The Role of Finance Division in Enhancing Performance in Service Delivery in Limpopo: A Case Study of two (2) Provincial Departments

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DECLARATION

I declare that the research report submitted to the University of Limpopo for MBA degree has not been previously submitted by me for a degree at any other University: that is my own work in design and execution, and that all material contained therein has been duly acknowledged.

Manganyi P **Date:**

DEDICATION

This study is dedicated to my parents, **Wilson** and **Sarah**, to my lovely wife **Zuziwe**, my beautiful girls, **Mbali** and **Sinazo.** You have been there for me during hard times. Thank you for your love and support.

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Chapter 1: Introduction and Contextualization

1.1 Introduction and Background to the Study

In view of the functions of government in any country in the world, it is worth noting that finance divisions serve as the engine to achieve its goals and objectives. Government departments render different services and, therefore, they have different fee structure. For example, the department of Home Affairs charges a minimal fee for the services it renders to the public, while the Department of Health has differential fees structures for its services. Despite such methods of collecting revenue, the main source of income to the government is the income tax.

To understand the management of public finance, one should first understand the reason government needs revenue. This also means that one needs to know the objectives of various departments within the government structure. For the government to realize its objectives, there are certain strategies that need to be fulfilled especially with regard to finance, since it is the pillar of any organization in terms of achieving goals and objectives.

However, government departments are non-profit organizations; hence their performance is not measured in terms of profit or loss. Therefore, expenditure on services is the yardstick through which the performance of government departments is measured. According to the Auditor General’s annual report (AG), in most cases, the aspects that contribute to the observation of qualified reports can be attributed to non-compliance to prescribed regulations set by the national treasury. Some of these regulations, among others, are the Public Finance Management Act (PFMA) of 1999, Preferential Procurement Policy Framework Act (PPPFA) No 5 of 2000, and the Division of Revenue Act (DORA) Act No1 of 2007.

1.2 Statement of the Problem

In the financial year 2009/10 the annual report from the AG revealed that most of Limpopo's government departments received qualified reports. Following observations of such a state of affairs, the researcher was motivated to conduct a study on 'the role of finance division in enhancing performance in service delivery in Limpopo'. To conduct this study, the researcher focused the investigation on the finance divisions of two (2) selected departments in the Limpopo Province.

The fact that the AG's annual report on the performance of various departments in the Limpopo province showed that most departments had achieved or performed poorly is a cause for concern as it may be indicative of a negative effect on service delivery. This is especially so, if one takes into account the fact that since government departments are non-profit organizations, their performance is measured in terms of expenditure on service delivery. Thus, by qualified report, it means the departments have failed to achieve their set targets of service delivery. In other words, the qualified report reveals government department's failure to achieve the goals to provide 'a better life for all'. It is in this sense that the researcher proposed to research the role played by the finance divisions in enhancing the performance of government departments within the province.

1.3 Aims and Objectives of the Study

In this study, the researcher intends to focus mainly on one (1) department whose financial reports according to the 2009/10 AG's annual report revealed problems, as well as one (1), which according to the report, achieved good results. In other words, the study seeks to compare the different practices between poor and good performing departments. The objective of the researcher through this study is to find and provide information, which will help to ensure that in the future, government funds are managed efficiently and effectively. Through the study, the researcher intends to recommend strategies which will help government departments to avoid problems raised by the AG's 2009/10 annual report which include, among others, over-spending, under-spending as well as addressing the issue of backlog with respect to uncleared suspense accounts and other issues such as late processing of payments to service providers.

1.4 Points of Departure for the Study

On the basis of the foregoing aims and objectives, the research formulates the following points of departure, structured as research questions:

1.4.1 The Main Research Question

The main question of the study is: What are the main factors or problems leading to Limpopo's Government departments' failure to receive unqualified reports?

1.4.2 Sub-Questions

The sub-questions that serve as a guide for the researcher in answering the main research question are:

- Are finance officials of the Limpopo provincial government departments familiar with all the financial regulations that govern public finance?
- How can finance officials be empowered towards effective financial management?

The researcher's starting point to investigating these questions is based on how much money was allocated to particular departments, to be selected for this study, and whether the money had been utilized effectively and efficiently for the success of that particular department. This will serve as proof for the AG whether the Chief financial officers in respective departments are really managing in a responsible manner. Thus, the argument in this study is that the budget is the baseline in each department and if it is not properly controlled or managed, the department will never achieve its real objectives.

1.5 Assumptions of the Study

The Limpopo Government Department's poor performances as reflected in the 2009/10 AG's annual report may have a negative effect on the economic development and growth of the province. It may also equally have a negative impact on the level of unemployment. For example, if a budget which was initially meant for the creation or filling of vacant posts is not used for that purpose but, for something else, it may result in the so-called wasteful or un-authorized expenditure. Such un-authorized expenditure often results in persons who were supposed to have been employed not participating in the economic activities of the country and hence suffering from the results of unemployment.

1.6 Expected Outcomes of the Study

It is believed that the outcomes of the study will be of importance, both theoretically and in practice, since it will contribute towards:

- adding to the body of knowledge about public sector finance management,
- achieving better service delivery by all departments in the Limpopo province and beyond,
- promoting knowledge about regulations pertaining to financial management amongst finance personnel in the Limpopo province.

1.7 Contextualization

Chapter 1 sets the background and context for the study. It also provides a brief literature review which is expanded in chapter two of this report. After observing comments from various authors, it is clear that most of them explain exactly the role of finance divisions and the impact of their performance in service delivery. They also show that effective financial management is the pillar for the success of every organization.

Chapter 2 provides an expanded literature review. The focus is on the pertinent theoretical issues which guide the research process.

Chapter 3 elaborates on the research methodology employed in this study. Based on the context of this study, an exploratory research design was followed. Exploratory research does not aim at providing definite answers, but rather addresses the “what” aspect of the problem statement which corresponds to the theme of the research as to what are the causes of certain government departments receiving qualified or unqualified audit reports.

Chapter 4 expanded on analysis and interpretation of empirical data collected through the use of self-administered questionnaires. The focus of the survey was to solicit responses from financial management officials on their impact in enhancing performance in service delivery in their departments.

Chapter 5 summarizes the research report, draws conclusions and offers recommendations to improve performance in service delivery in the Limpopo Provincial Departments.

Chapter 2: Literature Review

2.1 Introduction

This Chapter discusses relevant literature focusing on pertinent theoretical issues which guide the research process undertaken during this study. Specific attention is paid to the sources of government funding, different types of financial decisions, the role of AG, financial regulations and performance management issues.

2.2 Sources of Government Funds/ Revenue

In view of the background for the study, it is obvious that any government department will need funds to pay for the costs of its activities. As such, every department usually has a finance division and designated financial officers who render financial services and needs of that particular department. In most cases the duty of these financial officers is to collect and manage revenue in a manner that will cover operating expenditure for that particular department. In addition, the finance officers are also accountable for the management and efficient spending of funds allocated by the treasury to the department during a financial year. As already indicated earlier, the main source of these allocated funds is the income from various taxes.

Although at national government level, research has had some focus on the management of government finance; at the provincial department's level, little has been focused. However, some may justify this lack of attention at provincial level with arguments such as: 'what is the need to conduct similar studies at national and provincial level if similar principles of financial management are to be evaluated at all levels. However, a closer look at the 2009/10 AG's report reveals evidence that in certain departments, performance at national and provincial level is not consistent. It is not clear what this lack of consistency in one department may result from. Hence, there is a need to conduct studies that will help reveal whether similar or different challenges are encountered at national and provincial levels. Thus, this study is necessary as it will help find reasons for inconsistencies within departments at national and provincial levels. The proposed study is also important as it will also provide guidelines on how to address the possible problems that might be associated with lack of efficiency in the financial management of provincial departments.

According to the Batho Pele Principles (People First), it is necessary for everybody to know how government finances are spent. As a guiding principle of governance, Batho Pele promotes value for money, a principle which entails that government funds should be spent to improve the quality of life for the population. Therefore, it means that the Limpopo province must intensify efforts towards the elimination of poverty and unemployment within the context of a growing economy, increasing literacy levels, life expectancy, and access to basic services. However, all these can only be achieved if finance is properly managed within different departments since they render different services to the communities they are serving http://www.dpsa.gov.za/batho-pele.

2.3 Different Types of Finance Divisions

The term 'Finance Division' is broad in nature simply, because it denotes a division often characterized by different sub-sections depending on the size of each department. According to the Treasury regulations for the departments, trading entities, constitutional institutions and public entities issued in term of the Public Finance Management Act of 1999, the following main finance divisions are known:

(i) Budget Management/Unit – This is the unit that is responsible for making sure that there are always sufficient funds for the department to function. They do all the financial planning and link these to the strategic plan for the entire department. Without a budget the department's spending pattern will not be properly managed and controlled. The government has an obligation to the public to ensure that their money is spent efficiently and effectively. It is also obliged to keep the public informed on how and where their money was spent. This is referred to value for money, according to Batho Pele's principle. This is to say the people the department serves must be the priority (Peoples first). This unit is also there to serve as an advisor to the department in ensuring that various units are spending within their allocated budget to avoid over / under-spending.

(ii) Expenditure Management/Unit. – This unit is responsible for the expenditure payments made to the suppliers who render services as well as compensation of employees for the entire department. There must be proper control regulating the payment process to avoid unauthorized expenditure and payments to ghost workers.

(iii) Banking, cash management (Bookkeeping) Unit. – This unit is responsible for reconciling all the funds paid out or deposited into the department's account through the bank statements. Monthly reconciliation must be performed to confirm the balance of each account. (Suspense accounts).

(iv) Supply chain Management – This unit is responsible for procuring goods and services for the department as well as making sure that tenders are awarded according to the procurement procedure to ensure fairness, equitabilities, transparency and cost effectiveness. The Treasury has approved the so-called PPPF to regulate the process of buying goods and services.

(v) Debt Management unit – This unit is responsible for managing money owed to the department and ensure that necessary steps are taken to recover all outstanding debts.

In this study, the research is based on the above mentioned-units. However, it must be noted that depending on the size of a department, some of these units might not be exactly the same as outlined above. In small departments one unit performs different activities as compared to the larger departments where activities are separated to different units. Some of these units will have sub-sections depending on the size of the department.

2.4 The Role of the Auditor General

According to Gildenhys (1997) the AG is expected to determine the manner in which the executive authority has executed its financial activities, which include, *inter alia,* the efficient expenditure of public funds. The AG demands final accountability from this body (executive authority).

The function of the AG is aimed mainly at providing factual information to the legislature and drawing the attention of the legislature to any deviations from official policies and other officially prescribed procedures and requirements. These functions and authority to audit are derived not only from formal legislation, but from the liberal interpretation which he/she has placed upon the enactment that he/she has to report on the account.

In formal legislation, on what should be reported to the legislature, one may find the following stipulations:

(i) Cases where the specific budget appropriations of the legislature have been exceeded (over-expenditure).
(ii) Cases where the specific budget appropriations have been used for some other unapproved purposes (unauthorized expenditure).
(iii) Cases where public funds have been wasted (fruitless or wasteful expenditure) .
(iv) Cases of fraud.
(v) The ineffective use of stock and equipment such as misuse of government vehicles.
(vi) Any other matters which in his/her opinion require the attention of the legislature.

The AG has the right to enquire about any matter whatsoever, including the effectiveness of the internal departmental financial control as well as those external control procedures prescribed by some higher authority such as the National or Provincial Treasury. The role of the AG may not be disputed, but however, the aim must not be to reveal only the wrong doing of things but comment on the right findings and also to advice on how things should be done. This will help to improve service delivery in various departments.

2.5 Financial Regulations/Legislation

Financial regulations are prescribed rules, acts or guidelines that the government has adopted for the use in financial management to ensure that there is transparency, and consistency in regulating finances for both the provincial and the national departments.

2.5.1 Public Finance Management Act of 1999

The primary objective of the Public Finance Management Act, Act 1 of 1999 (PFMA), is to regulate financial management in the national and provincial governments of South Africa (SA, 2000:1). The PFMA aims to improve accountability by requiring that managers take responsibility for their action and achievements in exchange for greater managerial discretion over their inputs (Momoniat, 1999). In other words managers must show sense of responsibility for their actions.

The main purpose of financial regulations/legislations is to ensure accountability in public financial management. Healy and Tordoff (1995:4-5) states that accountability at its most basic means holding individuals and institutions responsible for their actions and performance. In governance realm, it implies to any holder of public office entrusted with the responsibility for the management of political affairs and public resources including politicians, public servants and public service providers. Accountability is thus the measure of responsibility and is a fundamental of good governance.

The PFMA of 1999 is one of the most important pieces of legislation passed by the first democratic government in this country. The Act promotes the objective of good financial management in order to maximize delivery through the efficient and effective use of limited resources.

Available information (www.finance.gov.za/pfma) indicates that, the aim of the PFMA is to modernize the system of financial management in the public sector. It represents a fundamental break from the past financial management policies of the regime of apartheid which saw unequal distribution of government allocated funds between the white population and the oppressed black communities. It is also a breakaway from the hierarchical systems of management, poor information and weak accountability, all of which were characteristics of the apartheid era. The Act lays the basis for a more effective governance framework for the public sector. The PFMA emphasizes accountability in public administration and advocates value for money in the procurement of goods and services within the public service. In this regard the Act prohibits fruitless, wasteful and unauthorized use of public funds. From this Act, different rules and legislations are explained and how they must be applied by different finance units in government departments. For example, one of the legislations is the PPPF which is summarized below.

2.5.2 Preferential Procurement Policy Framework Act No 5 of 2000

This is the only legislation that provides direction with regard to government procurement. This piece of legislation was pivotal for procurement since it was the first of its kind after the democratization of South Africa in 1994.

The purpose of the Act is to ensure that all procurement to be complete, it must be in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.

2.5.3 Division of Revenue Act No 1 of 2007

The purpose of this Act is to provide for equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2007/08 financial year and the responsibilities of all three spheres pursuant to such division; and to provide for the matters connected therewith. The objectives of this Act are to:

(i) provide for the equitable division of revenue raised nationally among the three spheres of government,

(ii) promote better co-ordination between policy, planning, budget preparation and execution processes between and within the spheres of government,

(iii) promote transparency and equity in the resource allocation process,

(iv) promote accountability by ensuring that all allocations are reflected on the budget of receiving provinces and municipalities.

2.6 Accountability Towards Taxpayers and Voters

Accountability is a crucial factor in the management of government finances. The fact is that the elected political representatives are, individually and collectively, directly accountable to the public, and can, indeed, be held responsible for the collection, safeguarding, and effective and efficient spending of all public funds. The obligation rests upon the legislature to see that the management of public funds by the executive authority complies with all the standard requirements for good, sound and honest financial management (Gildenhuys, 1997:44).

According to Van der Walt (2002:13) financial accountability is crucial if the financial resources of a country are to be managed effectively and efficiently.

Those public institutions and persons responsible for the management and administration of public funds are accountable to the taxpayer for the effective and efficient execution of their tasks, and this includes both collecting and spending of public money.

2.7 Financial Control over Executive Authority

One of the most important cornerstones of democracy is that anyone in a position of public authority must be accountable for his/her public activities and should be available when called upon to his/her deeds in public. The purpose of this control over the financial activities of public authorities is to ensure accountability to the public, so that the taxpayers can know how their tax is being used. The Legislature may delegate some of its financial functions, such as collecting, safeguarding and spending of public moneys, but can never abdicate its responsibility and accountability (Gildenhys 1997:45). To ensure, financial accountability each department must have a Member of Executive Council (MEC), a Head of the Department (HOD) as the accounting officer of the department, and a Chief financial officer (CFO) who renders advisory services to the HOD.

According to Van der Walt (2002:13) the accounting officer is responsible for the effective and efficient financial management of the government department or institution and is accountable to the executive authority, who in turn is responsible to the legislature. The accounting officer is also obligated to account for the effective and efficient management of his or her department and thus cannot pass the buck (avoid responsibility) to someone else. That officer is ultimately responsible for all financial practices that occur in their departments, are above reproach and open to public scrutiny.

The following general standards must be adhered to in public financial management:

(i) Financial management must be performed by or under the supervision of personnel who have the necessary technical training or competency.

(ii) The financial impact of decisions affecting departmental outputs must be considered objectively with the aim of providing the public with economical, efficient, effective and appropriate services or products.

(iii) Due professional care must be exercised during all financial decisions affecting the outputs of public institutions.

With regard to the issue of accountability to the public, it is noted that, often in the beginning of every financial year, departments invite the public through various media to MEC's budget speeches (presentations), something which is a positive move towards accountability. In contrast, it is unfortunate that there has never been an obvious attempt to make the public aware at the end of the financial year about whether the goals and objectives set during budget speeches were met. It may appear that departments only receive the AG's report which is kept within the departments who never make any attempt to disseminate such information to the relevant stakeholders including the general public which was invited during the goal setting sessions such as budget speeches. Since, the most important aim of the budget speech is to involve the public and various stakeholders in expenditure that concerns them; it goes without saying that they should equally be involved in scrutinizing the AG's report for every single department.

2.8 Budget as a Control Instrument

The budget is an excellent control instrument for the legislative authority to use over the executive authority and executive authority over the administrative authority and even for internal control within a single component (department or section) of the administrative authority, (Gildenhys, 1997:133).

According to Marshal (1976:75) the budget helps the member, especially the new member, to understand what the departments are supposed to do, and judge how well they are doing it. This is true if one considers the fact that through budgeting government is able to provide a member with illuminating information, both for budgetary decision-making, and for subsequent control purposes. Even though the above argument makes sense, it should be kept in mind that, the budget is an amount of figures allocated to a particular department for a particular financial year and for specific purpose and cannot help in case of other spending except for what it was initially intended for.

In order to verify whether or not a department's budgetary aims and objectives have been met in a certain period (financial year), a person must look at the department's previous performance and compare it with the budget which was allocated during that particular period whilst also taking into cognisance the objectives which were put on the strategic plan of that department. This will serve as a guide to determine whether a department has been doing well, and if not, the gaps that need to be addressed.

The starting point is to determine how much money was allocated to a particular department to be selected for this study, and whether the money has been utilized effectively and efficiently for the success of that particular department. This will serve as an indication from the AG, as to whether the Chief financial officer's in specific departments are really managing in a responsible manner. Thus, the argument in this study is that the budget is the baseline for every department and to determine if it is properly managed or not.

2.9 Supporting and Substantiating Documents

The budget documents are often accompanied by supporting and substantiating documents, depending on the legislature's information needs for consideration of the budget, and also under special circumstances and occasions with which the particular department is confronted. According to Gildenhys (1997:147) examples of such documents are: a statistical economic overview, with a description of the current and expected economic conditions; and an economic and functional classification of the expenditure and an analysis thereof according to the percentage relationship of expenditures on various classes of public services.

In addition it should be tested whether the budget is well linked to the strategic plan and objectives of the department. Whether this assumption is true or not will be known from the empirical evidence to be drawn from the research in this study. It is also believed that appropriate links between the budget and the strategic plan will help to monitor the progress of each unit within a department. A comparison of the actual expenditure with the appropriation at the end of each month serves as an early- warning system for controlling the activities of a department to avoid over-expenditure or under-expenditure of funds as well as the under-supply of services at the end of the year. However, it must also be taken into account that some of the activities are seasonal and cannot be predicted which might result in over-spending. A special request for funds, in such a case, must be submitted as soon as possible with a motivation for deviating from the budgeted amount.

If the so called "in year monitoring" (IYM) system is strictly monitored by the concerned Provincial Treasury, things like overspending, under-spending, wasteful as well as unauthorized expenditure could be avoided. The budget costing should also be looked at as a factor that needs to be addressed with various units in the department. The entire budget costing must be substantiated with the relevant documentation and strong motivation for that matter. All the responsible managers must be made accountable for whatever amount they have budgeted for. Any deviation should be dealt with in accordance with the prescribed legislation or relevant acts such as the Public Finance Management Act of 1999 (PFMA).

2.10 Performance Management as an Integral Managerial Responsibility

Different authors define performance in different ways. According to Baird, Schneier, and Beatty (1989) the role of the supervisor is to manage and appraise the performance of his or her subordinates. Appraisal becomes a part of managing, hence it is viewed appropriate as part of performance management. For performance management to work, the following basic conditions must be met:

(i) Identify performance behavior and results required for each person.

(ii) Redefine the role of managers to include performance management.

(iii) Hold managers accountable for demonstrating effective performance management skills by linking them to their appraisals and their rewards.

(iv) Assist managers to develop their performance management skills.

In addition, measured and identified performance must be relevant to an organization's strategic objectives and goals. Performance management is a way to operationalize the strategy and reach the goals and, as such, is linked to where the organization and each unit are going. For example, planning performance include determining how to set a unit's mission, indicating the type, responsibilities, and duties, determining the type of rating measures, setting performance standards, and communicating performance standards. This research appreciates the statement above and, as such, will focus on employees attached to finance divisions since they are the once mostly affected in terms of the performance of the department.

It is, therefore, very important for each unit to have a business plan coupled with their performance appraisal systems, which will then be linked to the strategic objectives and goals of the organization. This will ensure that every employee within a particular unit performs to their maximum for the success of the organization. The people who are to perform these activities must be made aware of the objectives to be attained. Proper communication is vital in this case. Finance divisions should be measured in terms of the performance of the department since their actions have an effect on the whole department. It is a known fact that public sector performance is always linked to expenditure. The role of finance should always be clearly defined in the strategic plan of each department. Each person working in finance must show sense of responsibility while performing duties.

2.11 Performance Measurement

It should be noted that performance management and measurement go together. Performance measurement is a valuable tool for government and for that matter, businesses and communities too. It is a tool that only measures results, but can also be used to improve such results.

The government uses it as a yardstick to measure its progress and see how close it is in achieving its goals as set out in the government business plan. It helps track trends and plan for the future. http://www.finance.gov.ab.ca/measuring/aboutperfmeas.html

While performance measurement is a very complex science, it is based on a few simple principles. These principles can be outlined as follows:

(i) Measure the right stuff.

(ii) Find the most accurate measures and use them consistently.

It is important to maintain consistency in what and how one measure. This is what gives us the ability to track trends and see the results of programmes and services that are operated over the long- term.

The best ways to measure a government's performance has not yet been figured out but efforts are underway. The quality of the information in measuring up has improved steadily.

(iii) Report the results

Good information is of no value if no one knows about it. Therefore, management is encouraged to examine the results for themselves in measuring up employees as compared to the annual reports.
http://www.finance.gov.ab.ca/measuring/aboutperfmeas.html.

This is what the research will be looking at; the performance of the finance division based on the annual report as published by the AG after auditing the financial statements of each department for the particular financial year. If a department is rated as performing poorly in a specific area, or section, the officials within that section should be rated as performing poor in terms of the Performance Management System (PMS). The same applies when considering the payment of performance bonus. However, if a department performed well, then officials should be rewarded accordingly.

2.12 Best Practices in Performance Management

When the government's PMS was first implemented in 2002, many employees felt that government operations were somehow "different" The argument was that the same rules that applied to the private sector could not apply to the public sector, or at least not in the same way. It was argued that government agencies don't have a bottom line or profit margin. But, recent opinions attest that this is not true. The bottom line for most government organizations is their mission: what they want to achieve. But, they cannot achieve this mission by managing in vacuum, any more than can the private sector. More specially, the roles of customers, stakeholders, and employees in an organization's day to day operations are vital to its success-and must be incorporated into that success.
http://govinfo.library.unt.edu/npr.library/papers/bkgrd/balmeasure.html

If performance management efforts are not connected to a business plan (which defines day to day operations in a government agency) and to the budget then delivery is destined to fail. Planning documents must be connected to the business plans, and data systems and budget systems must be integrated with all the operational. By doing so, departments can create a strategic management framework which serves to focus the entire organization on the same mission and goals.
http://govinfo.library.unt.edu/npr.library/papers/bkgrd/balmeasure.html

If the organization really wants to achieve a high level of performance, the following principles have to be applied as a means of communication within the particular department or organization.

(i) Keep Employees Informed

Information technology makes it possible to keep all employees both at headquarters and in the field equally informed about performance data. Most research partners use a combination of the intranet, Internet and emails to keep their employees informed on current organization performance. Many use newsletters and hard copy information to communicate this information to employees.
http://govinfo.library.unt.edu/npr.library/papers/bkgrd/balmeasure.html

(ii) Keep Customers Informed

Once an organization has opened the door of communication with customers and stakeholders regarding their performance, it is vital that the flow of information be maintained. The customers have been involved in the planning process and would want to know how things are going. The more informed the stakeholders are, the more feedback an organization receives in the next round of planning and the better planning will be as a consequence. Customers support should not be overlooked. Communication with the legislative branch should be maintained as well. A well-informed legislator will be far more supportive of the proposed initiatives.
http://govinfo.library.unt.edu/npr.library/papers/bkgrd/balmeasure.html

(iii) Make Accountability Work: Reward Employees

As noted earlier, it is the responsibility of the entire workforce to work towards the stated goals in a public organization. Once communication has been established with customers, it is natural for them to expect a certain level of performance. Several authors such as; (Gooderham, 1998: 11; Tapscott, 1997: 9; and Ashton, 1997: 56) have noted that it is a significant challenge to effect a culture change that allows employees to realize that they are accountable for the results, not just to their supervisor, but to the organization and stakeholders. Part of the challenge is how to reward the successful employee within the parameters of public employment. Accountability is a two way street. The organization must reward individuals who keep their end of the bargain. The state and local government has more flexibility in this arena than federal organizations.

Employees in the finance division must be kept informed and should participate in all the activities pertaining to their actions within their respective units. This will lead them to work hard and contribute maximally to the success of the organization. They must be informed about any possible changes as far as policies are concerned. All means of communication such as circulars and internal newspapers must be used to ensure that information reaches all the concerned people, even those who do not have access to computers. Proper communication will help to improve service delivery.

2.13 Performance Measurement Rationale

According to Wilson (1998: 172) in explaining the need for performance measurement, it is first necessary to describe how it arises out of the notion of value for money (VFM) in public spending, and then, its importance in demonstrating accountability in public service organizations.

Financial accountability demonstrates the lawfulness, probity, completeness and accuracy of an organization's action. In private business, the need for this is fulfilled by the profit and loss account. According to the Audit Commission (1988), making a profit or avoiding a loss is a convenient performance indicator which in a single expression covers efficiency, economy and effectiveness. According to the author, this measure is not normally available or suitable for public service organizations. Wilson (1998: 172), further states that the managerial accountability is seen as the vital supplement to financial accountability in the public sector. This is a the key form of accountability as it means that public service organizations are required to show that they have achieved their policy objectives while demonstrating attainment of the 3 Es' that is – Economy, Efficiency, and Effectiveness.(Wilson, 1998: 172).

Therefore, this report intend to measure the financial performance in terms of the above mentioned statements, taking into account whether accountability in the government sector is considered as a vital element to ensure control as well as good service delivery and productivity. This measure will be based on the findings raised by the AG in the annual report for the selected departments. However, it should be added that internal communication within the department is very important. The people within the finance division must always communicate with various units since the activities, which are rendered in finance units might have an impact to the other units. All responsible managers must be fully accountable for their units. To avoid issues like overspending or under-spending finance division must keep on updating all the responsible managers about the financial position within respective units. Therefore, the role of finance is not a one man's show; everyone is involved for the smooth running of the department. Finance divisions must know exactly who their customers are. It can either be internal customers, meaning other divisions within the organization or external customers such as suppliers and other stakeholders. Staff support in the form of motivation must also be considered as an important factor to ensure that people are motivated to reach an acceptable level of performance (Wilson, 1998).

2.14 The Use of Performance Measures

It has been implied above that performance measures are of use within organizations and externally. In other words, they have uses at two levels internal and external.

Internal usage involves responsible managers using performance measures and indicators to assist in:

- Policy planning.
- Control processes.
- Resource allocation decision making.
- Monitoring the achievement of the objectives.

Jackson (1988: 12) argues for operational and strategic uses, stating that:

- they help to improve management practice;
- they increase the accountability of management;
- they provide basis for policy planning and control;
- they provide essential management information by enabling activities to be monitored at several levels in the organization to confirm that the intended outcomes of various decisions are achieved;
- they provide information for ex-post strategic post–mortems when policies and management practices and methods are reviewed; and
- they can provide the basis of a staff appraisal system.

Gould and Campbell (1987) specify the requirements for performance management as follows:

- Managers at all levels should have clear objectives.
- Emphasis should be set on outputs and outcomes with regard to specific objectives, not activities.
- Objectives should be set as target or measurable indicators against which to review and assess performance.

With regard to the same issue, Wilson (1998: 174) specifies that each person should know what is expected of him, and that he is responsible for specific results.

2.15 Summary

This chapter has thoroughly explored issues that are important in ensuring effective public finance management. In particular, focus has been placed in issues such as the budget as a control instrument to government spending, performance management as an integral managerial responsibility, the rationale for performance management and best practices in performance management, and other equally important issues.

Chapter 3: Research Methodology

3.1 Introduction

The term qualitative research is used as an umbrella term to refer to various research strategies that share a common denominator. The data collected were sufficient to describe people, places and conversations that were not fully explored or encapsulated by statistics as per the use of qualitative data collection. According to Bogdan and Bilken (2003: 2) research questions are not framed by operationalising variables, but rather formulated to investigating topics in all their complexity and in context. As previously stated, the aim of the research was to compare the different Limpopo province government spending practices of poor and good performing departments without placing a numerical or quantitative value to their different circumstances. This reduces a problem to a number and does not allow for the full integration of possible reasons which could lead to data being lost. In addition, the objective of this study was to find and provide information, which will help to ensure that in the future, government funds are managed efficiently and effectively.

Qualitative data collection does not approach the research with structured specific questions to answer or hypothesis to test, but rather try to understand certain practices and behaviour from the subject's own frame of reference (Bogdan and Bilken, 1996: 2). By allowing finance personnel to tell their own stories, it allowed for staff to provide their own interpretation to problems and challenges often encountered during the financial year. Data were therefore collected through sustained contact with people in their personal settings (in this case their workplace) and their personal experience of a specific action or setting and the meaning that they ascribe to this. We can only come to understand the decisions made by finance personnel to different government spending decisions, if a "voice" is given to their personal situations and circumstances that allowed for them to exercise their decision making rights. The study did not test a specific hypothesis but to investigate the settings and experiences which ultimately led to either qualified and unqualified reports. Qualitative research allowed this study to be more open in using a range of evidence and to discover new issues that might not fall within any framework/policy that guides government departments spending decisions. Of importance is the fact that up until the 1980's, research was predominantly quantitative in nature due to the adherence to a positivistic research framework as depicted by Neuman (1994: 63) who says that "positivism sees social science as an organised method for combining deductive logic with precise empirical observations of individual behaviour in order to discover and confirm a set of probabilistic causal laws that can be used to predict general patterns of human activity." This stands in contrast to the qualitative methodology which uses inductive logic and does not aim at proving or disproving a set hypothesis with empirical and objective data as the aim is to always generalise the findings.

However, ordinal questions were used to obtain demographical data which would lead to the understanding of the demographical characteristics of each participating department employees involved in daily management of finances.

Based on the context of the research described in the preceding sections, an exploratory research design was followed. According to Neuman (1997: 19) exploratory research is aimed at exploring an issue of which there is little information. The goal is to formulate a premise of understanding for the formulation of more precise questions for a more systematic and extensive future research. The aim of this research was to be used as premise for a more detailed future studies on similar problems in the province and the country at large. Exploratory research does not aim at providing definitive answers but rather addresses the "What?" (Neuman; 1997: 21). This directly corresponds to the theme of the research as to what are the causes of certain government departments receiving qualified or unqualified audit reports? In other words, what are the underlying factors that influence poor or good spending in certain government departments?

Neuman (1997: 20) establishes the goals of exploratory research as follows:

- To become familiar with the basic facts, people and concerns involved.
- To develop a well-grounded mental picture of what is occurring.

- To generate many ideas and develop tentative theories and conjectures.
- To determine the feasibility of doing additional research.
- To formulate questions and refine issues for more systematic enquiry.
- To develop techniques and a sense of direction for future research.

For this study, the researcher first needed to establish a relationship with respondents in terms of the sensitive nature of the study. It was deemed crucial to let finance staff tell their own stories from their own personal viewpoint in order to establish whether or not relationships between reasons and sets of reasons exist or whether these stand in isolation to each other. This allowed for a profile of respondents to be established as well as constant new themes or reasons to be established with each interview. Due to the findings (to be discussed in Chapter 4), it was possible to make certain recommendations for further research and further studies.

Further, Neuman (1997: 19) states that exploratory research is difficult to conduct as there are a few guidelines to follow as the steps are not well defined and the research may change direction during the research process. This was found to be true for the research in this study. Although each respondent told their personal story, many similarities came to the foreground but which also differed in terms of importance. Respondents were questioned further to add additional explanations or definitions to specific statements which changed the direction of the interview and which led to further themes being uncovered. Due to the nature of the study, exploratory research also allowed for a more open-minded, flexible and investigate stance that allows for the exploratory as to the relationship between reasons and sets of reasons that influence different departments spending patterns.

Various methods of data collection exist within the context of qualitative research e.g. observation, participant-observation, structured interviews, semi-structured interviews, un-structured interviews, in-depth interviews, focus groups, historical research and comparative studies. Each of these methods of data collection has their merits and greatly depends on the nature of the topic under investigation. Due to the fact that the research focused on a qualitative approach which is exploratory in nature, a semi-structured interview was chosen for data collection where questionnaires were distributed to the respondents.

A semi-structured interview schedule was conducted on a one-on-one basis with forty consenting respondents to obtain the required information during the period between February - November 2010. A semi-structured interview schedule was used since some questions had to be pre-formulated to structure the interview to obtain the desired information while at the same time not curbing the information that respondents provide. It had to be open-ended for the finance staff to elaborate and explain their decisions to perform certain tasks either according to set regulations or not.

The interview also allowed the researcher to probe further into specific statements that were made to gain a clearer and better understanding of the circumstances, situations and the rationale for certain finance decisions. The order of the questions differed and sometimes was addressed within another set of reasons. Respondents also directed the interview in terms of what they found more important as well as how these reasons interlinked with one another.

3.2 Population and Sampling

In research population refers to the large pool of cases which the researcher seeks to investigate and to draw conclusions. This, however, is an abstract concept as one can never truly determine all the elements within a large population (Neuman, 1997: 203). To define a population, a researcher specifies the unit being sampled by defining specific characteristics that are being studied. The only characteristic taken into consideration for this study was that the respondents of this study should employed in the finance section of the participant departments in the year preceding the audit report that informed this study. When considering the population which is being investigated, i.e. that of finance staff who were employed in the department during the financial year reported in the

2009/10 Audit report, it is clear that it would have been impossible for a single researcher to conduct interviews and measure the opinions of all finance staff in departments which had such a high number of finance personnel. Hence, the decision to allow for voluntary participation in this study.

As an exploratory research this study did not use any sampling procedures. All finance personnel were invited to volunteer to participate in the research. Only those who consented to be respondents in the research were included in 'the sample'. Sampling refers to the elements within the population or unit of analysis within the population that reflects the required characteristics of the population that is researched. The aim is to then generalize the findings of the results to the entire population. The aim of this research was not to make deductions of the reasons that lead to either qualified or unqualified audit reports and also not to generalize to the entire population as is the case with many studies. The aim was to identify reasons and sets of reasons and their relationship with, and between each other, that reflect the sample of respondents under investigation, and to use these findings to make recommendations that would help give insights towards the improvement of finance performance.

3.3 Data Collection

3.3.1 Access to Respondents

An appointment was made to brief the Head of Department (HoD) and the Chief Financial Officer (CFO) in each of the participating departments about the purpose of the study and what information the researcher needed to gather. Thereafter, a permission was requested from the HoD of each of the participant's department, an e-mail was circulated to request for individuals' participation in the research project. Then, a contact with all willing respondents was established to make arrangements for interviews.

Since, participation was based on willingness and voluntarisms, many finance personnel opted not to be part of the respondents.

3.3.2 Voluntary Participation, Anonymity and Confidentially

Participation in this research was completely voluntary and no participant was coerced into being part of the sample. After a detailed explanation on what the aims and objectives were about, it was then optional for them whether to participate or not in the interview.

Their voluntary participation and informed consent of the interview were based on the informed consent statement as set out by Neuman (1997:450):

- A description of the purpose and procedure of the research was verbally discussed with each potential respondent.
- All respondents were guaranteed anonymity and confidentiality of records so that no respondent could be identified once the findings were reported.
- The identification of the researcher and of where the information for the questions of the research was found, i.e. the literature review that formed the basis of the study, and
- All respondents were informed that participation is voluntary and can be terminated at any time should they wish to do so.

It is important in research that participation must be voluntary based on informed decision regarding the information required for the research. Many participants refused to participate for various reasons but forty voluntary participants were interviewed. Voluntary participation was based on ethical considerations toward the respondents as these participants are placed in a highly emotive, stressful, and for some, embarrassing situation. Research ethics requires that the interview should by no means aggravate these conditions and be uncomfortable for the person in question.

Anonymity means that the subject remains anonymous or nameless which, due to the nature of the study played a crucial part in obtaining the participation of the respondents.

For reporting the research results, names were changed to alphabetical letters to protect the anonymity of the respondents.

3.3.3 Interview Schedule

A semi-structured interview schedule was conducted with forty (40) voluntary respondents. According to Leedy (1974: 44) the aim of the interview is a conversation to collect information. The structured nature of the interview was that specific questions were pre-prepared as to obtain the desired and specific answers required for the study. Also, demographical information such as the age of the respondent, level of education, position occupied, and experience in the position was also structured. The more information was gathered by probing the details of the responses offered by the respondents to the predetermined questions. This also allowed the researcher to change direction regarding questions by following-up certain answers to gain more understanding or explanation. The interview took the shape of an open and unstructured interview regarding the respondents' narration of their experiences and practices within the finance sections of their departments. This was the only way to establish all the reasons that have influenced their decisions.

No time frame was established for the completion of the interview schedule upfront as each interview period depended on the participants' narration in response to questions posed. The majority of the interviews were conducted for approximately 60 minutes although some were held for significantly shorter periods due to the willingness of participants. This happed mainly because during the interviews, the discussion was open to discuss other work related issues.

As the interviews progressed, the researcher kept a record in a form of notes made during the interactions with respondents.

Only one respondent refused the use of a notebook during the interview session, hence the researcher had to rely solely on the notes made later after the interview had been completed. This could be ascribed to the respondent's fear of being identified later on, regardless of the assurance of anonymity and confidentiality. It must be noted that this could have impacted on some information being lost during the analysis of the data.

3.4 Limitation of the Study

The study was conducted from the two selected provincial departments, therefore, the results may not necessarily be generalized.

The data collection method used was a self administered questionnaire. This may influence the result as each individual may have their own way of interpreting the questions and could be some bias involved. This may have some effect on the research study results.

3.5 The Interview Schedule and Questionnaires

The survey questions were designed to solicit the opinions of respondents to various concepts relating to the impact of the role of the finance division in enhancing performance of service delivery in the Limpopo Provincial Departments. For a detailed overview of the survey questions see attached questionnaire (Appendix A)

3.5 Summary

In this chapter the financial management survey design and methodology were addressed. Specific focus was on aspects such as types of research, aspects impacting on the survey, data collection, the target population, the choice of sampling method, measurement scales, survey design, the validation of survey questions and validation of survey outcome. In the next chapter the analysis and interpretation of collection of data will be conducted on the data obtained from the research survey conducted within the ambit of this chapter.

Chapter 4: Data Analysis and Interpretation of Results

4.1 Introduction and Background

The purpose of this report is to provide detailed answers to the questions raised during the process of the research conducted for this study. The data collection method that was used in this research employed the use of a self-administered questionnaires as well as an interview schedule. The focus of this survey was to solicit responses from financial management officials of Provincial Government Departments on the impact of their roles in enhancing performance in service delivery in their departments as well as the entire community in the Limpopo Province.

Statements/Questions were formulated in a way that allows the respondents to respond on equal terms on the impact of both poor and good performance with regard to financial management in the government departments. The target group consisted of both senior officials, middle management as well as junior officials in financial management from the selected two Provincial Government Departments. The interviews or questions were done from the two government departments, Department of Economic Development, Environment & Tourism and Department of Education based on their annual performance report for the financial year 2009/2010. According to their financial annual reports, Department of Education received a disclaimer during the financial year 2009/2010 while the Department of Economic Development Environment and Tourism received an unqualified report with few matter of emphasis raised.

Department of Economic Development received various certificates from SAIGA for their outstanding performance. They also obtain position four (4) nationally and position one (1) in the Limpopo Province, for the outstanding performance during the financial year 2009/10. This boosted their moral in terms of improvement since they have been receiving qualified reports for several years since the department splinted from the Department of Finance in 2005. This is a great improvement for the department that struggled to obtain unqualified audit report for quite some time.

Based on the performance above, the two departments were selected to find out how the role of finance division impact on the performance of each department. About seventy questionnaires were distributed in both departments and at least forty responses were received back.

4.2 Research Results from the Current Study

4.2.1 Demographic Information

The current study mainly focused on the head office financial management personnel who were directly and solely responsible for financial management of the two departments. The finance organogram/ structure of the two departments differ depending on the size of each department and the role of each one of them. The department of Education consisted of 40 finance personnel who voluntarily opted to participate in this research, while in the Department of Economic Development 30 finance personnel opted to participate.

All in all seventy (70) questionnaires were distributed in the two departments. Thereafter, the collection of the responses indicated that only forty (40) respondents successfully completed the questionnaires. The remaining thirty (30) were either not completed at all or a major part of the questionnaire not responded to. For example, some of the participants only completed the biographical data information and did not respond to the survey questions. In the researchers view, this could perhaps be attributed to the fact that some of the participants who initially agreed to respond to the questionnaire could have had doubts about their participation and ended up not answering the questions. However, it was encouraging to note that majority (that is; 40 out of 70) of the participants responded to the questionnaire in full. This represents a 57 percent total response to the questionnaire.

4.2.1.1 Age Group of Respondents

The table 4.1 below presents the numbers of the respondents in the two departments concerning their age groups.

Category	***Current Age/Age range***	***Number of respondents***	***Percentage***
Males/Females	20 – 25 yrs	-	-
	26 – 30 yrs	5	12.5
	31 – 35 yrs	12	30
	36 – 40 yrs	8	20
	41 – 45 yrs	13	32.5
	46 yrs and above	2	5
TOTAL		**40**	**100%**

Table 1: Respondents According to Age

From the questionnaires collected, it was learned that a majority of the respondents were between the ages 41 – 45. This represented a massive 32.5 percent of the sample for this study. This was closely followed by the age range 31 – 35, which constituted thirty (30) percent. The next group of participants, about twenty (20) percent were between the ages 36 – 40, followed by the range between the ages 26 – 30 years, which made about 12.5 percent. Lastly, there were only two (2) participants above the age of 46 years. This constituted about 5 percent of the population. Surprisingly, there were no participants between the younger ages 20 – 25 yrs. The next figure 4.1 presents a graphical summary of the analysis of the ages of the participants.

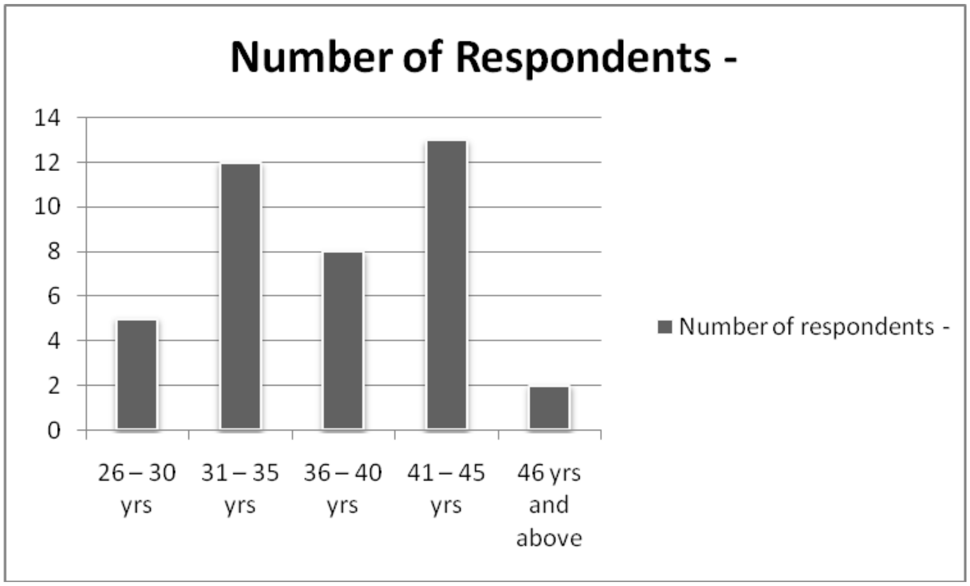

Figure 4.1: Analysis of Respondents Age

It is also observed from the above table (4.1) and figure 4.1 that the majority of the respondents, and importantly employees in the finance department seem to be mostly adults between 41 to 45 years of age. Although this indicates that these officials have at least twenty years before they could retire, it is encouraging to note that there could still be enough time left for them to improve their proficiencies and to train younger employees who shall replace them when they retire. Perhaps this also clarifies one possible key reason for the poor performance of the finance divisions. That is, based on the age as presented in the above table (4.1), it might be that these officials are not coping with current technological advancements. The processes and systems currently used for finance department's operations might not be user friendly to them. This might inadvertently result in mistakes during transactions that lead to this poor performance and in turn results to qualified reports by the auditor general.

The next table (4.2) and figure (4.2) presents the gender distribution from the respondents of this study.

Gender	*Frequency*	*Percentage*
Female	14	35%
Males	26	65%
Total	**40**	**100%**

Table 4.2: Respondents According to Gender

The table above indicates that the respondents in this study comprised of 14 female participants and 26 male participants. This represents the total percentages of 35 and 65 for females and males respectively.

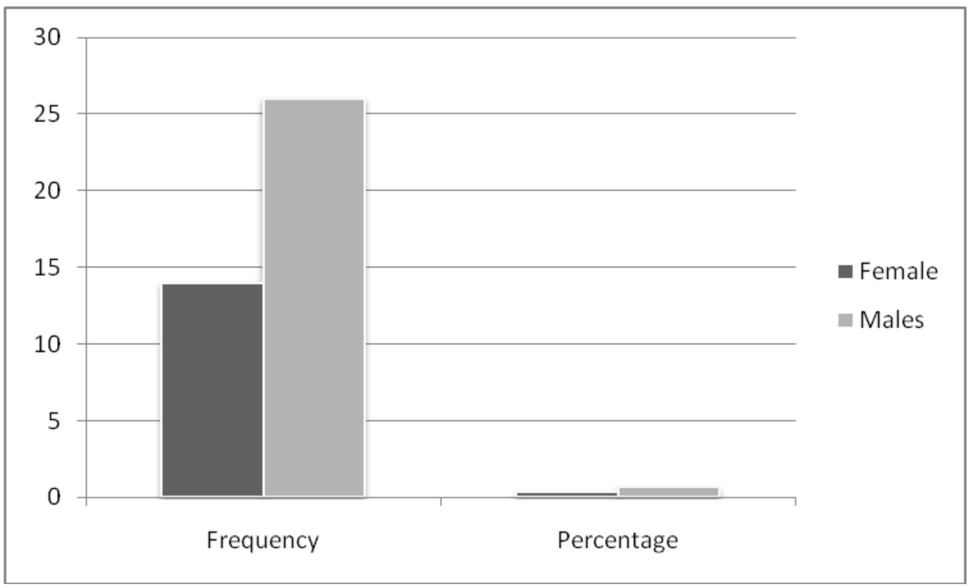

Figure 4.2: Analysis of Respondents According to Gender

Figure 4.2 above clearly indicates that the majority (65 %) of the respondents was males and a few of them (35 %) were females. In a country such as South Africa where the equality between males and females is highly promoted, this becomes a major worrying factor since the indication is that the finance divisions for the two departments in this study are still dominated by males. This unfortunately means that employment equity is not practiced in some government departments. This may also be a major factor for poor performance. In actual fact, most feminist advocates would strongly believe that the lack of female participants in decisions about government spending would be a reason for poor budget dispensing. This might stem from the feminist tendency to believe in women as perfectionists. The researcher believes that this opinion needs to be supported by empirical data for it to be accepted or rejected.

The next table and figures present the data on educational qualifications for the respondents.

Qualification	***Frequency***	***Percentage***
Matric	13	32.5%
Post Matric (Degree/Diploma)	22	55%
Post graduate	5	12.5%
Total	**40**	**100%**

Table 4.3: Respondents According to Qualifications

Table 4.3, shows that out of the total number of forty (40) respondents, thirteen (13) only had Matric as their only qualification. Twenty two (22) indicated that they have a post matric qualification in the form of a degree or diploma. Only five (5) respondents indicated that they hold a postgraduate qualification. This data is clearly presented in a graphical representation in figure 4.3 which follows:

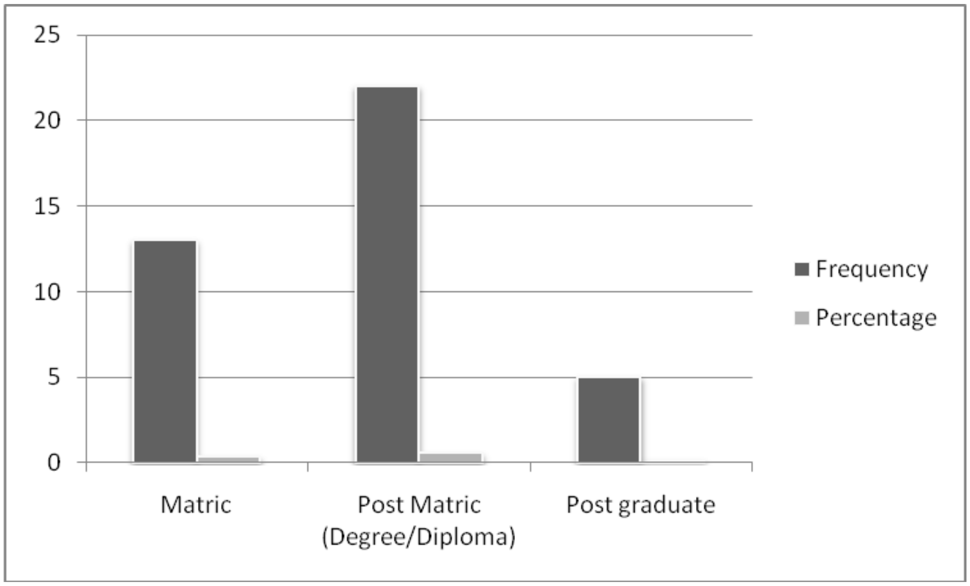

Figure 3: Analysis of Respondents Qualifications

Figure 4.3 above shows that the majority of the participants (55%) have post-matric qualification in finance. 32.5% hold only a matric certificate with no further studies. Whereas, 12.5 % of the respondents have postgraduate finance related qualifications. It is worth noting that a majority of the employees of the two finance divisions have at least a post-matric qualification to back their duties, it is however also equally worrying fact that a noticeable number has a matric as their only qualification. This is a major problem as it indicates the lack of knowledge and skills amongst this group of employees. Especially because, as it shall be revealed in the next section, that there are still some employees who do not understand government policies which relate to financial management as well as how finance personnel should conduct themselves during their operations to ensure a sense of responsibility.

It is important to note that during the interviews it was also discovered that despite the majority of participants, a number of them (almost about five percent) possess qualifications outside the area of finance. In other words they are not qualified to be in finance departments.

4.3: Descriptive Survey Analysis

A descriptive analysis of the survey results returned by the research questionnaire respondents, are reflected below for ease of reference.

Question 1: What do you think are the main roles and responsibilities of the finance division within your department?

All the respondents indicated that they knew their roles and responsibilities as finance officials. Many respondents, however, were focusing on their specific day to day's activities as outlined in chapter two. The question is whether they understood the impact or the influence of their activities in respect of service delivery in their departments?

Question 2: Which financial regulations do you think are essential to your day to day duties? Why do you think so?

All the respondents indicated that they were aware of the financial regulations applicable to their day to day's activities. They also indicated that the most applicable financial regulations were:

The Public Finance Management Act (PFMA), the Treasury Regulations, and the Division of Revenue Act (DORA). The main challenge faced by the department that received a qualified audit report, was to understand and apply these regulations.

Question 3: Does your department have documented policies, procedures and control measures to ensure compliance with the above mentioned applicable laws and regulations?

All respondents indicated that they have documented policies, procedure and manuals that give them guidelines when performing their duties. Circulars are also used in case of urgent notices that officials had to be informed about.

Question 4: If your answer to (3) above is YES, please specify the policies, procedures and measures.

Since all respondents answered YES to question 3, different policies, procedure manuals such as debt management policies, cash management policies, telephone and cellular phone policies, asset management policies, budget and revenue policies were mentioned. However, the application of these policies within the departments is a challenge. Transversal policies developed by the Limpopo Provincial Treasury are also there to serve as a guide. In cases where the department wants to implement these policies, however, such policies must first be adopted by executive management of each department before implementation.

Question 5: Do you think the current guidelines as stipulated by the PFMA adequately define the role of the finance division in enhancing sound financial management and service delivery?

Once again, all the respondents agreed to the above question. It is clear that the rules and regulations prescribed by the PFMA clearly define the roles of financial officials and outcome expectations.

Question 6: How do you think one could assess the financial performance of the finance division within a government department?

The results from question 6 showed that 50 % of the respondents, especially junior officials, did not understand this question hence phone calls were received seeking clarity. The performance of any finance division in any organization whether private or government organization is measured based on the annual audit report. In government internal auditors are appointed by the Premier’s office or the Provincial Treasury to alert departments about any irregular issue before the external audit by the Auditor General takes place.

Question 7: Do you think the finance division has adequate control over the variables that should be assessed as part of a department's financial performance?

The results from question 7 showed that 75 % of respondents agreed that the finance divisions have adequate control over the variables that should be assessed as part of a department's financial performance. Hence, the answer was Yes. However, this is up to minimal since finance is only rendering the support service to the other components of the department. Twenty five percent of the respondents did not have enough knowledge to express an opinion about this question.

Question 8: Does your department have competent and skilled personnel to manage finances effectively and efficiently?

Fourty five percent of the respondents from the Department of Education did not have the necessary competencies or skills to carry out their duties as finance officials. Hence the poor annual report during the financial year 2009/10. Senior Management positions are filled with qualified personnel, but they found it difficult to perform well if the people who are to give them support do not have the necessary competencies. Other reasons that led to the poor report is shortage of staff and the department had to serve approximately 69 000 officials. In the Department of Economic Development only 55% of the financial officials had the necessary qualifications and skills to carry out their duties. Regular training is conducted through both the National and Provincial Treasury to ensure that finance officials are updated with regard to any changes relating to the systems used in government.

Question 9: Does your department have a proper monitoring tool for its expenditure to ensure that targeted objectives are met?

The results from question 9 showed that all respondents agreed that a monitoring tool for expenditure is in place, although most of the officials do not take it serious. There is a monitoring tool developed by the Provincial Treasury to monitor the annual performance plan (APP) of each department. This is done quarterly and submitted to the Provincial Treasury to determine if the department is spending in line with what is stated in the APP. This tool together with the so called In Year Monitoring (IYM), if utilized correctly, can help to avoid any overspending or under spending. There is also a monthly suspense and debt monitoring tool for ensuring that suspense accounts are cleared on a monthly basis, and all amounts owed to the departments are recovered. These reports must be submitted to the Provincial Treasury for verification.

Question 10: What do you think makes it difficult for the finance division to efficiently manage finances in the department?

The results from question 10 showed that 60% of the finance posts in both departments are vacant. This is a serious problem that leads to fraud and audit queries, because there is no segregation of duties amongst officials. Thirty percent of the respondents indicated that there is no cooperation from other directorates within the department. Ten percent of the respondents from the Department of Economic Development indicated that senior management positions had been vacant for more than three years. The department operated with acting staff who were doing their best for the success of the department, but with no recognition.

Improper planning by directorates and not sticking to directives was also a challenge that affected the finance divisions in both departments. Amounts were shifted from one item to another on a daily basis, thus , a clear sign of poor planning.

Question 11: What do you think should be done to empower finance officials towards effective financial management?

The results from question 11 showed that all the respondents advised that there should be a continuous attendance of courses related to finance. The following were suggested:

- In service training.
- Workshops.
- Attending courses.

The department of Education should encourage their finance personnel to upgrade themselves by providing them bursaries to further their studies. The Department of Economic Development has embarked on this practice to ensure that their officials are given priority by offering them bursaries to further their studies. This policy has helped to improve performance and service delivery.

Question 12: Have your department encountered any unauthorized expenditure?

If 'YES' give a brief description and the reasons why such an anomaly happened

The results from question 12 showed that 80% of the respondents from the department of Economic Development disagreed that there were ever unauthorized expenditure. However, there was an amount of money surrendered to Treasury which is also an anomaly according to PFMA. Twenty percent of the respondent from the department of Education showed that there was never an unauthorized expenditure nor any surrender to Treasury. The rest of the respondents did not have any knowledge about the question. This is despite the fact that their department's annual audit reports indicated that there was an amount of R803m listed as unauthorised expenditure. This is a clear indication that communication is one of the major problems in the department. The annual audit report is not distributed to finance officials of the department so that they could check issues raised by the AG. It was also noted from the Annual Report 2009/10 of the Department of Economic Development that there was under spending of R17.2 m with the result that, the department did not achieved its objectives with regard to the filling of vacant posts (Annual Reports 2009/10).

Question 13: Were such expenditure reported to the relevant Provincial Treasury? If 'YES' what advice were you given? If 'NO' why?

The results from question 13 showed that all the respondents answered No to question 12, hence there was no advice given in any of the two departments.

Question 14: What do you think were the main reasons for your department's over-spending or under-spending during the audit year (2009/10) under review?

The results from question 14 showed that all the respondents from the Department of Economic Development indicated that the department did not overspend. The 2009/10 audit report confirmed that they kept within their spending limits although the report did reveal under spending during 2009/10. The respondents from the Department of Education showed that the department did under spend in certain areas due to prioritisation of certain projects and also due to poor planning during the early stages of the budgeting processes.

Question 15: Do you think over-spending/ under-spending is justified? Why?

The responses to question 15 showed that respondents from the Department of Education could justify the under spending, because there were moratoriums put in place during the period under review.

Respondents from Economic Development raised a concern that the main causes that lead to under spending were that departments had a high rate of vacant posts and that some of them were advertised but never filled due to political directives received from top management. Positions such as those of the senior management levels are regarded as political positions where appointments are done according to political affiliation irrespective of the competency skills and the required qualifications. It is believed that such political discrimination had an impact on the performance of the department.

Question 16: If you were given an opportunity to improve the operations of the finance division in your department, what practices/processes would you change?

The answers to question 16 showed that all respondents from both departments gave advice on similar issues to be addressed. Ongoing training of staff is one of the most important elements to be looked at. Functions must be decentralised to the district offices where service delivery is required most. Decentralization is another way of empowering officials stationed at district offices and giving them more responsibility.

Question 17: Is there any other important issue that you would like to raise?

The answers to question 17 indicate that all the respondents from both departments are concerned about the structures in their finance divisions. Their lines of reporting are poor because of problems in the structures. This also had an impact on the issue of accountability, because there was no clear assignment of duties in the department. According to the response received from question16; departments seem to have centralized all the functions to the head office personnel. This might also be the cause of poor performance in the department because some districts officials are denied the opportunity to demonstrate their skills and are left idling in the remote.

4.4: Summary

Finance is the pillar of any organization that needs to succeed in its operations, therefore, sound financial management systems need to be developed and be implemented for the survival of any organization. Although government departments are none profit organizations, their performance is based on service delivery to the public. General support and all other necessary resources are needed to enable finance personnel to operate effectively and to contribute maximally to the success of their organizations.

Chapter 5: Summary, Conclusions and Recommendations

5.1: Summary

This research was conducted with the perception that good financial performance is the consequence of effective financial management attached to the roles of finance personnel of any organization.

In order to address the research question and objectives of the study, a qualitative research approach was adopted. Open ended questions were structured which allowed the researcher to probe and obtain quality information.

The responses to the questions revealed the following key findings pertaining to the research conducted.

> Although government departments have adopted all relevant financial regulations/legislations such as Treasury Regulations, the PFMA and other related financial management policies, they have, however, not implemented all such regulations.

It is evident, from the results obtained, that most government departments are challenged with important issues pertaining to financial management's performance and risk associated with their functional duties. This may be attributed to a lack of clear guidelines and policy documentation available to guide government departments as to how to measure their performance.

Although government departments have proper financial regulations to guide them, they do not have the necessary systems and infrastructure in place to effectively and efficiently manage government funds in such a manner that it will benefit the departments as well as the community at large. Consequently, the following concerns were raised:

(i) Government departments are often confronted to pay penalties, because of late payments to service providers. Payment of these penalties results in unauthorized expenditure incurred by the departments which is, according to Treasury Regulation a serious infringement. The reason for this problem seems to lie in time wasted during processing and authorization for payment.

(ii) Most financial management officials have been trained to understand the use of PFMA/Treasury Regulation. However, the training programmes/courses provided to them are regarded as insufficient. This is a matter of concern, as insufficient training could have long-term affect on the ability of government departments to establish and maintain effective and efficient financial management systems.

(iii) Government departments have been challenged with the implementation of financial management regulations, the majority still share the view that the implementation of financial management regulations enhanced their ability to reach their operational objectives.

(iv) There is also lack of priority with regard to finances due to the fact that very few officials in government comprehend the important role of the finance division and its performance.

(v) Staff resist change, and feel that there is no incentive for them to change their attitude when their efforts are frustrated by a continuous process of changing systems and processes.

5.2: Conclusions

The financial divisions of the two departments that were the analysis of this study, had similar problems, such as being understaffed due to delay in filling of vacant positions which seems to be a major problem in both departments. This had an impact on servicing the budgeted spending with the result that some funds had to be surrendered to the Treasury.

Ongoing training is not always possible due to a shortage of staff in both departments. Segregation of duties is not practiced or implemented as required by the Treasury Regulation, due to shortage of staff. Some of the activities such as revenue collection requires regular rotation of staff, which is not possible due to a shortage of staff. Under such circumstances, the risk of temptation relating to fraudulent actions by cashiers tends to rise.

Officials have to work abnormal hours to meet deadlines and some cannot even take annual leave due to the fact that when they are on leave, no one is available to replace them. In this way, their performances are affected.

A lack of financial skills of officials to fully comply with the prescribed accounting framework and practices, laid down by both the National and the Provincial Treasury, is another problem.

Officials are often stressed up due to their work load and the deadlines that need to be met when performing their duties. This is often accompanied by a lack of appreciation and motivation from senior officials.

5.3: Recommendations

The following recommendations are intended to improve the financial performance of the two departments as well as service delivery in general:

(i) As a way forward to continuously and successfully improve service delivery, it must be taken into consideration that finance is like the oil that keeps the engine of government department's operations running. Without finance, no department can successfully achieve its required objectives. It is therefore, recommended that sound financial management systems and processes be put in place and enforced to ensure a more productive workforce, and accountability, in as far as financial management is concerned.

(ii) Measurable and realistic objectives and targets should be set and well aligned with both, the strategic plan and the operational plan of each department. This will helps in terms of monitoring expenditure against the objectives.

(iii) Accurate costing must be done during the budget process in order to ensure that the costing is reliable, and in line with the operational plan of each department. A reliable revenue collection plan, for each department, must be in place to provide a benchmark against which actual revenue is to be measured. This will helps to avoid revenue under collection within the departments, which is one of the major concerns raised by the AG.

(iv) Finance officials should be rewarded for effort beyond their normal operations. Such rewards should boost their morale and help to improve their productivity and prevent them from moving from the government sectors to the private sector. It should also help to prevent temptation to embezzle government funds.

(v) Appointment of suitable and qualified employees should also assist in improving operations and lead to sound financial management. Qualified, capable officials such as senior managers and chief financial officers and auditors, with appropriate skills must be cared for as they are the key contributors to good performance of the departments. This will also help to improve service delivery as it is impossible to get officials to perform their duties satisfactorily when they do not have the required level of competency.

(vi) The government must ensure that Employment Equity Act No 55 of 1988 as well as Affirmative action is enforced in order to eradicate the unbalance and unfair discrimination caused during the apartheid regime. This will helps to achieve a diverse workforce broadly represented by all people from different genders.

(vii) Although the performance monitoring tools are available in both departments, care should be taken that both the National and Provincial Treasury enforce strict control measures to ensure that these tools are fully utilized. Employees must be informed about this enforcement so that they are alerted about the consequences of not complying with the prescribed regulations.

(viii) The Provincial Treasury can improve performance monitoring by means of providing qualified professional financial advisors to enable departments to keep track of their financial responsibilities in order to avoid over or under spending of funds.

(ix) Departments must ensure timeous payment processing, as it can contribute towards eliminating overspending due to the payments being made during the last moments of the financial year without checking if there are enough funds.

(x) Suspense accounts must be investigated and cleared on a monthly basis as stipulated according to the Treasury Regulation. This could help to reduce escalation of untraceable amounts.

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Appendices

Appendix A: Questionnaire

Question 1	What do you think are the main roles and responsibilities of the finance division within your department?
Question 2	Which financial regulations do you think are essential to your day to day duties? Why do you think so?
Question 3	Does your department have documented policies, procedures and control measures to ensure compliance with the above mentioned applicable laws and regulations? Yes/No
Question 4	If your answer to (3) above is 'YES', please specify the policies, procedures and measures.
Question 5	Do you think the current guidelines as stipulated by the PFMA adequately define the role of the finance division in enhancing sound financial management and service delivery?
Question 6	How do you think one could assess the financial performance of the finance division within a government department?
Question 7	Do you think the finance division has adequate control over the variables that should be assessed as part of a department's financial performance?
Question 8	Does your department have competent and skilled personnel to manage finances effectively and efficiently?

Question 9	Does your department have a proper monitoring tool for its expenditure to ensure that targeted objectives are met?
Question 10	What do you think makes it difficult for the finance division to efficiently manage finances in the department?
Question 11	What do you think should be done to empower finance officials towards effective financial management?
Question 12	Have your department encountered any unauthorized expenditure? If 'YES' give a brief description and the reasons why such an anomaly happened.
Question 13	Were such expenditure reported to the relevant Provincial Treasury? If 'YES' what advice were you given? If 'NO' why?
Question 14	What do you think were the main reasons for your department's over-spending or under-spending during the audit year (2009/10) under review?
Question 15	Do you think this over-spending/ under-spending is justified? Why?
Question 16	If you were given an opportunity to improve the operations of the finance division in your department, what practices/processes would you change?
Question 17	Is there any other important issue that you would like to raise?