with the purpose of ensuring economy and efficiency in the delivery of outputs that will serve the needs of the community (Van Wyk, 2004: 411). These must be attained in a transparent manner.

Service delivery to the public within the stipulated time schedule with the optimum usage of scarce resources should be the key principle of public finance management.

Public finance, unlike the market place, has no one single bottom line of profitability but fulfils a constellation of goals: the provision of public goods, the management of externalities, the regulation of monopolies, and the correction of other market failures to enhance economic efficiency. It also fosters equity, alleviate poverty and, for many, promote stability in output, employment and pricing. These objectives should be raised as well as the way of achieving them in the global arena as well as in nation states – together with the operation of the international political process is strongly advocated (Mendez, 1992: 279). Mendez admits that the establishment and application of a system of international public finance is a new and potentially controversial idea, but its time has arrived. It is critically needed because the world is at an unprecedented juncture: poverty and disease have engulfed entire nations and threaten to decimate their populations; crop failures and famines have become chronic as desertification and other forms of land degradation rampantly spread; economic and human well-being in the less developed countries continues to stagnate and regress even as their populations increase and the disparities in the wealth of nations have reached an all-time high. The planet's resources are being consumed at a much faster rate than they are being replenished, and are threatened with exhaustion (Mendez, 1992: 279). International trade, aid, foreign direct investment external reserve, amongst other, are factors that play a crucial role in the economic and financial stability of South Africa as well as other countries. The monetary policy exchange rate and interest rates are few of the tools used to stabilise the economy. During the apartheid era, there was an artificial insulation although all the

countries in the global village are interdependent and interrelated. The situation or the economy of Greece, China, USA or Brazil Russia India China and South Africa (BRICS) nations could affect the South African economy.

At the same moment in history, Mendez observes that vast new possibilities have also been created. The countries and economies of the world have reached an unprecedented degree of interdependence and interaction. As a result of revolutionary advances in transport and communications, the nationals of most countries are familiar with the situations of other countries and have developed an awareness of the oneness of the planet (Mendez, 1992:279).

Therefore, it is an opportune moment to consider a system of international public finance. The Pan African Parliament is suffering from budgetary constraints. Other regional and international organisations have financial constraints. Writing off debt of highly indebted nations is a problem. The promises of wealthy nations are not fulfilled despite nations and regional bodies are begging for assistance. However, if a world government and an international public finance system are put in place, considering the planet as one unit and that all should have an equitable and fair share to enjoy as “earthlings”, the universe will be a better place for all with better life for all. It has to prick the conscience of all leaders of nations, rekindle the moral fibre of world citizens, fine-tune the values and ethical behaviour of all humankind, before we could realise the dream. South Africa has international obligations, in Southern African Development Community (SADC) region, in Africa and in African Union (AU), United Nations (UN), International Monetary Funds (IMF), World Bank BRICS Bank among other in order to maintain peace and security towards prosperity. Public financial management in a prudent, effective, and efficient manner will assist in meeting the National and International obligations.

Bertucci (2000) notes that the slow economic growth in developing and transitional economy countries and its negative global implications have alerted the international financial organisations to promote and implement action-oriented responses to enable these countries to enhance financial resources mobilisation and their efficient, effective and rational utilisation to achieve sustainable economic development with social justice (Bertucci, 2000: iii). South Africa needs a faster rate of economic growth in order to fulfil its obligation to eradicate poverty, illiteracy, unemployment, and to realise its dream of achieving better life for all its inhabitants.

Public finance deals with expenditure and income of public authorities of the state and their mutual relation as with the financial administration and control. It is the field of 'Economics' devoted to the study of how government policy, especially tax and expenditure policy, affect the economy and the welfare of its citizens. 'Economics' and 'Public Finance' are closely related with each other in various aspects (Chand, 2008:1). Therefore, it is imperative to broaden the scope of public finance and the economy so that South Africa could also find its rightful place in the global economy. PFMA is only one aspect of the policy to manage the public finances in the public sector.

Modern public finance has two aspects: A positive aspect and normative aspect. In its positive aspect, the study of public finance is concerned with what are the resources of public revenue, items of public expenditure, constituents of a budget, and formal as well as effective incidence of the fiscal operations. In its normative aspect, norms or standards of the government's financial operations are laid down, investigated and appraised. The basic norm of modern finance is the general economic welfare. With regard to the normative consideration, public finance becomes skilful art, whereas, in its positive aspect, it remains a fiscal science (Chand, 2008:7).

Public finance should be a subject of study by any prospective public servant and managers of every unit. In planning for the National Development, long term sustainable strategies need to be developed and a predictable scenario put in place. It can be inferred that human capital development may lead to the development of social capital and thereby the development of economic capital of a nation. If South Africa has to prosper, integrated planning is required and a holistic approach to economic welfare of the country beyond party politics needs to be adopted.

3. 3 International public finance

Public finance at the international level is examined. The trading partners and the economies of neighbouring nations affect the finances of each country. In the present day, due to the rapid growth in transport and communications systems, interdependence among nations is so great that global financial systems play a major role in national finance.

(a) Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley (SOX) Act is a United States law that was signed on July 20, 2002, as a response to corporate and accounting scandals in United States. These scandals included companies such as Enron, Tyco International, Peregrine Systems and WorldCom. Dietrich (2004:2) noted that “the scandals resulted in loss of public trust in financial reporting and accounting practices and require attention from legislators who recognize that, if left unaddressed, the loss of trust could have deepened to a system wide malaise. The Act, therefore, was meant to prevent future accounting scandals and rebuild the trust of the investing public. ” Though the PFMA may not seem that rigorous and certainly not for private companies, it has similar concerns as the Sarbanes-Oxley, especially with regard to financial crime. The major concern, however, is the role of IT in ensuring internal control over financial reporting. Dietrich (2004:2) observed that two sections of the Sarbanes-Oxley that should concern IT executives the most are 320 and 404(a) because they deal with the internal controls that a company has in place to ensure accuracy of their data. It relates directly to the software system that a company uses to control, transmit and calculate the data that is used in their financial reports. The PFMA similarly deals with internal control with elaborate details in the Treasury Regulations of the PFMA in part 2 Section 3. The reporting requirements of the PFMA are no different from those of the Sarbanes-Oxley. These requirements need a clear system of internal control for IT as well as other assets within the organisation to ensure transparent reporting (Luyinda, Herselman & Botha, 2008: 31).

Any system adopted should be compatible with all departments across the various spheres of government for overall monitoring, evaluation and support. Reporting will also become easier. System portability is as important as compatibility, and upgradeability.

(b) Control Objectives for Information and related Technology (COBIT) Addresses IT Controls

Planning entails the direction or bearing vision, goals and objectives as well as ways and means (including strategies and policies) of attaining the goals and objectives of the public entity.

(c) Control process

The control process outlines the ‘clockwork’ of control, and indicates procedural steps that should be taken in order to effect control. They are sometimes termed long-range or strategic

planning, (namely, outlining types of products/services, projects, and programmes that will be offered over a number of years); budgeting and allocation of resources on a year-to-year basis; performance measurement and variance analysis, as well as feedback and rewards or punishment corresponding to performance (Nzomo 1999:2 & Bamutura 1999:1). Public administration is dynamic. The environment or context may differ but control processes and mechanisms are necessary as a management tool. It worked in the past, it is working in the present and it has its relevance in the future towards implementing best practices.

Much of the interest in ‘post-bureaucracy’ in both managerialist and critical circles resides in its perceived potential to break with the traditions of bureaucratic, hierarchical control in work organisations. In response to the challenges of the post-bureaucratic form, project management has been put forward by many as a ‘tried and tested’ package of techniques able to cope with discontinuous work, expert labour and continuous and unpredictable change while delivering the levels of reliability and control of the traditional bureaucracy. Everything else, at this level, is covered by general management practices - planning, organizing, controlling etcetera despite an addition of the more fashionable concerns such as ‘leadership’ and ‘entrepreneurship’ in recent texts (Hodgson, 1994: 307). The basic management principles and procedures may remain the same, but the style may differ with time and the nature of project or programme. Financial management, especially in the public sector is very important as success is not measured in terms of the profit but the level of outcomes or outputs derived from the unit of inputs.

Planning, executing the plans, monitoring and control of the same are routine management processes. Public sector managers are required to be more aware of the consequences of their lack of prudence and inability to meet the set target in terms of service delivery. The government administrators and top management ought to secure required reports from the accountable and responsible officials at the agreed upon timeframe.

The ability of IT COBIT is to enable the participation of IT in the design and implementation of internal control over financial reporting for the Public Finance Management Act (PFMA).

In the public sector organisation there may be various concerns which differ from those of the private sector. While the private sector is driven by business survival, the public sector is driven by political survival. However, the mechanisms that are used to enhance business goals in both sectors do not significantly differ. While profit is not a main stream concern for

government, governance and its attendant appendages such as accountability, economy, efficiency, effectiveness and value for money are cross-sector concerns. The public sector is concerned with the Public Finance Management Act (PFMA). Both private and public sector necessitates the design and implementation of IT mechanisms for internal control. The propositions hereof resulted from a research study that used a two-pronged approach. The first part included a literature study to establish whether COBIT could be used to guide the implementation of the PFMA. The second phase included in-depth interviews to identify those aspects of the PFMA that are considered important for IT's intervention as an enabler of the design and implementation of internal control over financial reporting for the PFMA. In an attempt to achieve public service goals with the available resources, the PFMA was formulated. Several PFMA goals are also in line with the 1998 Report of the Presidential Review Commission on the Reform and Transformation of the Public Service in South Africa. While the PFMA was originally promulgated in 1999 as an Act, it has similarities with the 2002 Sarbanes-Oxley (Luyinda & Helselman, 2007: 30).

Technology which is appropriately customised and developed will enhance the utilisation of the PFMA. The system needed to be customised to suit the various levels in the organisation. There should be special encryption at different levels controlled by passwords. Systems integration, portability, compatibility and upgradability are essentials required to be in place.

International systems could be studied for suitable adaptation to meet the South African needs. International accounting and auditing standards authority's criteria are needed to be compared to bench mark. It can be consulted for the development and usage of a new system for the implementation of PFMA locally.

The following four principles in the Guide to the Assessment of IT (GAIT) which adhere to mapping COBIT to the PFMA are noteworthy:

(i) Principle 1

The identification of risks and related controls in IT general control processes should be a continuation of the top-down and risk-based approach used to identify significant accounts, risks to those accounts and key controls in the business processes.

(ii) Principle 2

The IT general control process risks that need to be identified are those that affect critical IT functionality in financially significant applications and related data.

(iii) Principle 3

The IT general control process risks that need to be identified exist in processes and at various IT layers: application program code, databases, operating systems, and networks.

(iv) Principle 4

Risks in IT general control processes are mitigated by the achievement of IT control objectives, not individual controls (Luyinda, Herselman & Botha, 2008:33).

Specific IT control objectives for the PFMA are as follows: In terms of IT these concerns are translated to mean: Secure and authorised access to financial data, segregation of duties and granting of access to data depending on the needs and hierarchy and responsibility in government institutions, communication of changes in employee status to guard against unauthorised access to systems and sensitive financial data, mitigation of risk through change and configuration management as well as risk assessment, appropriately outlined phases of the SDLC to ensure that the systems are monitored from inception to disposal, and performance management to ensure effectiveness, efficiency, economy and transparency in the management of public funds.

When identifying key IT controls (IIA 2006:34), it is important to recognise, in addition to the four GAIT principles, the following controls:

Certain key business controls are fully automated, for example, the calculation of interest for banks or updating the correct general ledger account while others are partially automated. For most companies, a large number of controls are of the latter type, where the individual performing the controls relies on a computer report or information on a computer screen. Other controls are fully manual, for example, the inspection of incoming materials for quality (Luyinda, Herselman & Botha, 2008:42-43).

It is, therefore, possible to use COBIT as an enabling framework to employ IT as an enabler of the design and implementation of internal control over financial reporting for the PFMA. It

is, however, important to point out that IT works not at as the sole enabler but in liaison with all other assets in the government entities (Luyinda, Herselman& Botha, and 2008:46).

There may be different systems such as the BAS, Management Information System (MIS) and Personal Salary Administration System (PERSAL), which should be taken into consideration before COBIT or any other system is put in place. In order to administer PFMA, an assessment need to be undertaken on how much and what part of other system could handle an interface (if any) needed. The security should not be compromised.

Regionalism, globalisation membership of numerous international institutions compels nations to think beyond borders and deal with the most critical needs. One of the crucial issues would be public finance and international public finance. The North West provincial departments as well as other government departments could learn from best practices elsewhere.

Mendez (1992: vii) authored a book “International Public Finance: A New Perspective on Global Relations” to deal with public finance at the international level. Some of the reasons given by Mendez (1992: vii) are as follows: “There is a need to draw the public’s attention to the concepts of automaticism (as opposed to voluntarism, which is the present basis of international public financing), the use and management of the global commons, and related issues of public finance that, as the book shows, all have analogues in the international arena” (Mendez, 1992: vii). “The proposals by donor governments and international financing organisations – as well as by economists and environmentalists – for improving the pattern of international development finance (such as new financial “facilities” within the IMF or the World Bank, debt-for-nature swapping, structural adjustment loans) are basically patchwork. There is a need for deeper and more comprehensive approach to a subject that is of major concern to the overwhelming majority of humankind” (Mendez, 1992: vii). Mendez further observes that international development assistance idea has become obsolete. An air of “weariness” among donor governments, complaints about aid “addiction”, ineffectiveness, and a sense of futility in extending further assistance are also detected (Mendez, 1992: vii). Therefore, there should be a fresh approach. Many countries have not achieved the Millennium Development Goals. New targets will have to be achieved. Many countries have built up large deficits financed by loans rather than taxes. By embarking on social expenditure programmes rather than economic development and investment, many

governments have additional debt re-payment liability for longer duration resulting in unemployment and declined economic growth potential.

“A theory and system of international public finance would provide such an approach. It can provide a new framework for the mobilisation and expenditure of international public funds, and a new perspective on global relations, such as the provision and maintenance of international public goods, the treatment of global environmental costs (and their linkages with the problems of poverty), and the handling of the dissipation of negative military externalities in the post-cold war period” (Mendez, 1992: viii). “The apparent end of cold war provides a propitious opportunity for a comprehensive review of contemporary international economic relations. The prospects of universality, which has been lacking in the operation of international economics, have been vastly enhanced” (Mendez, 1992: viii). There can be regional co-operation, continental co-operation as well as create a new world order with multi-lateral co-operation on negotiated terms and conditions for the mutual benefits of participating countries. Every nation can conduct a trend analysis and develop a long term strategy for financial stability and economic growth.

Bertucci (2000: iii) observes that globalisation represents a growing constraint on countries to utilise their own country-specific national policies, which can be overridden by the power of foreign government and foreign-based multinational corporations. As a result, the search for effective governance has to proceed at the institutional and territorial levels, in addition to the nation state (Bertucci, 2000: iii). Each country needs to take stock of the available resources and the projections and use it for budgetary reform for the benefit of social growth and economic growth.

The United Nations (2005: 76) points out that deregulation may typically be accompanied by re-regulation that imposes new, and perhaps more burdensome, constraints. For example, trends in New Zealand, the United Kingdom and elsewhere demonstrate greater regulation erected over and above the leaner, devolved systems of management, staffing, and service delivery as a result of NPM reforms. This includes auditing, targeting and monitoring. The evidence suggests that similar regulations are developing in South Africa in respect of public finance regulations. There is greater control, but it is a different type of centralisation to traditional public administration (Cameron, 2009: 921). In South Africa, the Division of Revenue Act (DoRA) is used to allocate funds to the three spheres of government. However,

the PFMA mandates accountability to heads of departments. Treasury regulations are issued as and when necessary.

3. 4 New International Financial Architecture (NIFA)

Over the past decade, the Group of Seven (G7) that is United States, Canada, France, Germany, Italy, Japan and the United Kingdom attempted to re-establish rules and a degree of order in the world financial system through the creation of the Financial Stability Forum (FSF) and the G20, which they are calling the New International Financial Architecture (Soederberg, 2004: 2-3).

Soederberg (2004:2) observes that the New International Financial Architecture (NIFA) is more than an intricate network of institutions and actors striving to work towards the stability of a global financial system. Furthermore, the NIFA is a class-based strategy targeted at re-creating existing power relations in the global political economy.

Specifically, the NIFA seeks to reproduce and institutionalise two important ‘common sense’ assumptions. Firstly, financial liberalisation is posited as a desirable policy because, like trade liberalisation, it leads to economic growth and stability. Secondly, and related to this neoclassical assumption, debtor countries should be exposed more directly to the exigencies of transnational finance so that they may be forced to undertake market-based solutions to their current economic and political problems (Soederberg, 2004: 2-3). Susanne Soederberg asks the following questions: Why has the New International Financial Architecture emerged? At whose initiative? What does it involve? What are the underlying power relations? Who is benefiting? Will it really work? (Soederberg, 2004: 2 - 3). The US remains wedded to financial liberalisation because it is in the interest of transnational corporations and the American government itself to retain their structural power in the global economy. The US is using its political and economic muscle to compel the rest of the world, and notably the emerging markets in the South and elsewhere, to expose their economies to the unregulated demands of international (mainly Western) finance (Soederberg, 2004: 2 - 3).

It is evident that the idea of International Public Finance is a very debatable issue. There are many agendas. Just like individuals could be selfish, Nation States could also be selfish in their dealings with other Nations and blocks of Nations. Therefore, the system of international finance and especially, international public finance has tremendous scope for

research and study for many years to come before realising the dream of world finance or a global financial regime to take off.

South Africa is part of the community of nations in the globe. Its economy depends of several factors such as export and import of goods and services, Gross Domestic Product (GDP), Gross National Product (GNP), exchange rates, value of the Rand against other currencies, foreign reserves, international trade, surplus or deficit, productivity index and many other factors. The government, application of the rule of law, ratings of international agencies do play a part in the economic outlook of the country. How public finances are managed and administered as well as international commitments and obligations are met and taken into consideration. South African planners and managers ought to know the politics of International Financial Architecture to forecast the global trends. Public financial management involves correct estimation of revenue and expenditure. Foreign exchange fluctuation is a major risk especially the country has to clear foreign debt. The import of machinery and parts for major capital projects can be exorbitant if the exchange rates fluctuate drastically. Policies of South Africa's trading partners can also affect the domestic economy. International practices will have a bearing in South Africa's public finance.

3. 5 International practices

The British Experience is examined since it colonised many countries throughout the world. South Africa is part of the Commonwealth of Nations and Anglophone countries. Britain is one of the countries that adopted the New Public Management Approach (NPMA) which South Africa adopted (see White Paper on Public Service Transformation, 1995). The adoption of the NPMA style to manage the public service in South Africa ushered in policies such as the PFMA, which introduced concepts such as efficiency, effectiveness and economy which have been traditionally used in the private sector.

Britain ruled the world for several centuries and the sun never set on British Empire as the saying goes. Therefore, an examination of the British experience is undertaken as a comparative study. South Africa consulted other Anglophone countries such as Australia, New Zealand and Canada.

Prudent management of national resource abundance has been the hallmark of the Norwegian public governance and a cornerstone of its economic success. The complacency about the

long-run state of the public finances may worsen the gap by reducing incentives to reform and make social compromises.

(a) Fiscal accountability

Recent developments raise certain budgetary and tax issues which are discussed below.

Several budgetary practices, used in many or most OECD countries have been suggested by Joumard and Suyker (2002) and the IMF (2005) to improve spending control and render fiscal policy more sustainable in Norway: complement the deficit rule by an explicit spending rule to stop spending creep; introduce an explicit medium-term framework to better inform the policy debate about through-time ageing and welfare costs, deviations from the fiscal rule and other tensions; introduce accrual accounting to provide better information on costs, especially for investment; evaluate the costs and identify the beneficiaries of tax expenditures; and provide comprehensive estimates of the costs of regional policy.

Medium-term budget forecasts and a project on accrual accounting were introduced by the previous administration, with interesting results. The adoption of budget best practices as outlined above, notably the adoption of accrual accounting, would pave the way for more easily accessible cost information. The existing requirements for cost-benefit analysis, and the system for assessing major investment projects, constitute a good framework, but the results of the cost-benefit analyses should be given more weight in deciding on costly infrastructure projects.

The OECD has also recommended outcome-based management, the use of more price signals and contestability of private service provision. The Norwegians have applied outcome-based budgeting in health, research and development, university funding and employment services areas.

(b) Budget and expenditure policy

Undershoot the fiscal rule in 2007 if tax overshoots emerge again by mid-year and then over the medium-term (2008-2011) sufficiently to compensate for overshoots during 2002-2006. Consider making the fiscal rule a binding upper 4 per cent limit rather than a central target, barring a negative shock and supplement the deficit rule by an explicit spending rule expressed in terms of nominal ratios to GDP. Expand the multi-year general government projections,

showing the medium-term impact of fiscal policy decisions so as to improve budgetary planning. Expand the use of accrual accounting and increase transparency concerning tax expenditures and costs of regional policies in order to inform budget debate. In deciding on public investment projects put more weight on the results of cost-benefit analyses of infrastructure projects. Remove entry barriers to private service provision in competition with public services, to promote contestability and efficiency of the latter (OECD, 2007:79).

Visser and Erasmus (2009: 15) observe various contemporary developments in public financial management which can be regarded as a major policy shift in the manner governments' execute their functions. New Zealand transformed the financial management systems. Such changes are found in countries such as Australia, Canada and United States. The United Kingdom also introduced various elements of change to their system of financial management. South Africa followed in the early 1990s, when research and investigations were undertaken to study foreign developments in the principles and practices of financial management (Visser & Erasmus, 2009: 15).

Although the Public Financial Management Act 1 of 1999 (PFMA) was enacted it does not imply that further research and discussions are unnecessary. New practical developments as well as theoretical aspects are bound to emerge. The North West provincial administration should attempt successful examples from any other countries or regions. International best practices could be adopted.

Barely any area of administration is as susceptible to corruption as public finance. This includes taxation, customs, and budgeting and expenditure management. International observational studies suggest that well over 50 per cent of all acts of corruption in the public sector take place in public finance. The macroeconomic costs of corruption in this sector are enormous (Edling, 2005: 3). According to Visser & Erasmus (2009: 301 – 323), ethical conduct and professionalism is something that officials need to strive for in order to establish it as a way of life or culture to gain public trust. South Africa could learn from the Organisation for Economic Cooperation and Development (OECD) member countries which adopted a "Recommendation on Improving Ethical Conduct in the Public Service: on the 23rd April 1998. The following proposals on methodology included:

- (i) Regularly review ethical practices;
- (ii) Promote promising initiatives;

- (iii) Incorporate the ethical dimension into management frameworks;
- (iv) Combine aspects of an ethics management system with those based on the respect for rules; and
- (v) Assess the effects of public management reforms on ethical conduct (Visser & Erasmus, 2009: 301).

Fraud and corruption is a global problem. The money spent on arms and defence and wasted through fraud corruption, could have been used to alleviate poverty of those who live below the 'breadline'.

(c) Systemic Legal and Institutional Changes

Simplification of the tax system: reduction of the number of taxes and tax rates, low tax rates and restriction to just a few exemption provisions; tax assessment on the basis of estimated values; elimination of quasi-fiscal provisions; intelligent use of self-assessment or taxation at source systems; establishment of independent revenue authorities and privatisation of selected functions of the tax authorities (Edling, 2005:3). Public finances should be handled by trustworthy officials. Care should be taken from the recruitment and selection process. Performance agreements should be entered into with officials and consequences for any corruption or misconduct and non-compliance need to be clearly specified.

Coombs and Jenkins (2002: 29) observe that the public sector financial manager faces many challenges, even if he or she is a trained accountant or a service manager dealing with the demands to achieve economy, efficiency and effectiveness in performing the service. The British government, in 2000, stated that the government was ensuring that both the existing and new spending is targeted to deliver value for money (VFM) and achieve the outcomes the public's needs (Coombs & Jenkins, 2002: 2-3). The value for money can be explained as the achievement of objectives with optimum resources employed. Minimum cost is employed to achieve maximum output through enhancing productivity. A cost-benefit analysis, internal rate of return, present value and future value of a project could be calculated by experts. In South Africa, specific policies exist for the supply chain management. Specifications are to be developed before goods and services are procured. The PFMA does not condone fruitless or wasteful expenditure, or irregular or unauthorised expenditure. In reality, inflated pricing, kickbacks, bribery and corruption takes place due to a lack of integrity, dishonesty, greed and selfishness. The media – electronic and print exposes such cases.

(d) Indonesia Experience

After a lengthy deliberation, the Indonesian parliament passed Law 17/2003 on state finance. The prime objective of the legislation was to ensure that public finances are managed in an efficient, effective, transparent and accountable manner. To achieve this objective, the law stipulates the implementation of a number of reforms in the management of state finance. It therefore marks a major step forward in Indonesia's drive to establish a sound system of public finance (Ginting, 2003:353, 356 - 357). It is one of a package of three public finance laws first proposed in September 2000. The other two public finance laws, that is, the state treasury and the state audit bills are still being debated by special parliamentary representatives. The law marks a major step forward in Indonesia's drive to establish a sound system of public finance management and the realisation of good governance (Ginting, 2003:353, 356 - 357).

Firstly, as noted above, effective implementation will require the enactment of a workable state treasury law and a strong State Audit Law. It will also require the improvement of government accounting standards and completion of a number of implementing regulations. If any of these is delayed, this would severely limit the effectiveness of Law 17/2003. Secondly, the law requires each spending unit not only to provide a financial report on relevant parts of the budget but also to report on budget outcomes. Thirdly, if the Minister of Finance is to act as chief financial officer, with the line ministers playing the role of chief operation officers, the ministry of finance will need to transfer some of its powers (such as the authority to issue payment orders) to the line ministries. The law also requires a clearer division of authority in the Ministry of finance (Ginting, 2003:353, 356 - 357).

Although it is not feasible to copy every nation's financial management policies, it is advisable to undertake a comparative study of the various countries and regions in order to understand the alternatives available and select the best practicable one for the South African situation.

(e) United State of America and Canada Experience

Meltzer and Richard (1983: n. p.) tested a model developed in 1981 - the size of government using a Stone-Geary utility function and annual data for the United States. They established that the ratio of government spending for redistribution to aggregate income and the share of aggregate income redistributed in cash, rise and fall with the ratio of mean to median income and the level of (median) income. Redistribution in kind--the provision of education, health care, fire protection, and other services, also rises and falls with the ratio of mean to median income, but it appears to be independent of the level of income. In South Africa, examples of such plans can be cited, as part of government's economic strategy, namely: the Redistribution and Development Plan (RDP) and the Growth, Employment and Redistribution Plan (GEAR) (Visser & Erasmus, 2009: 63). It is noted that the aim of these plan is to consider current existing environmental factors: economic growth, unemployment, availability of capital and availability of resources (i. e. infrastructure and materials); and to devise long term plans which will ultimately foster accelerated economic growth and development, simultaneously providing greater job opportunities and spreading social investment and services to the larger community (Visser & Erasmus, 2009: 63). It has to be appreciated that even matured democracy such as USA is researching and experimenting various policies. South Africa could learn from such an experience. Human behavior compared centuries ago to the present is similar. Certain practices of fairness are timeless.

The perception of the size of government seems to be the model under criticism which was selected as a point of departure for an empirical model of the size and growth of government. Moreover, it uses a general equilibrium framework and can be easily tested using data for various OECD countries, thereby enabling international comparisons. It is sufficiently parsimonious to make room for further improvements while being capable of showing that there are limitations to the growth of government. It is, however, difficult to envisage that the size of government is solely a function of the ratio of mean to median income and of the level of income. Meltzer and Richard (1983) themselves acknowledge that their model does not capture many aspects of the political process including any influence of interest groups and many elements that affect the 'supply' of redistribution. As a result, their model is extended to incorporate exogenous factors such as the fraction of the population that is under 18 years of age and that which is 65 years of age and over, the total population itself, the degree of homogeneity in the population, and, most importantly, the use of per capita income in place of

the level of median income to test "Wagner's (1958) law". South Africa needs to adapt appropriate models for determining size and growth of government.

The public sector also performs the function of redistributing income. It is hypothesized that interest groups are more successful in using government to make income transfers when citizens are less diligent in controlling government activity, in other words, when the free-rider problem is more prevalent. As population increases, so does the free-rider problem. In this respect, one would expect to see a positive correlation between population and government size (Dao, 2001:n. p.). The distribution of social grant, old age grant, child support grant in South Africa are examples of tools used to re-distribute income.

In South Africa, there are great income disparities among its population due to the previous regime which practiced separate development. Since 1994, the government has been trying to re-distribute income and policies such as affirmative action, black economic empowerment and preferential systems to fast track the advancement of the previously disadvantaged groups. Prudent financial management in the public sector may yield redirecting of budgets towards targeted development of communities where there is a dire need. Comparative studies and research will enable South Africa to adapt to certain aspects for optimum results.

The United States has had great success with regard to performance measurement implementation. At federal level, for example, agencies are scrutinised regarding their adherence to the Government Performance and Results Act of 1993 as well as to recent government-wide and programme-specific performance-related initiatives of the President's Management Agenda. The Government Performance and Results Act hold agencies accountable for performance and result reporting within a performance-budgeting process. While performance-measurement initiatives are designed to provide data useful for a range of management and organisational decisions, their role in influencing budgeting decisions remains central and of great importance in this study. The existence of performance measurement throughout the budget cycle speaks to the consistency of reporting such information and alludes to the institutionalisation of a performance-measurement system for budgeting and management decisions. The South African government also embarked on the monitoring, evaluation and supporting system. Individual performance enhancement is essential for organisational performance improvement.

Finally, some aspects of the measures themselves matter. Both transparency (the presence of performance measures in budget documentation) and density (comprehensive use of performance measures across departments and in various stages of the budget process) are significantly related to the budget effects of performance measurement (Melkers & Willoughby 2005:180).

Monitoring and measuring of performance of individuals are essential for service delivery imperatives as per budgeted programmes and projects. Pre-determined and set objectives should be met within the allocated time and budget. There should be evidence which should be substantiated through documentation.

There is a great variety of hypotheses about public expenditure growth and of models to which they are related. There are also a bewildering number of hypotheses about "how the government behaves", which makes it difficult to choose among them because experts in the field have not yet come to an agreement as to the causal influences at work. Dao (2001) tested a model which is more comprehensive than that developed by Meltzer and Richard (1983), incorporating factors that were not captured by the latter and using both time-series data for the U. S. and Canada as well as cross-section data for the U. S. and for OECD countries. Due to the volatility of the sign and magnitude of the coefficient estimates on the various explanatory variables used, he concluded that what is needed is the development of a sound theory of the size and growth of government in order to be able to ascertain the interpretation of regression results (Dao, 2003:1).

The South African situation is unique; therefore, it cannot accept or reject any model without proper research evidence. Experts in the field of public finance need to undertake evidence based research for any further review of PFMA.

Introduction of output-based budgeting usually gives rise to more informed budget discussions on competing budget priorities, and is an unambiguous improvement on input-oriented budgeting. It forces spending agencies to specify and measure what they produce, and to distinguish clearly between production and transfers. In this way it promotes political transparency in the budget process. Output-based budgeting brings management skills to the fore and forces public sector spending agencies to put more emphasis on, and devote more attention to management of their budget resources. An essential complement to output-based budgeting is thus decentralisation of financial management responsibilities to individual

spending agencies. In this way it promotes political accountability in the budget process (OECD 2002:48). Currently, the above type of output and outcomes are the bases of budgeting in South Africa. In the public sector every programme manager or sub-programme manager or cost centre manager is responsible for budgeting, as well as expenditure. Financial management is decentralised from the Chief Financial Officer. The accounting officer is the Administrative Head of the Government Department. He or she can delegate responsibility to other managers. The Political Head has the political oversight duty.

International experience could be studied by all spheres of South African government, to benchmark and apply these during the review of the existing legislation such as PFMA. A 2003 UK House of Commons Select Committee report on public sector performance targets concluded that the resulting increase in accountability and transparency was indeed valuable, while calling for greater local autonomy in the setting of performance targets and widening the target consultation process to involve all key stakeholders. In South Africa, at the local sphere of government, community participation is a mandate while preparing Integrated Development Plans (IDP) and Municipal budget. At provincial departmental level the management invites union representatives to participate in the strategic planning and budget preparation sessions. The Provincial legislature as well as the National legislature is composed of multi-party representative elected by the citizens. They debate and approve the budgets of departments at Provincial and National level respectively.

Developing output indicators for the public sector often turns out to be more complicated than is anticipated at the start of the process. In particular, designing output indicators in a manner that does not create adverse incentives can be difficult. For example, measuring the output of the police service by the number of successfully solved cases could encourage the police to focus on relatively minor easy-to-solve crimes rather than on more serious crimes that are more difficult and time-consuming to solve. A key challenge of output-based budgeting is how to design incentives for service providers to ensure key performance targets are met without excessive reliance on detailed national targets and measurements of performance. Nevertheless, the 2004 OECD Economic Survey of the United Kingdom concluded that if used cautiously, output targets can be useful in replicating the constant pressure on service providers to pursue efficiency that in other sectors of the economy arise from competition (OECD, 2007:158). The PFMA in South Africa, requires public finances be managed economically, efficiently and effectively. If monitoring and evaluation focuses only on the output

indicators, human tendency is to satisfy compliance, by achieving easy targets and shelving time consuming and difficult ones.

Commonwealth countries adopted and adapted the UK system of public administration in most instances. Therefore, it is worth undertaking a comparative study of the UK and other Commonwealth nations. International best practices could be adopted by the South African government. Monitors and evaluators need to have the necessary expertise, knowledge and understanding of the complexities at various levels and different departments. Emergent challenges may arise, therefore, talented and creative officials and managers are required to recommend new solutions to new challenges.

(f) New Zealand Experience

In a number of important instances, for example, in New Zealand, implementation of output-based budgeting encountered major human capital bottlenecks in public administration. In this particular case securing adequate human capital with the required skills resulted in recruiting qualified professionals from abroad. Moreover, everyone in the New Zealand Treasury had to be put through a ‘training course’ in basic accounting to ensure its smooth implementation. This was a bigger supply bottleneck than had been anticipated. Output-based budgeting tends to be relatively successful in terms of facilitating a better allocation of public resources across competing uses. It is usually less successful in ensuring that the money allocated to various uses is actually spent in the most cost efficient manner. This is partly due of technical reasons because it is occasionally difficult to acquire competing alternatives to produce the same outputs and realistically cost these alternatives. For output-based budgeting to yield improvements in cost efficiency it is important that incentive structures be put in place in all public sector spending agencies that encourage managers to question regularly and systematically whether a particular output can be produced more cost-efficiently (perhaps by considering new alternatives that can help to produce a given output at lower cost (OECD, 2007:159). The PFMA has many elements from New Zealand. Therefore, regular consultation of New Zealand experience is recommended to learn, implement and adapt. The technology may be incorporated to measure performance and calculate the economy, efficiency as well as effectiveness as required by the PFMA. The public sector needs to consider innovative and creative ways to reduce costs and spread the savings to other competing priorities to service the public.

From the outset, considerable emphasis should be on determining who are the key interested stakeholders in the process and ensure that all relevant information is collected and presented in a manner that is user-friendly and easily accessible. The availability of information and data does not ensure that it will be used in decision-making. If the aim of output-based budgeting is to influence the quality and composition of public spending, it is important to think through carefully beforehand how new data on performance measures is to be used in allocating public resources through the budgetary process. Schick (2007) argues that output-based budgeting is likely to be more successful when outdated informational requirements are purged to make room for new ones than when new layers of data and information are added to existing ones. For example, when New Zealand adopted output-based budgeting, it removed almost all mention of inputs from the budget appropriations act and supporting documents.

(g) Austrian Experience

In light of the Austrian government's plans for higher public spending in several key areas over the next few years, international experience highlights the desirability of accelerating the availability of performance information on new government programmes, as a key analytical tool in the budgetary process in the short-term and as a basis for output-based budgeting in the medium-term.

Budgetary reforms had been on the political agenda for quite a while. In May 2005, representatives of the four political parties that were represented in the National Parliament at that time reached a political agreement to implement budgetary reforms in line with international best practice. These reforms were to be implemented in two stages. The first stage was to be implemented by 1 January 2007, would involve adoption and implementation of a four-year medium-term budgetary framework. The second stage, which the November 2005 Austrian Stability Programme (ASP) envisaged would come into effect by 1 January 2011, would incorporate a wider range of reforms, including output based budgeting and implementation of new accounting rules. These draft reforms were broadly in line with OECD recommendations (OECD, 2006: n. p).

International comparative studies will assist the South African government to further improve public financial administration and management.

Fiscal federal relations in Austria are currently governed by two major agreements. The Fiscal Equalisation Law (FAG) is a revenue sharing agreement negotiated between the federal government, the states and the municipalities for a period of four years. In addition the Domestic Stability Pact establishes budget balance targets for the three levels of government as well as sanctions in case of non-compliance with these targets.

The policy implications of the above discussion can be summarised as follows. Although Austria's public debt is forecast to fall below the 60 per cent Maastricht threshold already in 2008, long-term projections by the OECD indicate that, on unchanged policies, the public debt ratio will rise again from 2015 onwards and significantly exceed 60 per cent by 2050. The projected increase in public indebtedness, although less sharp than in most other OECD countries, implies a need for continued efforts at fiscal consolidation. Within this overall macro-economic context there is a case for lowering in particular the relatively high tax burden on labour and on the self-employed. For this to be fiscally sustainable, there will have to be offsetting changes in other components of government revenue as well as strict control over public spending at all levels of government. Indeed, a significant and fiscally sustainable reduction in tax rates is also likely to require considerable cuts in government spending. At the same time tax structures as well as the quality and cost-efficiency of public spending can be further improved to enhance economic growth and employment and distribute the fruits of economic growth more equitably across Austrian society.

Bi-annual evaluations of the reforms outlined in the 2005 Health Reform Act should be carried out in a timely, independent and comprehensive fashion and the results of the evaluations fully taken into account in future public health care policy. There should be more selective targeting of social spending by the government: Housing subsidies should be scaled back and better targeted towards those who really need them, such as low-income families. The policy of subsidising energy-saving housing investment expenditures should be reviewed. In addition, the earmarking of revenues for the Family Burden Equalization Fund (FLAF) should be abolished.

Public expenditure management and budgetary reforms should be pursued with urgency. The focus of these reforms should be on: i) the adoption of a medium-term budgetary framework; ii) the introduction and implementation of output-based budgeting (at least in certain key areas such as education and training, R&D/ innovation support and active labour

market policies); and iii) adoption of new accounting rules. The recommendations of the previous OECD Economic Survey relating to reform of fiscal federal relations should be given serious consideration during the next round of negotiations over the Fiscal Equalization Law. Better harmonisation of financing and spending responsibilities across all levels of government and giving more responsibility and accountability to all public sector spending agencies would help to promote good governance and better management of public finance. Public financial management and administration is a dynamic process, not static, therefore, there is always room for improvement in the way it is managed and administered. Research and development should be prioritised by South African departments in the public service.

Despite considerable efforts to improve PFM systems by African countries and donors alike, this study finds that none of the countries analysed have reached a minimum standard such as the one suggested by Brobäck and Sjölander. This is not necessarily because the capacity building efforts have been in vain. Considering all components and the immense need for change and improvement as well as the external factors (like the minimal supply of trained local professionals) that keep progress back, it is easily realised that reaching the appropriate standard will take a long time. For PFM systems in most low income countries in sub-Saharan Africa to reach a level where the country is capable of self-reliantly maintaining and developing them, approximately 15-25years is necessary. This does not mean that all interventions will have to have an equally long-term focus. Worthwhile improvements may of course be attained in the short and medium term. However, short- and medium-term interventions will often not cover the whole system, with the attendant danger that improvement achieved in one component will be lost if not followed up in the rest of the system. The attention to systemic issues may, however, be taken too far. It is stressed that a comprehensive approach is important in the diagnostic phase. In the implementation phase, however, it clearly may prevent action. A balance has to be struck between getting a project off the ground and continuing preparatory analysis (Anderson & Isaksen, 2002:1, 26-29).

No study will be complete without considering African Union countries or Southern African Development Community country's policies in terms of financial management practices, policies and systems.

(h) Experience from various other countries

In 2003, the newly elected governor of Georgia launched a budgetary reform that combined aspects of programme budgeting, performance budgeting, and a prioritized programme ranking process. As with the reforms that preceded it, the changes to the budgetary process unfolded almost entirely as a dialogue between the executive branch and administrative agencies. (Bourdeaux, 2005:4). Zero Base Budgeting (ZBB) encountered problems similar to PPB (Planning Programming Budgeting). ZBB was also implemented without significant legislative “buy-in.” At the federal level, an early report on ZBB noted: “it is unclear how involved congressional committees will become in the zero-base process. It is reported that those appropriations subcommittees which have experimented with zero based justifications are less than enamored with the results” (Bourdeaux, 2005: 9). The lack of legislative engagement meant that administrators expended much time evaluating their programmes and developing decision-packages only to have budgetary decisions be made by legislative bodies the same way as prior to the reform incrementally. Although ZBB did not cut across legislative committee jurisdiction, it did encounter the same problems of conflicting priorities between the executive and legislature, and at the state and federal levels. ZBB faced problems of high levels of aggregation of information, undermining control and accountability. In contrast there is evidence that the reform worked better at the local level where the unicameral and smaller city councils could be directly engaged in evaluating ZBB decision-packages (Bourdeaux, 2005: 29).

Various countries have experimented with different budgeting systems. The above example reveals that politicians in the legislature and the administrators in the departments should have regular discussions and debates before policies are conceptualized, developed, implemented, monitored and evaluated.

(i) African Experience

The status of fiscal/budget transparency in Africa found that the number of fiscal reforms had been implemented since the mid-1990s. These findings on reforms are broadly consistent with the general conclusions of the forthcoming African governance report by the ECA that indeed the continent is improving its economic governance, including in the area of transparency. The pace, depth and breadth of fiscal reforms are particularly profound in countries that are emerging from conflict situations (Rwanda) and in countries whose economies are relatively well diversified (Namibia). Countries heavily dependent on

extractive sectors, especially oil and gas, are lagging behind on the implementation of fiscal reforms aimed at enhancing fiscal transparency. However, Equatorial Guinea and Nigeria have committed themselves to embarking on fiscal reforms, an undertaking supported by legislative reforms and their signing onto the international instruments for transparency. Indeed, at the request of the Equatorial Guinean authorities, the World Bank is providing assistance regarding that country's participation in the Extractive Industries Transparency Initiative (EITI). Moreover, the IMF Article IV mission was able to reconcile the fiscal surplus with the movements in government account at the BEAC and government oil production share, exports and revenue (United Nations Economic Commission for Africa, 2005:51-52). From the above, it is noted that revenue streams may fluctuate drastically, which may affect budgeting and fiscal reforms. Moreover, regular review of budgeting and planning may be undertaken considering the surplus or deficit of the National Reserve and revenue streams.

An increasing number of new governments voted on the platform to restore good government; a relatively more vigilant donor eye against the misuse of resources and an increasing number of good government action conditionally attached to financial assistance; New Partnership for Africa's Development (NEPAD's) African Peer Review Mechanism (APRM); the unveiling of corruption practices such as those related to a corrupt relationship between some Equatorial Guinean officials and the USA bank, Riggs Bank; the pressure put to bear on companies from developed countries to '*publish what you pay*' to African governments, thus offering little room to siphon off State resources for personal gain; and the proliferation of watchdog initiatives and pressure Non-Government Organisation (NGO's) that demand accountability and transparency. Improving the management of public expenditure has become a key challenge for the Irish government in the context of slower growth in tax revenues and rapidly growing public spending (United Nations Economic Commission for Africa, 2005:51-52). In South Africa, there is a need for more transparency through publishing revenue and expenditure statements in a simplified language for the understanding by the common citizen in various languages. Accountability and watchdog initiatives by grassroots organisations can be improved.

The above international experience put pressure on countries to manage the finances based on an acceptable standard. No nation is an island to itself. Co-operation and international dependence for trade and aid are realistic expectations among nations. Prudent financial

management is a criterion for mutual investment and support. In the United States, this has manifested itself in moves toward “performance-based budgeting” in the national government as well as in state and local governments. Despite these efforts and numerous attempts to study these new reforms, a specific and clear framework that integrates performance information into the budget process has been elusive and the extent to which performance information is available and used at each stage of the budget process—budget preparation, budget approval, budget execution, and audit and evaluation. Various citizen organisations, youth formations, Non-Governmental Organisations and multi-stakeholder involvement need to be encouraged to participate in the above processes.

Strategic planning is the process of deciding on the objectives of the organization, changes in these objectives, the resources used to attain these objectives, and the policies that are to govern the acquisition, use and disposition of these resources (Anthony, 1965). As such, strategic planning involves several components: A statement of mission and/or vision; Goals that are derived from the mission, Objectives that operationalize the goals, Measurements of performance to determine progress toward goals and objectives (Joyce & Siegel: 2000:2)

Many countries have tried and tested various forms of budgeting process at various phases of their development. The contextual issues should be factored into any methodology of budgeting adapted by provinces and countries.

The PFMA is a key instrument in facilitating the reform of financial management in government. The PFMA gives effect to Sections 213, 215 and 218 of the Constitution of the Republic of South Africa, 1996. National legislation is required for the following:

Introduce budgeting principles and standards, generally recognised accounting practices and uniform treasury norms and standards for all spheres of government; prescribe measures to ensure transparency and expenditure control in all spheres of government; and set the operational procedures for borrowing, guarantees, procurement and oversight with regard to the various national and provincial Revenue Funds.

The PFMA adopts an approach to financial management that focuses on outputs and responsibilities rather than the rule-driven input approach as set out by the previous Exchequer Acts. The PFMA confers specific responsibilities on accounting officers. Strategic planning cannot be developed in isolation but should rather be the result of thorough consultation with

all relevant stakeholders. Strategic plans provide essential information for the legislatures to assess proposed programmes and funding (South Africa, 1996).

The strategic planning process is one of the key responsibilities of all senior managers in the department. It is central to their responsibility in terms of Section 38 of the PFMA, relating to the effective, efficient, economical and transparent use of the resources of their departments. Strategic plans provide a sound framework for future improvements in the overall objectives of the department. The strategic planning process further promotes communication between the accounting officer and the relevant Minister or Member of the Executive Council (MEC), ensuring commonality of understanding and purpose in the department's pursuit of government objectives and outcomes (Fourie, 1999:n. p.). Various authors have highlighted the need for strategic planning as a management tool for effective and efficient management in the public sector in South Africa.

The nature of strategy is explained by considering Mintzberg's (1987) five Ps for strategy. The five Ps of strategy are: strategy as a plan, position, perspective, ploy and a pattern. Strategy as a plan provides overall direction and a course of action. The planning viewpoint or 'design school' of strategy (Mintzberg *et al.* , 1998: 24) views strategic decision-making as a formal, logical, top-down structures process (Thompson & Martin, 2005: 25), in which strategy is formulated through a rational analysis of the organisation, its performance and external environment. Strategy as a position concerns the determination of particular products in particular markets, as supported by Porter (1980). As a position, strategy looks downwards (meeting customer needs) and outwards, towards the external competitive market. Strategy as a perspective refers to the organisation's technique of executing tasks also referred to as the interpretative view (Heracleous 2003: 18) or as experience (Johnson & Scholes, 2002: 43). Future strategies are based on the adaptation of past strategies, based on the collective experience of individuals and technique of executing tasks. It is a product of the minds and ideologies of individuals, groups and management in the organisation. Resolving different views and experiences requires negotiation and bargaining. Strategy as a ploy is a specific manoeuvre to outwit a competitor. Strategy as a pattern concerns consistent behaviour over time. The essence of strategy is complex and unstructured. Strategies can be deliberate, intended but unrealized, or emergent, and exist on different levels, namely corporate, business and functional (Louw& Venter, 2008: 15 – 18). Public sector managers should take the strategic planning and management process as a value-adding effort. A broader

understanding of the strategy will assist in the planning, implementation and evaluation of strategies in the public sector. Strategic planning and budget planning need to be beyond a ritual for compliance. It has to yield tangible outcomes in society.

Strategic management at the different levels within an organisation must not be seen as an isolated process. Chaos will be created if managers at the tactical level do not know what is going on at the strategic level or if managers at the operational level are not involved in or informed about senior and middle management's objectives and strategies. In theory, it sounds obvious that all levels must be integrated or linked with one another, but in reality it is not so obvious. This is one of the most important reasons why strategic management fails. Strategic management needs to be followed through to its fullest consequences. It is, therefore, important to realise that the tactical level is the level of implementation of the strategic level's objectives and strategies, and the operational level is the level of implementation of the tactical level's objectives and strategies (Rossouw. *al.* , 2007: 13). In order to appreciate and take ownership of programmes and projects, all levels of the organisation should participate. This will lead to team spirit and collective responsibility.

According to Goldman *et al.* (2010: 11), certain environmental factors unique to South Africa, include: a lack of competent senior managers, a skills shortage, low productivity, a general lack of technological advancement and a low Human Development Index (HDI) rating. Implementation gives effect to the formulation of the strategy. Monitoring (evaluation / control) and feedback ensure that implementation is in line with planning. If it is not, the feedback alerts the organisation or firm to the fact that it needs to take measures to adapt to changes in the environment (Glodman *et al.* , 2010: 23). Formative and summative evaluation and feedback should be a regular feature so that any gap detected can be addressed without delay.

After a long period of decline since the early 1980's, the general government spending ratio started to rise from 2000. At 30 per cent of GDP, Ireland's spending ratio was below the OECD average in 2001. But measured against GNP, which is a more sensible base for Ireland in international comparisons, its spending ratio (36 per cent of GNP) was only slightly lower than the OECD average of around 40 per cent of GDP, and about halfway between the United States and European Union.

Public accountability of public governance has been a major concern in all societies and civilizations, although there are variations in the criteria, means and agents of such accountability based on the nature of the polity ranging from traditional to modern, conservative to liberal, capitalist to socialist. The liberal notion of accountability that emerged in advanced capitalist nations could be inconceivable in traditional India, imperial Japan or communist China. However, during the post-colonial period, most Asian, African, and Latin American countries began to adopt the ideas, principles, and institutions of accountability representing the liberal democratic mode of governance found in advanced capitalist nations (Haque, 2000:599).

Performance of government departments should be measured. Interprovincial peer review mechanisms could be introduced for learning and development as well as adopt best practices.

Haque has observed and noted the following reform initiatives: Public Service 2000 in Canada, National Performance Review in the USA, Financial Management Initiative and Next Steps in the UK, Renewal of the Public Service in France, Financial Management Improvement Programme in Australia, and Modernisation Programme for the Public Sector in Denmark (Haque, 1998d; OECD, 1993, 1995).

Such reform initiatives have not only been undertaken in other advanced market economies, they can also be found today in most developing nations (Haque, 1998c; Nunberg, 1997; OECD, 1995; Therkildsen, 1998). One of the central features of these current reforms in these countries has been the application of business principles and practices to the public sector, although such a tendency has been considered problematic by some scholars (Richards, 1996: 21). Although this business-like approach to governance has been reinforced by internal economic and political forces in advanced capitalist nations, in the case of developing countries, it has been prescribed or imposed largely by international financial agencies (Haque, 2000:600). Management and administration whether in the private sector or in the public sector is practised with the body of knowledge in the management field applied for the benefit of humanity, except in the private sector it has a profit motive. Productivity enhancement tools, techniques and management principles could be applied in the public sector. Public sector departments all over the world are taking initiatives in this regard.

Value-for-money can be found in Australia, Canada, France, New Zealand, the UK, and the USA, although such use of business norms may have marginalized or removed traditional

public sector values such as honesty, integrity, and neutrality (Kernaghan, 1997, 2000; OECD, 1995). Many developing countries in Asia, Africa, and Latin America have also moved towards these business-like objectives and values. As Konig (1997: 218) suggests, in contemporary public management ‘the new diction is the language of the market, of competition, of enterprises, customers and, in a nutshell, of entrepreneurial management’ (Haque, 2000:601).

New public management’, the increasing role of the private sector *vis-à-vis* the emerging catalytic or facilitating role of public governance can be observed not only in advanced capitalist nations such as Australia, Belgium, Canada, France, New Zealand, the UK and the USA but also in developing countries such as Malaysia, Korea, Thailand, Singapore, Argentina, Taiwan and India (Haque, 2000, 602). Despite such adverse implications of this commercial view of citizenship for accountability, a market-driven customer orientation in governance has emerged in advanced economies like Australia, Canada, New Zealand, the UK, and the USA as well as in developing countries such as the Philippines, Malaysia, Singapore, South Africa, Zambia, and Ghana (Haque, 1999; Roberts, 1999). In this regard, Woodhouse (1997: 46, 57) mentions that accountability under this consumerist mode of governance is to private customers rather than to the collective public (Haque, 2000: 603 – 604).

The stages of development in various countries differ from time to time. Therefore, international experience should be shared and best practices adapted to suit the context of the accepting country. Redefinition of citizenship, a customer-oriented focus in governance has also been reinforced by the proliferation of user charges (for public goods and services) in countries such as Australia, Canada, Finland, Spain, Germany, the UK, and the USA (OECD, 1998: 1–11). Thus, the principle of user charges implies that although public governance may be readily accountable to affluent customers, it is not obliged to show accountability to underprivileged citizens who cannot afford user charges and do not qualify as customers (Haque, 2000: 604).

Firstly, one of the basic prerequisites for public accountability in democracies is the political neutrality of career public servants, which has come under challenge due to the growing power of ministers or political executives to exert influence on the public service. In this regard, Rhodes (1997: 46) points out that in countries such as the UK, this is an era of macho-ministers in terms of expanded ministerial power to make decisions related to the appointment,

dismissal, and retirement of top civil servants. These decisions are increasingly based on the political considerations and personal preferences of ministers. Similarly, in France, under the recent reforms in governance, the rise of ministerial power to politicise the civil service ‘has contributed to blurring the professional lines traditionally drawn between politicians and civil servants’ (Rouban, 1995: 50). The politicisation of civil servants by ministers which violates the principle of political neutrality, and thus public accountability, of public employees has become much easier due to the recent policy to eliminate permanent tenure of senior public servants and introduce temporary contract-based appointments (Haque, 2000: 606 - 607).

Such a policy makes these public servants more vulnerable to political executives who now exercise control over their job contracts and careers. For example, in New Zealand, the tenured heads of government agencies have been replaced with the so-called chief executives appointed for five years based on individual contracts; in the UK, the chief executives of departmental agencies created under the Next Steps programme are appointed on fixed-term contracts. A similar pattern is being followed in Norway (Hood, 1995: 109; Scott, 1994: 174) (Haque, 2000:607).

Secondly, the structural and procedural autonomy of public management prescribed under the current governance system may also affect accountability. Nevertheless, managerial autonomy has been introduced in countries such as New Zealand, Canada, France, Denmark, Finland, the Netherlands, Spain, Switzerland and the UK (OECD, 1993, 1997a). Central government in most of the afore-mentioned countries have largely become a purchaser of services for its citizens or customers from the autonomous agencies that behave like private corporations in terms of the extent of their managerial autonomy (Peters, 1996; Roberts, 1999). In the developing world, similar managerial autonomy in public governance is being emphasised in the Philippines, Malaysia, Singapore, South Korea, Thailand, Botswana, Ghana, South Africa and Uganda (Haque, 2000:607).

Many political leaders are not used to an autonomous mode of public governance and they lack the experience and resources to evaluate and scrutinise the agencies. In New Zealand, France, and the UK, despite the relative inexperience and incapacity of the ministers to oversee autonomous public agencies, they may still prefer such a system because they can use the ‘smoke-screen of managerial autonomy’ to take credit for good performance and blame

managers or chief executives for any negative performance of the autonomous agencies (Irwin, 1996: 15; Rhodes, 1997: 55; Wright, 1997: 11) (Haque, 2000:608).

Thirdly, there have been major changes in the criteria to evaluate programme and performance in the public sector as a means to ensure its public accountability. More specifically, under 'new public management', many countries have shifted from process-oriented to result-oriented performance with an increasing focus on outcomes rather than inputs. Public agencies and employees are required to be accountable for policy outcomes rather than policy processes. This trend toward result-oriented or outcome-driven mode of governance has emerged not only in advanced industrial nations but also in developing countries such as Brazil, Mexico, Malaysia, Botswana, Colombia, Uganda, Costa Rica, Jamaica, Singapore and the Philippines (Haque, 2000:608).

As far as the issue of accountability is concerned, this result-oriented mode of governance is likely to render the existing means of accountability ineffective. First, it is difficult to put such an outcome based system under legislative scrutiny or debate due to the qualitative and controversial nature of public-sector outcomes such as environmental security, poverty alleviation and community development. In addition, a major part of each of these outcomes could be attributed to external factors outside the jurisdiction of government agencies (Irwin, 1996). It is neither possible to monitor the mode of interaction and negotiation between government executives and business managers nor decipher whether the joint ventures or business deals are made in favour of private firms at the expense of public interest.

This is the situation in the US with regard to government contracts with private firms because these contracts have often involved extra-legal tactics and expanded opportunities for kickbacks (Frederickson and Frederickson, 1995; Rubin, 1993). In Malaysia, the question has been raised of whether the recent expansion of partnership and exchange between the public and business sectors may have compromised the impartiality and accountability of the public service (Sarji, 1996: 117) (Haque, 2000: 608-609).

Finally, it is necessary to reinforce the political neutrality of the public service which has come under threat due to increasing ministerial influence and intervention in public personnel matters. In order to minimise politicisation and increase political neutrality, it is necessary to reduce the job insecurity of public servants so that they are less vulnerable to their political heads who determine their careers based on vested political interest. It may be necessary to

rethink the emerging trend of short-term, contract-based appointments offered by ministers or political executives to senior public servants and to restore merit-based appointments and permanent tenure in order to enhance the civil service's immunity to political influence. This policy reversal toward a more meritocratic and permanent public service may minimise ministerial intervention, reduce the politicisation of public employees, and ensure that senior public servants are concerned with public accountability rather than political loyalty (Haque, 2000: 611).

The neoliberal reform features are incompatible with the basic democratic institutions — including participation by the citizens, legislative debate, public opinion, and alternative viewpoint which are essential prerequisites for ensuring government's accountability to the public. In a genuine democracy, these institutions must prevail to guarantee such public accountability that is increasingly under challenge in neoliberal approach to governance (Haque, 2000: 612).

Politics and administrative dichotomy has been and will be a matter of reality. The way in which the politics versus administration debate finds workable solutions will be the issues that need to be resolved. In the South African situation, a neutral public service is a dream. There should be a concerted effort to establish an apolitical and neutral personnel structure. Managerial efficiency, effectiveness as well as productivity enhancement should be of paramount concern among the government departments across the world.

Nepal is the poorest country in the South Asia Region, and one of the poorest countries in the world. The Nepal Development Forum meetings, held in mid-2000 and early 2002, focused heavily on the issues identified below in this paragraph. In preparation for the meetings, considerable analytical work was undertaken by development partners. A Public Expenditure Review was carried out by the World Bank in April 2000. Subsequently, the Government of Nepal itself constituted a Public Expenditure Reform Commission in September 2000 and the Commission's report was published in February 2001. Both documents analysed in detail the key issues and problems with regard to public resource management, and made several specific recommendations to address these shortcomings (Asian Development Bank, 2005: np).

Every country and each department should take a leaf from the above experience and utilise research as a means to provide recommendations and find solutions for the challenges that face public sector administration and management.

Public financial management in Nepal suffered from a number of systemic/institutional weaknesses. The World Bank's Public Expenditure Review concluded that: "There are no simple explanations for the apparent ineffectiveness of public spending in Nepal. A complex web of systemic factors, which cuts across virtually all sectors and projects/programmes have contributed to poor implementation and development results. That report, as well as the government's own Public Expenditure Reform Commission's Report identified and catalogued several major weaknesses, which are summarised below.

They are: deficiencies in the planning, budgeting and expenditure management process, poor institutional arrangements for budgeting and resource allocation, considerable intra-sectoral misallocations and inefficiencies in the use of resources and the lack of ownership of the development programme at the various levels. Funding problems were exacerbated by the poor performance and management of the public sector, particularly public enterprises. In addition governance issues have been a major factor undermining the effectiveness of public spending as well as the duplication of offices and infrastructure at district levels. In a nutshell, an inefficient and unmotivated civil service with ill-matched skills and staffing and dilatory government procedures and practices, have been frequently noted.

Nepal needs to take early action to address short-term budget management problems as well as improve efficiency/effectiveness of public spending over the near to medium term. Looking beyond the immediate problem of managing this year's budget, efforts will be needed to improve resource mobilisation, limited spending (both regular/current and development/capital) on resources and improve the efficiency/effectiveness of public spending. A realistic and credible budget framework as the basis of the annual budget and the MTEF as well as a much tighter resource envelope should be set based on a more realistic projection of likely revenues and aid disbursements (Asian Development Bank, 2005: 54-55). Swift remedial action will lead to improved management and administration thereby restricting inefficiencies and ineffectiveness in the system.

Implementation of a current/capital expenditure classification in line with accepted international Government Financial Statistics (GFS) standards can have important benefits for Nepal. Apart from enabling international comparability of fiscal data, such a classification provides an improved basis for budgeting, evaluating resource needs of projects/programmes in an integrated manner which could make a realistic assessment and improve public resource

management. Cost savings from budget integration, reducing existing practices of over-funding of activity costs through improved unit costing, re-examining/streamlining the role and functions of the public sector and potential cost-savings in various areas/activities were certain identified benefits (Asian Development Bank, 2005: 56-67). Accepting financial prudence in the public sector and avoiding extravagance will assist many countries and departments to balance the budget. Introducing a medium-term framework for the development budget, a realistic and credible budget framework endorsed at the higher political levels, as discussed earlier, is a possible solution.

There are questions about the degree of line ministry involvement in and ownership of the MTEF process. To ensure that the MTEF is fully accepted and effectively used by line ministries, it is necessary to internalise the MTEF preparation and build it into the budget cycle, thereby ensuring effective internalisation. MTEF preparation should begin, based on preliminary sector ceilings, as early as November each year and by line ministry teams, with local consultant inputs only where necessary. Improving cost estimates and moving towards a performance/activity based budgeting and monitoring system would help improve results in this regard. Moreover, integrating (current and capital) budgets is not simply a matter of putting these two budgets together. The eventual efficiency gains/cost savings from budget integration should be significant by reducing the duplication of staff and overheads, rationalisation of activities and inputs, reducing waste and ensuring greater accountability for processes, tasks and outputs. It should also help provide an improved basis for monitoring progress and improving accountability. Nepal has so far opted for a phased adoption of the MTEF approach. It has not spent much time to ensure accuracy of sectoral budget estimates over several years. This would help minimise budget padding and improve cost-effectiveness of sectoral programmes. From the beginning of the MTEF process, a set of prioritisation criteria has been adopted and tailored to meet the country's needs. There is no explicit code to readily identify poverty-focused expenditures. The introduction of a poverty code will help to monitor "pro-poor" expenditures easily. The screening process for purposes of project selection (for inclusion in the MTEF) also needs to be strengthened by critically reviewing costs and benefits of new activities, establishing discipline over the review process and helping to avoid political 'queue jumping', (which happens often, whenever a new government assumes office)(Asian Development Bank, 2005: 54-55). The above examples of countries of various sizes and levels of development may shed light on the South African situation in terms

of budgeting, planning and financial management in the public sector. Officials handling public finance need to advocate cost savings, efficiency, economy and effectiveness.

Achieving operational efficiency is the most challenging aspect of the MTEF at this time of prioritising classification and providing reports on financial and physical/implementation progress which are an attempt to enforce such a system. Linking budgets to outputs and outcomes is a radical departure from a traditional input-oriented budgeting approach. However, while some important benefits have been achieved, (for example, by channelling funds to priorities), the new system still does not work as intended, most of which relates to institutional weaknesses and deficiencies. Although well-equipped to carry out financial monitoring, in terms of accountability for service/output delivery they are not much different from the previous system, in other words, "releases are largely utilized, but without enough accountability for results". The present certification system by appropriate authorities, based on monitoring and supervision by line ministries/departments should continue since they are primarily responsible for the supervision and management of activities under them. However, to ensure credibility of such certification, verification at least on a sample basis and at reasonable intervals by the Financial Comptroller General Office (FCGO) is essential. Even though the FCGO is an independent institution headed by the FCGO and is not under the Ministry of Finance, a major weakness of the FCGO in this regard, apart from inadequate capacity and the absence of a verification orientation, is its relationship with the Ministry of Finance (United Nations Economic Commission for Africa, 2005: 54).

MTEF leads to predictability and will enable calculated forecasting. This will enable governments to plan for a three- to five- year period. Even if new elections are held in a five-year interval, there will be continuity from one administration to the other.

Following the formulation of the Tenth Plan/PRSP, the Government has made new arrangements specifically to monitor poverty. A separate poverty-monitoring unit has been created in the Monitoring and Evaluation Division of the NPC. Compared to the situation several years ago, there are significant improvements in the expenditure reporting process. Key government documents such as budget documents, MTEF, Poverty Reduction Strategy Paper (PRSP), Performance Management Appraisal System (PMAS) and Development Forum documentation are all available on the websites of the Ministry of Finance and NPC. The

Government's budget classification has also been improved with the adoption of the current/capital classification and summary information in the GFS format is also available.

Nepal has made significant progress in addressing problems which hampered cash management earlier. An improved accounting framework and computerisation of Digital Tachograph (DTCOs) now enable comprehensive and timely expenditure reporting and monitoring (Asian Development bank, 2005: 65 – 67). Departments and provincial administrations in South Africa could learn from the above experience. There is always room for review and remedial action to be taken when corrective measures are required in public administration and management.

Public enterprises continue to be a major drain on the budget, which the Government can ill-afford, particularly in view of the difficult fiscal outlook for this year and at least the next few years. PEs' losses could be higher if early actions are not taken to address the problems of the larger enterprises, such as the Nepal Oil Corporation (NOC) and Nepal Electricity Authorities (NEA). Although the Government has so far encouraged NOC to finance its operating losses through bank borrowing and has avoided providing direct government guarantees to lenders, such losses will eventually be a charge on the Government budget. Public enterprises and state owned enterprises run into losses. Governments should not simply write off such losses. Thorough investigations should be carried out and corrective actions taken. Turn around strategies should be developed for their sustainability.

The decentralisation process in Nepal has lost momentum due to the absence of elected local bodies and the effects of conflict and lack of a political environment which is genuinely supportive of decentralisation. In the past, the momentum for decentralisation has primarily come from a few important sources: pressure from the top by political parties and leaders; demand from bottom up from elected local bodies, their representatives and associations; and from external donors and other stakeholders who viewed decentralisation as an important instrument to improve rural services and reduce poverty (Asian Development bank, 2005:68).

In the South African context, similar to the above decentralisation, provincial administration could be viewed in terms of rural development. Provincial governments could engage the local sphere of government to provide services in terms of communities to reduce poverty in South Africa. The fact that resources are scarce means they have to be utilised in a way that minimises costs and (maximises benefits) and to make sure that the goals of government are

realised (effectiveness). This is the essence of financial prudence. The most critical institutions of the government include the following: Legislature, Auditor General, the public protector, members of the executive authority, members of the administrative authority and the Reserve Bank. In order for public financial management to be effective, several key public functionaries must work in unison (but not necessarily together) towards the aforementioned common objective(s) (Nsingo, 2007:42) Various authors have identified the above key role players in public financial management. In 2006, the Centre on Budget and Policy Priorities (CBPP) conducted a 122 question multiple-choice survey of 59 countries, including Morocco, to assess the availability of the data that would allow government transparency and financial accountability to exist. Of these, ten (Angola, Bolivia, Burkina Faso, Chad, Egypt, Mongolia, Morocco, Nicaragua, Nigeria & Vietman) were at the very bottom. Four countries (Bolivia, Morocco, Nicaragua, and Nigeria) do make their proposed budget publicly available before adoption but they provide only a minimum information to the public (Lynch & Sun, 2008: 610).

The North West provincial administration take cognisance of the international experience and adapt their best practice elements in order to be transparent and accountable to the citizens. With economies becoming integrated, ignoring key tests of quality in public financial management even on the part of a few countries and its adverse consequences will have swift global impact. Budget balance and performance deficit are two key tests of the health of public finance management. While efforts have been made in certain countries (especially in the OECD countries) to move towards various budgeting techniques such as result-oriented budgeting, allocation of resources by outputs/outcomes or programme budgeting with built-in performance measures and goals, very few countries have made necessary changes to the budget allocation process to connect to the output outcome or result. The emphasis is still on capping the inputs and controlling the quantitative use of resources allocated (Srivastava & Sankar, 2012:152). Budgeting is gaining the attention it deserves. Government officials should have adequate knowledge of the various techniques and tools. An appropriate model should be selected for budgeting purposes.

Actual budgetary balance was abandoned as an operative norm in most OECD countries since it was deemed more important to balance the economy than to balance the budget. Thus by the 1980s, the industrialised countries adopted budget norms that became insular and limited. The primary objective of the budget process should be to manage expenditure within fixed

targets. Balancing of the budget by interventionists policies became secondary (Srivastava & Sankar, 2012:144 - 145). Balancing the budget is both an art and a science. Government officials should master it. A few years before the current financial crisis became global, a number of countries realised the need to restrict the budget deficit to safe limits. It is generally accepted that the safe limits are related to the anticipated output growth (Srivastava & Sankar, 2012:146). The national budget takes care of the anticipated growth and the safe limits of budget deficit.

Public budgeting involves choices among ends and means. Public budgeting shares many characteristics with budgeting in the private sector, but it often requires the application of criteria different from those used by private organisations. Chief among these differences is that few public sector decisions can be assessed in terms of profit and loss. Private sector decisions, on the other hand, ultimately must consider the long-run profit or loss condition of the firm. Budgeting systems involve the organisation of information for making choices and the structure of decision-making processes. Public budgeting systems have evolved as one means of holding government accountable for its actions. Budgetary procedures are developed to hold the government in general accountable to the public, the executive branch accountable to the legislature, and subordinates accountable to their managers. Budgetary procedures are also developed to specify what the executive is accountable for. Concern for the financial solvency of some city governments and the size of the federal budget deficit and total debt have led to reform proposals to use budgeting as a device for holding governments accountable for their long financial position (Robert, Ronald & Phillip, 2008:24-25).

Public sector budgeting is about making choices in the best interests of the society. Democratic governments have to account to the people. What we should be aiming for is a less consensual and less socially and intellectually homogeneous set of institutional arrangements than we currently see in apex policy forums. More heterogeneous forums that at least attempt to realise some degree of deliberative equality (Slaughter, 2004) would constitute a reasonable first step towards achieving a more inclusive, socially aware and progressive system of global financial governance. Such a move would at least ensure sustaining the threshold. The citizens were unable to engage in a critical evaluation of the reasonable alternatives. Ultimately, active efforts to include a broader range of intellectual perspectives in apex policy forums would challenge the king of G7 complacency by subjecting

government proposals and initiatives to a greater degree of critical scrutiny (Underhill, Blom & Mugge, and 2010:73).

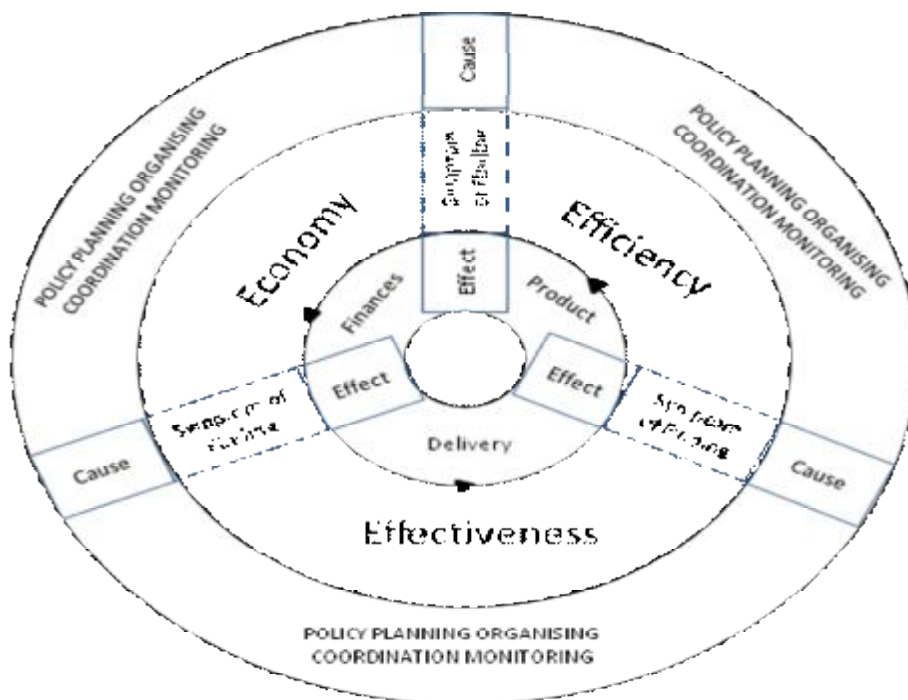
A budget presented in the legislature is debated by all parties represented in the House. Thus input from various interested groups makes it an inclusive policy document. In general, a budget shows the financial accounts of the previous year, the budget and revised estimates of the current year, and the budget estimates of the coming years are split up into two parts – those based upon assumption that the current year’s taxes and their rates, and expenditure policy, would continue, and those based upon the proposed changes therein. A budget, in a sense, becomes both a description of the fiscal policies of the government and the financial plans corresponding to them (Chand, 2008:497). The budget document is an all-inclusive document as illustrated above.

3. 6 Economy, Efficiency and Effectiveness

The following illustrations highlight the concepts of economy, efficiency and effectiveness:

Figure: 1- Economy, efficiency and effectiveness

(Figure: adapted from Performance Auditing by Prinsloo and Roos)



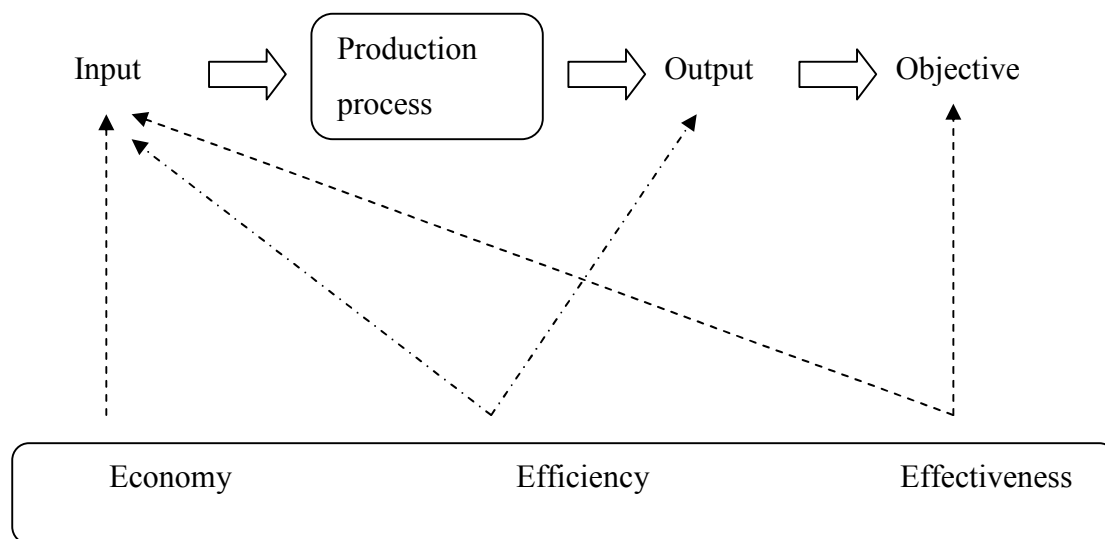
Adapted from Prinsloo Roos (2009: 55)

The concepts of economy, efficiency and effectiveness are working as an integral part of the system to derive value for money in service delivery. Proper policy planning, organising, co-ordination and the monitoring of support and evaluation of outcomes as well as output are essential. Remedial action should be taken promptly. Managers should be aware of the cause and effect theory. Resources, including finances spent optimally will determine the delivery of services or products. Managers should be aware of the symptoms or have early warning systems in place and be proactive. The wheel of time will keep on moving. Time is money. The auditors will also use the above wheel to determine the economy, efficiency and effectiveness of any goods or services procured. There should be no wasteful, irregular or fruitless expenditure. Productivity enhancement and clean audit are the main goals.

3. 6. 1 Economy:

The practice of sound housekeeping and the virtue of thrift should be in place. An economical operation acquires resources of appropriate quality and quantity at the least cost.

Figure: 2 - Economy in terms of the input-output model



(Adapted: Prinsloo & Roos, 2009: 55)

According to Prinsloo and Roos (2009:55), economy (such as efficiency and effectiveness) is best understood in terms of the input-output model, which is applied by way of example in a service-delivery context, with four dimensions: inputs, processes/activities, outputs and objectives.

Prinsloo and Roos (2009:56) further note that economy is the first of the three E's and deals with the input element of the input-output model. Input relates to the resources procured or recruited (in the case of personnel) and the cost involved. The resources can include goods, services, information, and information technology as well as human and financial resources. The theory behind the model is that input (resources) is acquired (at a cost) and converted into output (goods, services and other products). The output, therefore, is the first level of delivery, also sometimes referred to as deliverables. These goods, services and other products are intended to achieve specific desired objectives (second level of achievement). Economical procurement and recruitment, therefore, lay the foundation for the efficient utilisation of resources (input: output relationship) as well as the effective utilisation of resources (input: objective relationship).

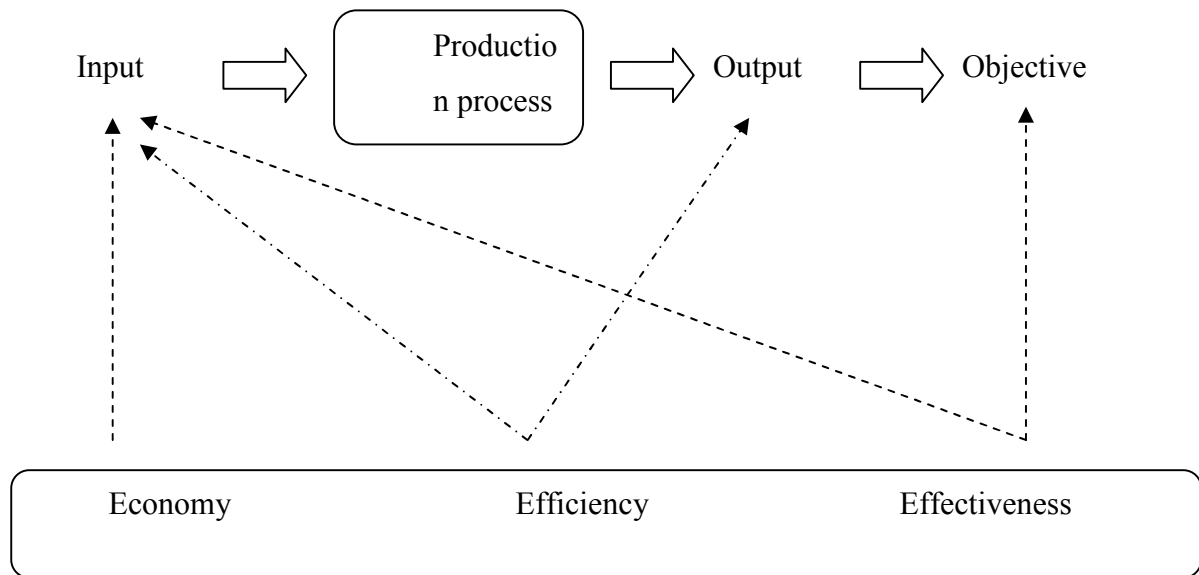
Public officials need to use the resources in the most economical way by sourcing goods and services of the right quality and quantity at the cheapest possible cost. Exact specifications need to be developed. Sometimes the cheapest may not be the best quality. Durability, reliability, dependability, assurance of quality after sales service and maintenance, service level agreements and other conditions need to be considered by public officials.

3. 6. 2 Efficiency

To ensure that the maximum useful output is gained from the resources devoted to each activity or, alternatively, only the minimum level of energy and work is used for a given level of output.

Public servants have an obligation to use scarce resources optimally deriving value for money spent for the benefit of the public. Considering the level of poverty and unemployment in developing countries such as South Africa, officials have to be prudent in spending tax payer's money. Public Finance Management and auditing would result in the efficient utilisation of resources to achieve the desired outputs.

Figure: 3 - Efficiency in terms of the input-output model



(Adapted: Prinsloo & Roos, 2009: 66)

Prinsloo and Roos (2009: 66-67) assert that efficiency becomes important if it is taken into consideration that the resources available to deliver services are far less than what the public demands in terms of service delivery. Efficiency (also called “productivity”) relates to the process of converting input into output to deliver a service or to achieve specific objectives. It describes the relationship between input and output. Output can be defined as the first level of delivery, be it, *inter alia*, goods produced or training personnel. This level should be distinguished from second level of output, which is the achievement of the objectives of the institution, a programme, project or system that is important in relation to the effectiveness of an organisation.

A process is managed efficiently if the relationship between input (resources) and output is optimal. Thus, the relationship between the output of the programme, project or system and the resources (input) used to produce it, are measured in terms of the efficient utilisation of resources, and often referred to as “productivity”. Various performance ratios can be calculated. Efficiency can be measured in terms of the output divided by the total cost of the input which is known as cost efficiency. An increase or a decrease in efficiency is expressed as a percentage. It is, therefore, possible to say, for example, that the efficiency has increased / decreased by 1, 5 per cent per year over the last three years (Prinsloo & Roos, 2009: 67). In the same way, the time (calculated, for example, in number of working hours) it takes to

produce an output unit (the inversion of labour efficiency) is an often quoted performance ratio of efficiency. This ratio could be compared, for example, between different periods, different departments of an institution (Prinsloo & Roos, 2009: 67).

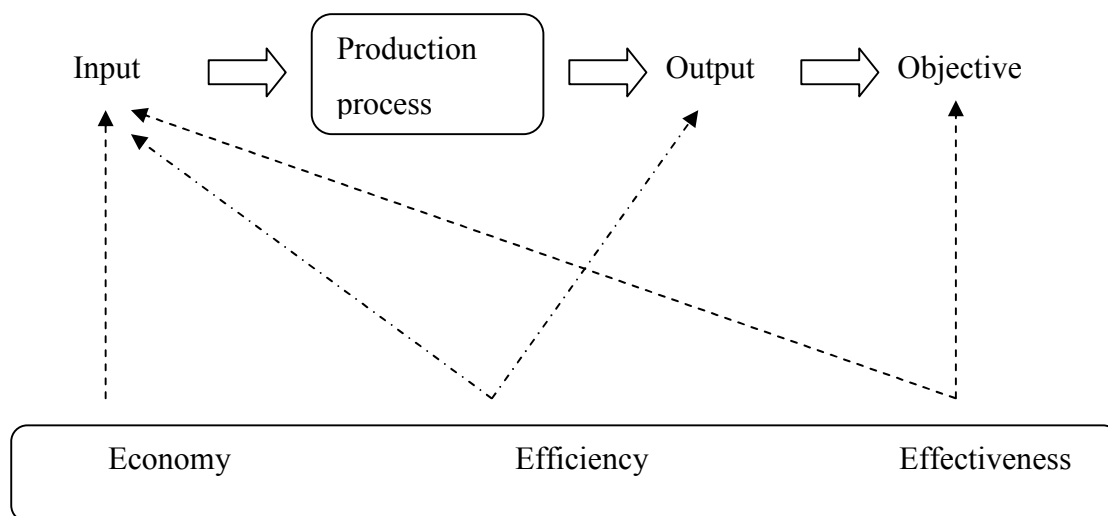
Where economy deals with the procurement of resources, efficiency (and effectiveness) deals with the utilisation of resources (Prinsloo & Roos, 2009: 67). The auditing of efficiency is primarily concerned with reviewing costs and resources used in relation to output. The optimal utilisation of resources is associated with the following attributes, namely: maximisation of output with given input and achievement of the same output by minimising input (Prinsloo & Roos, 2009: 67 – 68).

Generally efficiency can be improved by reviewing policies related to inventories, the training of staff and utilisation of technology (Prinsloo & Roos, 2009: 68).

3. 6. 3 Effectiveness

Ensuring that output from any given activity is achieving the desired result (Coombs & Jenkins, 2002: 2).

Figure: 4- Effectiveness in terms of the input-output model



(Adapted: Prinsloo & Roos, 2009: 76)

Effectiveness refers to the extent to which an institution achieves its policy objectives, operational goals and other intended effects. This definition may seem straightforward, but in

practice it can present many challenges. It should be clear that effectiveness is the most crucial of the three E's. There is no point in an institution executing their tasks properly but incorrectly. For example, it is fruitless for an institution to provide vocational training for its employees that is both economical and efficient, but it is not relevant to the institution's mandate (Prinsloo & Roos, 2009: 75).

The above figure highlights that effectiveness is the relationship between inputs and objectives; hence the often heard-term "cost effectiveness" (Prinsloo & Roos, 2009: 8). In summary, the above figures clearly illustrate that managers have to decide on how resources are allocated to achieve pre-determined objectives. Auditors examine the use of resources (economy) and the results of management action (outputs) in order to determine the minimum cost to achieve the desired objectives. It has to also assess the long term impact (outcomes) of management action. This can be done by comparing outputs against the resources used (efficiency), outputs against objectives or outcomes against objectives (effectiveness). The auditors undertake appraisal or evaluation.

3. 7 Internal audit

Management has the responsibility to establish internal controls so that activities are conducted in an effective and efficient manner. Internal control comprises the whole system of controls and methods both financial and otherwise that are established by management, including internal audit (Lloyd, 2001:11).

Internal audit is mainly concerned with the three E's, namely: economy, efficiency and effectiveness. Another role of internal audit is to evaluate the efficiency of resource utilisation and the means put in place to achieve the department's pre-determined objectives.

3. 8 External audit

The external audit of central government is the responsibility of the Comptroller and Auditor General(C&AG). The (C&AG) is head of the National Audit Office (NAO) and appointed auditor for all government departments, executive agencies and many Non-Departmental Public Body (NDPBs) (Lloyd, 2001:12).

The external audit entails an evaluation of the resources and objectives pursued as per government policy and present a detailed report to the relevant legislature.

3. 9 Legislative framework of performance auditing

The concept of performance management is clearly established in legislation in South Africa. South Africa's Constitution of 1996 (Constitution) introduced a new political dispensation. However, a large percentage of the South African historically disadvantaged are aware that the Constitution introduced a new dispensation relating to the management of resources for public administration. Section 195 of the Constitution stipulates the promotion of the efficient, economic and effective use of resources as one of the democratic values and principles of public administration (South Africa, 1996: n. p.).

The PFMA stipulates that annual financial statements (AFS) must be submitted to the treasury and the Auditor-General by the departments after the closure of the financial year on a specified date. The annual report against the approved annual performance plan has to also be submitted to the legislature. The managers have to perform regular reconciliation, monitoring and support. Internal auditing is performed before external auditing is conducted.

3. 10 Accounting officer accountability

The Public Finance Management Act, 1 of 1999 (PFMA) assigns responsibility for the economic, efficient and effective use of resources to the accounting officers of the various national and provincial departments and public entities under their control, trading entities and constitutional institutions (chapter 5, sections 38 and chapter 6, section 51). However, it is the responsibility of the accounting officers as well as officials to ensure the economic, efficient and effective use of the resources (chapter 5, section 45 and chapter 6, section 57). In addition, the Treasury Regulations, issued in terms of the PFMA, and other prescripts and guidelines issued by National Treasury include numerous references to improved performance management.

Sections 40 and 55 of the PFMA require accounting offices to report in the annual report on, amongst other, the performance of the institution against predetermined objectives. The head of department is the accounting officer of the department who may delegate duties to the Chief Financial Officer or other managers in the department. Though they take responsibility for the respective cost centres of the delegated functions, the head of department is accountable for its administration. The Member of the Executive Council (MEC) or the Minister is politically accountable. The legislature has the oversight responsibility.

3. 11 Internal and external auditors mandate

The external auditors mandate in the public sector is set out in the Public Audit Act, 25 of 2004. Section 20(3) of the Public Audit Act, 2004 provides that the Auditor-General: may report on whether the auditee's resources were procured economically and utilised efficiently and effectively.

This mandate is applicable to all spheres of government, in other words, national, provincial and local government. Treasury Regulations 3. 2. 12, issued in terms of the PFMA, provide that the internal audit function should assist the accounting officer in achieving the objectives of the institution by, *inter alia*, evaluating and developing recommendations for the enhancement or improvement of the process through which the accomplishment of objectives is monitored and accountability is ensured. As indicated above, the accountability of accounting officers include the economic procurement and efficient and effective utilisation of resources. Therefore, there can be no doubt as to the responsibility of the internal auditor to report on the extent to which management measures ensure the economic procurement and efficient and effective utilisation of resources.

The importance of internal control in the South African Government sector was brought to the fore and re-emphasised with the issue in 1999 of the Public Finance Management Act (Act 1/1999 as amended by act 29/29) (PFMA). In a list of 14 primary responsibilities of accounting officers, the first responsibility emphasised the implementation and maintenance of "effective, efficient and transparent systems of financial and risk management and internal control".

An organisation's internal control system includes the processes, procedures, actions and policies effected by the organisation's management and personnel designed to provide reasonable assurance regarding the achievement of objectives relating to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws and regulations. However, it is generally accepted that the effectiveness of any system of internal control is exposed because of the presence of inherent internal control limitations. It follows logically from the related theory that different systems of internal control are implemented in different environments and are influenced by subjective characteristics such as attitudes, integrity, ethical values, and so forth. Therefore, the extents to which the inherent internal control limitations are present in a particular internal control system can and do differ.

The threat posed by inherent internal control limitations can never be eliminated, but it can be minimised - it can be kept in check (Botha, Mervitz & Malan 2003:51, 58)

Control is one of the most important aspects of the management principles, which is also applicable to the auditing process. The North West provincial departments should take this function seriously so that timely interventions and corrective measures can be taken as soon as gaps are detected.

3. 12 Definition: performance auditing

According to the South African Institute for Chartered Accountants (SAICA) (n. d, page 4), a performance audit: may be described as an independent auditing process aimed at evaluating the measures instituted by management, or the lack of these measures thereby ensuring economical acquisition of resources effective and efficient utilisation, report on the acquisition and use of resources to management or the relevant authority. The key words are: “ensure”, “independent”, “process”, “measures instituted by management”, “resources”, economically, “efficiently”, and “effectively”.

3. 13 Necessity for performance auditing

One of the most important reasons for performance auditing is to enable the government to demonstrate that public accountability responsibilities have been fulfilled. Public accountability means that those put in charge of government programmes are held responsible for the economic, efficient and effective running of these programmes. Accountability also presupposes that the activities of such programmes are open to public scrutiny. The results of performance audits that have been conducted provide an important way for taxpayers, financiers, members of the national, provincial and local legislatures, ordinary citizens and the media to obtain insight into the management of different government programmes and activities (Prinsloo & Roos, 2009: 4). Significant legislation affecting accountability in the Public Sector has been implemented since 1994.

The most significant elements are:

The Constitution of 1996 provides for three spheres of government, namely: national, provincial and local. The Act stipulates that all spheres of government and organs within each sphere should provide efficient, transparent, accountable and coherent government for the

country as a whole. Furthermore, the Constitution guarantees the independence of the Auditor-General (Section 181 (1) (e)) and requires common norms and standards be developed for the three spheres of government.

Another significant achievement has been the implementation of the Public Finance Management Act of 1999 (Act I of 1999). The Act came into effect on 1 April 2000. In the said Act the accountability chain in Public Service is clearly defined. The aim of the Act is to modernise the system of financial management in the public sector by giving managers the freedom to manage, while holding them accountable for the resources they use by serving suitable penalties. The focus is on removing the obstacles to deliver better services.

A further development that may impact positively on government in South Africa is the right to public access of information. The Promotion of Access to Information Act (PAIA) came into effect in March 2001. The Act was promulgated to give effect to any information. The Act effectively empowers anyone (inclusive of the citizenry) to scrutinise public bodies that affect rights (Roos, 2002: 4).

A cornerstone of democracy is public accountability. The common man should have access to information, which is guaranteed by the South African Constitution.

The government has established public service agreements covering the whole of the public sector setting explicit aims, objectives and targets to be achieved with any funding provided to government departments (Coombs & Jenkins (2002: 3). Concurrently, a system of output and performance analysis would run to measure the success of the funding and delivery to match the original aims and objectives of the programmes. Public sector managers are under pressure due to various reasons to perform and deliver both individually and collectively. The financial systems often produce published accounts rather than the financial information needed for operational manager's decision-making aids. To add to the woes the objectives in the public sector often are either difficult to state or ambiguous. The political consequences of particular decisions may undermine the electoral chances of the party in power. All these are some of the challenges to be overcome by the public manager. Therefore, management accounting information should be provided to service managers on time, accurately and in detail to enable them make the decision-making process appropriate and relevant, bearing in mind that management accounting is not seen as synonymous with financial management (Coombs & Jenkins, 2002: 3).

Currently Britain is also in the process of modernising its government. Various reform initiatives are in place. In the era of e-governance and paperless government, there is always room for improvement. Citizens are also enlightened about their rights. Access to information, transparency and accountability are cornerstones of democratic governments. Governments have to account to voters. Former British colonies and members of the Commonwealth countries have similar public finance management system and policies. Australia, New Zealand, Canada and other countries were consulted and bench marked before the PFMA was enacted in South Africa. The intentions are noble, but the implementers are not committed and dedicated. This is evident from research articles quoted elsewhere in this thesis.

3. 14 Accountability in the public sector

According to Thornhill (2012: 101), public accountability can be maintained by inculcating positive attitudes towards providing a public service, and consequently a sense of accountability by both the political office bears and officials will be necessary to take precautions to prevent possible misdemeanours. Public accountability can be upheld through the legislatures, through judicial institutions, and through work procedures (Thornhill, 2012: 101 – 1050). Gildenhuis 2015: 56 - 58) explains accountability as a responsibility, accountability as a cause, and accountability as an obligation. It is noted that public accountability goes hand in hand with representative democracy with its commitment rights of citizens and obligations for political representatives and public officials (Gildenhuis, 2015: 56 – 58).

Accountability in the public sector is carried out in various forms and at different levels. The political head of a department is accountable to employ senior management service members. However, the head of the department is accountable for finances, which may be delegated to the chief financial officer or other chief directors or directors. Through delegation, responsibility is passed on to others but the accounting officer, who is the head of the department, remains accountable for the proper use of finance.

3. 14. 1 Meaning of accountability

Public accountability is one of the greatest challenges facing government. Democracy and accountability go hand in hand, therefore, democracy does not end with the election of those

who are given delegated power to run the country's affairs, but continues with the enduring obligation of the elected to give a satisfactory explanation and justification of their conduct. So, democratic society depends upon a system of public management which is accountable, open and transparent (Younis and Mostafa, 2000: 3).

It is important to analyse the meaning of accountability. Younis and Mostafa (2000: 3) note that democratic society depends upon a system of public management, which is accountable, open and transparent. Younis and Mostafa reached several conclusions after reviewing the various meanings of accountability; that it refers to the role relationship among citizens, public policy, political leadership and public officials; that it is an agreed language of discourse about conduct and performance and the criteria that should be used in assessing them; that it concerns answerability, responsiveness, perceptions and power, openness; that it is a socio-political process; that it is concerned with the concepts of legality, responsibility and sanctions; that it involves cost, dedication, loyalty and high professional and moral/ethical standards and; involves a number of interrelated internal control and performance evaluation attributes (Younis & Mostafa, 2000: 11-12). Accountability is the obligation to account for responsibilities bestowed up on an individual including all the resources under the control of departments which include the performance management and its accountability.

3. 14. 2 Discourses of accountability

The discourses of accountability include: strategies and processes of accountability - political accountability, enforcing accountability, rule of law, managerial accountability, actors, and arenas of accountability – public accountability and corporate accountability, among others. The concept of accountability is crucial and so is the relationship between citizenship, participation and accountability. It is citizenship that brings accountability and participation together. Power is placed centrally – the power to define accountability, and the power to create and enforce the mechanisms of accountability (Newell & Bellour, 2002:3 - 23).

Transparency is as crucial as accountability for democracy to be sustained. Public management or administration depends on public trust. Folscher (2002: 1-2) states that the notion of transparency has long been a principle of public finance management theory. It is an obvious pre-requisite for accountability, which in turn is required to provide a check on the behaviour of decision-makers.

The administration or management of the public sector does not exist in a vacuum; the public, the political leadership of government and its public services are closely tied to each other by institutional arrangements and political interaction. The business of government is embedded in politics. The system of accountability forms the key link between the administration of government and the political system (Hughes, 2003: 236, 254).

Public law underpins democratic administration. However, two traditions compete in current public administration: the public law heritage and a more generic but powerful management legacy most recently articulated in the movement to reinvent government. To avoid a diffusion of public, it is the public law principles that ought to govern the design of public implementation structures and guide attendant decision making, even in privatised arrangements. Good management practice such as paying attention to customer adherence to public law serves as the distinguishing feature separating the private from public organisation. Public accountability requires that governmental functions and tasks be performed inherently by government officers and their government-employed subordinates. The purpose of agency management is to implement law. Policy and programme objectives agreed to incorporate in legislation and subject to reasonable and articulate standards of measurement and compliance, facilitate effective implementation. The elected chief executive is responsible for the execution of the laws. Wallace Sayre's "law" is still apt: Public and private management is fundamentally alike in all unimportant respects (Allison, 1996:291). Efficiency and effectiveness alone are not the only public administration standards available to measure the success of privatization. The accountability inherent in public law that relates to the safeguarding of democratic, constitutional administration should have an equal place at the privatization policy-implementation table. If public accountability is to become a private responsibility, the full costs and actual success of privatization through contracting can only be gauged accurately when it is understood how private administrators and administrative systems measure up to public law criteria (Rainey & Steinbauer, 1999:1).

Public administration is dynamic and evolving. New management styles and methodology as well as consideration given to the people first philosophy all lead to public accountability. The public sector out-sources goods and services through the involvement of private sector contractors. Therefore, in implementing public law such as the PFMA, it requires public accountability and private accountability.

Challenges regarding representivity are:

“Both national departments and the provinces pointed to the fact that weaknesses in the structures and practice of inter-government relations, create incapacity to implement national programmes and a (potential) consequent failure to deliver basic services” (AAC Report, 2000:19). This is exacerbated by poor information flow and lack of communication between IGR structures that often results in contradictory and duplicatory decision-making. At local level a distrust of local government contributes to dissatisfaction with service delivery (AAC Report, 2000:19). The reported distrust of officials by the community/citizenry seems to be borne out by other studies (HSRC & Houston, 2000: 12- 29).

Regular stakeholder consultations are necessary to eradicate any mistrust among public service officials and communities. Since there are three spheres of government, there is room for duplication of efforts and contradictory decision-making. Structured and regular discussions can build trust and create synergy and avoid wasting time and effort. Service delivery could be speeded up.

Mokgoro (2000:142) argues: “We require a leadership with the ability to think strategically, a leadership that is flexible, and a leadership with an African and global look and a leadership that can build teams. We need a leadership that believes in and practices participative management by making people take responsibility”. It is clear that South Africans have to focus on this much more if a stable and productive people-orientated service delivery environment is to be achieved over the next few years. There may have been some successes but there is certainly little reason to be complacent.

Empowerment, capacity building at senior and middle management levels and retraining should form part of the corrective action. Such training should aim to equip managers and workers to deal with disputes and conflict (Liebenberg & Roos, 2003:32).

Lack of accountability frequently results in problems of legitimacy that trigger conflict(s). Various bodies have been established (some of them constitutionally enshrined) to ensure accountability. Instituting these bodies is a major achievement. Making them work and providing the negotiation skill and dispute regulating capabilities through training remains a future challenge (Cutcliffe *et al.* , 1999:374). Training and development of officials at all levels of the public administration, politicians, legislature members, members of the executive,

and even the judiciary should be given appropriate training after a competency-based skills audit. Competent officials will have to take responsibility of their functions, performance of their departments and be accountable to all aspects of the office and duties.

3. 15 Management in the public sector

Sustainable economic development can only be attained through sound financial management. The credibility of government will be lost if irregularity and mismanagement are detected.

Steiss and Nwagwu (2001: iii), note that the basic responsibility in any organisation is to reduce uncertainty and to bring risk within tolerable limits to improve the rational bases on which decisions can and should be made and an important approach to the very responsibility is the application of techniques of financial planning and management. The three fundamental requirements are as follows:

- (1) cash management, including the analysis of revenue sources and expenditures, cash mobilisation, forecasting, and investment strategies;
- (2) financial planning, focusing on cost analysis techniques, budgeting, and capital resource management; and
- (3) management control, dealing with financial accounting, fund accounting, budgetary accounting, and cost and managerial accounting including information management and decision-support systems appropriate to sustain all basic processes (Steiss & Nwagwu, 2001: iii).

The increasingly tight fiscal environment in which all governments operate is forcing the recasting of financial management within the context of “re-engineered” government. Governments are seeking linkages between resource allocations and value added for their citizens and other stakeholders. This trend is promoting innovations in operations as well as increased transparency in reporting, not only in the Western democracies, but in emerging states as well. A global economy puts pressures on all governments to manage scarce resources wisely, across all facets of financial management (Frank, 2006: xiv).

Planning and budgeting are the starting points of effective financial management. Transformation of the budgetary process is taking place through various stakeholder inputs and participation. This is highlighted in the following paragraphs.

3. 16 Budgetary function reform

Bradford (2003: 93) observes that the most important ideas students encountered in *The Theory of Public Finance* was the conceptual division of the government's budget into *Allocation, Distribution and Stabilisation Branches*. It is to the consolidation of the sub-budgets of these three branches, each informative about the function served, that Musgrave refers to in the following quotation:

“The administrative case for budget consolidation is self-evident ... But this consolidation is a matter of administrative expediency only; we must not lose sight of the basic principle that the consolidated budget has no rationale on its own. Consolidation, to be sure, presents no dangers in our imaginary model of efficient budgeting. But in the real world the matter is regarded differently; there the tendency is to view the budget in consolidated terms from the outset, and thus to confuse the underlying issues in the planning stage” (Musgrave n. d. : n. p.), *The Theory of Public Finance* (emphasis on the original).

Cnossen and Sinn (2003: n. p.) acknowledge that Musgrave is considered to be the founding father of modern public economics. He belongs to the intellectual tradition that views government as an instrument that can be used to correct market failure and to establish the society that people want (Cnossen& Sinn, 2003:n. p.).

It is suggested that progress towards Musgrave's ideal of a more informative budgetary “language” – one less dependent on arbitrary institutional labelling – should be based on the non-arbitrary description of the individual's economic environment, as it is affected by government. As a first approximation, this environment can be summed up in terms of the individual's budget constraints and levels of public goods provided. Simple models suggest that an unambiguous budgetary language may be feasible, but there remains much to clarify about both objectives of the exercise and the specifics of methods to deal with particular problems (Cnossen& Sinn, 2003: xiii). Strategic planning and budgeting are crucial in terms of public sector department's responsibilities towards citizens and society. Public sector departments are for society's good. Optimal utilisation of resources in an economic, efficient and effective way is expected.

3. 17 Public sector reform challenges in developing countries

Shah (2005: 154- 156) gives a list of some of the common governance and administrative weaknesses identified in the developing world as follows: Governments are shown to suffer from weak personnel and systems capacities, due to insufficient skill bases, low compensation, and poor human resource and organisational policies (Shah, 2005: 155).

It should be borne in mind that even though organisational theory has developed beyond its initial classical roots, the same principles still guide public organisations, namely: that organisations are created for a specific purpose; are staffed by people responsible for delivering on that purpose; and that the delivery thereof can only be achieved if the interrelationships between employees and employers are built on the principles of creating opportunity to show ability and providing motivation for commitment towards service delivery (Van Dijk, 2005: 529).

Shah (2005: 155) asserts that developing country governments are portrayed as hierarchical, centralised and top-down. Such structures emphasise control in the governance process and require role players to adhere to process above all else. It is further mentioned as argued by Peters (1996), that governments are organised according to the classic bureaucratic model which emphasises permanence (of process and position) and non-innovation, entrenching unproductive and unresponsive production processes and limiting potential for change (Shah, 2005: 155). It is observed that public entities in the developing world are uncompetitive and use inefficient production processes having no incentives to do otherwise (Shah, 2005: 155). The social exclusion is based on processes and normal professionalism, which is internally biased with non-responsive incentive structures (Shah, 2005: 154). Weak internal evaluation mechanisms and the lack of evaluation entities in civil society (external social evaluation) of government performance is another reform challenge (Shah, 2005: 154-156).

It is common in developing countries, that there are human capacity constraints. In South Africa, skills development and human resource development should receive priority. The government departments need to be transformed into learning organisations and modern technology needs to be installed. In managing public finance, systems can also be installed while expertise at operational, management and executive level are required. Training and development as well as capacity building programmes need to be rolled out.

3. 18 Guidelines for effective financial management

Bettucci (2000: iii) the Director, Division for Public Economics and Public Administration, Department of Economic and Social Affairs at the United Nations, in the foreword to the publication, “Economic Governance: Guidelines for Effective Financial Management” argues extensively on ways and means to improve effectiveness of financial management.

Developing countries and countries with economies in transition have recognised the need to reorient their tax systems and strengthen their administrative capacity with a view to closing the “compliance gap”, being the gap between actual and potential revenues. While tax reform has generally come to mean the redistribution of existing burdens downward, cutting back tax expenditures and broadening the tax base. In recent years, these policies have been pursued in the context of intense competition for capital investment consequent upon globalisation of financial markets (Bertucci, 2000: iii).

Another important constituent of economic governance is public expenditure management, its approaches and recommendations are anchored in the economic, social, and administrative and implementation capacity realities of the country concerned. With a view to ensuring that the government’s financial resources are used lawfully, efficiently and effectively and with transparency and accountability, it would be necessary to devise strategic methods of public financial management and control (Bertucci, 2000:iii).

A tight fiscal policy to rein in monetary growth and so decrease inflation has been a central element of the reform programme throughout the period, and led to the introduction of a cash budget since 1993. This stance may be defined from a poverty reduction perspective by arguing that: (1) stabilisation is necessary for growth, which in turn is necessary for poverty reduction; and (2) the poor are the main victims of inflation (White and Dijkstra, 2003: 408). White and Dijkstra further concur with Hill and McPherson’s statement that government can help the poor by spending less (1998).

In the paper titled: “The Application of Good Governance in Public Financial Management” delivered during the 1st Public Administration Conference held during the 30th June 2006 at the University of Pretoria, the following concluding remarks were made: “A government holds both political and administrative power over public resources. Given this combination of power, good governance becomes a critical factor in the financial management of the public

sector. Good governance entails that government should ensure the economic stability, redistribution and achievement of development goals by acting responsibly, participatively, transparently and accountably (Fourie, 2006: n. p). ”

There is a strong relationship between effective financial management and development outcomes. It is appreciated that the mechanisms that the public sector put into place to monitor itself are of great importance. The Office of the Auditor-General, the Public Protector, the Public Service Commission as well as other investigative units as examples fulfil a vital role in holding public officials accountable for financial management and expenditure. The separation of powers of the three arms of the state, namely, the Legislature, the Executive and the Judiciary should be respected as they monitor and regulate each other, it was stressed (Fourie, 2006: n. p).

Most countries are faced with the challenges of urbanisation. Service delivery by spheres of government should take place at local level. Therefore, an examination of urban finance is essential without which any discussion of public sector finance would be incomplete.

Urbanisation is an ongoing phenomenon all over the world. Therefore, it is appropriate to look at the issue of urban public finance especially in developing countries. Bahl and Linn (1992: n. p) edited the book ‘Urban Public Finance in Developing Countries’ for and on behalf of the World Bank. According to Bahl and Linn (1992: 470), theory and comparison of theory with practice, and analysis of the effects of various local financing and expenditure practices provide some lessons for policy. The following are elected themes:

- (i) Precise fiscal decentralisation in developing countries depends on a difficult trade-off between maintaining central flexibility to carry out macro-economic and equalisation objectives, on the one hand, and improving the delivery of services in urban areas, on the other.
- (ii) The success of a strategy for fiscal decentralisation depends on giving local governments some degree of financial autonomy. Large cities are in the best position to use the autonomy to improve service delivery and augment the overall mobilisation of resources for the public sector.

- (iii) Local government taxes are most effective when focused on the revenue-raising objectives. “Keep it simple” and “Leave allocative and equity objectives to higher levels of governments and to the expenditure side of the budget” are good rules of thumb.
- (iv) Tax bases, which are “natural” for local governments, include real property, business licenses, and automobile use. In some cases, consumption and earnings are appropriate.
- (v) User charges for urban services are an excellent source of local revenue. They can usually be structured in such a way to meet revenue, efficiency, and equity objectives.
- (vi) Intergovernmental transfers are also an appropriate component of local financing systems, but these should be designed so they do not discourage efforts to levy local taxes and user charges. The right balance in financing sources depends on expenditure responsibilities assigned.
- (vii) There is no “optimal” form of local governance in developing countries. It is important to match local government structure to the objectives, which the national government most wants to achieve (Bahl & Linn, 1992: 470).

The different spheres of government and the synchronisation of intergovernmental functions as well as avoidance of duplication of efforts are of paramount importance. The voters are residents of local government. If service delivery is impeded at that sphere and tax burden increases, the citizens will develop negative perceptions of their governments.

Bahl and Linn (1992:470) argue that the strengthening of local government finance is an objective that occupies centre stage in the policy discussions in most developing countries today and there are by now few open advocates of increased centralisation. It is hoped that the local finance policy as applicable to the management of urban finances would be improved from the lessons learnt.

Constitutions and financial regulations allow various levels of governments to borrow money for capital and current expenditure. If proper analysis and programme / or project appraisals are not carried out, the debt burden will increase. There are many countries, for example, Greece Swaziland, which are ranked as highly indebted nations. Policies, procedures, mechanisms and staff, skills and systems should be in place before governments enter the debt trap. If loans are prudently and properly managed, developmental agenda could succeed.

3. 19 Government debt management

In South Africa a number of municipalities have increased their debt commendably. Jadoo (2014: 6) reported in “The Citizen” that municipalities’ delivery had been affected by debt levels. It was quoted from a report: majority of municipalities have collection rates below 80 per cent, and stated the “in 2010, municipalities were collectively owed R62 billion and by June 2013 the figure had risen to R 87 billion as reported by Georgina Alexander of the SA Institute of Race Relations.

Graeme Wheeler (2004: n. p.), on behalf of The World Bank observes, dating back more than two centuries, in certain European countries have received increasing attention and resources in government debt management. Government debt management can significantly reduce the government’s balance sheet risk and the economy’s vulnerability to economic and financial shocks. It is further argued that it can also assist the development of domestic financial markets and strengthen the governance and financial management practices in the public sector (Wheeler, 2004:n. p.).

Governments also have to have strategies to manage its risk, be it political, economic, financial, social, or security risk or any other form of risk. Contingency plans and contingency reserves are imperative. Long term strategic plans and projections should be in place for every nation.

Harrison (2004: 3) notes that Africa is in the throes of a profound global project of socio-political engineering. This project, commenced in earnest in the early 1990s, goes under the rubric of governance and it encapsulates a set of integrated ideas and specific programmes. Governance can now be said to constitute a historically unprecedented reconfiguration of state forms in post-colonial Africa. Almost all contemporary discussions of development, poverty reduction, sustainability, international financial regulation and democratisation (to name the most salient) in Africa make an acknowledgement to governance (Harrison, 2004:3). Many countries depend on loans to balance the budget. The servicing of such debts and repayment delays results in unemployment and poverty due to the lack of economic growth and investment. Therefore, public sector managers need to refocus on integrated financial planning and develop long term plans for the developmental needs of their countries.

3. 20 Conclusion

Public finance deals with the revenues and expenditure utilised by the government to provide goods and services to the citizens. The international public finance and the New International Financial Architecture (NIFA) play a role in every nation's public finance. No nation is an island unto itself. International best practices are required for bench marking. The concepts of economy, efficiency and effectiveness are applicable to public sector service delivery. Internal audit, external audit, the legislative framework of audit and the responsibilities of accounting officers are examined. Management in the public sector, budgetary function reform and the public sector reform challenges in developing countries were discussed. Guidelines for effective financial management and government debt management were considered.

Public finance is for public goods and services. Those who render public services should be honest, custodians of public trust, persons of integrity and committed to uphold high moral and ethical values. The aim of public managers who handle public finance is to achieve value for money through economy, efficiency and effectivity in order to meet the service delivery targets. Public servants are accountable to the public of which transparency and accountability is the cornerstone of the public service. Management and administration are two separate issues. Managerial control and fiduciary duties of the management structure should be upheld at all times. The necessary tools, techniques, procedures, systems, skills, staff, structure, strategy and shared vision are all necessary for the implementation of any policy.

Stakeholder participation and citizen participation are crucial in a democratic dispensation. Legislative mandates need to be in place. Implementation of policy is challenging. Proper planning, budgeting, organising, coordinating, leading and monitoring and control – all elements of management, should be applied meticulously. Lessons from other studies, research and development initiatives and their results and the periodical reports generated contribute towards gaining insight into the problems and challenges of policy implementation.

There should be well-formulated plans and adequately trained managers and staff to execute the plans. Auditing staff both internal and external is essential to execute the checks and balances timeously. Micro-level and macro-level scrutiny is essential for any public policy, especially the public sector finance policy.

The three arms of the state, namely: the legislature, executive and the judiciary are essential for checks and balances. Other independent institutions such as the Public Service Commission, Financial and Fiscal Commission and the Auditor-General must assist with the proper management and administration of public finance. The Public Finance Management Act, 1999 (Act 1 of 1999) is flexible for management which is different compared to the previous Exchequer Act, which was rule driven. The human resource development and the skills development initiative would assist in producing committed personnel for the implementation and administration of the PFMA and other public policies in the management of public finance.

In the next chapter, the structural and empirical analysis of the North West province is discussed. An historical overview of the province, the nature of the provincial government and provincial legislature are examined. The rule of law, the various departments in the provincial administration and the structural changes over a ten year period will be highlighted. Provincial local dimensions and the functions of the provincial treasury will also be expounded upon.

CHAPTER 4 - Structural and Empirical Analysis of North West Province

4. 1 Introduction

The demarcation of the North West Province since 1994 after the democratic dispensation is examined and illustrated. The provincial overview includes maps which outline the provincial and district boundaries which define the geographical area of the province. The composition of the provincial government and a table listing the provincial departments and the changes in configuration since democracy is illustrated. The budgeting process and the role of Provincial Treasury are described.

North West province is surrounded by Botswana to the north and northwest, Limpopo province to the northeast, Gauteng province to the east, Free State province to the south east and the Northern Cape Province to the south west. The provincial capital is Mafikeng. The provincial government consists of a premier, ten members of the executive council and a legislature.

4. 2 Provincial overview – history

The North West province was created when the Interim Constitution of the Republic of South Africa, Act 209 of 1993 was passed in 1994 from portions of Transvaal and Cape of Good Hope province as well as most of the former independent state of Bophuthatswana (South Africa, 1993: n. p.).

Figure: 5 Map of South Africa: North West Province



Source: ([http://www. britannica. com/EBchecked/topic/419482/North-West](http://www.britannica.com/EBchecked/topic/419482/North-West))

Accessed on 2010/03/01.

The North West province is bound by Botswana to the north and northwest, Limpopo province to the northeast, Gauteng province to the east, Free State province to the south east and Northern Cape Province to the south west. The provincial capital is Mahikeng ([http://en. wikipedia. org/wiki/North_West](http://en.wikipedia.org/wiki/North_West)).

Figure: 6 Map of North West Province in the Republic of South Africa



Source: ([http://en.wikipedia.org/wiki/North_West_\(South_African_province\)](http://en.wikipedia.org/wiki/North_West_(South_African_province))) Accessed on 2010/03/01.

Although the North West province consists mostly of flat landscape, it changes from semi-arid savannah to more mountainous terrain. The altitude ranges from 1000 to 2000 metres above sea level in the heights of the Magaliesberg mountain range in the east and the Pilanesberg which rise from the plains in the north (http://en.wikipedia.org/wiki/North_West).

The North West province incorporated the former homeland, Bophuthatswana, with administrative areas of the former Transvaal and Cape provinces. The establishment of the province required spatial integration of the former geographical and administrative areas and the establishment of single geographic area with unitary administration. The province comprised 27 local and district municipalities after the disestablishment of cross-boundary

municipalities in 2005 and was eventually reduced to four District municipalities and 21 local municipalities (North West Provincial Government, 2004 – 2009: 5).

(a) Provinces and states

Provinces are large administrative subdivisions of a country or state. Many countries with centralised unitary government systems have been sub-divided into several provinces for de-concentrated regional administrative purposes. Provinces are also known by other names, such as counties in England and Wales, *Grafschaften* in Germany and *departments* in France. A province is supposed to be functional region that covers a fairly large area of a country, encompassing several rural and urban sub-regions, with one big city as its capital and the seat of the provincial government, from where provincial public services are rendered (Gildenhuis & Knipe, 2006: 230). States are another form of functional region within a country. States differ from provinces only in the fact that their governments are not de-concentrated extensions of the central administration of a country. While provinces are geo-administrative units of a country, states are geopolitical units and usually form the regional basis of a country with a federal system of government (Gildenhuis & Knipe, 2006: 230). North West Province is one of the nine provinces of the Republic of South Africa. Mahikeng (Mmabatho) is the capital and the seat of North West Provincial administration.

(b) The rule of law

The basic constitutional principle in a real democracy or what is aptly termed the constitutional state (*Rechtsstaat*), is the rule of law. The rule of law has its origins in English constitutional law. The principle: “the King is subject to God and the law” - is the basis of the oldest English constitutional laws such as the *Magna Carta*, *Petition of Right*, *Bill of Rights*, and *Act of Settlement*. All these laws guaranteed what was then termed the rule of law (Gildenhuis & Knipe, 2006: 93). The rule of law may be explained as the constitution and is the supreme law of the country. All other laws and actions of government are subject to the provisions of the constitution, which means that all laws and actions of state not complying with the constitution are *ultra vires*. All citizens, including elected political representatives and public officials are equal before the law and every one of them is subject to all the laws of the country and should be treated equally in terms of the law. This means that, nobody, not even the head of state, is above the law. The executive institutions of government in all spheres should neither be allowed to exercise discretionary authority that is too wide and unrestrained nor

allowed to act arbitrarily. The courts should function independently of the legislature and the executive and the judges and magistrates should act as independent guardians to ensure that the rights and freedoms of the individual are respected (Gildenhuys & Knipe, 2006:94). North West provincial departments should adhere to the principle of the rule of law. Officials who commit fraud, corruption and misconduct should face the might of the law.

“It is our constitutional duty which requires us to make this order, to uphold the majesty of law and justify the confidence of the people that no one in the country is above the law and the governance is not of men but of the “Rule of law”. This principle has been emphasised by higher courts at regular intervals – be you ever so high the law is above you (Godbole, 2003: 137).

The Constitution of the Republic of South Africa, 1996 is the supreme law of the country. All laws passed by the National Assembly as well as the Provincial Legislatures, including North West Provincial legislature are subjected to the constitution. This implies that PFMA is also in line with the Constitution. The precepts of the law need to be applied in its totality. The violations to the applicability of any law, including that of the PFMA, and the offenders should be brought to book or be punished.

Any democratic government should uphold the principles of democracy in financial decision-making and policy-making. All inhabitants in a democratic state deserve equal opportunities to succeed in their lives which may lead to social and economic advancement. Tax payers and elected political representatives should accept and respect the constitution of their democratic state as well as subject themselves to the basic principles of democracy. Public accountability is a very strong principle in democratic financial management. Therefore, it cannot be aimed only at the internally audited correctness of financial records. It demands the publication of all financial transactions of government for the purpose of public debate. If there is any secrecy with regard to public financial management it may be assumed that it conceals maladministration and corruption. All financial transactions should be conducted and accounted for publically for the efficient and effective collection, safekeeping and expenditure of all public money (Gildenhuys, 1999: 37 -38). Visser and Erasmus (2009: 20) assert that over the last two decades, public sector financial management has taken on new dimensions, not specifically in the sense of the development of new structures or systems, but rather certain areas of the subject are being examined differently. Processes and procedures

now being studied from a public administration perspective always were a part of financial management in the public sector. The matter for discussion would, however, be the conducting of research on what determinants should be used in establishing an appropriate approach to the study and understanding of public financial management. The passing of the Public Financial Management Act 1 of 1999 (PFMA) marked the end of two decades of change, and the challenge now is the successful implementation of the Act, and with its elements such as performance management, accrual accounting principles and practices and risk management (Visser & Erasmus, 2009:20).

The general public expects transparency and accountability in their government's activities. Therefore, audited annual reports should be published for the information of citizens.

(c) Provincial financial management

The financial management of provinces is based on that of the central government and that most of the role-players' function on the provincial sphere. The theories and principles are similar for both spheres. The provincial legislature consists of democratically elected political representatives. The taxing authority of the provincial legislature is very limited. It has the authority to allocate revenue to its various departments through a Money Bill after approving their operational budgets which have been compiled, executed and controlled in the same manner as those of the national government. The provincial executive authority consists of an executive council, whose members are appointed by the premier. A Member of the Executive Council (MEC) for finance is appointed to fulfil the role of a Minister of Finance. The functions and authority of this office are more or less the same as those of the national Minister of Finance, except for intervening in the macro-economic policies of the national government. Provinces appoint provincial treasuries and their functions and authorities are more or less the same as those of the national treasury. The provincial administrative authority consists of a Director-General as the head of the provincial administration and heads for each provincial department. These heads of departments are the officers who are accountable in terms of PFMA (Gildenhuys, 1999: 170 - 171).

North West provincial departments are obliged in terms of the constitution to follow the policies and procedures as stated above. However, financial management in the public sector faces numerous challenges.

(i) Provincial revenue formulae

According to the Constitution of the Republic of South Africa, provinces are entitled to an equitable share of nationally raised revenues. Once, the vertical division of revenue between the national and provincial spheres of government are determined on the basis of their respective expenditure responsibilities and revenue capacity, the horizontal distribution of revenue between provinces is determined by certain formulae. These formulae (in other words, rules) are based on the economic and demographic profiles of the provinces and take account of the services – primary health, welfare and school education – for which they are responsible. Transfer payments to provinces constitute about 40 per cent of the national budget (Black *et al.* , 1999: 275). The Financial and Fiscal Commission (FFC) is an independent body established in terms of the Constitution, to make impartial recommendations to the legislative authorities on financial and fiscal matters such as equitable allocations to the three spheres of government from the national revenue pool; intentions of provincial governments to levy taxes and surcharges, raising of loans by lower sphere of government; and the criteria to be used for these purposes (Black *et al.* , 1999: 312).

The North West provincial administration's departments receive a fair share of the revenue allocation as recommended above. The province is required to observe prudence in the management of the public finances.

(ii) Provincial financial issues

Under the provisions of the constitution, provincial governments have more latitude to determine their own spending patterns. Provincial budgets should, therefore, increasingly embody the provincial governments' responses to regional challenges and opportunities for development within the nine provinces. Under these circumstances, co-ordination between the spheres of government in setting expenditure priorities becomes crucial, so that differing needs can be provided for without jeopardising national goals. However, the nine provinces have vastly differing capacities for financial management and expenditure control. Accountability and efficiency thus depend on the strengthening of managerial and administrative capacity in all – especially the weaker – provinces (Black *et al.* , 1999: 315). The provincial departments need to avoid fruitless, wasteful and irregular expenditure. Over-spending as well as under spending are not justifiable. It impacts on

service delivery. All planning and pre-determined objectives may not be achieved due to under spending; while overspending may delay projected plans, projects or programmes planned for the outer years as per MTEF.

The fundamental principles of public finance are located in the historical development of government objectives as manifested in the functions and activities of administrations. Some of the basic premises are contained in the public functions which have developed over centuries for the realisation of public goals and objectives. It is also imperative to identify the scope and nature of public services for which money is needed and which the authorities have to render in order to realise public goals and objectives. The upholding of democratic tenets as principles for public financial management and administration complicates the financial decision-making process to a great extent (Gildenhuys, 1997: xxv). Public sector managers are tasked with the responsibility to manage tax payers' money in a very prudent manner. In addition to the knowledge and expertise, officials should have integrity and honesty to manage public finances.

(iii) Types of government functions

In government administration, line functions can be categorised as order and protection functions, social welfare functions and economic welfare functions. Staff functions are the supporting functions contributing indirectly, and through their support of the line functions, to the realization of the goals and objectives of a government. Typical staff functions are: financial services, personnel services, office and secretarial services, legal advisory services, organization and work study services, resource supply services, and accounting and auditing services (Gildenhuys, 1997: 24 – 30). Public officials with appropriate knowledge and skills should be recruited and appointed to carry on with all government functions. Training and re-training should be provided so that they will be able to perform their duties optimally.

(iv) Public finance

Public finance deals with financial operations of a public authority such as a Federal government, state or local body (Narayan, 2002: 2). The principles governing public finance are: the principle of maximum social advantage to the society ensuring greatest happiness to the greatest number and the establishment of equity and social justice (Narayan, 2002: 8).

In the administration and management of public finance, value for money, optimum resource utilisation for the public good should be borne in mind to achieve cost efficiency,

4. 3 Provincial government

The provincial government consists of a premier, an executive council of ten ministers and a legislature. The provincial assembly and premier are elected for five-year terms, or until the next national election. Political parties are awarded assembly seats based on the percentage of votes each party receives in the province during the elections. The assembly elects a premier, who then appoints the members of the executive council. Chapter 6 of the Constitution of the Republic of South Africa, 1996, provides for the formation of a provincial sphere of government. Subsection 103 (1) provides for the nine provinces (South Africa, 1996: n. p.).

The state of the public sector in South Africa, today, as a democratic state, must be understood in the light of the particular and largely exceptional history of both pre-apartheid state and the transition from apartheid. The history of the incorporation of the former homeland administrations into provincial government in support of a broader argument is worth noting. The constraints, especially in provincial and local government are related to the unwitting effects of compromises made during the original constitutional settlement. The ruptures and continuities, for example, have been created in the contemporary South African public sector (organisational culture, norms and values, for example) with the administration of the pre-apartheid state (Chipkin & Meny-Gibert, 2012: 111 – 112).

The Public Service Act, 194 (PSA) (Proclamation No. 103 of 1994) amalgamated the 11 administrations of South Africa, the four TBVC (Transkei, Bophuthatswana, Venda, Ciskei) states and the six self-governing territories (Ncholo, 2000: 89). This had been a highly fragmented system characterised by duplication of institutions and functions (Picard, 2005: 193). A further amendment to the PSA in 1998 led to provincial departments mirroring the structure of national departments. This implies that the members of the executive councils (MECs) in these provincial departments now have the managerial authority to organise their departments and hire and dismiss their employees (Adair and Albertyn, 2000: 115). This quasi-federal constitution means that there is decentralisation down to sub-national actors. It is interesting that executive powers were decentralised to the politicians and not the managers, although provision was made for further delegation to the managers (Cameron, 2009: 916).

In 1996 the executive powers of the Public Service Commission (PSC) were transferred to the Minister for Public Service Administration. The Commission now has a research, monitoring

and watchdog role. It is argued that this reflected international practice in countries such as Britain and New Zealand (Ncholo, 2009: 89; Department of Public Service and Administration (DPSA), 2008A: 3); (Cameron, 2009: 916).

Provincial government is a critical delivery arm of central government. Yet, this sphere of government is afflicted by a number of constraining factors such as:

Huge inherited and slowly transforming bureaucracies; a bloated public service; distorted expenditure patterns which tend to crowd out investment in development; contradictions, complexities and confusion arising out of regarding and treating provincial administrations in the same way as a single national government department; serious capacity problems and low productivity; an extensive culture of corruption (Mokgoro, 2000:144). Therefore, corrective and remedial actions should be taken when audited reports are handed over each year. There should be a concerted effort to improve the situation in the future.

Careful consideration should be given to selecting methods of credibility testing as some might be more worthwhile than others. Researchers are encouraged to return to the participants and attempt to find verification for this approach. Perhaps the most useful indicator of the credibility of the findings produced is when the practitioners themselves and the readers of the theory view the study findings and regard them as meaningful and applicable in terms of their experience.

National, provincial and local spheres of government which are distinctive, interdependent and interrelated (Section 40 of the Constitution of 1996) are needed. The Constitution thus calls for the unity of the country and provides for decentralised government.

The Constitution substantially changes South Africa's fiscal structures. In the 1997-1998 financial years, for the first time, the nine elected provincial authorities created in 1994 were responsible for independently drafting and implementing their own budgets. Previously, the provinces had managed centrally determined allocations for each spending area. The decentralisation of budgetary responsibility was not free of difficulty, and province produced substantial expenditure overruns in 1997-1998. The former State President and senior government figures made calls for a reassessment of the assignment of functions and resources to the different spheres.

Wehner study is able to draw on the practical developments during the first three years of provincial budgeting, that is, 1997-1998 to 1999-2000. Provincial government is at the centre of this analysis because the role and purpose of local government as a separate sphere is generally not disputed (Wehner, 2000: 47-72).

Financial management in provincial government departments, local government as well as national departments is still struggling. Inter-governmental relations should lead to attaining synergy rather than spending valuable time and energy in resolving conflicts.

There is no doubt that the absence of central and coordinating information management systems can render an administrative impotent with regard to decision making, communication structures and problem solving. On a national and global level, North West and other provinces are in a fast-changing social, economic and political stream. Decision-making based on information derived from reliable and valid data is imperative. In many instances, key role players in North West province merely skim over their responsibilities to make decisions because they simply have to make too many decisions of which many are fraught with systemic complexities. Moreover, they do not have easy access to reliable data and information upon which to base their decisions (Mokgoro, 2000:144). According to Thornhill (2012: 303), decisions in the public sector can be complex as they may affect the lives of individuals and future citizens of the state. There are certain functions to be performed before a decision can be taken, for example, the situation in question must be observed or examined, and the information must be gathered and tabulated. Then only a rational decision can be arrived at. Sometimes, the information may not be available and then decisions may be made on assumptions. In some cases, the processes leading to decisions are programmable (follow a logical order and the results are predictable), while in other areas, they are non-programmable (the factors influencing the decision are unpredictable, not all the facts are known and the results contain a number of uncertainties (Thornhill, 2012: 303). The situation in government departments has not changed much. There need to be a central unit in each province to co-ordinate and monitor policy development as well as to monitor policy implementation.

In order to instil a new direction for the new democracy, start a new direction for service delivery; correct historical imbalances; give effect to the new Constitution; position the public service as an instrument that will lead the way towards a more equitable society; develop

capacity in the public service and introduce a new culture in the public service. Transformation in the North West is evident from the success in recent years in certain departments although there is no steady trend. Fluctuations of an erratic nature still prevails. Despite the fact managers in line departments are charged with an implementation responsibility, they often do not understand the policies they are required to implement (Gustafson & Ingle, 1992:8). The above observation is two decades old. However, it is still relevant in the present day in the departments of the North West provincial administration. Although there are pockets of excellence in certain departments, there is a dire need for capacity development in the public service in the North West provincial administration. Continued in-service training has to be offered for professional growth of employees and managers for optimum service delivery imperatives.

4. 4 Provincial legislatures

Chapter 6 of the Constitution of 1996 (under the heading *Provinces*) provides for nine provinces; namely: Eastern Cape, Free State, Gauteng, KwaZulu-Natal, Mpumalanga, Northern Cape, Northern Province (Limpopo), NorthWest and the Western Cape. Each of these provinces has its own provincial legislature consisting of between 30 and 80 elected members – subsection 105 (2) of the Constitution of 1996 (Cloete, 1997, 2010: 22).

The provincial assembly and premier are elected for five-year terms, or until the next national election. Political parties are awarded assembly seats based on the percentage of votes each party receives in the province during the elections. The assembly elects a premier, who then appoints the members of the executive council.

The Constitution makes provision for the equitable division of revenue at provincial and local spheres of government.

4. 5 North West Province government departments

Since 1994, various changes have been effected in the configuration of North West provincial departments.

Table: 1 Votes allocated in the North West provincial administration

Vote Number	2007 – 08	2006 – 07	2005 – 06	2004 – 05	2003 -04
Vote 1	North West Office of the Premier	North West Office of the Premier	North West Office of the Premier	North West Office of the Premier	North West Office of the Premier
Vote 2	North West Provincial Legislature	North West Provincial Legislature	North West Provincial Legislature	North West Provincial Legislature	North West Provincial Legislature
Vote 3	North West Department of Health	North West Department of Health	North West Department of Health	North West Department of Health	North West Department of Health
Vote 4	North West Department of Sport, Arts and Culture	North West Department of Sport, Arts and Culture	North West Department of Sport, Arts and Culture	North West Department of Sport, Arts and Culture	
Vote 5				North West Department of Safety and Liaison	North West Department of Safety and Liaison
Vote 6	North West Department of Economic Development and Tourism	North West Department of Economic Development and Tourism	North West Department of Economic Development and Tourism		North West Department of Economic Development and Tourism

Vote 7	North West department of Finance	North West department of Finance	North West department of Finance	North West Department of Finance and Economic Development	North West department of Finance
Vote 8	North West Department of Education	North West Department of Education	North West Department of Education	North West Department of Education	North West Department of Education
Vote 9	North West Department of Developmental Local Government and Housing	North West Department of Developmental Local Government and Housing	North West Department of Developmental Local Government and Housing	North West Department of Developmental Local Government and Housing	North West Department of Developmental Local Government and Housing
Vote 10	North West Department of Transport, Roads and Community Safety	North West Department of Transport, Roads and Community Safety	North West Department of Transport, Roads and Community Safety	North West department of Transport and Roads	North West department of Transport
Vote 11	North West Department of Public Works	North West Department of Public Works	North West Department of Public Works	North West Department of Public Works	North West Department of Roads and Public Works
Vote 12	North West department of Social Development	North West department of Social Development	North West department of Social Development	North West department of Social Development	North West Department of Social Services, Arts, Culture, and

					Sport
Vote 13	North West Department of Agriculture, Conservation and Environment	North West Department of Agriculture, Conservation and Environment	North West Department of Agriculture, Conservation and Environment	North West Department of Agriculture, Conservation, Environment and Tourism	North West Department of Agriculture, Conservation, and Environment
Vote 14	North West Contingency Reserve	North West Contingency Reserve	North West Contingency Reserve	North West Contingency Reserve	North West Contingency Reserve

(Re-alignment and changes- Table compiled by the researcher)

Since 1994, various changes were effected in the configuration of North West provincial departments. Structural changes and re-configuration affected stability of departmental functions as accountability was redistributed among the senior officials. This resulted in a mobility to enforce this crucial function. During every five-year term of administration, the Premier makes changes in the configuration of the departments. It may also affect the stability of the departments.

4. 7 Provincial local dimensions

Three questions were posed about the role of the provincial local government sector in attempting to make fiscal decentralisation feasible. Does central government distribute intergovernmental transfers equitably? Does provincial government offset or reinforce central governmental equalisation policies? Is there uniformity in the equalisation policies of provincial governments in other countries? The answer to the first question is that all three of the countries in this sample – China, Russia and the US – do pursue fiscal equalisation. The cross-section's own source revenue-income elasticity is greater than expenditure –income elasticity by roughly the same amount in the three countries (about 0. 25). The answer to the second question is that provincial government equalisation policies are stronger than central equalisation policies in the three countries (Martinez-Vazquez & Alm, 2003: 5).

4. 8 Provincial treasuries

Provincial treasuries in South Africa play a minute role in matters of capital management. They serve more as conduits for the onward distribution of predetermined funding allocations. The only significance here is that the provincial ministers of finance have powers to intervene in the various operations within the provinces, if this is necessary to promote good management of working capital (Pauw *et al.* , 2002: 63 – 65).

Provincial treasuries act as controlling bodies with respect to the budget and the release of funds from the national allocation. There are strict rules regarding the rollover of funds as published in the periodical treasury regulations.

4. 9 Conclusion

In this chapter, an overview of the North West province, maps of South Africa and the aforementioned province and its boundaries was illustrated. The structure and composition of the provincial government, the various provincial departments and their configuration over ten years was also illustrated. The provincial and national budgeting processes and the functions of the provincial treasury were described.

In the next chapter, an in-depth analysis of public financial management administration in the North West provincial administration will be explained. Various aspects of public financial management including monitoring, control and auditing will be conducted.

CHAPTER 5: Public Financial Management in the North West Provincial Administration

5. 1 Introduction

This chapter discusses public financial management, reforming financial management, importance of accountability in public management, requirements of effective financial management, modernised financial management, weakness in the financial management system and barriers to progressive financial management. Moreover, the methods of transforming centralised modes of control, a constitutional mandate in terms of financial management as well as governmental accounting and financial performance monitoring will be expounded upon.

The chapter further examines public internal financial control, internal audit structures of the North West provincial administration and the functions of the Public Service Commission. The coordination between portfolio and standing committees and the North West provincial treasury's monitoring mechanisms and short-term and long-term intervention strategies – are mentioned. The findings of the Public Finance Management Act related to reporting and a comparative table of the last decades audit opinions of various provincial departments are illustrated in Table 4.

A summarised table and graph indicating the change in audit opinions are plotted. Various qualification details of audit opinions, internal audit in combating fraud as well as audit findings related to other matters are provided. The rationale for performance auditing, performance auditing results of the North West provincial departments, together with the results of good practice indicators for the provincial departments and stagnated audit outcomes are described. The deficiencies in the internal controls, their root causes and the actions taken to eliminate them are tabulated. The resolutions of PPAC which were not implemented timeously are also tabulated to exhibit negligence or delays by the departments.

Data gathered from various published provincial departments, legislature, Auditor-General, PPAC, Public Service Commission will be critically analysed. The findings and the interpretations will be followed by recommendations.

5. 2 Public financial management

In South Africa, the Exchequer Act, 1975, was replaced by the Public Finance Management Act, (PFMA) 1999, 1 of 1999. It is important to consider crucial sections of the PFMA related to the operations of provincial departments and this study.

Though the policy makes provision for the appointment of skilled officials, the reality of the situation in many departments is appalling. The staff turnover, suspension and capacity constraints are severe in many departments.

Financial accountability is a fundamental prerequisite for effective and efficient service delivery and reveals a number of factors that may limit financial accountability and service delivery. These include obscured transparency in public financial management, limited financial skills capacity, political god-fatherism, lack of due process in public procurement and public sector corruption (Ngwakwe, 2012: 325). It is suggested that policy measures that may improve accountability and service delivery include, among others, making the budget process more participatory and transparent; expanding the scope of the public audit to go beyond financial numbers to also incorporate examination of the strategic planning process which overall impact on financial management and service delivery. Further recommendations include, instilling due diligence in public procurement, ICT skills capacity building to facilitate effective and efficient management of public financial information to achieve desired transparency and accountability and delivery of services. It also recommends the need to explore practical issues in the implementation of external auditing, peer reviewing of Supreme Audit Institutions in Africa as well as the scope of expansion of the scope of audit engagement in government departments (Ngwakwe, 2012: 325 – 36).

It can be noted that the above, research findings, suggestions and recommendations, of Ngwakwe (2012: 325- 36), correlates with this study. It can be inferred that citizen participation and multi-stakeholder involvement in needs analysis, strategic planning and budget process as well as public participation, monitoring and support in the entire financial management in the public sector can create a transparent and accountable system at all spheres of government and in the respective departments.

In South Africa, the public service is unfortunately rapidly gaining a reputation for inefficiency, corruption and incompetence. This reputation is due to governmental institutions routinely receiving qualified audit, thereby undermining, rather than maximising, the developmental potential of the country. The current global financial crisis has the potential to worsen this situation even further should the South African government not adopt and adhere to new strategies and, in particular, management approaches to ensure efficient service delivery. As the final responsibility for service delivery remains with government, effective regulatory systems and control mechanisms must be established to ensure that the supply of services is equitable, the quality acceptable and prices fair. It is thus necessary to develop guidelines to steer future management planning in dealing with collaborative efforts between different governments and other institutions to ensure good government (Kroukamp, 2011:802). It is the duty of the political heads and administrative heads of government department to curb corruption and incompetence, in South Africa. The government departments are required to aspire to receive clean or unqualified audit reports. Then only the developmental potential can be maximized. The government departments have to ensure economy, efficiency, effectiveness and value for money by adopting new strategies, techniques and control mechanisms in administering PFMA to manage public finances optimally.

Continuous monitoring, evaluation and support in terms of taking corrective measures need to be provided by the governing structures, management structures and oversight bodies. Consequence management principles and procedures need to be adopted. Any defaulters may have to account for their actions and appropriate consequences need to be borne. The opportunities for bench marking and learning from best practices, peer review mechanisms possibilities are explored. On the job training to address capacity constraints and equipping employees with necessary skills and competencies need to be provided by departments.

Maladministration, corruption and financial misconduct have been for years and still are the worst enemies of service delivery. Acts of maladministration, corruption and financial misconduct are reported every day on the news. Maladministration may be unintentional or intentional. It may stem from inefficiency or waste, clerical errors or mistakes, incompetence, negligence, or carelessness. Corruption has been under the spotlight and has attracted the attention of academics all over the world as it is a worldwide problem, Instead of experiencing reduction, corruption seems to be spreading even more and at an accelerated speed. It is an illegal act of misconduct, of low moral value and is unethical in nature.

Fraud, theft, misuse or abuse of government resources and nepotism are also common in public sector departments (Mhlauli, 2011: 1351 – 1355).

Maladministration is a legal term that refers to failure by a government organisation, agency, or entity to carry out its duties and responsibilities properly and fully. Public maladministration may be unintentional or intentional. It may stem from inefficiency or waste, clerical errors or mistakes, incompetence, negligence, or carelessness. Maladministration is one of the enemies of service delivery. Reasons for maladministration may be caused by the following factors: Incapability, negligence, lack of accountability on the part of officials for these actions, in some cases results in maladministration. Communities are not receiving the service they deserve from departments because there is a shortage of funds and the department concerned cannot employ more professionals.

Therefore, it is imperative to instil moral and ethical values in the present and future public servants. Then only value for money, efficiency, economy and effectiveness could be derived from public spending and public finance.

Over the past decade corruption has been under the spotlight and has attracted the attention of academics all over the world as it is a worldwide problem. This affects both developed and underdeveloped countries. Corruption includes, among others, the following: fraud, theft in government hospitals and clinics, misuse/abuse of government resources, nepotism. Public officials seem to have forgotten what ethics entails. Therefore, there is a need for regular workshops for public officials to constantly remind them about matters concerning professionalism, corruption, ethics and code of conduct. All offenders must be punished under the law. There is also a need for reliable and independent media free from political influence. In Canada, provinces have introduced posts to provide guidance to parliamentarians and senior public officials on ethical issues. They have what is called an “Ethics Commissioner”, “Integrity Commissioner”, “Conflict of Interest Commissioner”, “Commissioner of Members’ Interest or Ethics Counsellor” (Organisation for Security and Co-operation in Europe, 2004:65).

South Africa in general and the North West province in particular is aware of putting in place structures for risk management and ethical conduct. The risk management and internal auditing policies and practice will help prevent corrupt and fraudulent activities.

Poor financial management by government departments, particularly provinces, led to the Treasury trying to produce a proper framework of control and accountability. It is in some ways old-style regulatory public administration. Although financial regulations are promoted as guidelines, they are – to quote one director-general’s view – more akin to *prescripts* (Cameron, 2009: 921). Research has shown that the PFMA requirements are exacting and that many departments comply only formalistically (PSC, 2004: 4). Finance is generally more regulated than human resources because of its macro-economic implications, most notably the impact of government expenditure on the budget deficit. There is, therefore, a particular concern that procurement policies are open and transparent. The PFMA has also affected politics-administration relationships in that it has led to conflicting lines of accountability. The director-general or the head of department has clear responsibility for financial management, while the executive politicians are responsible for human resources (Cameron, 2009: 921).

South Africa ranked low according to Transparency International’s 2010 corruption perceptions index, ranking 54 out of the 178 countries listed. In 2012 South Africa ranked 69 out of 176 countries, and in the year 2014, South Africa ranked 67 out of 175 countries. For the 2010/2011 financial year, the Auditor-General uncovered R26, 4bn in unauthorised, irregular and fruitless expenditure in reviewing the activities of the SA government departments in the public sector (De Lange 2011). Despite legislation on tenders in government, 34 per cent of all government departments awarded contracts to officials and their close family members. It is observed that the three National departments and their Provincial equivalents (Health, Education and Public Works), which together accounted for 70percent of all state expenditure, failed to achieve a clean audit among them. Seventy-six percent of national, and 55 percent of provincial departments had adverse findings made against them related to the predetermined objectives or the goals that they had set for themselves, but had failed to achieve. Despite a number of initiatives to curb corrupt practices in government departments in the public sector, it is evident that corruption is on the rise (Naidoo 2012:657).

It is clear that some of the political and administrative leadership entrusted with state resources enrich themselves instead of acting as custodians of the state. The Public Protector argued that there would soon be no money for service delivery in SA, due to the alarming increase in corruption in government departments in the public sector (Madonsela, 2012). Corruption has also had an adverse effect on governance in the public sector. However, although

research has been conducted on corruption and leadership and its effects on government, it is evident that more still needs to be done.

Legal frameworks for fighting corruption in South Africa include the following: The Constitution of the Republic of South Africa (1996), Prevention of Organised Crime Act (1998), Witness Protection Act (1998), Promotion of Access to Information Act (2000), Promotion of Administrative Justice Act (2000), Protected Disclosures Act (2000), Financial Intelligence Centre Act (2001) and the Prevention and Combating of Corrupt Activities Act (2004).

Table: 2 Public service commission findings on corruption

No.	Categories of corruption	Number of occurrences	Percentages
1	Fraud and bribery	1511	19 per cent
2	Abuse of government resources	985	13 per cent
3	Mismanagement of government funds	870	11 per cent
4	Identity document fraud	781	10 per cent
5	Procurement irregularities	720	9 per cent
6	Appointment irregularities	627	8 per cent
7	Unethical behaviour	580	7 per cent
8	Criminal conduct	512	7 per cent
9	RDP housing	450	6 per cent
10	Social grant fraud	420	5 per cent
11	Other	310	4 per cent
	TOTAL	7766	100 per cent

Source: (Naidoo, 2012: 656 – 683)

(a) Public Service Commission

As indicated by the Public Service Commission (2011), the five most common manifestations of corruption in the SA public sector are fraud and bribery, abuse of government resources, mismanagement of government funds, identity document fraud and procurement irregularities.

(b) Manifestation of corruption

The primary reason for concern about unethical conduct is that it reduces public trust and confidence in the integrity and impartiality of elected representatives. Unethical conduct such as conflict of interest is a crime with an economic effect. If the probability of being caught is small and the penalty is light and the pay-off is large relative to the positive incentives facing an elected representative, the public service will tend to find some conflict of interest. In an attempt to combat unethical conduct such as conflict of interest, the judiciary should consider increasing penalties, changes in the incentives of public officials and the probability of being caught. The government should also clarify discretionary powers and create a conducive environment within which constitutional bodies could function. The government should not drag its feet when it comes to implementing the recommendations of the anti-corruption agencies, whoever is involved. Failure to implement the recommendations of the anti-corruption agencies damages the image of these agencies (Mafunisa, 2006: 517 – 518). The following constitutional bodies are provided for by the Constitution of the Republic of South Africa:

(c) Public Protector

The Public Protector has the power to investigate any conduct in state affairs, or in the public administration, in any sphere of government, that is alleged or suspected to be improper or to result in any impropriety or prejudice. In terms of section 112(1) of the *Constitution of the Republic of South Africa Act, 1993* (Act 200 of 1993), the Public Protector shall, on his / her own initiative or on receipt of a complaint, investigate any alleged maladministration, abuse or unjustifiable exercise of power, improper or dishonest act, corruption, unlawful enrichment, or advantage, by a person as a result of an act or omission in the public administration of public institutions, or omission by a person in the employ of any sphere of government, or a person performing a public function, which result in unlawful or improper prejudice to any person (Mafunisa, 2006: 514 – 51).

The services of the Public Protector, Public Service Commission, the Judiciary and others should be used for corrective purposes with regard to erring officials. All the ills of society such as maladministration, mismanagement, fraud corruption should be curbed.

(d) Judicial institutions

The judiciary contributes to checking the abuse of administrative power and making elected representatives and appointed officials account for their actions. Legal disciplinary sanctions are instituted against erring persons. The existence and proper functioning of judicial systems are further deterrents against unethical behavior (Mafunisa, 2006: 515).

Justice delayed is justice denied. Long and protracted legal battles end up in wastage of time, money and effort.

(e) Special Investigating unit

The *Special Investigating Unit and Special Tribunal Act*, 1996 (Act 74 of 1996), provides the mandate for the functions of the Special Investigating Unit (SIU). The unit carries out the investigations as referred to by the President of the Republic of South Africa, through the publication of a proclamation in the Government Gazette. The matters referred to the units for investigation include the following grounds, namely, serious maladministration in the public sector institutions, improper conduct by elected officials, unlawful expenditure of public funds, unapproved transactions, intentional or negligent loss of public money or damage to public property, public sector corruption and unlawful conduct which causes serious harm to public interest (PSC, 2001: 62), (Mafunisa, 2006: 516). Financial crimes should be prevented.

(f) National Prosecuting Authority

The National Prosecuting Authority has the power to institute and conduct criminal proceedings on behalf of the state; carry out any necessary functions incidental to instituting and conducting such criminal proceedings; and discontinue criminal proceedings, after consulting the relevant parties (PSC, 2001: 42 – 54), (Mafunisa, 2006: 516 – 517).

By 31 May of the year in question (i. e. , 2008/09, 2009/10 and 2010/11), Eleven **(11)** provincial departments in the North West province were analysed (PSC, 2013: 5).

In the North West province, forty-one (**41**) financial disclosure forms for the Department of Health were scrutinised. Twenty (**20**) cases of potential conflicts of interest were identified. Ten (**10**) officials did not disclose their companies and three (**3**) officials did not disclose their properties. The PSC had recommended that the EAs should take appropriate action against SMS members who failed to submit their financial disclosure forms as well as failure to disclose their financial interests. However, the PSC received no feedback from the relevant EAs (PSC, 2013: 16).

The fact that serving officials are doing business with government is a serious concern as this is a classic of actual conflicts of interest, which may also lead to corruption. Officials can use their influence in the Public Service to secure Government contracts unduly and to the detriment of well deserving competitors (PSC, 2013: 16).

Moreover, the Auditor-General also raised the following concerns regarding the officials involved in doing business with Government (PSC, 2013: 16 – 17).

- (i) Tenderers made misrepresentations by not declaring in the tender documentation that employees were related to the companies and CCs that were tendering.
- (ii) Departments did not always obtain three quotations for transactions with a value above R10000 but not exceeding R200000, in line with the regulations for the procurement of goods and services.
- (iii) Departments did not always apply the prescripts of the Preferential Procurement Policy Framework Act (PPPFA), 2000 (Act No 5 of 2000) when evaluating quotations that exceeded R30000.
- (iv) In certain instances departments did not invite bids for procurement where the value of the goods or services exceeded R200000, in accordance with the regulations, and had awarded the contract to employees-related entities.
- (v) There are inconsistencies between departments in rectifying these problems. In some instances departments charged employees with misconduct and discharged them or issued final warnings, while others indicated that disciplinary steps could not be taken as employees were not aware that they should have obtained approval to perform other remunerative work. A consistent approach, which includes awareness, training, disciplining and legal action as well as the blacklisting of entities, should be encouraged (PSC, 2013: 16 – 17).

5. 3 Identified cases of potential conflicts of interest in respect of the 2009/10 financial year in North West:

1. Agriculture, Conservation & Rural Development – the Executive Authority (EA) was satisfied with the responses provided by the officials and no further action was necessary. (PSC, 2013: 19)
2. Local Government & Traditional Affairs - Two of the officials involved had since left the Department and, therefore, no action could be taken against them. The other five officials provided explanations to the EA. The latter has not informed the PSC of the actions taken. (PSC, 2013: 20)
3. Social Development, Women, Children & People with Disabilities – A thorough investigation was conducted by the Department following the PSC report t. The investigation included checking whether the companies that were not disclosed were registered on the Provincial Supply Chain Database, to establish whether they could be conducting business with the Department. However, the Executive Authority did not provide an indication of the action she had taken against officials (PSC, 2013: 20).

Twelve (**12**) officials at the Department of Agriculture, Conservation & Rural Development in the North West province were issued with written warnings for failing to disclose companies and properties in the 2009/10 financial year; Four (**4**) officials at the Department of Social Development, Women, Children & People with Disabilities in the North West Province were issued with written warnings for failing to disclose companies and properties in the 2009/10 financial year (PSC, 2013: 21).

Senior managers are entrusted with public funds and, therefore, they need to demonstrate a high level of professional ethics by disclosing their financial interests. The submission of financial disclosure forms by the due date is a regulatory requirement and compliance therewith is a sign of good governance. By complying with all the regulatory requirements that govern public administration, particularly those relating to the promotion and maintenance of professional ethics, senior managers will not only ensure accountability but also promote the ideals of an integrity driven Public Administration (PSC, 2013: 23).

It is imperative that the EAs also comply with the requirement to provide the PSC with an indication of actions taken as a result of the recommendations made by the PSC and EAs should take appropriate disciplinary action against Senior Management Services (SMS)

members who transgressed on the requirements of the Financial Disclosure Framework (PSC, 2013: 23).

1. SMS members who are on suspension during the filing period should submit their financial disclosure forms as they are still in the employ of the Public Service (PSC, 2013: 23).
2. SMS members should not make excuses for not disclosing companies by indicating that they are not involved in everyday business activities of the companies.
3. SMS members who wish to engage in Remunerative Work outside the Public Service (RWOPS) should during the filing period attach a letter for the granting of permission. The approval should only be for the financial year in question.
4. The EA should ensure that SMS members disclose all the properties registered under their names (attach copies of CIPC reports and deeds registry reports).
5. EAs must establish special units (Ethics Officers) within their departments to assist with the administration of the Financial Disclosure Framework.
6. The Financial disclosure framework should make provision for officials upon leaving the office in order to scrutinise the register able interest's assets of an official and to verify whether there are assets due to the State.
7. The PSC recommends that guidelines on minimum sanctions for specific offenses related to non-compliance with the Financial Disclosure Framework be issued by the Minister for Public Service and Administration. The guidelines should make provision for minimum sentences to be imposed by departments on acts of misconduct (PSC, 2013: 24).

There was poor compliance rate by the EAs to implement the PSC's recommendations with respect to SMS members who did not disclose their register able interests. The PSC also noted that certain EAs did not take action against the SMS members who failed to submit their financial disclosure forms as required in terms of Chapter 3 H of the Public Service Regulations of 2001 as amended and the Disciplinary Code of Procedures as contained in the SMS Handbook (PSC, 2013: 24).

The departments need not hesitate to book officials to be investigated by the above bodies or units. The lack of implementation of recommendations of anti-corruption agencies will result in losing trust and faith in them. All public sector departments and entities should aim to achieve clean audits. Only committed, career public servants can change the attitude of the existing employees.

5. 4 Reforming financial management

The principles of financial management are stewardship, purchase and accountability. Reforming the financial management process includes a move towards output-based management, and the increased accountability of managers with an accompanying liberalisation of budgetary controls (Commonwealth Secretariat, 2002: 279).

5. 5 Importance of accountability in public management

Recent development in the field of public management clearly show that accountability is still one of the key challenges facing democratic political leaders (Smith, 1980-81: 1163) The exercise of power and authority should be checked by an ethos of strict responsibility and control.

Accountability in public management is bound to duties of politicians, legitimacy, secrecy, responsiveness and responsibility. The importance of accountability is clear. Accountability reminds even military juntas, or similar kinds of political structures, that they must be answerable to the people, even when the people have not voted them in power (Younis & Mostafa, 2000: 13-15). A study of accountability in Irish senior citizens showed that internal parliamentary accountability especially that to the minister, and ministers (s) of state if relevant, was the most important form of accountability for departmental secretaries and heads of offices or commissions. Administrative accountability was more important for the operation of deputy and assistant secretaries and principal officers, especially accountability within the department. There is a strong feeling among senior civil servants that, if their accountability is to be formally extended, it must be based on appropriate legislative changes (Daly, 1987: 107) According to Jreisat (2012: 95), information on experiences from developing countries indicates that the political authority and political values not only determine the boundaries of general administrative action and behaviour, but also shape bureaucratic attitudes toward citizens. Jreisat further quotes (Chapman 2000: 225); “one of the essential

characteristics and qualities of working in the public service within a modern democracy and one of the elements of the political environment is the emphasis on public accountability. This is also a difference between public administration and business management; accountability of public service includes requirements of being efficient and responsible consistent with values approved by the political environment (Chapman, 2000: 226). Accountability in governance is difficult to attain in the absence of effective checks and balances among the three spheres of government (Jreisat, 2012:95).

The laws against fraud are enacted in South Africa, which include the following: The Constitution of the Republic of South Africa (1996), Prevention of Organised Crime Act (1998), the Witness Protection Act (1998), Promotion of Access to Information Act (2000), Promotion of Administrative Justice Act (2000), Protected Disclosures Act (2000), Financial Intelligence Centre Act (2001), and Prevention and Combating of Corrupt Activities Act (2004).

However, legally speaking, fraud is a very specific kind of offence: it is the intentional use of a material misrepresentation or omission of fact to induce another person to part with money or something else of value. This is just one of the many unlawful acts that an auditor may potentially discover as part of a fraud investigation – or even a routine audit. Some of the categories of fraud that may apply to an investigation are: misrepresentation of material facts; concealment of material facts Bribery; embezzlement; breach of duty or loyalty of an agent/ employee to his / her principal/ employer; theft of money or property (Wells, 2007: 3-1).

5. 6 Requirements for effective financial management

There is widespread awareness that the lack of accountability, good governance and transparency in government operations impede the progress towards sustainable economic development. “Corruption” most often applied to abuse of public power by politicians and civil servants for personal gain, is motivated greed and by desire to retain or increase one’s power. Controlling corruption has emerged as one of the most important concerns within the international community. Corruption is a pervasive phenomenon which can be found in a wide spectrum of countries of vastly differing ideologies, economic conditions and social development. Developing and transitional economy countries should establish proper institutional frameworks for fighting corruption and enhance the morale of public officials by meting out strict punishment to corrupt officials (United Nations New York, 2000: v). The

number of public service officials that commit and are charged with financial misconduct is increasing at an alarming rate. Although there has been a decrease in the cost of financial misconduct in comparison with the previous financial year (2010/2011), the number of employees charged for misdemeanours relating to financial misconduct in the 2011/2012 financial year has increased by **25%**. Although public sector departments have put control systems in place to prevent financial misdemeanours, there are still certain public service employees who find loopholes in the systems to conduct such misdemeanours. The PSC trusts that the overview and trend analysis provided in this Fact Sheet would assist departments to keep a vigilant eye on areas that are susceptible to financial misconduct and tighten internal controls (PSC, 2013: 15).

In terms of section 85 (1) of the Public Finance Management Act, 1999 (PFMA), Treasury Regulations, 2002, all Public Service departments must, as soon as the disciplinary proceedings in cases of financial misconduct are finalised, report to, amongst other, the PSC on outcome of the cases. For the 2011/2012 financial year, the PSC has taken a decision to publish a “fact sheet on finalised cases of Financial Misconduct” which will provide a statistical overview of finalised financial misconduct cases reported for the financial year as well as trends analysis of cases reported since the 2008/2009 financial year (PSC, 2013: 1).

The objectives of the Fact Sheet on finalised cases of Financial Misconduct for the 2011/2012 financial year were to:

- a) Provide a statistical overview of the finalised cases of financial misconduct reported by national and provincial departments for the 2011/2012 financial year; and
- b) Provide trend analysis of cases reported since the 2008/2009 financial year (PSC, 2013: 1).

The following methodology was followed in the execution of the project:

1. A circular was disseminated per facsimile and electronic-mail to all national and provincial departments. The circular was a reminder to all national and provincial departments requesting them to submit to the PSC reports on finalised cases of financial misconduct for the 2011/2012 financial year.

2. Telephonic follow-ups were made with the departments to confirm receipt of the circular.
3. The format for reporting financial misconduct was made available to departments by placing it on the PSC's website.
4. On the expiry of the due date for inputs, follow-ups were made telephonically as well as through electronic-mail with the departments that did not report by the due date.
5. The information provided by both national and provincial departments was captured onto a database.
6. The information was subsequently analysed and as a result a "*Fact Sheet on finalised cases of Financial Misconduct for the 2011/2012 Financial Year*" was compiled (PSC, 2013: 1).

The total cost of reported by national and provincial departments emanating from unauthorized, irregular, fruitless and wasteful expenditure, as well as losses resulting from cases of financial misconduct reported in respect of the 2011/2012 financial year was R229 866 763. 15 (PSC, 2013: 8)

- a) R2 341 125. 30 (1. 1%) was recovered from employees found guilty of financial misconduct; and an amount of
- b) R150 379 581. 20 (65. 4%) was considered as no loss to the State as the state did not suffer any loss.
- c) R 77 146 056. 65 (33. 5%) was not recovered (PSC, 2013: 8).

Criminal proceedings instituted against employees charged with financial misconduct through Treasury Regulations 12. 5 and 4. 3. 1¹², and the Prevention and Combating of Corrupt Activities PCCA) Act, 2004(PSC, 2013: 9).

- (i) Increase in financial misconduct cases for the 2011/2012 financial year:

The number of financial misconduct cases reported since the 2008/2009 to 2011/2012 financial year, where the highest number of financial misconduct cases (**1243**) was reported in 2011/2012 financial year. The number of cases increased by **208** cases in the 2011/2012 financial year in

comparison to **1035** cases reported in the 2010/2011 financial year (PSC, 2013: 10).

(ii) Decrease in cases in the categories “fraud” and “theft”:

in the category “*fraud*” and “*theft*” from the 2008/2009 to the 2011/2012 financial year. The figure indicates that fraud and theft comprised **480 (39%)** of the cases reported in the 2011/2012 financial year. Cases of financial misconduct in the category “*fraud and theft*” remained consistently high for the 2008/2009 to 2010/2011 financial years. However in the 2011/2012 financial year, the number of cases reported in the category “*fraud and theft*” decreased by **16%** in comparison to the number of cases in the same category that was reported in the 2010/2011 financial year (PSC, 2013: 10).

(iii) Increase in the number of SMS members charged with financial misconduct

financial misconduct was the highest at salary levels 1 to 8 during the 2008/2009 to 2011/2012 financial year. There appears to be a drastic increase in the number of cases reported in respect of employees on salary levels 13 to 15, SMS members. The total number of cases of financial misconduct committed by SMS members increased from **48** in the 2010/2011 financial year to **60** in the 2011/2012 financial year. This is indicative that there has been an increase by **12 (20%)** cases (PSC: 2013: 10 – 11).

According to Cullis and Jones (2009: 311), corruption may be viewed as betrayal of the public trust and is a worldwide phenomenon. It has contributed to the current crisis in the public service image. There are numerous forms of corruption, including bribery and kickbacks, which has become institutionalised among certain political regimes. Other forms of corruption have become pervasive to be virtually accepted as normal, including nepotism, favouritism, patronage and the sale or exchange of office for personal gain. Corruption tarnishes the image of the public service and delegitimises the role of government. In all its forms it violates the public trust and civilised values. The pervasiveness of corruption in the public service makes it imperative to develop techniques to guard the guardians (Cullis & Jones, 2009: 311).

It has been acknowledged that sound governance is essential for ensuring sound and sustainable human development. Developing and transitional economy countries will have to strive to reduce, if not to eliminate altogether, the subversive impact of corruption in their

economic activities, establish strong institutional frameworks and strengthen the administrative and technical capacities of public administrators to achieve sustainable socio-economic development. (United Nations New York, 2000: vii) Public financial management reform typically incorporates the following components, namely: use of structured planning and programming as means of evaluating and selecting ways of achieving desired objectives; taking resources allocation decisions within the framework of a unified budget; integration of budgeting and accountability; use of accounting principles that matches service delivery costs; encouragement of financial accountability; measurement of outputs as well as inputs; and preparation of consolidated reports (United Nations New York, 2000: 40).

Public finance is utilised for public goods and services. Those who render public services should be honest custodians of public trust, persons of integrity and committed to uphold high moral and ethical values. The aim of public managers who handle public finance is to achieve value for money through economy, efficiency and effectiveness in achieving the aims, objectives and targets of service delivery. Public servants are accountable to the public through the political office bearers. Transparency and accountability are the cornerstones of public service. Management and governance are two separate issues. Managerial control and fiduciary duties of governance should be upheld at all times. The necessary tools, techniques, procedures, systems, skills, staff, structure, strategy and shared vision are all necessary for the implementation of any policy.

Stakeholder participation and citizen participation are crucial in a democratic dispensation. Legislation should be in place. Implementation of policy is challenging. Proper planning, budgeting, organising, co-ordinating, leading, monitoring - all elements of management – need to be applied meticulously. Lessons from other studies, research and development initiatives and the results as well as the periodical reports generated contribute to gaining insight into the challenges of policy implementation. Well-formulated plans and adequately trained managers and staff are required to execute the plans. Auditing staff, both internal and external, are essential to execute the checks and balances timeously. Micro-level and macro-level scrutiny are essential for any public policy, especially public sector finance policies.

5. 7 Modernised financial management

In the past in South Africa, financial processes were controlled centrally by prescribed rules and regulations of the system of approval for most aspects by an external institution such as the

Treasury (Fourie2002: 101). The processes were further centralised in departments in terms of the financial components of managing the budgets for line managers due to the view that finances were mainly the responsibility of financial experts; line managers perform their functional responsibilities and the preoccupation of line managers to deliver services. An approach to modernising the financial management processes of the public sector has been introduced. This approach should be adhered to and requires managers to manage within a framework and be held accountable. This means a change of mind-set by all stakeholders and changed leadership skills to implement the processes. However, it also means departments should accept responsibility for exercising controls and approvals. According to Fourie (2002: 101), the centralised system of financial management has been changed by devolving responsibilities from the treasury to accounting officers, allowing accounting officers to make their own departmental specific instructions and empowering accounting officers to delegate responsibilities to line managers.

It is further noted that the modernised system can and will operate effectively only if accounting officers accept this responsibility and implement the system, empower line managers with the necessary delegations and provide training, expect line managers to accept responsibilities, including financial management and ensure that the financial component of the department does not become a decentralised treasury by performing the financial management functions on behalf of the line managers (Fourie, 2002: 101). It is stated that the accounting officers should ensure that a detailed financial management system is developed and documented in the department including, amongst other, budget process, reporting systems on expenditure and revenue, cash flow requirements, reconciliation of figures and documentation and control measures. Line managers should be responsible for the preparation and control of their budgets as an integral part of the execution of their line management responsibilities (Fourie, 2002: 101).

5. 8 Weaknesses in the financial management system

Viljoen and Van Rooyen (1996: 47-48) identified specific weaknesses in the financial management system, prior to the PFMA (Public Finance Management Act of 1999) namely: an outdated accounting system which cannot readily and timeously provide data for processes such as budgeting, budgetary control, performance monitoring, financial planning; a consequential lack of reliable up-to-date financial information; a lack of information regarding

assets and liabilities; obsolete and overcomplicated Treasury Instructions; outdated computer equipment and systems; lack of quantifiable objective descriptions and performance criteria; widespread shortages of appropriately qualified and trained financial staff at junior and middle management levels largely attributable to uncompetitive remuneration and the enticing of staff by the private sector; and duplication and fragmentation of government institutions and services at various levels (Viljoen& Van Rooyen, 1996: 47-48).

Performance measurement is perceived as having its greatest effectiveness related to management decision-making and communication enhancement and not directly to resource allocation decisions. There remains a strong attachment to more easily measured aspects of government operation, including input, activity and output measures. There is less use of outcome measures, and very slow advancement of more complex measures of quality, explanation or benchmarking. Local governments are, however, stronger users of quality measures than state governments. Strong majorities of state and local budgeters indicate the appearance of output or outcome measures in the early stages of the budgeting cycle, in agency budget requests, in the executive budget report and in annual operating budgets. Appearance of these measures drops rather dramatically for both levels of government in quarterly reports, picking up slightly in annual reports where we would more likely expect to find summaries of measures of performance.

Performance measurement acceptance as a resource is seeping into the allocation deliberations of legislative branch members. Executive branch members have been working for years to develop, redress, and report about the performance of government activities. It is important for executive branch members to understand if and how legislative branch members use such information to provide legitimacy to performance measurement system requirements (Willoughby, 2002:n. p).

According to the evaluation conducted by Viljoen and Van Rooyen (1996: 48-49), the emphasis of the statutes, rules and regulations relating to financial management in South Africa is on the control facet of the generic management process and focuses almost exclusively on matters concerning regularity. This may be appropriate in some organisations, but in others it may conflict with the development of a management structure oriented towards the achievement of economy, efficiency and effectiveness (Viljoen& Van Rooyen, 1996: 48-49). According to Henry (2013: 116), the classic view of public administration is that of a calling,

and, to a surprising degree, is still is. It is further noted that in making the decision to work for government, doing good is far more important than doing well. About four out of ten public administrators, and seven out of ten top government executives, state that “helping the public” and “the chance to make a difference” were their major motivators for committing to careers in government. The desire to serve society in a secular context is more pronounced in people with more education (Henry, 2013: 116). Henry (2013: 178) also noted that, efficiency is the full accomplishment of a job using the fewest resources possible, one “the biggest bang for the buck. ” Effectiveness is the full production of the intended result. Public productivity is government’s improvement of efficiency and effectiveness in delivering its services, programmes, and policies. A more formal definition of public productivity is “a ratio between inputs and outputs. Productivity is improved when increases of outputs are achieved per unit of input. Inputs re the resources used by a programme, such as money, people, or time. Outputs are final products of a programme. Outcomes or impacts are social or economic changes produced by programmes outputs (Henry, 2013: 178). It is imperative that public officials promote equity, economy, effectiveness and efficiency in the interest of public good.

5. 9 Barriers towards modernisation

In many public organisations, barriers exist to information age reform (Heeks, 2001: 32) due to the lack of skills and knowledge. Senior public officials including managers and politicians often lack IT and even IT awareness (Henry, 1997: 141, POST, 1998). IT costs money which is often in short supply in the public sector. The lack of finance is cited as the main impediment to progress in electronic government initiatives (Electronic Government International 1998) (Heeks, 2001: 32). Like all reform initiatives, those involving IT require political support and personal motivation from key stakeholders. Yet it is often seen as risky in a public sector that typically has risk-aversion as one of its cultural mainstays (Assirati 1998). In this situation, stakeholders will not be motivated to support or contribute towards the success of IT projects (Heeks, 2001: 32). There is also suspicion and fear among employees that the introduction of computers will lead to loss of jobs (Wirszycz, 1997: 12) quoted by Heeks (2001: 32 - 33). In many countries, an infrastructure of electricity, telecommunications and local supplies of IT goods, spares and consumables is taken for granted. Yet, for many public sector managers such infrastructure is patchy, unreliable or

even non-existent, therefore, an ignore approach is often forced on government, whatever the aspirations of its employees (Heeks, 2001:33).

Folscher (2002: 258) notes that prior to 1994, public finances in South Africa were enveloped in a cloud of secrecy. Since the transition to democracy remarkable progress has been made in bringing greater transparency and public participation to the budget process and to public finances generally (Folscher, 2002: 258). It is envisaged that the advent of democracy, the new Constitutional mandate and the new Public Finance Management Act, 1999, will remedy the weaknesses identified earlier. The legitimacy of the government and the will of various institutions and the officials are crucial in achieving the desired objectives and goals of management and governance.

5. 10 Transforming centralised modes of control

Notwithstanding the structural, linguistic, and cultural hurdles, progress could improve the stewardship of public funds, however, it will be essential to achieve the managerial accountability and decentralised concepts of control that characterise the public sector culture of common law countries - Public internal financial control (Cohen, 2007:78).

Management of public finances on the local sphere has reached a stage where a need for tough intervention should be established, as rules, regulation, acts and policies have consistently been violated. Every audit report published by the Auditor-General since the advent of local government as a legal sphere of government to deal with public affairs originates from the Constitution. Some municipalities still fail to improve their handling of public finances for the good of their communities. Those that seem to be on the right track face a serious struggle in continuing to do what is good with public finances and provide full accountability. If this prevailing state of affairs in managing public finances by the South African municipalities cannot be improved where there are good financial controls, application practices should be redirected to where there are no such good practices. This sphere of government may soon slide into a criminal state of government. In respect of these aspects, this article argues that these municipalities have poorly applied public financial controls (Dlamini, 1991:1). The above research observation also correlates with the provincial sphere of government departments.

The overall significance of effective and efficient application of public financial control is to ensure that spending is incurred according to predetermined plans or budgeted items, while spending is conducted within stipulated rules, regulations, manuals, directives and relevant guiding legislations. Since the advent of a constitutional democratic state in 1994, South African municipalities have been struggling to properly manage their finances in an accountable way in spite of numerous interventions made by either provincial or national spheres. The ultimate objective of financial controls application on public spending is to ensure that there is reasonable transparency and accountability on how public finances are generated, managed and spent for the good societal advancement (Dlamini, 1991:1). In all the three spheres of government, namely: local, provincial and national spheres financial management and accountability have been under scrutiny. Public financial management has to be for the public good, social advancement and economic growth.

Weaknesses or inadequacies of implementing financial control systems lie in the personnel character and government. These key and critical public financial controls (some call them management control sub-systems) comprise aspects, which are presented below. Public service and public spending of taxpayer's money should be executed prudently. Efficiency, effectiveness, value for money as well as transparent accountability should be practiced by both the politicians and managers in the public service.

“Accounting” controls are usually associated with “internal” controls. Accounting controls are those that deal with authorisation, documentation, recordation, substantiation, reporting of access to assets. Those controls deal with delegations of authority, assignments of responsibility, facilities, staffing, productivity, monitoring, and quality control. (The International Consortium on Governmental Financial Management, 1997:11). Every employee, supervisor, manager, senior manager need to take credit for what they are responsible for. Performance contracts with details have to be drawn up and self-appraisals and supervisor appraisals should be conducted regularly.

5. 11 Constitutional mandate for financial management

Chapter 13 of the Constitution of the Republic of South Africa provides for the mandate on general financial matters. Section 213 (1) provides for the establishment of the National Revenue Fund into which all money received by the National government should be paid. (2) Money may be withdrawn from the National Revenue Fund only –

(a) in terms of an appropriation by an Act of Parliament; or (b) as a direct charge against the National Revenue Fund, when it is provided for in the Constitution or an Act of Parliament.

(3) A province's equitable share of revenue raised nationally is a direct charge against the National Revenue Fund (South Africa, 1996:95). Section 214 Provides for the equitable share and allocation of revenue among the national, provincial and local spheres of government (South Africa, 1996: 95). Section 215 deals with national, provincial and municipal budgets and budgetary processes should promote transparency, accountability and the effective financial management of the economy, debt and the public sector (South Africa, 1996: 96).

Section 216 stipulates conditions for treasury control: (1) National legislation should establish a national treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government, by introducing – (a) generally recognised accounting practice; (b) uniform expenditure classifications; and (c) uniform treasury norms and standards (South Africa, 1996: 96). Section 217 of the Constitution deals with procurement issues, section 218 deals with government guarantees and section 219 provides for remuneration of persons holding public office (South Africa, 1996: 97).

Section 220 provides for the establishment of the financial and fiscal commission and its functions. The Commission is independent and subject only to the Constitution, the law and should be impartial. Section 221 makes provision for the appointment and tenure of members and section 222 obligates the commission to report regularly both to Parliament and to the provincial legislature (South Africa, 1996: 98-99). Section 223 provides for the establishment of the South African Reserve Bank, which is the central bank of the Republic is regulated in terms of an Act of Parliament. Section 224 deals with the primary objects and section 225 provides for the powers and functions of the central bank (South Africa, 1996: 99).

Section 226 of the Constitution provides for provincial revenue funds, section 227 deals with national sources of provincial and local government funding, section 228 makes provision for the imposition of provisional taxes and section deals with municipal fiscal powers and functions while section 230 makes provision for raising provincial and municipal loans (South Africa, 1996: 99-101). The South African Constitution provides for the constitutional mandate to all three spheres of governments for a transparent, accountable public financial management system. The Public Finance Management Act, 1999 (Act No. 1 of 1999) is enacted as a result of the constitutional mandate set out in Chapter 13.

5. 12 Governmental accounting

Governmental Accounting is characterised by procedures intended to prevent fraud and to guarantee agency conformance with legal requirements. Information from accounting systems is used in decision-making and can improve the efficiency of services. Auditing attempts to determine whether financial statements accurately reflect the status of accounts and / or whether an organisation is operating effectively and efficiently. The field of public sector accounting, reporting, and auditing is undergoing rapid change (Lee, Jr. *etal.* , 2008: 59).

5. 13 Financial performance monitoring

A financial monitoring system serves three purposes. Firstly, it provides an ongoing check on the budget. Secondly, a monitoring system helps uncover inefficient practices and operations. Thirdly, and perhaps most important, a monitoring system helps avoid further deterioration of financial condition. Monitoring, appraisals, taking corrective or remedial action as supervisory / management support have to be the culture of public service. A total revamp of the work ethic should be instilled (Wang, 2006:86).

Financial performance monitoring is a system designed to detect undesirable financial performance and provide possible solutions to enhance performance. Three essential elements are needed in developing effective financial monitoring systems. They are indicators that assess financial performance and techniques to detect unacceptable financial performance techniques to diagnose causes of underperformance and to provide suggestions for performance improvement. (Wang, 2006:86). A well thought out practicable monitoring and evaluation system is required to detect any anomalies and issue out warning signs and able to suggest remedial actions on time.

The introduction of monitoring and evaluation systems in government is essential for conducting any service delivery process including the day-to-day running of government departments and other public sector institutions. It is an integrated system of observation, data gathering, analyzing, supervision and assessment against plans. To be cost effective, government managers should decide on the essential amount of information to collect on the basis of the usefulness and relevance it will provide in the decision-making process. Monitoring deals mostly with planning and control. Control includes gathering information on actual progress and performance, assessing deviations from targets, analyzing possible

causes of deviation, and taking remedial action in the process (Ijeoma, 2011: 1288 – 1289). Proper orientation, induction, on the job training, mentoring and coaching and capacity development opportunities should be available at the workplace in the public service. The workplace has to be a learning organisation. Talent management and knowledge management need to be available in all government departments.

The need to establish reporting structures of Monitoring and Evaluation (M&E) practice in government has been established. The M&E reporting information should be collected by the individual team members and fed back to the central unit. In order to avoid duplication of effort, the control units should identify the institutions/organisations involved in collecting similar data and establish mechanisms to access such information. Although a control unit is desirable for cost considerations, effective functioning and management, it may be necessary for some basic data to be kept with managers and other relevant government officials. With the advent of computers and other Information Communication Technology (ICT) equipment by government including efforts towards e-governance projects at all levels, the centralisation and dissemination of M&E data may not be a major problem.

5. 14 Auditing

The primary goal of the auditing function is to contribute to the improvement of accountability and performance in the public sector. Currently, the audit functions through the following lines: Attesting to the reliability of the financial statements of the government. Assessing the quality of the government's service plans and reports are mandatory. Examining how the government manages its key risks and supporting legislators in the use of information regarding government performance (Common Wealth Secretariat, 2002: 335 – 336).

5. 14. 1 Role of auditor-general

The post of the Auditor-General was created in terms of section 188(1) of the Constitution of 1996. The functions of the Auditor-General are to ascertain, investigate and audit all accounts and financial statements of all departments of central provincial and local spheres of government as well as any statutory body or any other institution which is financed wholly or partly by public funds. A forensic auditing capacity was established in 1997, based on the increasing level and negative effect of economic crimes on the public accountability process. The objective of the office of the Auditor-General with respect to forensic auditing is to

determine the nature and extent of the perpetration of economic crime and the adequacy and effectiveness of measures that should have either prevented or detected them; and facilitate the investigation of economic crime in general by providing support to the relevant investigating and / or prosecuting institutions (by handing over cases and providing accounting and auditing skills) (PSC, 2001: 13) (Mafunisa, 2006: 514)

In addition to the above, to address corruption, preventive and reactive strategies have been developed by the forensic auditing division. The proactive strategy is aimed at preventing economic crime by promoting an overall fraud awareness culture in the public sector through, amongst other, publications, workshops, and participation in national and international initiatives. The following have been identified to minimise the risk of economic crime, namely: strong financial management systems; effective internal controls; adequate awareness, and acceptable standards of conduct (PSC, 2001: 13), (Mafunisa, 2006: 514).

A value system, regarding moral and ethical conduct should be instilled. The right people have to be appointed at the right place and position all the time as envisaged by the human resource strategy of the Department of Public Service and Administration.

5. 15 Public internal financial control

A new framework for public sector management recognises today's challenges and provides a useful guide to implementing modern management control systems through a tailored and evolutionary process. Its position that we should seek "evolution" rather than "revolution" clearly recognises the circumstances of public sector managers who confront unprecedented changes in their processes, organisational structures and even their way of thinking about control (Cohen, 2007: n. p.). All departments should have functional internal audit units with adequately trained personnel.

Khosa observed that policy implementation has suffered from the absence of a people-driven process. He also singles out lack of managerial expertise as one of the discrepancies between policy and implementation. Financial issues must be introduced, by developing an MTEF budget process and a manual on how to prepare budget figures; preparing a monthly reporting system and involving managers in calculating projections; preparing a manual on the calculation of projections and establishing a budget Advisory Committee to evaluate budget

inputs, consult with managers on inputs and provide feedback on allocations. (Khosa, 2003: 49).

Control issues must be introduced such as launching an immediate short-term compliance plan on control measures by requesting line managers to immediately institute controls. Financial control, with its emphasis on accounting, focuses on the following areas: the segregation of duties, the accuracy of calculations, the completeness of supporting documents, certification that value was received for payments claimed, timely of invoices and claims, and the timely recovery of debt and revenue. Training issues should also be addressed such as commit all managers to financial training, provide PFMA training to all managers and officials and introduce training as part of departmental instructions (Khosa, 2003: 49).

Any gap identified during performance appraisals of individuals or performance audits of departments should be addressed before the next cycle of the financial year. Each department should prioritise training and development of employees and perceive it as an investment. Human capital is an asset, not a liability.

It is against the above basic elements of a compliance strategy that a recommendation is made that each official should take practical steps relating to his or her own department to ensure compliance with the PFMA. The emphasis of a compliance strategy is on sound and effective implementation processes which enhance service delivery by ensuring that the capacity of officials is mobilised. Finally, training in the understanding of and compliance with the PFMA is essential to ensure that the managers adhere to their responsibilities and remain accountable.

The King report (II) concluded that PFMA compliance in the government would contribute to effective corporate governance, which will result in the devolution of power and responsibility to managers, vesting them with the related authority and accountability. This is a strategy that integrates planning, budgeting and performance as a basis of accountability. Budgeting is supported by predetermined performance indicators. Reporting is mainly threefold: monthly reporting on actual expenditure and revenue against budgets; quarterly reporting on meeting performance targets; and annual reporting through financial statements, annual reports and audit reports. The implementation of a compliance strategy by government departments and public entities will further help to reduce non-compliance levels (Unisa Press, 2007: 317).

Compliance to legislation for the sake of mere compliance is not enough. Public service should be for the public good. Therefore, only through constant advocacy, regular training and development programmes the public service will reach its desired level. Internal control includes the policies, plans and procedures, and organisational structure designed to provide reasonable assurance that business objectives will be achieved and undesired events will be prevented or detected and corrected (IT Governance Institute, 2007:206).

Finkelstein (2005:1) noted that internal controls vary from enterprise to enterprise and in this context from department to department and are, therefore, determined by the different business processes and activities of the enterprise's (departmental) financial controls. In the context of the PFMA if two issues, that is, data and processes, proposed by Finkelstein are considered, those questions would be: For Data: What does the data represent? How is the data processed? Where is it used? Who is responsible for the data? When is data used? Why is the data needed? Does this data support the strategic and tactical business plans? And for Processes: How do we execute them? What data do they use? Where are they processed? Who is responsible for the processes? When are these processes used? Why are the processes needed? Do they support strategic and tactical business plans?

The answers to the above questions would be a start to the customisation of both internal controls and IT control objectives for the PFMA in the different government departments (Finkelstein, 2005:1)

Internal control in any department or organisation is very important. This should include monitoring and control of individuals' activities, performance of units and departments at all levels. Remedial actions with timeframes should be recommended by the controlling officials and it should be adhered to by implementing officials. The need for IT in internal control over Financial Reporting: Although the long-term position of public finance is comfortable, serious imbalances and tensions in the economy require a tight fiscal stance in the near term to take some pressure off monetary policy. Expenditure discipline needs to be enhanced further to reverse the upward trend in the public spending to GDP ratio and create room for tax reductions. The long-standing problem of often diverging trends in central and local government policies needs to be addressed (OECD, 2006:60).

In modern public service, IT systems are integral part of day-to-day public administration, a dedicated team of experts are required for IT control and audit. Tracking mechanisms should

be built into systems for easy and timely detection. All spheres of government should have such systems and control mechanisms. Financial management and reporting is not an easy task. There should be mechanisms and tools available that are necessary for internal control as well as external validation of control systems in various departments in South Africa. This will enable better financial management control. The institute of Chartered Accountants in England and Wales (ICAEW) and Deloitte and Touche (2005: 4) concur that most regulations are concerned with information and the way it is handled, stored and protected. Therefore IT systems are inevitably the core focus of most compliance activity (ICAEW, 2005: 17). This highlights the sensitivity of IT in financial reporting and control (KPMG 2005: 17) also encouraged IT representation in agency processes. It notes that since a major portion of an agency's control activities is likely to be IT control, and the integration of the IT function into the agency's business processes is important, the agency is encouraged to include team members from the chief information officers (CIO) organisation in review teams.

The above is a good guideline for executives that have to face the rigorous processes of compliance with the PFMA. This would allow IT to provide inputs while the compliance plans are being made thus enabling alignment of available IT resources to offer a platform for complying with the PFMA. It is therefore pertinent that IT must itself be governed if it is to be part of the internal control processes for financial reporting (Luyinda, Herselman & Botha, 2008:33). It is imperative to use the necessary systems in government departments for compliance with PFMA requirements for the administration and management of public finances.

According to the Committee of sponsoring Organizations (COSO) (IIA, 2005: 3) internal control should be regarded as a process, designed to provide reasonable assurance regarding the achievement of objectives in the following categories of effectiveness and efficiency of operations, reliability of financial reporting, compliance with applicable laws and regulations. IT must be noted that this process and related controls are affected by an organisation's board of directors, management, and other personnel (Luyinda, Herselman & Botha, and 2008:38). South African government departments could adapt COBIT in the administration of PFMA.

5. 16 Internal audit structures in the North West Provincial administration

In terms of chapter 5, section 38(1) (ii) of the Public Finance Management Act 1 of 1999 (PFMA), the accounting officer of a department should ensure that the department has and

maintains a system of internal audit under the control and direction of an audit committee. In this regard the North West Provincial Government opted to establish the following structures:

- (i) An internal audit unit and audit committee serving the Provincial Legislature.
- (ii) An internal audit unit and audit committee serving the Department of Education.
- (iii) A centralised internal audit unit and audit committee serving the remainder of the departments.

The Auditor General, in the audit process, evaluates the efficiency and effectiveness of the internal audit units and audit committees and reports on the audit reports of the different departments (Auditor-General, 2008:4). It is crucial to have regular and continuous monitoring and appraisal to avoid wasteful, fruitless and irregular expenditure patterns in public departments. Although provision has been made for internal audit functions for all departments, due to negligence and apathy, clean audits are still a pipe dream.

Although the legislative mandate and necessary structures are in place, the functionality of the financial management and internal auditing processes has not been appropriately functional during the past 10 to 15 years of implementation or administration in the provincial departments. This could be viewed as the ignore approach coupled with certain barriers to progress as evidenced from literature. Unless and until, there is ardent desire and will among leadership and top management to change the *statusquo*, the situation will continue. The research findings and recommendations will be referred to later in this thesis.

5. 17 Public Service Commission (PSC)

The PSC is empowered to monitor and evaluate financial misconduct as determined by the Public Finance Management Act, 1999, read with the treasury regulations. In this regard, chapter 10 section 85(1)(a) and (e) of the PFMA read with Treasury Regulations, regulation 4. 3, determines that the accounting officer should, as soon as the disciplinary proceedings are completed, report to, amongst other, the executive authority and the PSC on the outcome (PSC, 2010: N. P.).

The PSC report is an important indicator of the efficient, economic and effective utilisation of the financial resources in the public service as well as the ethical behaviour of public servants has become an acknowledged research tool among the stakeholders. Although, departments

are compelled to report the outcome of financial misconduct to the PSC, it has been revealed that most departments do not comply with the provisions of chapter 10 section 85(1) of the PFMA. Consequently, they should be reminded on a regular basis to report to the PSC.

In the financial year 2008/09, overviews of 944 cases were reported by the departments at the provincial level while the North West province had a total number of 42 cases reported. Financial misconduct prevails at all levels in the public service. The highest numbers of cases of financial misconduct were reported at salary levels three and four whilst SMS members at salary levels 14 are, however, above the average. This creates the perception that SMS members show a greater propensity to commit financial misconduct. Out of the 1204 finalised financial misconduct cases reported, 86 per cent (1037) of the employees were found guilty. In the Department of Transport, Roads and Community Safety in the North West province, 16(80 per cent) of the reported cases were withdrawn.

Over-expenditure is considered a serious financial misconduct that government departments, especially the Eastern Cape Department of Health (ECDOH), are and have been faced with in the past few years. ECDOH is no exception to this problem. By the end of the 2009/10 financial year, the Eastern Cape Department of Health had accrued debt of approximately R1. 8 billion and it is estimated that by the end of the 2010/11 financial year it would be short of R1. 7 billion and that it would be requested from the Treasury (CABSA, 06/08/2010). Some of the reasons for over expenditure are: underfunding, poor planning, lack of leadership and financial backlogs.

A lack of public financial management skills could be one of the reasons for financial misconduct in a department. This refers to unauthorised, irregular, fruitless and wasteful expenditure. According to the Public Finance Management Act 1 of 1999, unauthorised expenditure, irregular expenditure and fruitless and wasted expenditure are acts of financial misconduct, the most common in the Eastern Cape Department of Health (CABSA, 06/08/2010).

The resignation of employees who are under investigation and have been caught in the act of misconduct should be implemented stringently. The due process of the investigations and consequences management need to be completed. In addition all acts of misconduct should be criminalised. Suspending and even dismissing employees who are found guilty of misconduct is the process that must be followed. However, suspensions take longer than they

should if investigations are not undertaken by dedicated teams. No disciplinary hearing should take more than three months to resolve. This is perceived as sheer negligence by the senior officials in the department which once again proves management's incompetence.

Complex relationships between policy theory and the design of administrative procedures underlying public policies is some form of causal theory that links public sector action to a recognised problem or situation with the expectation that the link will generate positive change. Analysts who trace the relationship between organisational structure and implementation (Bardach, 1977; Pressman and Wildavsky, 1973; Goggin *et al.*, 1990; Percy, 1989) have identified many connections between administrative structures and processes and implementation effectiveness. Mazmanian and Sabatier (1981, 1983) perceive structuring of the administrative process as a key determinant of the probability that implementing officials and target groups will perform as desired by policy makers. Process structuring represents the linkage between theory and action; it specifies the set of actions that actors should perform in order to achieve program objectives. While implementation often requires collaborative efforts between public officials in different agencies, such cooperation is seldom easily achieved (Ethridge, 1993:340). According to Sabharwal and Berman (2013: 48), there is a need to reinvent public administration from a theoretical and a practical standpoint by being cognisant of the issues that have forayed in the twenty-first century. The focus needs to be more on bridging the gap between theory and practice on the one hand and enhancing the status of public administration as a tool for delivery of services on the other. It is reinvention of public administration from this sense that really adds value to the lives of the citizens (Sabharwal & Berman, 2013: 48).

Rule driven administration and management, often causes delay. Sound stakeholder relationships and collaborative effort requires top level management intervention and creative and innovative methods or ways of applying implementation techniques. There should be room for innovation and acceleration of process flow in order to achieve the desired outcomes from the pre-set objectives.

Financial management is a compulsory competency that is required by all SMS members with managerial responsibilities. SMS members are an important category of employees to monitor with regard to possible acts of financial misconduct. The number of SMS members charged with financial misconduct is increasing annually. SMS members are considered to be

the key drivers to achieve government's strategic objectives. If a large number of SMS members are engaged in corrupt activities that affect the finances of government, then service delivery to the communities will be extremely poor. The services of the Public Service Commission should be optimally utilised by all the departments in the province.

5. 18 Coordination between portfolio and standing committees

According to the Auditor-General report (2008), the coordination between the Public Accounts Committee and the various portfolio committees was achieved through the appointment of the chairpersons of the various portfolio committees to serve as members. Through this initiative, issues discussed during the different portfolio committee meetings filtered through to the public accounts meetings and were discussed with the accounting officers during public hearings (Auditor-General, 2008: 4). It could be argued that leadership and management are not taking the Auditor-General's and Provincial Public Accounts Committee's resolutions and recommendations seriously, since no sanctions or disciplinary action was taken against the defaulters. Therefore, binding performance contracts and regular monitoring and support from knowledgeable officials is essential.

5. 19 North West Provincial Treasury: audit findings

Since the North West Provincial Treasury's function is to promote and enforce transparent and effective management of revenue, expenditure, assets, and liabilities, it (provincial treasury) has embarked on the following to address the audit findings reported in the previous audit reports. Chapter 3 section 18 (1) (c) of the PFMA stipulates that:

- (i) The provincial Accountant-General establishes a Centre of Excellence division to assist the departments to improve control over asset management and risk management.
- (ii) The Executive Technical Committee (EXTEC) and the Executive Committee (EXCO) undertake regular monitoring and compliance reporting to improve involvement of the heads of departments (HODs) in the process.
- (iii) The provincial treasury embark on a programme of support for all departments to help with the preparation, pre-review and timely submission of the annual financial statements to the Auditor-General.

- (iv) The departmental CFOs assist towards the centralised preparation of annual financial statements.
- (v) The handing over function, on 31 May each year, arranged by the provincial treasury assist in the timely submission of financials by the departments.
- (vi) The arrangement between the Auditor-General and the departments hold interactive sessions on a continuous basis on the audit progress and possible outcomes to identify transversal issues.

The annual PFMA preparation sessions with the national and provincial treasuries assist in implementing a comprehensive action plan and continuous report-back (Auditor-General, 2008:5). There is a dire need for a neutral team of experts to specifically monitor and follow up on recommendations made in earlier or previous years. Senior managers in the public service should be provided with appropriate financial monitoring skills. There should be compulsory networking sessions with experts and political leaders and oversight bodies.

5. 20 Intervention strategies in North West Provincial Departments

The provincial treasury put in place short-term and long-term strategies in response to the analysis of the audit outcomes of the North West provincial departments for the year 2006 – 2007 towards addressing the shortcomings identified therein and promoting sound financial management in the province to eliminate audit qualifications. The Financial Management Programme consisted of a two-fold intervention approach:

5. 20. 1 Short-term intervention strategy

The development and implementation of a plan with immediate effect for:

- (i) Risk management strategy and risk assessment;
- (ii) Preparation of half-yearly financial statements and conducting interim audits;
- (iii) Preparation of quality annual financial statements;
- (iv) Management and cleaning up of suspense accounts;
- (v) Development of revitalisation plans for future years focused on asset management and supply chain management; and

- (vi) Improving the quality of the audit working paper file which supports the financial statements. Implementable action plans and contracts between supervisor and supervisee should be entered into as supplementary performance agreements.

5. 20. 2 Long-term intervention strategy

The following were listed as long-term intervention strategies:

- (i) To undertake an assessment of the financial capacity and capabilities in order to meet the financial management capability maturity model rating level 6 (optimising level);
- (ii) To provide skills transfer and assistance to departments to clear and manage suspense accounts;
- (iii) To undertake high level review and assessment of asset management implementation in all departments in respect to both immovable and movable assets and utilisation of the Walker Asset Management module;
- (iv) To undertake high level review of supply chain management implementation in all departments; and
- (v) To effect change management in all the focus areas under review through effective engagement, collaboration and communication supported by training and development as well as skills transfer (Auditor-General, 2008: 6).

Officials from all spectrums of the department should be taken on board for the achievement of clean audits through achieving economy, efficiency and effectivity, enhance productivity and derive value for money for resources utilised. Training workshops on ethics, integrity and patriotism should be inculcated. Professionalism should be instilled and a career in the public sector should be ennobled. Document analysis was carried out and from the province's general report of the Auditor-General on the audit outcomes of the North West Provincial Departments for the financial year 2007 – 2008 as published in, PR 2009/2008, the tables and graphs were adapted and developed for trend analysis.

This research study adopted a qualitative analysis approach. The documentary analysis method was undertaken. Public Administration (public administration) – both the body of knowledge and the profession exist in a dynamic environment, is also dynamic and changes in

the implementation of procedures and processes. Qualitative approaches include: documentary and content analysis. Policy analysis methods are relevant in the administration of public finance management since the research is in the field of public administration and part of the social sciences. Every department in the North West provincial administration should have a research unit. They should have the capacity to conduct research as and when necessary on, *inter alia*, organisational effectiveness, climate survey, organisational culture and financial management. If it is not feasible to set up the same immediately, the Office of The Premier should assist with this task.

5. 21 Findings: Public Finance Management Act related reporting

An overview of audit opinions on provincial departments for 2007-2008– a two-year comparison is provided below: The North West provincial government comprises of 13 departments. All were included as part of the analysis. Comparative audit opinions for the two financial years: 2007 – 2008 and 2006 – 2007 is provided in the table below:

Table: 3 Audit opinions on North West provincial departments

Type of audit opinion	2007 – 08		2006 - 07	
	Number	Percent	Number	Percent
Adverse	0	0 percent	0	0 percent
Disclaimer	1	8 percent	0	0 percent
Qualified	5	38 percent	8	62 percent
Financially unqualified (with other matters)	5	38 percent	5	38 percent
Financially unqualified (with no other matters)	2	16 percent	0	0 percent
Total analysed	13	100percent	13	100percent

(Adapted from Auditor-General, 2008: 7)

In 2006–07, eight departments received qualified audit opinions and of the eight, one department, that is, the Department of Developmental Local Government and Housing moved

to a disclaimer in 2007–2008. The reasons for that movement were serious control weakness in the administration of housing projects, attributable to staff capacity. The Public Works and the Economic Development and Tourism moved to unqualified opinions (with other matters) in 2007–2008 from qualified opinion in 2006–2007. The reasons for the improvement were: the department had used an exemption from the National Treasury with respect to the valuation of immovable assets while the Department of Economic Development and Tourism strengthened their internal controls regarding asset management by maintaining a fixed asset register and performing asset reconciliations. The Department of Finance and the Contingency Reserve, improved from unqualified (with other matters) to qualified (with no other matters) audit opinions. The remaining three departments which were previously unqualified (with other matters) in the 2006–2007 remained unchanged in 2007–2008 (Auditor-General, 2008: 8). The above indicates that there is a lack of sustainable administrative expertise or knowledgeable officials with the required capabilities and skills to manage the finances of the departments.

5. 22 North West provincial departments: audit opinions

An analysis of the audit opinions of the North West provincial departments and the audit opinions for ten years, from 2003 –2004 to 2012 – 2013, are captured in Table 2 below:

Table: 4 Audit opinions on North West provincial departments for the ten years (2003-4 to 2012-13)

Departments	2003-04	2004 -05	2005- 06	2006- 07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Office of the Premier (Vote 1)	Unqualified with no findings	Unqualified with no findings	Qualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings
Provincial Legislature(Vote 2)	Qualified with findings	Unqualified with no findings	Qualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Qualified with findings	Unqualified with findings	Unqualified with findings	Qualified with findings
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Health(Vote 3)	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Unqualified with findings	Unqualified with findings	Qualified with findings	Unqualified with findings
Sport, Arts and Culture(Vote 4)	Not established as a department on its own	Unqualified with no findings	Unqualified with no findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Qualified with findings
Economic Development,	Not established	Not establishe	Qualified with	Qualified with	Unqualified with	Unqualified with	Unqualified with	Unqualified with	Unqualified with	Unqualified with

Tourism, Conservation and Environment and Tourism(Vote 6)	as a department on its own	d as a departmen t on its own	findings	findings	findings	findings	findings	findings	findings	findings
Provincial Treasury(Vote 7)	Unqualified with no findings	Unqualified with no findings	Unqualified with no findings	Unqualified with findings	Unqualified with no findings	Unqualified with no findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings
Education(Vote 8)	Unqualified with no findings	Disclaimer	Qualified with findings	Qualified with findings	Qualified with findings	Unqualified with findings	Disclaimer with findings	Qualified with findings	Qualified with findings	Qualified with findings
Local Government and Traditional Affairs(Vote 9)	Unqualified with no findings	Qualified with findings	Qualified with findings	Qualified with findings	Disclaimer	New auditee	Qualified with findings	Qualified with findings	Qualified with findings	Unqualified with findings
Public Works, Roads & Transport(Vote 11)	Unqualified with no findings	Unqualified with no findings	Qualified with findings	Qualified with findings	Unqualified with findings	Unqualified with findings	Disclaimer with findings	Disclaimer with findings	Disclaimer with findings	Disclaimer with findings

Social Development (Vote 12)	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings
Agriculture and Rural Development (Vote 13)	Unqualified with no findings	Qualified with findings	Adverse	Qualified with findings	Qualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings

Table: -- Summary of Audit opinion on the North West Provincial Departments for ten years (2003-04 to 2012-13)

Table: 5 Distribution of audit opinion (2003-04 to 2012-13)

Type of audit opinion	2012-13		2011-12		2010-11		2009-10		2008-09		2007-08		2006-07		2005-06		2004-05		2003-04	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Unqualified with no findings	0	0%	0	0%	0	0%	0	0%	1	9%	1	9%	0	0%	2	18%	5	45%	6	55%
Unqualified with findings	5	45%	5	45%	6	55%	5	45%	7	64%	5	45%	4	36%	0	0%	0	0%	0	0%
Qualified with	5	45%	5	45%	4	36%	4	36%	2	18%	4	36%	7	64%	8	73%	4	36%	3	27%

findings																					
Adverse with findings	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	1	9%	0	0%	0	0%	
Disclaimer with findings	1	9%	1	9%	1	9%	2	18%	0	0%	1	9%	0	0%	0	10%	1	9%	0	0%	
New auditee	0	0%	0	0%	0	0%	0	0%	1	9%	0	0%	0	0%	0	0%	0	0%	0	0%	
Not Established as department	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	1	9%	2	18%	
Total Analysed	11	100%	11	100%	11	100%	11	100%	11	100%	11	100%	11	100%	11	100%	11	100%	11	100%	

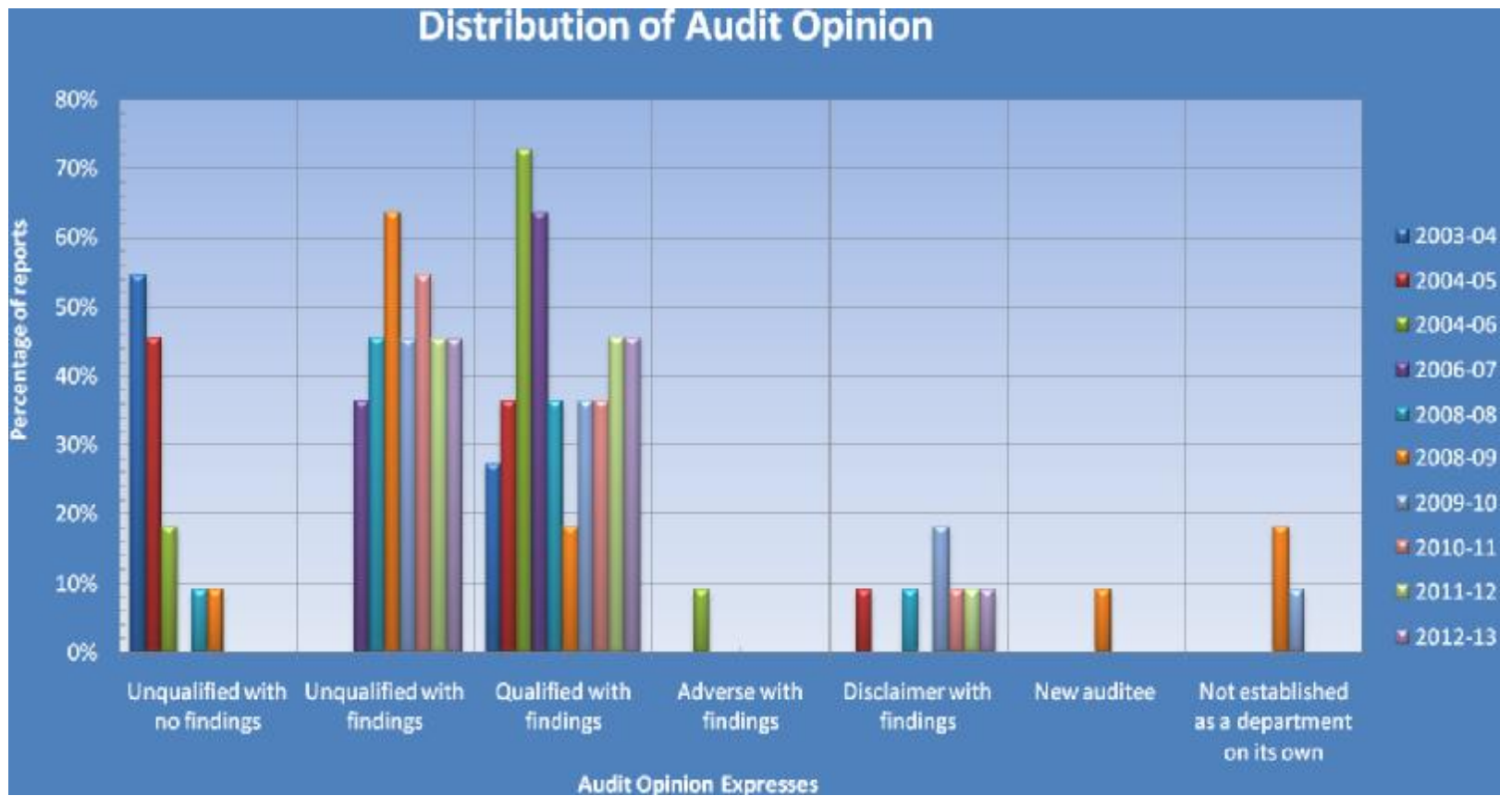


Figure: 7 Change in audit opinion (2003-04 to 2012-13)

(Adapted from Provincial general report of the Auditor – General on audit outcomes 2007-08 and 2012-13)

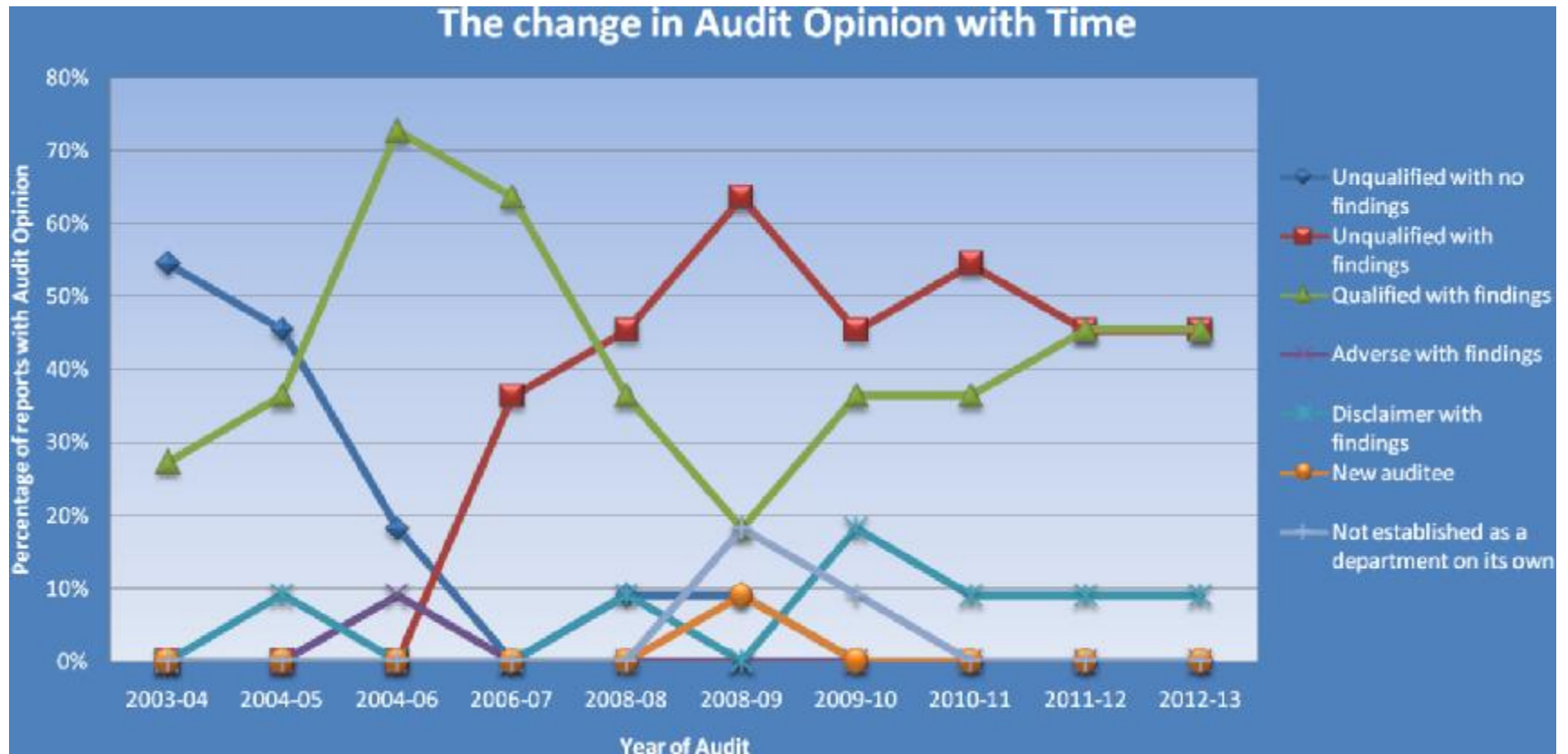


Figure: 8 Change in audit opinion with time

(Adapted from Provincial general report of the Auditor – General on audit outcomes 2007-08 and 2012-13)

The North West provincial government consists of thirteen departments. The above figures show the ten year (2003-04 to 2012-13) audit outcomes of provincial government departments. There has been no significant improvement in the audit outcomes over the last five years. If the past two years are compared, 2011-12 and 2012-13, there has been a net overall stagnation in audit outcomes. There were no clean audits in 2012-13. Clean audits are obtained when the financial statements are unqualified and there are no reported audit findings with respect to either predetermined objectives (PDOs) or non-compliance with legislation. Since 1994, various changes have been effected in the configuration of North West provincial departments. Documentary analysis was carried out in the province's general report of the Auditor-General on the audit outcomes of the North West provincial departments for the financial year 2007 – 2008 as published in PR 3009/2008 (ISBN 978-0-621-38368-3), the tables and graphs were adapted and developed for trend analysis.

The Department of Developmental Local Government and Housing received a disclaimer in 2007 – 2008 compared to previously qualified opinions. The lack of capacity to deal with the major balance sheet items, for example, capital assets, resulted in a trend of declining audit opinions. The lack of supporting documentation for housing projects, which lead to the disclaimer, poses a high risk to the department, specifically in the area of fraud (Auditor-General). The number of departments receiving qualified findings on capital assets is a specific area of focus, with a resultant effect of recurring findings. The departments which most often received qualified audits in these areas over the past three years are the Departments of Health, Education, Transport, Roads and Safety, Social Development and Agriculture, Conservation and Environmental Affairs. The Auditor-General commended the ability of the Departments of Sport, Arts and Culture, Finance and Contingency Reserve to continuously achieve unqualified audit opinions for the past four five years and the ability of the Office of the Premier and the Provincial Legislature to attain unqualified audit opinions for the past two years.

The Auditor-General attributed the success of the above-mentioned departments to the quality of financial information submitted for audit, implementation of the prior year's audit recommendations, implementation of resolutions by the Public Accounts Committee

and the availability of senior management, especially the Chief Financial Officers, during the time of the audit (Auditor-General, 2008: 9). Negligence of duty, absenteeism and lack of co-operation and dedication should be punished. There should be provision for job rotation and multi-skilling. A pool of committed staff could be developed.

The first set of data is for the period 2003–2004 to 2007–2008 (five years) and the second set of data for the period 2008–2009 to 2012–2013 (five years). In total, ten years of audit reports were analysed, from the commencement of this research thesis as well as the reporting style, language and terminology used by the Auditor-General. When the two blocks are compared, there was no trend in improvement of the audit opinions. The graph is irregular in nature. There was no steady improvement by any department.

5. 22 Qualification details of audit opinions

The qualifications on assets is the most common audit finding across all (six) departments (100%) and it relates mainly to a lack of supporting documentation, incomplete and inaccurate asset registers. The reasons for qualifications are listed below:

- (i) Poor internal control measures.
- (ii) Lack of supporting documentation.
- (iii) Inaccurate recording of assets in the asset management system – as a result, the completeness existence, valuation of movable and immovable assets could not be confirmed.
- (iv) Presentations and disclosure issues (83 per cent) of departments. These qualifications are the result of a lack of supporting documentation substantiating commitments, accruals, and employee benefit provisions disclosed in the notes to the financial statements. Various instances of overstatements of accruals due to poor cut off procedures were also reported.
- (v) Three of the six departments (50 per cent) qualified had qualifications on amounts disclosed as receivables in the statement of financial position. These qualifications were

as the result of the lack of supporting documentation for amounts owed to the departments, debtors with credit balances and long outstanding balances.

(vi) Inadequate levels of supervision and monitoring contributed to the matters identified above (Auditor-General, 2008: 10).

Human resource management should be a strategic partner in any department. It is not mere personnel administration, but should involve appropriate recruitment strategy and human capacity building as well as continuous skills development in the modern-day public service. A study conducted by Van Wyk identified, amongst other, the following factors: lack of experienced, knowledgeable, skilled and qualified staff, outdated accounting and information systems, inadequate knowledge of the Public Finance Management Act, 1 of 1999, the transformation from financial control/administrative to financial management, inadequate control systems and lack of knowledge of accrual accounting are generally recognised (Van Wyk, 2004: 414). There should be capacity enhancement training programmes rolled out to all levels of the public service after a proper skills audit. It should be based on the competencies required for each level. Mentoring and coaching should be institutionalised.

As the South African public sector strives to improve training and development initiatives, various challenges experienced in the departments must be considered. Paterson (2004a:24) outlines negative impact on training and development as a reason. These include the lack of financial resources, existence of previous processes or protocols and training not seen as investment in terms of the opportunity it creates but to support the career enhancement of the individual within the public sector. The training and development of public servants is extremely important because they play a critical role in equipping public servants with the necessary skills, knowledge and competencies which are vital to deliver effective and efficient service. Proper training and development of public servants, through quality skills development practices, are important to improve organisational performance and the capacity of employees to deliver high quality services to the public.

In terms of skills development in the South African public service, the state has the responsibility and a role to play to ensure skills development which will promote the effective and efficient function of the government to achieve growth and sustainable development. When implementing the suggested practical and realistic solutions for proper skills development in the South African public service, it is important that there is monitoring and evaluation to assess whether the solutions reveal that they are not contributing towards skills development. These need to be changed before time and resources are wasted.

The fact that the post-1994 government inherited a devastated economy has contributed to the widening gap between the rich and poor. The state's inability to deliver services to the people has led to situations where trust, communication and relationship between the citizens and the state have broken down. The lack of capacity, capability, skills, knowledge as well as corruption are often cited as factors contributing towards the government's failure to deliver, hence the recent numerous public protests and demonstrations.

In order for South Africa to advocate and champion a (democratic) developmental state, it is necessary to understand the existing socio-economic situation including the constraints and challenges that are currently being encountered. Effective implementation of a state that intervenes decisively not only in economic growth but also encompassing social development would, therefore, require capacity (skills) and capability (competency) especially in the development and deployment of human resources. From the capacity-building perspective, development becomes a process of progressive and qualitative movement from inability to ability, from incapacity to capacity (Vryas-Doorgapersad, 2010:50).

The failure to spend allocated resources supports the view that capacity constraints are a key factor hindering the realisation of socio-economic rights (Chetty, 1999: 10 - 11).

Training and development of public servants should not be seen as a once-off event. Regular and continuous in-service training should be adopted for achieving optimum performance levels of individuals and organisations. Skills development, capacity

development and systems development are essential elements in organisational development.

5. 23 Internal audit in combating fraud

The audit function plays a part in combating fraud or corruption. The role of auditing is primarily confined to prevention and detection. Prevention, insofar as the control system (to be implemented by management and assessed by the audit function), should address the risk of misuse of public funds. Detection, because internal auditors are expected to be sufficiently educated about fraud to identify danger signals that tend to indicate the existence of fraud and raise red flags where results are misleading (Alain-Gerard Cohen 2007:22).

5. 24 Audit findings related to other matters

The audit findings reported under “other matters” draw attention to the matters that are ancillary to the Auditor-General’s responsibilities in the audit of the financial statements.

According to the Auditor-General, most instances of non-compliance with relevant legislation which did not affect the financial statements related to non-compliance with the PFMA and Treasury Regulations, which were reported in eight (62 per cent) of the thirteen departments. Inadequate supervision and monitoring by the leader (accounting officers, chief financial officers and relevant managers) had in part contributed to the negative audit findings in this area. The right leadership tone, with the support of internal audit, is necessary to establish a strong control environment and ensure compliance (Auditor-General, 2008: 11). The non-payment of creditors within the prescribed period of thirty days was the most prevalent transversal audit finding related to non-compliance with the PFMA. The following are examples of major non-compliance with legislation:

(a) Department of Education

- (i) Non-compliance with the Preferential Procurement Policy Framework Act, in awarding of tenders.**
- (ii) Contrary to section 43 (5) of the South African Schools Act, not all schools had submitted financial statements.**

- (iii) Contrary to Value Added Tax Act (VAT), tax invoices were paid by the department where suppliers were not registered as VAT vendors.
 - (iv) There were instances where officials of the department performed duties outside official duty without approval as required by section 33 (1) (b) of the Employment of Educators Act.
- (b) Department of Agriculture
- (i) The department increased the threshold limit for procurement of goods and services through a bidding process determined by the National Treasury to an amount of R500 000 (Auditor-General, 2008: 11).

The existence of good risk management and internal control practices, which include audit committees as well as internal audit functions, contributed greatly to the achievement of unqualified audit opinions. Internal audit and audit committees are essential elements in the management review process as they contribute to the design and maintenance of sound internal control (Auditor-General, 2008: 11).

The North West Provincial Government opted to have the following structures in place:

- (i) An internal audit unit and audit committee serving the Provincial Legislature.
- (i) An internal audit unit and audit committee serving the Department of Education.
- (ii) A centralised internal audit unit and audit committee serving the remainder of the departments.

These audit committees (in 100 per cent of departments) and internal audit functions (in 93 per cent departments) were in operation throughout the 2007 – 2008 financial-years. The shared arrangement of the audit unit and audit committee yielded the desired impact in particular departments. However, this impact was limited in departments such as the Department of Developmental Local Government and Housing, (Auditor-General). This arrangement needs to be reviewed to strengthen the role of management, particularly in the departments with recurring qualified audit opinions (Auditor-General, 2008: 12).

There is still a need for improvement required in the quality of financial statements submitted for auditing, the Auditor-General observed. The observation was based on the fact that material adjustments had to be made to the financial statements submitted for auditing of eight (62per cent) of the thirteen departments in order to avoid either qualification or further qualification. This was primarily due to the lack of adequately qualified accounting personnel (Auditor-General, 2008: 12).

5. 25 Rationale for performance auditing

A performance audit is described as an independent auditing process to evaluate the measures instituted by management to ensure that resources have been procured economically and are used efficiently and effectively (Auditor-General, 2008: 19).

Performance auditing is concerned with auditing of economy, efficiency and effectiveness and embraces:

- (i) Auditing of the economy in relation to the acquisition of resources in the right quantity, at the right quality, at the right time, and place at the lowest possible cost.
- (ii) Auditing of the efficiency of utilisation of human, financial and other resources and optimal relationship between the output of goods and services or other results and the resources used to produce them.
- (iii) Auditing of effectiveness of performance in relation to achievement of the policy objectives, operational goals and other intended effects of the audited entity (Auditor – General, 2008: 18).

Internal control is essential for financial managers, accountants, and auditors (American Institute of Certified Public Accountants).

It is worth noting the ability of IT Control Objectives for Information and related Technology (COBIT) to enable the participation of IT in the design and implementation of internal control over financial reporting for the Public Finance Management Act (PFMA).

The success of public financial management depends on the apt choice of systems, the correct choice of skills and personnel to run the systems and avoiding the duplication of effort. Therefore, based on the experience in the North West provincial administration, appropriate systems and styles can be selected for optimal resource utilisation and productivity.

It is suggested that companies can enhance their efficiencies over assessing internal control by:

- (i) Concentrating solely on financial reporting objectives directly applicable to the company's activities and circumstances. Taking a risk-based approach to internal control, perceiving internal control as an integrated process, right sizing documentation and considering the "totality" of internal control.

The audit committee should:

- (ii) Regularly consider the effectiveness of internal control over financial reporting.
- (iii) Review accounting policies and procedures used by management for determining significant estimates, including key assumptions.
- (iv) Maintain an appropriate level of scepticism regarding management's assertions and judgements affecting financial reporting and ask probing and challenging questions of management (American Institute of Certified Public Accountants, 2007 1-12, 4-6).

5. 26 Performance auditing results

The Auditor-General reported on the auditing of performance information in line with the relevant phasing-n approach. The following observations were made:

- (a) Six provincial departments (46 per cent) were lacking in respect of reporting on all predetermined objectives in the annual performance report.
- (b) Inconsistencies were found between measurable objectives reported on in the annual report and the strategic plan corporate plan annual performance plan budget of four (31 per cent) of the departments.

(c) Sufficient appropriate audit evidence supporting performance information could not be submitted by four (31 per cent) of the departments (Auditor – General, 2008: 12).

Based on the above, the Auditor-General (2008: 12) expressed the need to have a performance audit committee play a critical role in ensuring that the department’s measurable objectives are regularly monitored, reported, and supported by adequate supporting documentation, which will facilitate tracking and service delivery. As per the international norms and standards, public service departments have gradually moved from financial audits to performance audits and ultimately towards evidence-based audits. Departments and even countries are benchmarking against good practices or best international practices.

5. 27 Results of good practice indicators: North West provincial departments

Table: 6 below presents the results of the North West provincial departments’ good practice indicators for 2007 – 08.

No.	Good practices	Percentage of total departments achieving good practice indicator
1	Clear trail of supporting documentation that is easily available and provided in time	54 percent
2	Quality of financial statements and management information	54 percent
3	Timeliness of financial statements and management information	100 percent
4	Availability of key officials during audits	54 percent
5	Development of and compliance with risk management and good internal control and governance practices	54 percent
6	Leadership / supervision / monitoring	54 percent

(Adapted from Auditor-General' Report, 2008: 14)

- (i) A clear trail of supporting documentation: Only seven out of thirteen (54 percent) of the departments achieved this criterion. The remaining 46 percent of the departments were required to ensure that sufficient appropriate audit evidence is available to support the transactions and balances in the financial statements. The recording of documents requires improvement to ensure that it is safeguarded and readily available for audit purposes.
- (ii) Quality annual financial statements: 54 percent of the departments in other words, seven out of 13, submitted quality financial statements. Processes need to be further refined in order to accurately collate information and should be quality assured before submission for audit. The lack of quality is a reflection of the inadequate level of skills within the departments.
- (iii) Timeliness of annual financial statements: – 100 per cent compliance was achieved. This was only for the sake of compliance. It is clear that proper control measures have not been taken to ensure good quality financial statements, when considering the number of qualified audit reports departments received.
- (iv) Availability of key officials: 54 per cent of the departments availed their key officials for dealing with audit queries and helped to provide the required information. It is highly essential to provide relevant senior managers to facilitate the processes required to obtain a high standard of auditing.
- (v) Development of and compliance with risk management and good internal control and management practices: It is a legislative mandate to have risk management and internal control units (46 per cent) of departments to take urgent action to prevent fraud and corruption.
- (vi) Leadership, supervision and monitoring: Effective leadership and oversight is needed to monitor the performance of management, especially in financial management, which is inadequate (only 54 per cent), needs improvement (46 per cent).

Public sector managers and employees should be answerable and accountable for their duties and responsibilities which should be incorporated into binding performance contracts. There should be consequences for non- achievement and default.

Out of the 13 provincial departments analysed:

One (8percent) department had a disclaimer of opinion: Developmental Local Government and Housing (Vote 9). Five (38percent) departments were financially qualified: Agriculture, Conservation and Environmental Affairs, Education, Health, Social Development and Transport, Roads and Community Safety. Five (38 per cent) departments were financially unqualified but had concerns in areas of internal control, governance and legislative non-compliance, namely: Office of the Premier, Sport, Arts and Culture, Provincial Legislature, Economic Development and Tourism and Public Works. Two (15 per cent) of the departments were unqualified without any significant concerns regarding other matters, namely, Contingency Reserve and Finance.

The lack of capacity to deal with the major balance sheet items, for example, capital assets, resulted in a trend of declining audit opinions. The lack of supporting documentation led to disclaimers. As a result of recurring findings is observed, for example on capital assets, many departments have received qualified reports. Few departments received an unqualified audit opinion and their success may be attributed to the quality of financial information submitted for audit, implementation of the prior year's audit recommendations, implementation of resolutions made by the Public Accounts Committee and the availability of senior management, especially the CFO during the time of audit. The qualification on assets is the most common audit finding in all these departments and it relates mainly to a lack of supporting documentation and incomplete and inaccurate asset registers (Auditor-General, 2008: 9-10).

The root causes were found mainly in the following focus areas: Lack of capacity, inadequate governance arrangements, insufficient supervision and monitoring by leadership, insufficient prioritisation of identified issues, so far as these relate to coordinated action plans.

The ultimate aim or goal of each department is to achieve a clean audit as soon as practicable. Political will, administrative expertise of public servants, capabilities,

competencies and the necessary education and training and professionalism of personnel are all essential prerequisites. All governments and departments should ensure human resource or human capital provision as a strategic issue. There should be competent personnel with the required talent at the right place in the right time and all the time. Human resource planning, provisioning, capacity building, skills development, performance management, mentoring and coaching will cause the departments to function optimally. It is appropriate to examine the Auditor-General's observations or findings regarding the comparison of good practice indicators achieved by the North West provincial departments. The Auditor General's report is also a baseline to monitor future improvement.

5. 28 Stagnated audit outcomes

There was no improvement in the provincial audit outcomes compared to the previous period, with overall outcomes remaining predominantly the same (Auditor-General 2012 – 13:12). The General report on the provincial audit outcomes of North West 2012 -13 highlighted the following significant aspects:

- (a) Overall audit outcomes: There was no significant improvement in overall audit outcomes from the previous year or the past five years (2008 – 2009 to 2012 – 2013) as evidenced by the table and graphs provided above for the said periods.
- (b) Outcomes of Education, Health and Public Works: Public Works remained with a disclaimer of opinion while Education remained with a qualified opinion and Health improved with unqualified findings. The three departments had findings on both quality of annual performance reports and compliance with legislation.
- (c) There were four improvements and four regressions, including one clean audit opinion that regressed to unqualified with findings.
- (d) The Office of the Premier and the provincial legislature, with qualified opinions with findings, are expected to lead by example in attaining clean audit outcomes (Auditor-General, 2012-13:19).

It is evident that after examining and analysing the provincial departments audit outcomes of the past ten years 2003 – 2004 to 2007 – 2008 and of 2008 – 2009 to 2012 – 13, the

efficiency and effectiveness as well as economy and value for money had not been achieved. It may be argued that no predictable trends were emerging.

Therefore, it is worth noting the recommendations by the Auditor-General for improvement as provided below:

(i) Quality of submitted financial statements

Even though most departments submitted financial statements for auditing by the legalised deadline of 31 May 2013, only four (16 per cent) submitted financial statements with no material mis-statements. That was worse than the previous year which implied that the quality of the financial statements submitted for auditing remained poor. Some departments could not classify expenditure correctly due to a lack of control and reconciliation which led to mis-allocations which could not be corrected. Departments were unable to provide supporting evidence such as invoices for expenditure incurred. The number of departments with this problem increased since last year, indicating that poor record management was not being addressed. Asset management remained unchanged from the previous year. Irregular expenditure in terms of supply chain management was either undisclosed or understated and the problem remained unchanged.

In order to improve the above situation, it was recommended that finance sections should be capacitated with sufficient appropriately skilled and trained staff to prepare financial statements during the year and that should be reviewed by the CFO, internal audit and audit committee before being submitted to external auditing (Auditor-General, 2012-13:32).

(ii) Supply chain management

Problems associated with supply chain management processes include: limitations experienced on planned scope of audit of awards, lack of evidence or compliance with supply chain management legislation, contracts awarded to employees and close family members, uncompetitive or unfair procurement processes, inadequate contract management, inadequate supply chain management controls, ineffective management

consultants as well as shortcomings in terms of transfer of skills and shortcomings in performance management and monitoring.

In order to improve the above problems, it was suggested that officials who continue to transgress supply chain management requirements should be dealt with in terms of the disciplinary policies and procedures and be held accountable for their actions. The way forward also depended on the leadership's swift responses in dealing with repeat findings on non-compliance of laws and regulations (Auditor-General, 2012-13:36).

(iii) Human resource management

All functions related to human resource management, including delays in the management of vacancies, lack of consequences for transgressions and poor performance management and other inefficiencies associated with staff contribute to findings of non-compliance. There was an increase in the number of departments with findings on HR management in 2012-2013 compared to the previous year.

In order to improve the above situation, it was recommended that all vacancies, especially key positions such as accounting officers, chief financial officers, heads of supply chain management and so forth, should be filled immediately with appropriately competent and experienced officials. The leadership should be involved in ensuring the support of all in the department. All appointments should be accompanied by specific and clear performance agreements binding the person in office (Auditor-General, 2012-13:39).

(iv) Information Technology

IT governance, security management, user access management and IT service continuity are essential aspects to ensure the confidentiality, integrity and availability of state information, enable service delivery and to promote national security.

In order to address IT weaknesses, the Auditor-General (2012-13:42) recommended that accounting officers should provide strategic guidance and IT departments in conjunction with the Minimum Information Security Standards (MISS) unit. It should ensure that

good security practices are implemented, updated and enforced (Auditor-General, 2012-13:42).

(v) Financial health

The Auditor-General audits the department's financial health status and gives recommendations for timely remedial action where management interventions are necessary in risk management. The aspects include, *inter alia*, under spending by departments of capital budgets and conditional grants allocated, debt management and financial health risks of public entities attached to departments.

It was recommended that spending capital budgets should be closely monitored and linked to the achievement of planned targets for the departments. The departments should also closely monitor the public entities they are responsible for in managing their financial affairs. Finally, the Office of the Premier together with the relevant MEC (Member of the Executive Council) review the existing public entities and stream line them (Auditor-General, 2012-13:45).

5. 29 Deficiencies in internal controls

According to the Auditor-General's general report on the provincial audit outcomes of North West 2012–13, there were significant deficiencies in terms of internal control mechanisms in departments.

Even after the 15-year existence of the PFMA, the efficiency, effectiveness and economy of the administration of financial management in departments had not yet been attained. This thesis examined ten years of the administration of the PFMA, that is, 2000-04 to 2007–08 and 2008–09 to 2012–13.

The Auditor-General's (2012-13) findings revealed the following: Overall, there was no improvement in the drivers of internal control which are leadership, financial and performance management and governance in any key areas which directly correlated with the stagnation, that is, no changes in audit outcomes.

The above situation was due to the following:

Table: 7 - Root causes and action to be taken

Root causes	Action to be taken to address the root cause
<p>Lack of consequences for poor performance and transgressions</p>	<p>All members of senior management should have signed performance agreements inclusive of targets and objectives. Performance evaluations should be conducted on a regular basis throughout the year to address poor performance.</p> <p>All allegations of financial misconduct, misconduct in SCM and unauthorised, irregular, fruitless and wasteful expenditure should be investigated promptly. The necessary disciplinary measures taken in all cases where the misconduct was confirmed.</p> <p>The Provincial Public Accounts Committee (PPAC) should hold the leadership and any key officials responsible where there are continued poor audit outcomes. Stern action should be taken against those responsible for transgressions.</p>
<p>Instability or vacancies in key positions</p>	<p>All vacant accounting officer or chief financial officer positions should be filled by officials with the necessary competencies and experiences.</p> <p>All other key positions (finance, M&E, technical staff etc.) should be filled promptly with</p>

	expertise.
Slow response by political leadership	<p>The MECs should honour their commitment to meet with Auditor-General of South Africa (AGSA) for an hour in every 90 days to discuss key control weaknesses and ensure remedial actions implemented.</p> <p>The portfolio committee should also be actively involved in the follow-up of implementations of action plans.</p>

Adapted from Auditor-General's General report on the provincial audit outcomes of North West (2012-13: 50 – 51)

The departments should attend to the drivers or key elements by preparing accurate and complete financial and performance reports to develop and monitor the implementation of action plans, review and monitor compliance with applicable laws and regulations. Key role players and their initiatives and impact on financial management and audit outcomes are crucial.

According to Auditor-General (2012-13: 55–57), the first level of assurance should be undertaken by management and leadership, especially senior management. The accounting officer or accounting authority should create an environment enabling all managers to perform their control and managerial duties ethically, honestly, transparently with integrity. The Executive Authority should be a role model and inspiration for ethical conduct, the political will should be admired by staff of the department.

The second level assurance should be exhibited by the internal independent assurance and oversight by the internal audit unit. The staff should be knowledgeable and experts in their field. The audit committee should provide the required level of assurance also as second-level assurance providers. Then the premier, the provincial treasury, the MEC for finance should also come on board to support and provide assurance. The third level of assurance is rendered by the portfolio committee and public accounts committee, which perform

external oversight and assurance functions independently (Auditor-General, 2012-13: 55–57).

There is a dire need of political oversight and strict control by politicians and administrative control, regular monitoring and support by top public servants in implementing policies and administering legislation. The public service should be transformed into a career or profession with an agreed upon code of conduct and value system. Appropriate training and professional development and screening should take place at various levels such as entry level, middle management level and senior management level as well as executive level. Moral and ethical values, competencies and merit, training and academic scholarship should be employed in recruitment and selection process.

5. 30 Provincial Public Accounts Committee (PPAC) resolutions

The Auditor-General is expected to include the review of the Provincial Public Accounts Committee (PPAC) resolutions which are part of the accounting officer’s report, in line with the *International Standards on Auditing, ISA 720 and relevant information contained in documents concerning audited financial statements.*

Table: 8 Implementation status of PPAC resolutions for the North West provincial departments 2007 – 08 audit (Adapted from Auditor-General, 2008: 16)

No.	North West Provincial Department	Number of resolutions	Resolutions not yet implemented	Percentage of resolutions not yet implemented
1	Office of the Premier	0	0	-
2	Provincial Legislature	12	2	17 percent

3	Health	3	1	33 percent
4	Sport, Arts and Culture	0	0	-
5	Economic Development	6	4	67 percent
6	Finance	0	0	-
7	Education	21	11	52 percent
8	Local Government and Housing	5	5	100 percent
9	Transport, Roads and Community Safety	8	6	75 percent
10	Public Works	6	2	33 percent
11	Social Development	4	3	75 percent
12	Agriculture, Conservation and Environment	3	0	
13	Contingency Reserve	0	0	-

The lack of capacity has translated itself into the slow pace of implementation of the PPAC resolutions. According to the Auditor-General (2008: 16), non-implementation of PPAC resolution is of serious concern especially in the departments where there were qualified audit opinions, namely: Education, Local Government and Housing, Transport, and Social Development. The Economic Development department did not prioritise PPAC resolutions. The Auditor-General further noted that had this situation been adequately monitored by the leaders and oversight mechanisms, there could have been a more positive outcome (Auditor – General, 2008: 16). The above situation is a typical case of poor management, governance and leadership. A sense of ownership, accountability, responsibility, honesty and integrity should be cultivated in public officials. A sense of pride should be instilled to be a career public servant.

Accountability is a perpetual struggle when authority is delegated by the many to the few in the interests of governability. Most systems of government the task of holding accountable those to whom authority has been delegated is a relatively small number of individuals: senior judges, the Auditor-General and members of legislative public accounts committees. The question of who will watch the watchdog is as old as it is unavoidable (Goetz and Jenkins, 2005: 1). ‘Anyone who takes the need for transparency seriously will profoundly change the course of events’. Such reforms will require a vast change in domestic business practices, corporate culture, and government behaviour. Government at various levels is accountable to the people. Its functioning comes up for scrutiny in parliament, state legislatures, local governments, municipal councils and their committees (Godbole, 2003:267).

5. 31 Conclusion

In this chapter, public financial management, reforming financial management, the importance of accountability in public management, requirements of effective financial management, modernised financial management weaknesses in the financial management system and barriers to progress were examined. Approaches to transforming centralised modes of control, constitutional mandate in terms of financial management as well as governmental accounting and financial performance monitoring were examined. Public internal financial control, internal audit structures of the North West provincial administration and the functions of the Public Service Commission were noted.

The coordination between portfolio and standing committees and the North West Provincial Treasury’s monitoring mechanisms and short-term and long-term intervention strategies – were mentioned. The findings of the public finance management acts related to reporting and a comparative table of ten years of audit opinions of various provincial departments were tabulated. A summarised table and graph indicating the change in audit opinions as well as change in audit opinions with time were illustrated. Various qualification details of audit opinions, internal audit in combating fraud as well as audit findings related to other matters were provided. The rationale for performance auditing, performance auditing results of the North West provincial departments, together with the results of good practice indicators and stagnated audit outcomes were described. The deficiencies in the internal controls and its root causes and

the actions to be taken to eliminate them were tabulated. The resolutions of the PPAC which had not been implemented timeously were also tabulated to exhibit negligence or delays by the departments. There should be well-formulated plans and adequately trained managers and staff to execute the plans. Auditing staff, both internal and external are essential to execute the checks and balances timeously. Micro-level and macro-level scrutiny are essential for any public policy and especially the public sector finance policy.

In the following chapter, the interpretations of the findings, recommendations and conclusions are provided. The following aspects are discussed briefly: financial qualifications in the audit opinion, shortcomings in various departments, capacity constraints and a lack of a clear trail of supporting documentation, lack of effective leadership, supervision, monitoring and support. Appropriate recommendations are provided to possibly improve the current situation which is based on the interpretations of the findings.

CHAPTER 6 – Interpretation of the Findings, Recommendations and Conclusion

The contents of the chapters are briefly described. Public Finance Management when aligned with the PFMA in any department should result in economical, effective and efficient utilisation of funds. This could be confirmed through an independent audit process. The Auditor-General's report releases its findings on an annual basis. The causes of audit opinions, general conclusion, various findings and recommendations made are based on the findings contained in the reports.

In this chapter, the findings are interpreted; recommendations are provided followed by the conclusion. There are financial qualifications in the audit opinion; shortcomings in various departments, capacity constraints, and a lack of a clear trail of supporting documentation, ineffective leadership, supervision, monitoring and support are evident. Appropriate recommendations will be made to possibly remedy the situation.

In Chapter One, the research titled: “Administration of Public Finance Management Act (PFMA), Act I of 1999” was introduced. The justification for the study, background, problem statement, research questions, research methodology and sequence and contents of the chapters were provided. An overview of the study, including policy implementation, its prospects, problems and challenges were examined. The motivation for the research, research problem, objectives of research, literature survey methods, research methodology and chapter outline was explained. The Public Finance Management, Act 1 of 1999 is the recent piece of legislation and a major improvement compared to the previous Exchequer Act, 1975. Managing finances in the public sector involves numerous challenges. There are major problems for which solutions are required. Moreover, it is essential to achieve value for money through economy, efficiency and effectiveness.

In the administration of any policy or piece of legislation, various factors such as the availability of trained personnel, administrative arrangements, client or customer education, availability of material resource requirements were considered carefully. It is also a pre-requisite to have proper procedures, rules, regulations and cost-benefit analysis in place to implement policy. Managerial control and fiduciary duties of governance structures were also examined in the administration of the Public finance Management Act. The role of the auditing staff, both

internal – internal audit unit and external – Auditor-General and the audit committee are of paramount importance. The goal of each department should be to achieve financially unqualified audit opinions, improve performance and thereby provide effective and efficient service delivery.

In Chapter Two, public administration was introduced and the global development of public administration, development of public administration in South Africa, Public Administration as a body of knowledge, as a professional practice, functions and policy fit were highlighted. Policy formulation, stages of policy implementation, pre-conditions for successful implementation and challenges were examined. Public finance in South Africa was also analysed. Policies are formulated and published but the implementation of policies are slow, unsuccessful executed partially. There is a serious gap in communicating strategies and policies from top management to the operational staff. Poorly trained or untrained staff contributes to the inability to achieve set goals in the implementation process. Human resource development and appropriate training and capacity building programmes are non-existent. New policies are being implemented using outdated and obsolete techniques. The modernisation of government and projectisation of implementation processes are essential for enhanced service delivery. The synchronisation of processes as well as optimal utilisation of resources with the support of contemporary technology could enhance implementation. Monitoring and evaluation (formative and summative) and timely intervention to adjust, adapt and fast track the implementation process will change the current situation. Research and development and expert advice will also assist in rectifying the current situation.

In Chapter Three, the British experience was explained. The concepts of economy, efficiency and effectiveness were illustrated and described. The legislative framework of performance auditing, the responsibility of accounting officers and the mandate of internal and external auditors, performance auditing and its necessity, accountability in the public sector, government and accountability, budgetary reform, the role of public finance, public sector reform in developing countries, economic governance – guidelines for effective financial management, international public finance, public finance and new international financial architecture were examined. Public servants should be honest, custodians of public trust, persons of integrity and committed to uphold high moral and ethical values. The aim of public managers who handle public finance is to achieve value for money through economy, effectivity and efficiency to

achieve the aims, objectives and service delivery targets. Public servants are accountable to the public through ministers in cabinet. Transparency and accountability are the cornerstones of the public service. Management and government are two separate issues. Managerial control and fiduciary duties of the government structure should be upheld at all times. The necessary tools, techniques, procedures, systems, skills, staff, structure, strategy and shared vision are necessary for the implementation of any policy.

Stakeholder and citizen participation are crucial in a democratic dispensation. It is imperative that legislation and relevant policies are in place. The implementation of policy is challenging. Proper planning, budgeting, organising, coordinating, leading, and monitoring and control – all elements of management should be applied meticulously. Lessons from research and development initiatives and the results, the periodical reports generated and the variations to gain insight into the problems and challenges of policy implementation are beneficial to ensure proper implementation of policy.

There should be adequately trained managers and staff to implement the well-formulated plans. Internal and external auditing personnel are essential to execute the checks and balances timeously. Micro-level and macro-level scrutiny are essential for any public policy and especially the public sector finance policy.

The three arms of the state, namely: the legislature, the executive and the judiciary are essential to perform checks and balances. Other independent institutions such as the Public Service Commission, Financial and Fiscal Commission, the Auditor-General, PPAC and PSC contributes towards the proper management of public finance. The Public Finance Management Act, 1999 is superior in comparison to the former Exchequer Act, 1995. Human resource development and the skills development initiative would assist to train committed personnel for the implementation of the PFMA and other public policies. Numerous authors and diverse views were presented so that new insight could be generated. There is still scope for further detailed analysis of this study and undertake a comparative study from an international perspective.

In Chapter Four, the historical overview of the North West Province after the demise of apartheid in 1994 was provided. The North West Province comprises certain sections of Transvaal and Cape of Good Hope provinces as well as most of the former Bophuthatswana. Relevant

legislation and governmental arrangements were examined. Provincial legislatures since 1994 and the configuration and functions of the various provincial departments were discussed.

In Chapter Five, public financial administration in the South African context was examined. The arrangements in the North West provincial administration was analysed in terms of auditing and control. The contents of the chapter included: co-ordination between Portfolio and Standing Committees, North West Provincial Treasury's Monitoring Tool or Mechanism and intervention strategies – both short-term and long-term intervention strategy. It was followed by a data analysis and discussion of the findings of the Public Finance Management Act related to reporting, an overview of audit opinions on provincial departments for 2007 – 2008 – a two-year comparison, a five-year comparison of audit opinions of 13 North West provincial departments, qualification details of audit opinions, non-compliance with applicable legislation, the role of government, material mis-statements, performance auditing results, rationale of performance auditing, results of good practice indicators of the North West provincial department, eleven provincial departments were analysed as well as Provincial Public Accounts Committee (PPAC) resolutions, PPAC resolutions (to be implemented), root causes and findings was discussed.

The lack of capacity to deal with the major balance sheet items, for example, capital assets, has resulted in a trend of declining audit opinions. The lack of supporting documentation led to a disclaimer opinion. As a result of recurring findings as observed, for example, capital assets, many departments are being qualified. A small number of departments received an unqualified audit opinion and their success can be attributed to the quality of financial information submitted for audit, implementation of the prior year audit recommendations, implementation of resolutions made by the Public Accounts Committee and the availability of senior management, especially the CFO, during the audit. The qualification of assets is a common audit finding across all the departments and it relates mainly to a lack of supporting documentation, incomplete and inaccurate asset registers as revealed by the Auditor-General.

There should be well-formulated plans and adequately trained managers and staff to execute the plans. Auditing staff, both internal and external are essential to execute the checks and balances timeously. Micro-level and macro-level scrutiny is fundamental for any public policy and especially public sector finance policy.

6. 1 Findings

The lack of capacity to deal with the major balance sheet items, for example, capital assets, has resulted in a trend of declining audit opinions. The lack of supporting documentation led to a disclaimer opinion. As a result of recurring findings as observed, for example of capital assets, many departments have been qualified. Few departments received an unqualified audit opinion and their success can be attributed to the quality of financial information submitted for audit, implementation of the prior year audit recommendations, implementation of resolutions made by the Public Accounts Committee and the availability of senior management, especially the CFO, during the time of the audit. The qualification on assets is the most common audit finding across all these departments and it relates foremost to a lack of supporting documentation, incomplete and inaccurate asset registers (Auditor-General, 2008: 9).

6. 1. 1 Financial qualifications: issues of capital assets

Poor internal control measures, the lack of supporting documentation and inaccurate recording of assets in the asset management system revealed that the completeness, existence and valuation of movable and immovable assets could not be confirmed.

6. 1. 2 Shortcomings in departments

In addition to the financial qualifications, the majority of the departments had shortcomings. For example, non-compliance with applicable legislation (62 per cent) related mainly to compliance with the Public Finance Management Act. Internal controls relating to the areas of material adjustments to financial statements (62 per cent) during the audit that were initially not detected by the department's internal controls. Specific departments lacked experienced personnel which contributed to the proper implementation of monitoring and supervision controls which lack effective risk management, efficient internal audit unit, audit committees and performance management audit committees.

6. 1. 3 Capacity constraints

There is a high rate of personnel turnover and vacancies in strategic positions. Key positions such as accounting officers or Heads of Department, Chief Financial Officer, Supply Chain

Management officials, senior managers, middle managers and technical staff vacancies should be filed promptly. Adequately trained, knowledgeable employees with the requisite competencies should be employed.

6. 1. 4 Lack of supporting documentation

The document management and file management system are either poor or non-existent in the various departments. This leads to the lack of supporting documentation or evidence submission during audit process. Many departments could not provide substantiating records for verification during the audit process. The filing system and the archiving of documents in public sector departments should be improved.

6. 1. 5 Lack of effective leadership, supervision, monitoring and support

There should be political and administrative will and support in all public sector departments for economy, efficiency and effectiveness to enhance productivity.

6. 1. 6 Lack of a research culture in public sector departments

The planning of activities and commitment to the budget should be based on a needs analysis and research in order to avoid inefficiencies and wastage of scarce resources. The lack of an asset management system is the most common audit finding in all the qualified audit reports. Inaccurate recording of assets in the asset management system could lead to incomplete data thereby the valuation of both movable and immovable assets could not be verified and accounted for.

Poor internal control mechanisms, lack of functional audit committees, ineffective and inefficient internal audit, capacity constraints of these units as well as the lack of structured and frequent accountability sessions lead to a poor financial state of affairs in departments. There is poor supervision and monitoring. Moreover, there is a distinct lack of support mechanisms. The officials require being accountable, responsible and taking ownership of their functions and duties.

6. 2 Recommendations

Based on the investigations and interpretations of the findings, certain conclusions were drawn. The recommendations below were based on the findings.

6. 2. 1 Recommendation one – Accounting Officers

It is recommended that government hold its heads of department accountable with regard to the implementation of the PFMA in financial administration. The departments which were presented with financially unqualified audits (with other matters) and particular internal control weaknesses identified during the audit should be reviewed by management timeously and prompt action should be taken to alleviate and prevent a recurrence in order to sustain the positive results. It is possible to obtain an unqualified audit report if the good practice indicators are in place and monitored regularly by the leadership and management.

Action plans should be developed for improved performance and monitoring and support by top management and governance should be provided regularly. Effective risk management and internal control mechanisms should be in place. Fraud prevention plans, risk management strategies should be implemented with diligence in each department. The leadership, governance structure and top management should take prompt action towards developing appropriate plans and take remedial action. The legislative and executive members should enhance their efforts in fulfilling their constitutional mandate diligently by executing its oversight duties, roles and responsibilities.

6. 2. 2 Recommendation two – Capacity enhancement

It is recommended that the administrative capacity of the departments to implement the PFMA be improved. Capacity building, training to bridge the skill gap after conducting a proper competency-based skills audit should be undertaken for staff at various levels, namely: operatives, supervisors, junior management, middle management, senior management and executive management.

(i) Training and development of structures:

(ii) Audit committees and internal audit units should function properly. These units should be strengthened to function optimally. Capable and appropriately qualified persons should be appointed in these two divisions or entities. They should have an operating environment within which to function without fear or favour. They should be honest and possess integrity, above reproach. Training and development sessions towards capacity building should be arranged periodically. Relevant legislation, rules and regulations as well as updates should be part of the training sessions. The members of the audit committees and internal audit should be fully capacitated to discharge their duties and responsibilities diligently, effectively and efficiently.

(iii) Training and development of management teams and supervisors

The managers and supervisors should be skilled personnel with suitable qualifications. Merit, competencies, capabilities of personnel should be of paramount importance. Previous audit reports, annual reports, applicable legislation, rules and regulations should be part of training and development. Management teams should have the ability to appropriately prioritise matters which require attention and be able to deal with them. The members should have the confidence to enhance their management and supervisory skills as well as monitoring and support functions.

(iv) Training and development of operational staff and supervisors

Skills development, capacity building through training and development sessions should be conducted to all staff members and supervisors. Mentoring and coaching should be institutionalised. Staff and supervisors should have the ability to prioritise appropriately matters requiring attention and to deal with them. The members should have the confidence to enhance their management and supervisory skills as well as monitoring and support functions.

(v) Training and development of leadership

The accounting officers (Heads of Departments), Chief Financial Officers, Executive Managers (Top Managers), Legislators responsible for oversight duties, Members of

Executive Councils (MECs) should be trained in corporate governance principles, fiduciary duties and applicable legislations, rules and regulations. All identified good practice codes, criteria to improve governance and accountability should be part of training and development. Leadership teams should have the ability to prioritise matters which require attention and to deal with them appropriately. In the final analysis, their functions should lead to public confidence in the government's ability to account for public resources in a transparent manner. The members should have the confidence to improve their leadership skills, supervisory skills as well as monitoring and support functions.

(vi) Provide leadership, supervision and monitoring

This is the role for Members of the Executive Council (MECs), accounting officers (Heads of Departments), CFOs and all other Executive Managers (Top Managers). These officials should uphold corporate governance principles and procedures as well as fiduciary duties. This group should have a list of good practices and codes and ensure that they are followed up for improvement and progress. Regular monitoring and support should be rendered.

6. 2. 3 Recommendation three – Documentary management

It is recommended that government enforce record keeping and archiving of documents that play a crucial role in financial, compliance, performance and evidence-based auditing of state institutions. Proper filing, record keeping and document management system should be in place in all departments to provide evidence or supporting documentation during the audit process. All the documents should be safeguarded and be readily available for audit purposes or for further reference. The files could be allocated special bar codes. All documents could be bar-coded. The codes can be stored in a database and be retrieved as and when necessary. Any file or document bar code can be scanned on receipt as well as when it is withdrawn. A proper tracking system should be in place for all files and documents. The registry should be located in a secured environment. All the Directorates and Chief Directorates should have secured registries, tracking and tracing systems installed for files and documents.

6. 2. 4 Recommendation four – Scope for further research

It is recommended that further research be undertaken on various aspects or variables of the administration of the PFMA (Public Finance Management Act 1 of 1999). There may be limitations in this research. Therefore, there is room for further research in the competencies of staff at various levels, staff turnover rate and the impact of consequences management. Public sector departments should develop a culture of encouraging research among its personnel. All public sector departments should have research and development units and encourage research amongst its personnel directed at planning and implementation.

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