

**THE CHALLENGES OF AUDITING IN THE PUBLIC SECTOR:
A CASE OF THE NORTH WEST DEPARTMENT OF
EDUCATION AND SPORT DEVELOPMENT**

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It all starts here™

DECLARATION

I declare that the mini-dissertation entitled ~~the~~ **The Challenges of Auditing in the Public Sector: A Case of the North West Department of Education and Sport Development** is my own work. This work is submitted in partial fulfilment of the Master of Business Administration - Finance to the North-West University, Mafikeng Campus and has not been submitted before for any degree to any other university.

Lerato Rebecca Monkwe

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“Your attitude, not your aptitude, will determine your altitude” – Zig Ziglar

ABSTRACT

Auditing of financial reports in any organisation is the epicentre of organisational growth. Financial data has to be gathered, collated and analysed so that audit opinions can be established. The study sought to investigate the roles played and challenges encountered by senior management during the conduct of audit exercises in the Department of Education and Sport Development in Mafikeng. Quantitative research techniques were used to gather data. A sample size of 50 participants was used in the study and was determined through simple random and convenience sampling techniques.

The study was confined to the Department of Education and Sport Development in Mafikeng. The study looked at the respondents' gender, age, level of education, position in the department, duration in the current position and perceptions thereof regarding auditing processes in the department. The majority of the participants indicated that auditing was the foundation of good governance and assisted in curtailing wasteful expenditure. It was further established that political and skills related issues had an impact on the type of audit outcomes in an organisation.

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CHAPTER ONE: ORIENTATION TO THE STUDY

1.1 Introduction

The purpose of this study is to identify and examine the challenges that senior managers and other employees face when external auditing is performed in the Department of Education and Sport Development. This is motivated by the fact that public sector entities all over the world are currently facing their greatest challenge. According to Ngoepe and Ngulube (2012), most provincial departments in the North West Province have failed to get a clean audit since 2011. It follows therefore that public sector auditing is relevant to the efficient operation of government departments.

Public sector auditing is important because it channels employees to follow policies, guidelines and procedures as well as reduce fruitless and unauthorised expenditure (financial management practices). If public sector auditing is not conducted timeously, the endemic inefficiency in government departments is bound to continue. This endemic inefficiency in government is highlighted by authors such as Van Vuuren (2014); Ngoepe and Ngulube (2014) when they point out that for several years now most government departments in South Africa have been yearning to get a clean audit report but such has been elusive. It follows therefore that governmental bodies are compelled to improve their financial management practices and procedures in order to obtain some minimal assurance of meeting these external demands and consequently avoiding unclean audit reports.

Furthermore, studies show that the imperative to obtain clean audits for all public sector entities at different spheres of government in the post-apartheid South Africa has increasingly gained currency (Van Vuuren, 2014; Ngoepe, 2014; Nel, 2011). The pressures on the above-mentioned entities to improve their audit outcomes are unlikely to recede in the next few years. Department of National Treasury (2015) declares that in South Africa, the government has increasingly started to value fiscal prudence, strategic importance of clean audit to value creation, socio-economic transformation and enhanced service delivery. In light of the fact that departments have been consistently failing to get clean audit reports, it follows that

there are problems that are preventing them to get clean audits. This study therefore sets out to find the challenges that external auditors face when conducting audits in the public sector.

This study commences with the background in Section 1.2. This is followed by the problem statement in section 1.3, research aim and objectives in section 1.4, while the ultimate section 1.5 discusses the rationale for and importance of the study, 1.6 discusses delimitations of the study, 1.7 discusses definitions of key concepts, 1.7 discusses research methodology, ethical considerations is discussed in 1.9 while 1.10 outlines the division of chapters.

1.2 Background

Twenty-one years on, captions such as %All-round clean audits a dream+ (Sowetan Newspaper 31 July (2014) and Corruption Watch (2015) indicate that when audit reports get better, old problems stay put. Ngoepe and Ngulube (2014) assert that media and Auditor-General's reports have historically been replete with problematic audit results concerning a number of government departments at national and provincial level. The Auditor General findings of the past few financial years support the observation:

- ~ In 2011-2012, five of the nine provinces failed to receive a clean audit for any of their departments. The North West Province (hereafter NW Province), the focus of this study, was part the above cohort that failed to get a clean audit (AGSA, 2012).
- ~ In 2012-2013, two provinces could not achieve a single clean audit for their departments. The NW Province was again amongst these dismal indicators (AGSA, 2013).
- ~ In 2013-2014, Provincial Treasury became the first and only department to receive a clean audit in the NW Province (AGSA, 2014a)

At a glance, the above data reflects a trend towards improvement. However, such improvement is at a slow pace, especially in view of the fact that these reports concern public funds and management. Furthermore, the reports paint a pessimistic picture about the NW Province where the main service delivery sectors: education, health, public works, and human settlement have been pathetically failing the audit

test. This image does not only beg for questions about public confidence in the functionality of government bodies that persistently fail to obtain clean audit, but sheds a dim light on financial management, accountability and governance in the public entity. According to Ngoepe (2012), organisations receiving disclaimer of opinions are at risk of facing consequential implications such as intolerance from communities for better service delivery, loss of credibility, investigations for maladministration or unexpected change of leadership without succession planning, as is the case in the broader South Africa.

A major factor behind recurrent unclean audit outcomes has been the slow pace with which most senior management structures at the auditees implement the recommendations based on findings from previous financial years (AGSA, 2015). In addition to raising doubts about the effectiveness of senior managers in executing their audit-related functions, this observation is laden with the potentially central role that senior managers have in influencing the audit outcomes.

The NW Province's Department of Education and Sport Development is guided by the ensuing vision, mission and values. Vision: Towards Excellence in Education & Sport Development. The vision of the Education and Sport Development Department in the North West is that it should be accountable and accessible to all, rendering sustainable and quality service, promoting lifelong learning opportunities and people's self-reliance while continually contributing towards a democratic society and economic growth. The Department finds its vested authority and character in the overall objective of the South African Schools Act, (1996), which is to provide quality education which is accessible to all, relevant and cost effective, within the principles of equity, redress and affordability, after taking full account of the applicable policies determined in terms of the National Education Policy Act, 1996.

In 1994 the North West Education Department (NWED) was faced with the challenge of amalgamating the schooling systems of Bophuthatswana and the other race groupings across the former provinces. This created transformation and logistical nightmares. Several adjustments to the management structures and also budgetary provisions were required before some level of stability could be established in the NWED. Even then the challenge of curriculum development, capacity building, and

rationalisation of educators and delivery of textbooks on time remain a daunting task requiring excellent leadership. The education system is still trying to correct the imbalances in the provision of basic infrastructure and facilities inherited from segregated schooling. The other area of concern is poor performance in mathematics and science, which to some extent is a result of a lack of libraries, science and biology laboratories. Another concern is the quality, dedication and qualifications of teachers. However, since good financial management is the fulcrum of sound organizational growth, this study was focused on examining the role of management in auditing exercises in the NWED.

1.3 Problem Statement

As noted in Section 1.2, public sector entities have been consistently failing to get clean audit reports. This has placed demands on those charged with oversight of finances in the public sector to improve their systems (Van Vuuren, 2014; Ngoepe and Ngulube, 2014).

The constant failure to obtain clean audits suggests that the general financial management systems in the concerned public sector entities are fraught with inherent weaknesses, thus rendering vulnerable the government's fiscal accountability (Barata, Cain and Serumaga, 2000). Gradually, this perpetuates problems that undermine a quest for clean audits, if not effectively tackled. The North West Provincial Legislature's Standing Committee on Provincial Public Accounts (SCOPA, 2015) indicated poor audit outcomes for the Department and called for improved human capital engagement in the Department. The issues that were picked up by the Auditor General (2015) were asset management problems, control measures on leave policy, and irregular expenditure. The problem investigated in this study is connected to the challenges senior managers face during external audit processes.

The research question can, therefore, be stated as follows:

- “ What are the challenges that senior managers in the Department of Education and Sport Development in the North West experience when external auditors perform their auditing-related roles?

The following sub-questions are specifically developed to generate answers to the main research question:

- “ What are the employeesq perceptions regarding external auditing in the Department of Education and Sport Development?
- “ What are the roles and responsibilities of senior managers during an external auditing exercise in the Department of Education and Sport Development?
- “ What challenges are experienced during the external auditing process in the Department of Education and Sport Development?
- “ What recommendations could be made to improve the usefulness of the responsibility of senior managers during an external auditing exercise?

1.4 Research aim and objectives

Flowing from the problem statement, the general aim of this study is to:

- “ Explore issues and challenges that senior managers in the public sector encounter when performing auditing-related roles.

The research objectives emanating from the overall aim are thus set to:

- “ Determine employeesq perceptions regarding external auditing in the Department of Education and Sport Development ;
- “ Establish roles and responsibilities of senior managers during an external auditing exercise in the Department of Education and Sport Development ;
- “ Identify challenges experienced during the external auditing process in the Department of Education and Sport Development ; and
- “ Establish recommendations in order to improve the usefulness of the responsibility of senior managers during an auditing exercise.

1.5 Rationale for and importance of the research project

The statements listed hereunder served as the driving force for the researcher to conduct this project:

- “ After 1994, the public sector in South Africa has been weighed down by an array of indicting audit results and a precarious financial state (Ngoepe and

Ngulube, 2014). As a citizen, the pervasive failure by most governmental bodies to obtain clean audits does not augur well with the researchers' confidence in the management of public funds. There is, therefore, a compelling need to address this dismal state of affairs in the public sector. To that end, this study demonstrates vested interest in the introduction of intervention programmes that could assist in overcoming identified obstacles found in this study.

“ There is a paucity of related studies. Although much research is available on the failure of public sector entities regarding auditing, few studies have examined the issues and challenges leading to unclean audits from the senior managers' perspective. This study has the potential to report on groundbreaking findings and provide practical opportunities that could be explored to improve audit outcomes.

“ This research project was initiated on the anticipation that its findings and recommendations would have an impact on the existing body of literature in the area of auditing in public sector entities. It is further hoped the study improves public finance management and accountability, and thus taking steps toward enhancing service delivery in the public sector environment.

1.6 Delimitations of the study

This study is restricted to auditing of the public sector in South Africa as performed by the AGSA. Its special focus is on the auditing of the Department of Education and Sport Development in the NW Province. The setting of this study is consequently delimited to the district and corporate services offices of the aforementioned department.

1.7 Definitions of key concepts

Babbie and Mouton (2010) contend that defining terminology in research is critical to dispel possible misperception and misunderstanding and for better understanding of the terrain covered, especially by the potential readers. The key concepts are identified and clarified in this section to provide the context in which they are used and their meaning in the study.

1.7.1 Senior managers

Staff who occupy high positions in organisations and conduct strategic decisions for the organizations (Botha and Musengi, 2014).

1.7.2 Auditing

In the context of this study, auditing involves an official process of examining and evaluating the assertions about the organisations' economic actions and events with the aim of determining the degree to which the said assertions correspond with established procedures or regulations, and ultimately the auditor communicating the findings to interested parties (Boynton and Johnson, 2006). There are two main types of auditing: internal auditing and external auditing (Porter *et al.* 2006). This study focuses primarily on external auditing.

1.7.3 Public sector

This study adopts Ngoepe's (2012) description of the public sector in South Africa as consisting of four spheres of government, namely: national government entities, provincial government, municipalities and constitutional public entities. However, special attention in this study is directed to government departments, and not municipalities and constitutional public entities. Hence, the concept public sector is used interchangeably with governmental bodies in the context of this study.

1.7.4 North West Department of Education and Sport Development

North West Department of Education (and Sport Development) is one of thirteen departments that make up the NW Province (AGSA, 2015a). It comprises four district offices and 10 chief directorates. Over and above basic education, the department has oversight of sport development.

1.8 Research Methodology

Gilbert (2008) argues that the creation of a research question should lead to the research methods, which should include the purposes and design of the study followed by the total research project. Mouton (2001) corroborates this view when he asserts that a development of research methodology follows logically from the

research problem. This suggests that a research problem outlines the research format and the procedures that are followed (Chadwick, Bahr and Albrecht, 1984).

In light of the problem stated in section 1.3, this study adopted quantitative research methods. Questions like *what* in the research are used in the qualitative study (Nieuwenhuis, 2011; Yin, 2009). In recapping, the current study's main issue is: what are the issues and challenges that senior managers in the Department of Education and Sport Development (NW Province) experience when performing their auditing-related roles?

According to Lichtman (2013) and Creswell (2009), it is anticipated that a qualitative research design enables the researcher to illuminate the incident under review according to meanings allocated by the participants. There are no predetermined answers that the researcher puts forward since the responses of the participants are identified, clustered and interpreted in order to provide robust answers to the research problem (Harwell, 2011; Johnson and Christensen, 2008).

1.8.1 Sampling

The present study uses convenience sampling. This technique relies on the availability of the respondents (Creswell, 2009; Nieuwenhuis, 2011). The point is to select cases that respond to the key issues of the present study (Boeije, 2010).

The provincial department under study has four districts led by District Directors and four Chief Directorates at head office. Four Chief Directorates based at head office of the Department of Education and Sport Development (NW Province) were purposively sampled. Apart from issues of proximity, selection of these senior managers is predicated on the view that since they have oversight responsibility of finances and related records in their respective units, they are well-informed about external auditing, which is the phenomenon under investigation, based on their professional roles, expertise or experience (McMillan and Schumacher, 2008). They therefore, provide the insights into auditing processes in the public sector (Harwell, 2011).

1.8.2 Data collection methods

Data was collected through the use of self-administered questionnaires, observations and document analysis.

1.8.3 Data analysis

Empirical data consisted of interview transcripts and notes taken during interviews and document examination. The data analysis procedure was performed on the following steps based on Tesch's open coding system, as captured in Creswell (2009):

- “ Organising data;
- “ Reading each transcript thoroughly to gain an overall sense of the whole;
- “ Coding the data;
- “ Generating themes, categories, and patterns that emerge from the findings;
- “ The testing of emergent understandings;
- “ Searching for alternative reasons, and
- “ Presentation of data (report writing).

Initial data analysis began whilst data collection was still underway, and continued while working on the research as prescribed by Creswell (2009). By implication, the researcher waited until all information was in before commencement of analysis per Yin, (2009).

The research methodology is discussed in greater depth in Chapter 3 of this study.

1.9 Ethical considerations

Written permission to interview senior managers and perform this research project was obtained from the Department of Education and Sport Development in the NW Province. All participants were given information concerning their voluntary contribution, the intentions of the project and were guaranteed of their confidentiality and anonymity. Code names for people and places to which they are attached were used to ensure anonymity. Also ethical clearance was granted by the Faculty of High Degrees Research Committee at North-West University.

1.10 Division of chapters

This study is organised into five chapters. The researcher protocols are discussed in each chapter.

This chapter provided the background to this study. The purposes of conducting the project and the research enquiries followed by the basis for the current study were also presented. It also provided a brief discussion of the research methodology, delimitations of this study, ethical considerations, and explained key concepts.

Chapter Two reviews literature related to the role of senior managers in public sector entities in the audit exercise.

Chapter Three provides a detailed exposition of the research design and methodology adopted for the empirical investigation in this study. Data analysis procedures are also provided in this chapter.

Chapter Four presents and discusses findings from the empirical data.

Chapter Five comprises the summary, conclusions as well as recommendations of the research study. Limitations of the study and areas for future research are also highlighted in this chapter.

1.11 Conclusion

This chapter provided the orientation of the study. Chapter one provided background to the study, research objectives, significance of the study and chapter outlines. Chapter one also laid the foundation of Chapter two on Literature Review.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In the previous chapter, a brief discussion of the research methodology, delimitations of this study, ethical considerations, and key concepts were explained. The introduction of the Public Finance Management Act (PFMA) (Act 1 of 1999) in 2000, with a focus on good governance and accountability, made the internal audit functions (IAFs) an integral part of financial management in public sector entities. The PFMA requires Accounting Officers to ensure that their departments have an effective, efficient and transparent system of financial and risk management, and internal control, and furthermore, requires that the National Treasury make regulations and issue instructions to the Accounting Officers on how to maintain an IAF and to manage its activities. The fundamental purpose of IAFs in the public sector is to assist Accounting Officers to maintain efficient and effective control in public service institutions by evaluating the controls (specifically, determining their effectiveness and efficiency) and by making recommendations supporting the goal of enhancing and improving governance. In the context of the above, it is important to know the extent to which internal auditors in the South African public sector meet the expectations of their stakeholders.

Chapter Two gives a brief overview of auditing in the public sector, provides numerous definitions of auditing, delineation and discussion on the need for auditing in the public sector.

2.2 Brief Overview of Auditing In the Public Sector

In his editorial remarks, de Jager (in Ngope, 2012) states that the beginning of the 21st century could be described as the era of accountability, transparency and good governance particularly in the area of auditing in the public entity. In the South African public entity, the demands for greater accountability and good governance are clearly reflected in the documents listed hereunder:

- “ South African Constitution (Act No. 108 of 1996), as well as in key pieces of legislation such as the
- “ Public Finance Management Act (PFMA), Act No. 1 of 1999 and
- “ The Municipal Finance Management Act, (MFMA) Act No. 56 of 2003.

In terms of these Acts, governmental bodies are required to take responsibility for their actions and decisions pertaining to public funds. Auditing is normally carried out to fulfil this commitment (Ngope, 2012).

The Lima declaration of guidelines on auditing precepts of the International Organisation of Supreme Audit Institutions (INTOSAI) outlined auditing in the public sector as:

The idea and formation of an audit is essential in public financial administration, as the management of public funds represents a trust. An audit is not an end in itself but rather an indispensable part of a regulatory system whose aim is to reveal deviations from accepted standards and violations of the principles of efficiency, effectiveness, legality and economy of financial management early enough to make it possible to take corrective action in individual cases, to make those accountable accept responsibility, to obtain compensation, or to take steps to prevent, or at least render more difficult, such breaches (Fiedler, 1988).

Flowing from the above description, the following broad aspects about auditing in a public sector are discussed through the focused literature review in this section:

- “ Definitions of auditing;
- “ The need for auditing of public sector entities;
- “ Scope of auditing in the public sector; and,
- “ Different types of audit outcomes.

These are discussed in turn and in such a way that describes how auditing of any public sector entity should unfold.

2.2.1 Definitions of auditing

A single definition of auditing does not exist in relevant literature. Many scholars from multiple backgrounds and disciplines have written about auditing and have carved their own definitions and perspectives. Marx, Kelly and Bourne (2009) underscore this in stating that in various disciplines and situations the terms audit and auditing are used differently. In short, a definition of auditing is context-based. Owing to the

fact that auditing is a statutory requirement and widely undertaken, particularly in the public sector, clear definitions and a degree of agreement on what it means are important. It is therefore seminal to probe various definitions where auditing is understood in order to fully appreciate the roles it plays in the public sector.

According to Porter, B. Simon, J. and Hatherly, D. (2003) auditing is an orderly way of collecting and evaluating evidence pertaining to assertions about economic decisions and actions in which an entity is engaged, to make sure that the extent of communication between those assertions and established criteria, and based on such detail, the auditors form an opinion which is embodied in a written report addressed to the parties to whom the auditors are responsible under the law. This view is also shared by Boynton and Johnson (2006) who maintain that auditing is an objective investigation and assessment of the financial statements of an entity to make sure that the records are a fair and precise representation of the transactions they claim to represent. In agreement with this, Lubbe (in Marx *et al.*, 2009) note that auditing encompasses an investigation by an auditor into the evidence from the financial statements of an organisation in order to establish whether or not the financial statements fairly present the summarised transactions for the period under review and of the concerned organisation's financial condition at the end date.

According to Visser and Erasmus (2012), auditing is a procedure concerned with the gathering of essential information or evidence designed to render an informed, professional and independent opinion on the assertions and demonstration made in management reports and supporting documents. Independent certification and reassurance about the credibility and completeness of financial and interrelated records explain what auditing entails.

Inferred from the above definitions, the researcher understands auditing as an official process of examining and evaluating the assertions about the organisation's economic actions and events with the aim of determining the degree to which the said assertions correspond with established procedures or regulations, and ultimately communicating the findings to interested parties. In its broadest perspective, auditing is the method of demonstrating to the auditees economic actions and proceedings of an entity.

The core of the definitions above is that the purpose of an audit is to allow an external auditor to articulate an opinion as to whether or not the financial statements reasonably present a true and reasonable analysis, in all material respects, of the financial situation of the organisation at a stipulated time, and the results of its procedure and cash flow information for the period ended on that date, in agreement with a relevant financial reporting framework and statutory obligations.

Besides being regarded as sufficient for the context of this study, the foregoing definitions are comprehensive and show values of general application. Most importantly, they reflect the following qualities of auditing which merit special attention:

- “ A systematic process implies that auditing proceeds in a logical and structured series of steps.
- “ Objective investigation and assessment of the financial statements suggest that the auditor examines the sources of the statements and evaluates the outcomes without preference either for or against the organisation making the assertions.
- “ Extent of communication denotes the closeness with which assertions can be linked with recognised criteria. The auditor ascertains the degree to which assertions conform to the auditees procedures or regulations.
- “ Assertions about economic decisions are the demonstrations made by the organisation under audit. This consists of the business matter of auditing: financial statements and internal operating reports.
- “ Auditees receive their results achieved through a written report. The report is available to all users of the documents in which the assertions are made (Porter, *et al.* 2003). According to Boynton and Johnson (2006), the report either enhances or weakens the credibility of the representations made by the auditees.

Although brief, these features illustrate the fundamental elements of the auditor's work. For any auditing exercise to be a success, it is critical that both the management and employees of the public entity should know and appreciate its importance. The next section delineates and discusses the need for auditing of public sector entities.

2.2.2 The need for auditing of public sector entities

Boynton and Johnson, (2006) indicate that the demand for auditing has been influenced by professional managers that misled stakeholders by materially misstating the financial performance of their organisationsq financial statements. Consequently, the users of financial statements started looking for independent auditors to provide reports for reassurance concerning the consistency of financial reports and their conformance to Generally Accepted Accounting Principles (GAAP), Marx *et al.*, (2009). Although not exhaustive, the logical necessity of independent audits of public sector entities can further be attributed to the following conditions: demonstration of accountability, reduction or elimination of conflict of interest and complexity of the public sector entities.

2.2.2.1 Demonstration of accountability

Auditing, in some form, has existed, and it still relevant, for as long as people have been required to account for their transactions (Woolf, 1997). Van Gansberghe (2005) and Jackson and Stent (2014) assert that democratic governments are commonly expected to demonstrate accountability for the way they spend public money and efficiency in the delivery of services. This suggests that accountability, and therefore auditing, is an indispensable part of a democracy.

Marx, *et al* (2011) point out that stakeholders of entities need assurances that the financial statements prepared by managers of such entities contain reliable information. By providing purposeful opinion of whether or not public possessions are responsibly and meritoriously managed in order to accomplish anticipated results, auditors enable public entity organisations to accomplish responsibility and reliability, make improvement on operations and inspire self-assurance among the public (Goodson, Mory and Lapointe, 2012). The International Standards of Supreme Audit Institutions (INTOSAI) attests to this view when it avows that public sector auditing provides legislative and oversight bodies, those charged with governance and the general public with information and independent and objective assessments regarding the stewardship and performance of government policies, programmes or operations. Diamond (2002) avers that auditing has always been perceived as a critical component of government financial management, and increasingly as a tool for the performance of the public entity. This view puts auditing as a foundation of

good public sector governance. Jennings (2002) and Stent (2014) contend that auditing has been a traditional means for assuring the governments and its stakeholders that the taxpayers' money is spent in compliance with relevant laws. Marx, *et al.*, (2009) assert that in addition to ensuring fair presentation of the financial information audited, auditing also plays a key role in protecting the interests of the stakeholders.

2.2.2.2 Conflict of interest

According to Boynton and Johnson, (2006), users of financial statements have a growing concern on actual or possible conflict of interest between them and the management of the reporting entity. The main risk, as noted in Goodson, *et al.* (2012), is that the latter may use their resources and authority to benefit their own interests rather than the users' interests. The potential of auditing to avert this anomaly is recognised in the literature (Porter *et al.*, 2003; Boynton and Johnson, 2006). Financial statements of organisations are prepared by its managers. Essentially, these managers report on their own performance. Goodson, *et al.* (2012) concede that in the public sector, the employees acting as the public's agent, must occasionally account to the public for their use and stewardship of resources and the extent to which the public's objectives have been accomplished. By implication, the public, as the users of the financial statements, expect the statements to reflect the organisation's financial performance, position and cash flow as accurately as possible (Porter, *et al.*, 2003).

When senior managers assume the role of player and referee at the same time, they are most likely to be biased in their report and to reflect favourably their management of the organisation's affairs. Therefore, external audit plays a vital role in ensuring that the users are confident in receiving a report which is a fair reflection of the organisation's financial affairs. In short, an effective audit activity minimises the inherent risks in a preparer-user (an officials-public) connection. The user depends on the auditor to provide a self-sufficient, objective evaluation of the correctness of the agent's accounting and to report on whether the agent uses the resources in accordance with the public's interest.

2.2.2.3 Complexity of accounting processes

The global economy of the 21st Century has become the defining milestone which engendered a new direction for sound financial governance in both the private and public sectors (Passaris, 2011). Boynton and Johnson, (2006) and Porter *et al* (2003) contend that in recent years, economic transactions and the accounting systems which capture and process them have become increasingly complex. Boynton and Johnson, (2006) further point out that the increasing levels of complexity carry with them the threat of misconceptions and of deliberate or unintended misstatement. In the case of these changes and complexities, the financial statement users are less likely to possess the technical expertise needed to oversee the activity (Goodson *et al.*, 2012).

It is, therefore, appropriate for the financial statements of the public sector to be evaluated by an independent qualified auditor, with all the necessary attributes to understand the organisation's transactions, business and its accounting system (Marx *et al.*, 2009; Porter *et al.*, 2003).

Briefly stated, auditing enhances the credibility of financial statement by reducing information risk. Boynton and Johnson (2006) define information risk as the risk of financial statement being biased, incorrect, or incomplete.

2.2.3 Scope of auditing in the public entity

Auditor-General of Southern Africa (AGSA) is a public sector external auditor. For that reason, the scope of public sector auditing is derived from the role of the above institution (IRBA, 2012). In that regard, IRBA (2012) and Stratton (2014) concur that the AGSA is responsible primarily for the audits of (1) financial, (2) performance against pre-determined objectives as well as, (3) compliance with laws and regulations. A brief description of the nature of each of the above audit are as follows:

2.2.3.1 Financial audit

Audit of financial statements forms the main focus of external auditors. The AGSA is required to audit the AFS and express an opinion thereon (Ngoepe, 2012). A financial statement audit encompasses the collection and evaluation of proof on an

entity's results of its operations, cash flow, presentation of its financial position and with the intention of stating an opinion on whether or not they are fairly presented in conformity with criteria that is established (Jackson and Stent, 2014; Boynton and Johnson, 2006). It is generally expected that financial statements submitted for auditing must be free from material misstatements (AGSA, 2015). Misstatements could take the form of incorrect or omitted information in the financial statements. Examples include the incorrect or incomplete classification of transactions, or incorrect values placed on assets, liabilities or financial obligations and commitments. AGSA (2014) adds that the objective of an audit of financial statements is to indicate whether the financial statements fairly represent the financial position of auditees at financial year-end and the results of their operations for that financial year. However, financial audit is not limited to an audit of financial statements (Marx *et al.*, 2009). According to IRBA (2012), it also covers some of the following elements:

- “ Financial accountability audit involving the examination and evaluation of financial records and expression of opinions on financial statements.
- “ The whole government administration's financial accountability audit.
- “ Financial and transactions audit, as well as an evaluation of compliance with applicable statutes and regulations.
- “ Internal control auditing and internal auditing functions.
- “ Auditing of the probity and propriety of administrative resolution taken within the audited entity
- “ Audit of performance against predetermined objectives.
- “ A valid report of any other issues raised from or relating to the audit that the supreme audit Institution (SAI) or Auditor-General of South Africa (AGSA) considers should be disclosed.

Evidently, the various elements of a financial audit may enable the auditor to form an opinion on whether or not the financial statements are prepared in all material aspects in accordance with the applicable financial reporting framework (Marx *et al.*, 2009). Moreover, the above elements collectively suggest that an audit does not only ensure the fair presentation of the financial information being audited, but also fulfils a vital role in protecting the interests of stakeholders (Marx *et al.*, 2011).

2.2.3.2 Audit of predetermined objectives

The audit of predetermined objectives forms an integral part of the financial audit process. Goodson *et al* (2012) suggest that the audit of predetermined objectives involves a systematic collection of evidence during the financial audit process to assess aspects of programme performance beyond financial reporting. The ultimate goal is to gain reassurance on the usefulness and reliability of the stated presentation against predetermined objectives (IRBA, 2012).

Audit of predetermined objectives is mandatory in terms Sections 20(2)(c) and 28(1)(c) of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA). Ngoepe (2012) explains that compulsory audits deliberate on uniformity auditing, which must be done on a yearly basis. In fact, the PFMA, MFMA, MSA and related regulations require accounting officers to report annually on the performance of the entity against predetermined objectives. In this regard, governmental bodies should prepare financial statements to report on their financial position and financial performance. The performance reports are used to assess the success of service delivery and the use of funds appropriated by the legislatures (IRBA, 2012; Marx *et al.*, 2009).

IRBA (2012) highlights the following as AGSAs basis to evaluate the performance management system and annual performance report when drawing an audit conclusion:

- “ All relevant laws and regulations
- “ The National Treasury framework for the managing of programme performance information

IRBA, (2012) further indicates that the audit of predetermined objectives involves the following:

- “ Understanding the internal policies, procedures and controls related to the management of, and reporting on, performance information.
- “ Evaluating and testing systems and controls relevant to recording, monitoring and reporting of performance information.

- “ Verifying the existence, measurability and relevance of planned and reported performance information.
- “ Verifying the consistency of performance information between the strategic or annual performance or corporate or integrated development plan, the quarterly or mid-year reports and the annual performance report.
- “ Verifying the presentation of performance against predetermined objectives in the annual performance report against the format and content requirements determined by the National Treasury.
- “ Comparing reported performance information to relevant source documentation and verifying the validity, accuracy and completeness thereof.

For audits in the public sector to improve the efficiency and effectiveness, the financial audits performed by the AGSA must include special focus on service delivery matters in certain specific sectors as well as human resource management, procurement and contract management.

2.2.3.3 Compliance audit

Public funds are entrusted to public sector entities for their proper management. IRBA (2012) states that it is the responsibility of management structures in these entities to be transparent about their actions, accountable to the citizens for the funds with which they are entrusted, and exercise good stewardship over such funds (Goodson *et al.*, 2012; Diamond, 2002).

IRBA (2012) maintains that compliance audits in South Africa are performed as part of the financial audit, and include determination on whether or not information in relation to a particular subject matter complies with all material respects under relevant conditions. Boynton and Johnson (2006) aver that through compliance auditing, public sector auditors test and report on the organisation's conformity with objective requirements, standards, or criteria. These audits typically assess compliance with laws and regulations, contract requirements, grant requirements, and organisational policies and procedures. In endorsing the above views, IRBA (2012) stresses that the PAA makes provision for the auditor's report to reflect an opinion or conclusion on the entity's compliance with applicable legislation relating to financial matters, financial management and other related matters.

There are several factors to take into account when applying professional judgment to determine whether or not the non-compliance is material. Such factors, according to IRBA (2012) include the following:

- “ Importance of the amounts involved (monetary amounts or other quantitative measures such as the number of citizens or entities involved and time delays in relation to deadlines).
- “ Circumstances of the non-compliance.
- “ Nature of the non-compliance.
- “ Cause of the non-compliance.
- “ Possible effects and consequences of the non-compliance.
- “ Visibility and sensitivity of the programme in question (for example, is it the subject of significant public interest or does it impact vulnerable citizens).
- “ Needs and expectations of the legislature, the public or other users of the auditor’s report
- “ Nature of the relevant authorities.
- “ Extent or monetary value of the non-compliance.

2.2.3.4 Performance audit

In the literature, performance audit is used interchangeably with operational audit or management audit (Boynton and Johnson, 2006). IRBA (2012) describes a performance audit as an independent auditing process to evaluate the measures instituted by management to ensure that resources have been procured economically and are used efficiently and effectively. It involves attaining and assessing evidence about the productivity and usefulness of the operations of an entity in relation to its objectives (Marx *et al.*, (2009), Boynton and Johnson, (2006).

According to Goodson *et al.* (2012), performance audit is broadly concerned with the auditing of:

- “ **Effectiveness** . evaluates programme accomplishments. Has the programme achieved its objectives? What are the programme’s outcomes or results, both intended and unintended? In short, it assesses effectiveness of performance in relation to the achievement of policy objectives, operational goals and other intended effects of the audited entity (IRBA, 2012).

- “ **Efficiency** . examines productivity, unit cost, or indicators such as utilisation rates, backlogs, or service wait times. IRBA, (2012) succinctly stresses that it assesses efficiency of the utilisation of human, financial and other resources and the optimal relationship between the output of goods, services or other results and the resources used to produce them.
- “ **Economy** . examines the extent to which the public sector has acquired resources in the right quantity, of the right quality, at the right time and place at the lowest possible cost. For example, an economy audit may evaluate the validity of a competitive procurement process to ensure that costs were controlled. IRBA (2012) points out that it provides factual reports on whether goods and services have been obtained cost-effectively, efficiently applied and effectively managed towards attaining the desired goals.

According to Section 20(3) of the PAA, performance audits are discretionary. Ngoepe (2012) explains that discretionary audits would normally be passed out where there are complaints, and where there is particular public interest. Hence, their reporting is not limited to annual information and could cover more than one financial year (IRBA, 2012).

In the light of the foregoing exposition of the scope of auditing in the public sector, the next section focuses the different types of audit outcomes.

2.2.4 Different types of audit outcomes

An audit opinion is based on audited statements. The auditor's opinion does not pass judgment on reported financial position or financial performance, or otherwise interpret the financial data. Pursuant to this understanding, Schmidt (2004) argues that the opinion simply states the auditor's conclusion that the financial statements do or do not fairly represent the financial position and performance of the company or organization, and that they do or do not conform to Generally Accepted Accounting Principles (GAAP). As a result, AGSA could express audit opinions in five different categories. AGSA (2014b) mentions and briefly describes these categories as follows:

2.2.4.1 Unqualified opinion with no findings (clean audit)

An unqualified opinion with no findings is received by auditees because of the following:

- “ The financial statements that they produce are free from material misstatements (material misstatements are mistakes or omissions that are significant in such a way that they affect the credibility and reliability of the financial statements);
- “ measured and reported on their performance in line with the predetermined objectives in their annual performance plan, and in a manner that is useful and reliable; and
- “ key legislations are complied with.

An unqualified opinion is also known as a clean audit.

2.2.4.2 Unqualified opinion with findings

A financially unqualified opinion with findings is received by auditees who produced financial statements without material misstatements, but struggled to:

- “ support their performance reports against the set objectives they committed to in their annual performance plans;
- “ put in place clear performance indicators and targets to measure their performance against their set objectives;
- “ report unfailingly the achieved performance targets and;
- “ establish which legislation should be complied with, and put into action the required policies, procedures and controls to make sure that they comply.

2.2.4.3 Qualified opinion

Auditees that received a financially qualified opinion with findings face the same challenges as those that received a financially unqualified opinion with findings in the areas of reporting on performance and compliance with key legislation. In addition, they were unable to produce credible and reliable financial statements. There are material misstatements in their financial statements, which they could not correct before the financial statements were published.

2.2.4.4 Adverse opinion

Auditees that receive an adverse opinion with findings have many material misstatements that are disagreed with virtually all the amounts and disclosures in their financial statements.

2.2.4.5 Disclaimer opinion

Auditees with adverse and disclaimer opinions are on average:

- “ not capable to offer required documents for the accomplishments reported in their annual performance reviews; and,
- “ not able to comply with key legislation.

It may be asked how the different audit outcomes impact South African citizens. Lenz and Sarens (2012) assumes that an entity that has a clean audit opinion has strong financial management, sound internal controls and a robust budgeting process. All of these elements, in Lorgatš (2012) opinion, bear testimony to the fact that the entity spends the funds at their disposal efficiently and effectively towards meeting the targets set out in their strategic plans which ultimately result in improved service delivery for the citizens. Table 2.1 below further explains the different types of audit opinions and their individual implications, as captured in Ngoepe (2012).

Severity	Audit opinion	Explanation
None	Unqualified audit opinion	Audit findings do not justify any further audit disclosure.
Least severe opinion	Unqualified audit opinion with emphasis of matter	To bring matters to the attention of the users of the financial statements which are not significant enough for the audit opinion to be qualified, or with regard to statutory reporting requirements.
Severe opinion	Qualified opinion	Except for matters highlighted under the qualification, the financial statements present a fair view.

Severity	Audit opinion	Explanation
More severe opinion	Adverse	An adverse opinion is expressed when the effect of a disagreement between the auditors and the audited is so material, pervasive and/or fundamental to the financial statements that the auditor is not in agreement that the financial statements result in a fair presentation.
Most severe opinion	Disclaimer	An audit opinion is disclaimed when the possible effect of a limitation of scope of the audit work is so material, pervasive and fundamental that the auditor has not been able to obtain sufficiently appropriate audit evidence, and accordingly is unable to express an opinion on the financial statements.

Different audit opinions outlined in the table above affect the organisation in a positive or negative way.

2.3 The roles and responsibilities of senior managers during public sector audit exercises

The outcome of an audit exercise, to a large extent, depends on the role played by senior managers for instance, the entity of an external auditing team to an organisation or department rests on the Chief Financial Officer. This implies that the Chief Financial Officer serves as the main link with the leader of the auditing team. This is one of the reasons why Robert (1994) argues that the success of audits relies on management's guidance.

In the light of the above, literature survey spelt out the role of managers during the auditing exercise as follows:

- “ Development and compilation of the financial statements;
- “ Beyond the sample determined by the external auditors, managers have to respond to the auditor's Request for Information (RFI) within specific time frames (normally within three days)

- “ Provision of additional information to the auditors as per the request of the auditors;
- “ Senior Managers of the Internal Audit in particular serve as point of entry because the external auditing team to a lesser extent depends on the report from the internal audit section;
- “ What is also central to the role of managers during the auditing exercise is the submission of evidence to the auditing team.

In grappling with the roles and responsibilities of managers during the auditing exercise, one has to appreciate the scope they are covering. The scope of auditing may range from performance information, ensuring the smooth running of the internal administration, managing the finance section and managing the provisioning section to asset management.

2.4 Theory of auditing in the public sector

Auditing has been existing for years in different stage of development following the evolution of accounting. Starting since the era when the records were approved after a public reading, to the era when government's officials were measured by their honesty. Followed by the times of the industrial revolution were the ownership of companies started separating from management; when owners required more protection of their investments increasing the use of auditors, consequently; to the times were an auditor was always searching for frauds or errors (Whittington and Pany, 2004).

Flint (1988) stated that there is a matter of public accountability demanding an independent audit for its demonstration with clear definition and intention, based on evidence that only skilled auditors gather, measure it, and compare it against the standards, which generates economic or social benefit (as cited in Moizer, 1989). Following are the seven postulates or assumptions stated by Flint (1988):

- There is a relationship of accountability or a situation of public accountability.
- Accountability cannot be demonstrated without an audit.
- An audit requires independence and freedom.
- The subject matter of audit is susceptible to verification by evidence.

- Auditors are skilled judges who are able to measure and compare actual performance against standards of accountability.
- The meaning, significance, and intention of statements to be audited must be clear.
- An audit produces an economic or social benefit.

As far back as 1970, Arens, May and Dominiak argued that it is difficult to relate the important ideas (of auditing) to officials because they have not clearly established in their own minds an adequate frame of reference to analyse and understand auditing concepts. They attributed this to the officials' lack of exposure to accounting systems, source documents and evidence accumulation.

Rudman and Terblanche (2011) report similarly that officials find it difficult to see the big picture of how the entire audit process works. The following statements all support the opinion of Arens *et al.* (1970) that practical experience is needed in order to adequately perform what is required by external auditors:

- Officials usually have negative stereotypical perceptions of auditing in the public sector
- They usually regard auditing as a difficult task to perform as they think that external auditors are the infiltrators and they end up panicking when they are around.

2.5 Summary

Accountability, oversight and transparency need to be maintained in both public and private sector entities. In the absence of these tenets of governance, fruitless and unauthorized expenditures become the order of the day. Chapter two reviewed auditing in public sector entities, its scope, and types of audit outcomes, theory of auditing and the role and responsibility of senior management in public sector entity audit exercises. The chapter laid the foundation for the ensuing Chapter three on research design and methodology.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter offers a synopsis of the method used in the research. We have looked at the review of the literature related to the issues and challenges which senior managers in the public sector experience when performing their auditing-related roles. In research methodology, the researcher searches the given question systematically to establish answers that ultimately lead to logical conclusions. Exploring the research questions implies a lot of methodological and interpretation problems that are effectively resolved by using the correct research methodology (Industrial Research Institute, 2010).

The discussion in this chapter is structured around the research design, population sampling, data collection and data analysis (Mamabolo, 2013). Burns and Grove (2003:488) strengthen this assertion by suggesting that methodology includes the designing, setting, sampling, collecting data and the data analysis.

3.2 Research methodology

Research methodology is a valid way to solve a problem. It is a science of studying how research is to be carried out. Primarily, the processes by which researchers go about their work of clarifying problematic occurrences are called research methodology (Rajasekar, A. Moore, R. Vernon, F. 2013).

For Polit and Hungler (2006:233), methodology refers to ways of obtaining, organising and analysing data. Methodological decisions depend on the nature of the research question. Methodology in research can be considered to be driven by the theory of correct scientific decisions (Karfman as cited in Mouton and Marais 1996:16). Mouton (1996:35), in a rather plain fashion, describes methodology as the means of doing something.

Henning (2004:36) describes methodology as a coherent group of methods that complement one another and that have the ability to fit data and findings that reflect the research question and suit the researcher purpose. According to Holloway (1999), methodology means a framework of theories and principles on which

methods and procedures are based. This range of definitions is incorporated into this study as it seeks to explore perceptions of auditing of public of sector organisations.

3.3 Research design

The research design provided the blueprint for reaching the objectives of the study. It answered questions originating from the research problem, hence satisfying the cause-and-effect relationship between variables. The research design was both exploratory and descriptive. To achieve the objectives of this study, a qualitative study was employed, Makgatho (2013).

3.3.1 Quantitative Research

In natural sciences and social sciences, quantitative research is the systematic empirical investigation of observable phenomena via statistical, mathematical or computational techniques (Given, 2008). The objective of quantitative research is to develop and employ mathematical models, theories and or hypotheses pertaining to phenomena. The process of measurement is central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships. Quantitative data is any data that is in numerical form such as statistics, percentages, and so forth (Hunter and Erin, 2011). The researcher analyses the data statistically. The researcher anticipates that numbers yield unbiased results that can be generalized to some larger population. Qualitative research, on the other hand, asks broad questions and collects verbal and textual data from phenomena or participants. The researcher looks for themes and describes the information in themes and patterns exclusive to that set of participants.

In social sciences, quantitative research is widely used in psychology, economics, demography, sociology, marketing, community health, health and human development, gender and political science, and less frequently in anthropology and history (Kuhn, 2012). Research in mathematical sciences such as physics is also 'quantitative' by definition, though this use of the term differs in context. In the social sciences, the term relates to empirical methods, originating in both philosophical positivism and the history of statistics, which contrast with qualitative research methods.

Quantitative research is generally conducted by using scientific methods, which can include:

- “ The generation of models, theories and hypotheses.
- “ The development of instruments and methods for measurement.
- “ Experimental control and manipulation of variables.
- “ Collection of empirical data and
- “ Modelling and analysis of data

This study focused on the quantitative method whereby research questionnaires consisting of questions, accompanied by a set of answer choices which were assigned in numeric value, making analysis of the questionnaire results easier and faster. Quantitative research is often contrasted with qualitative research, which is the examination, analysis and interpretation of observations for the purpose of discovering underlying meanings and patterns of relationships, including classifications of types of phenomena and entities, in a manner that does not involve mathematical models (Kazmi, Alexander and Hudson, 2010). Approaches to quantitative psychology were first modelled on quantitative approaches in the physical sciences by Gustav Fechner in his work on psychophysics, which built on the work of Ernst Heinrich Weber. Although a distinction is commonly drawn between qualitative and quantitative aspects of scientific investigation, it has been argued that the two go hand in hand. For example, based on analysis of the history of science, Kuhn (2012:142) concludes that large amounts of qualitative work have usually been prerequisite to fruitful quantification in the physical sciences.

Although quantitative investigation of the world has existed since people first began to record events or objects that had been encountered, the modern idea of quantitative processes has their roots in Auguste Comte's positivist framework (Briffin, Keith and Osborn, 2011). A response scale for the questions was developed whereby a Likert scale, which uses a fixed set of responses to which the researcher conducting the survey assigned a numerical value. In this sample scale, strongly agree, agree, not sure, disagree and strongly disagree was developed to assist the researcher. Only thirty four questions were tabled for quantitative method and six

(6) for qualitative. The reason for this is because respondents in most cases are busy and do not want to spend excessive amount of time responding to the survey.

3.3.2 Statistics in Quantitative Research

Statistics is the most widely used branch of mathematics in quantitative research outside of the physical sciences, and also finds applications within the physical sciences, such as in statistical mechanics. Statistical methods are used extensively within fields such as economics, social sciences and biology. Quantitative research using statistical methods starts with the collection of data, based on the hypothesis that anchors the research. Usually a big sample of data is collected and this would require verification, validation and recording before the analysis. Software packages such as SPSS and Rasch are typically used for this purpose. Causal relationships are studied by manipulating factors thought to influence the phenomena of interest while controlling other variables relevant to the experimental outcomes. Empirical relationships and associations are also frequently studied by using some form of general linear model, non-linear model, or by using factor analysis. A fundamental principle in quantitative research is that correlation does not imply causation, although some researchers such as Granger (2012) suggest that a series of correlations can imply a degree of causality. This principle follows from the fact that it is always possible a spurious relationship exists for variables between which covariance is found in some degree. Associations may be examined between any combination of continuous and categorical variables using methods of statistics.

3.3.3 Measurement in Quantitative Research

Views regarding the role of measurement in quantitative research are divergent. Measurement is often regarded as only a means by which observations are expressed numerically in order to investigate causal associations. However, it has been argued that measurement often plays a more important role in quantitative research (Kuhn, 2012). For example, Kuhn argued that within quantitative research, the results that are shown could prove to be strange. This is because accepting a theory based on results of quantitative data could prove to be a natural phenomenon. He argued that such abnormalities are interesting when done during the process of obtaining data, as seen below:

When measurement departs from theory, it is likely to yield mere numbers, and their very neutrality makes them particularly sterile as a source of remedial suggestions. But numbers register the departure from theory with an authority and finesse that no qualitative technique can duplicate and that departure is often enough to start a search (Kuhn, 2012).

In classical physics, the theory and definitions which underpin measurement are generally deterministic in nature. In contrast, probabilistic measurement models known as the Rasch model and item response theory models are generally employed in the social sciences. Psychometrics is the field of study concerned with the theory and technique for measuring social and psychological attributes and phenomena. This field is central to much quantitative research that is undertaken within the social sciences. Quantitative research may involve the use of proxies as stand-ins for other quantities that cannot be directly measured. Reliability can be measured in multiple ways depending on the type of instrument, Polit D.F and Beck, C.T. (2012). The most common forms that were used include inter alia the following: (a) test-retest (comparing item responses from same participants at different time points), (b) internal consistency (comparing item responses against other item responses), and the last form was (c) scorer reliability whereby the researcher was comparing one reviewer with the other.

3.3.4 Advantages of quantitative research

Quantitative research uses traditional statistical and mathematical methods for measuring results conclusively. All quantitative experiments use a single standard format. The research is constructed in such a way that it enables other people to repeat a certain experiment and still get similar results. Quantitative research has many benefits as discussed below.

(a) Summary of large information

The use of standard means in quantitative research means that any research may be replicated, analysed and also compared with other similar studies. In fact, this quantitative method enables people easily summarise huge information sources as well as facilitate good comparisons over time and across categories.

(b) Greater accuracy

Quantitative research allows for greater accuracy and objectivity of results obtained. In general, this kind of research is designed specifically to offer summaries of information that support generalizations regarding whatever phenomena are being studied. To successfully accomplish this objective, quantitative research involves fewer variables. Moreover, it also employs prescribed methods to ensure both reliability and validity.

(c) Elimination of bias

An important reason why most researchers opt for quantitative research is that it eliminates bias. It encourages researchers to keep a short distance from the participating subjects. It is recommended that researchers employ subjects unfamiliar to them for further eliminating bias. Quantitative research usually filters out all external factors and if well designed, it provides unbiased and real results.

(d) Final results

Quantitative research is a great method to finalize results and disprove or prove a hypothesis. It is useful for testing results gotten from doing various qualitative experiments, thereby leading to the final answer. It provides the benefit of narrowing down possible directions incase further research is needed.

3.3.5 Disadvantages of quantitative research

~ Needs a huge sample: In using this type of research, the researcher needs to find great numbers of correspondents. The larger the sample of people, the more statistically accurate the outputs. Therefore, one needs to spend more time in finding these multiple correspondents.

~ Requires great amount of cash: When using this type of research, one has to ensure that they are financially prepared. Since one needs a huge number of correspondents, one has to spend more cash for printing the questionnaire, transportation costs and a lot more. This is more costly compared to qualitative research.

3.4. Sources of data

There are basically two sources of data namely primary and secondary. The researcher considered both categories of data as the situation demanded.

3.4.1. Primary data

Primary data is specifically gathered to solve the problem at hand. This data was developed from respondents through verbal, written communication and observation. In gathering primary data, the researcher was in total control but guided by volume, variety, objectivity and reliability of data required. Radel, Brand and Schmock, (2008:63) define primary data as original information composed specifically for resolving the problem at hand. It is that information collected when the researcher has exhausted all possible sources of available secondary data. Such data answers specific questions where secondary data would have failed to offer comprehensive coverage issues. Appropriate tools such as questionnaires and interviews were used often to gather this data.

3.4.2 Justification for use of primary data.

Ranjit (2005:34) views primary sources of data as first-hand information. There are various methods through which primary data can be collected. But, for this study, the researcher used a questionnaire, in-depth interview and inspection for a variety of reasons but more specifically due to their suitability in descriptive research. This means that mixed methods were used in this instance. Data was collected through the use of self-administered questionnaires, observations and document analysis.

3.4.3 Secondary data

Bush, Luu and Roner (2012:89) define secondary data as that which is collected and interpreted at least once for some specific situation other than the one under consideration. It is that data not gathered for the immediate study at hand but for some other purpose, Hair, J.F., Hult, G.T.M., Ringle, C.M. and Sarstedt, (2000:45). It exists in three forms. There is external secondary data which is data collected by an individual organisation for accounting purposes or activity reports. External secondary data may exist in computerised data sources. These are usually designed by specific organisations and include both internal and external data combined with on-line information sources. Secondary data is viewed as the filler attachment, or appendix to the formal research report.

The main sources of secondary data accessed by the researcher were internal reports which took the form of journals, articles, magazines, the department of

education reports, books and other publications. The internet was also consulted broadly.

3.4.4 Justification for use of secondary data

This data is already existent. The data is relatively cheap to gather as it involves less time and resource consideration (Kinner and Taylor, 2000:67). Familiarity with secondary data also helped the researcher to unfold gaps that required to be filled by an in-depth search of primary data for comparative analysis.

3.5 Research instruments validation

To improve on data validity, the researcher made use of the triangulation. Through this approach, multiple sources of data, different investigators and research methodologies were combined in an attempt to check the problem study from dissimilar perspectives. The explanations that follow suffice:

- “ Data triangulation - the use of different sources of data, for example data from informants, observation and so on.
- “ Investigator triangulation - the use of several investigators to look at the same problem.
- “ Methodology triangulation - the use of different methods for instance questionnaire, in-depth interview, documents and observation.

Observation guides and appropriate questions were prepared in advance and due care taken in including all pertinent details so as to enable the instruments to assist the researcher to gather all necessary data and capture essential details pertaining to the research problem.

3.5.1 Observation

Observation is an orderly data collection method. In the observation method, researchers observe people in naturally occurring situations.

3.5.2 Advantages of using observation

Ranjit (2005:121) also contends that when people are aware that they are being observed, they tend to change their behaviour. Depending on the situation, this change may be positive or negative. Once a change in behaviour is attributable to

their being observed, it is termed **Hawthorne Effect.** They also helped generate primary data structures as events occurred and compiled evidence of behaviour as it unfolded. There was a marked reduction of confounding factors, and the amount of detailed behavioural data that could be recorded.

3.5.3 Disadvantages of using observation

There is lack of generalisability of the data, inability to explain current behaviours and complexity of setting and recording the behaviour. The use of observations could introduce distortions and what is observed may not represent normal behaviour (Philander, 2005:23). The researcher found the observation method a bit expensive and time consuming as compared to other data collection methods.

3.5.4 Questionnaire

A questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents (Gault, 2007).

3.5.5 Advantages of using a questionnaire

The benefits of using a questionnaire in research are outlined in Figure 3.1

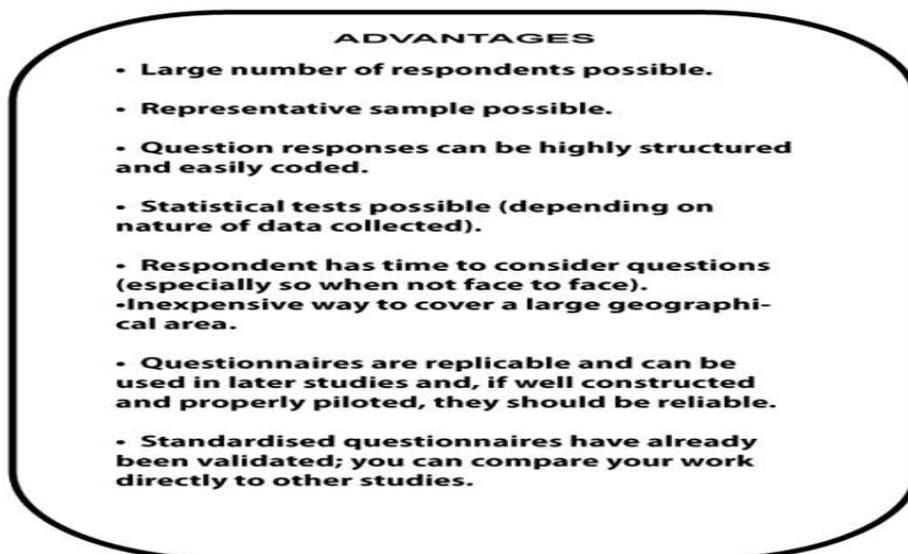


Figure 3.1: Advantages of using questionnaire

Source (Gault, 2007)

3.5.6 Disadvantages of using a Questionnaire

Figure 3.2 outlines the disadvantages of using a questionnaire

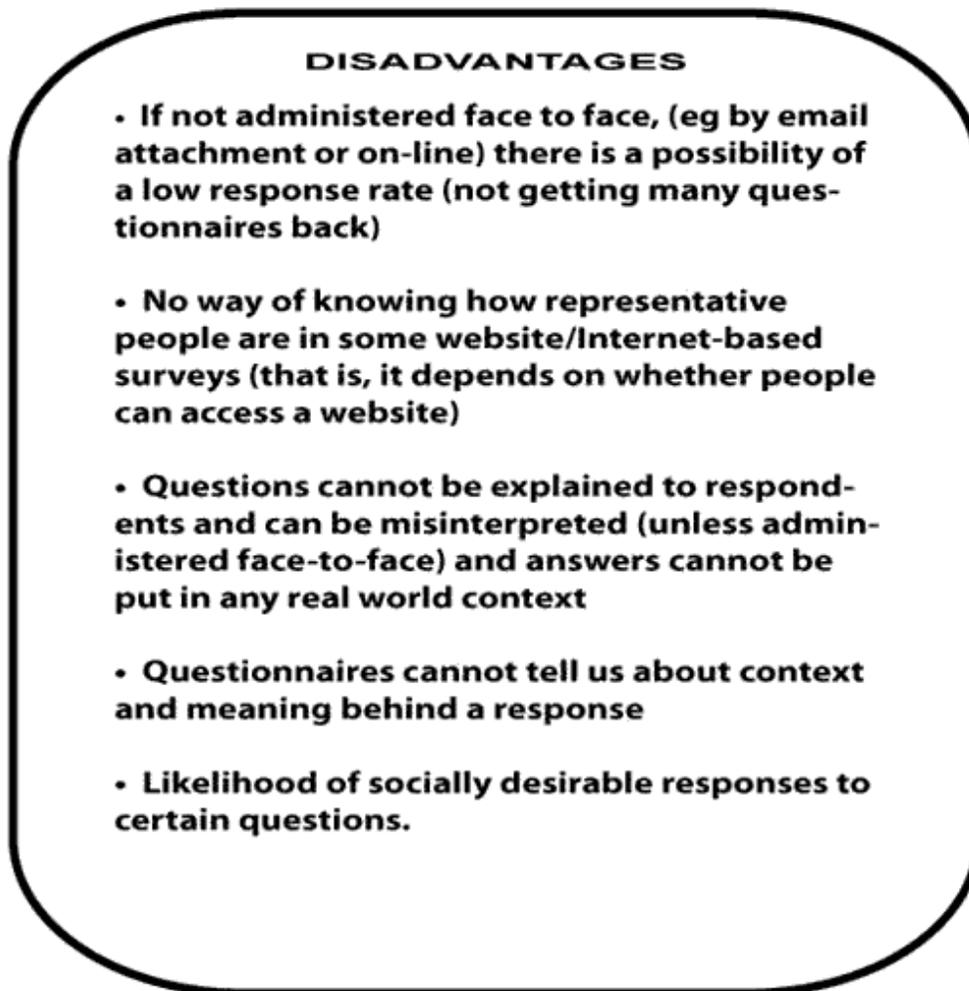


Figure 3.2: Disadvantages of using questionnaire

Source (Gault, 2007).

3.5.7 Instrument Validity and Reliability Test

A pilot survey was first conducted by the researcher. Technical guidance was sought from two practitioners who included a researcher with a Master of Science degree in Operations Research and an acclaimed academic with a Doctoral Degree.

3.5.8 Population

According to Kumar (2005:28), population is the complete listing of elements from which one selects a sample in order to answer research questions. It is a finite set of individual items intended for study. Saunders et al (1997:65) contend that population in research refers to the number of elements that one chooses for investigation. Population is the identifiable total set of elements of interest being investigated by a researcher or an aggregation of elements.

It is not always possible in most research to investigate on each and every member of the given population because of constraints of time, space, resources, urgency and practicability. Due to these limiting factors, researchers resort to sampling. They take a sample from a population and generalize their findings. This is based on the view that the chosen sample is representative of the larger population. For this study, the researcher studied 50 staff members from the department of education's head office in Mafikeng.

3.6 Sampling design

It is not always feasible in research to study all elements to answer a particular set of research questions. For this reason a researcher resort to taking what they consider as representative for the study in order to generalize the major phenomenon emerging (Kumar, 2005:64). The main purpose for sampling is to achieve representativeness (Jennings, 2002:61). It seeks to provide good estimates about the nature of the entire population from a limited number of cases.

Sampling is a selection of a small number of elements from a larger defined target group of elements and expecting that the information gathered from the small group allows judgements to be made about the larger group. The process of sampling plays an important role in the process of identifying, developing and understanding subjects, elements, constructs or objects that need to be investigated by the researcher. Another area in which sampling plays a momentous role is the process of developing the scale of measurements used to actually collect raw primary data respondents or objects. When a researcher creates a scale measurement, they must be able to determine the sample's reliability and viability levels (Mpakanyane, 2012:45).

There are two basic sampling designs namely, probability sampling and non-probability sampling (McGlove and Benson, 2008:51). The two can be distinguished as shown in Table 3.1. In probability sampling at times called random sampling, each element has an equal chance of being chosen in the sample. Gilbert (2008:71) refers to an equal chance as a known, non-zero chance of selection. Thus each element has an equal independent chance of being selected for the sample (De Vos, Meston and Herbert, 2005:196). The selection of elements from the population is based on some form of random procedure. The most commonly used probability sampling techniques are simple random sampling, stratified random sampling and cluster sampling.

A sampling approach where the population may or may not be accurately represented is known as a non-probability sampling. The statement means that the probability of inclusion is not the same for each element, an example is that a person may not be at work on the day of selection. It is therefore impossible to determine the likelihood of including each element of the population in the sample. Some elements may have no chance of being included in the sample. Non-probability sampling is less desirable than probability sampling especially if the objective of the research is to generalize. Non-probability sampling techniques include convenience (accidental), and snowball sampling.

The study used simple random and convenience sampling techniques. Simple random sampling enabled all respondents equal chances of being selected for study. Convenience allowed the researcher to pick up participants based on availability, and who had time at their disposal.

Table 3.1: Differences between Probability and non-Probability sampling.

Table 3.1 summarises the differences between Probability and non-Probability sampling

COMPARISON FACTORS	PROBABILITY SAMPLING	NON-PROBABILITY SAMPLING
List of population elements.	Complete list necessary	None necessary.

COMPARISON FACTORS	PROBABILITY SAMPLING	NON-PROBABILITY SAMPLING
Information about sampling units	Each unit identified.	Need detail on habits, traits and activities.
Sampling skill required	Skill required.	Little skill required
Time required	Time consuming	Low time consuming
Cost/ unit sampled.	Moderate to high	Low
Estimates of population parameters	Unbiased	Biased
Accuracy and Reliability.	Computed with confidence intervals.	Unknown
Measurement of sample error	Statistical measures	No time measure available
Sample representativeness	Good. Assured	Suspect. Undetermined

3.7 Probability sampling

Every element in this sampling type has a non-zero probability of being selected. Each element in the population has an equal and equal independent chance of selection. Equal suggests that the probability of selection of each element in the population is the same, that is, the choice of an element in the sample is not influenced by other concerns such as personal preference. The concept of the independence means that the choice of an element is not dependent upon the choice of another element in the sampling. This means therefore, that the selection of rejection of another element does not affect the inclusion or exclusion of another.

3.8 Simple random sampling

Simple random sampling is a unique sampling approach in that all elements in the population have a known equal chance of being included in the sample. Hence respondents were randomly selected for study.

3.9 Non-probability sampling

There are no statistical formulae for prior calculation of the size of a non-probability sample. The researcher relies on experience to help him determine the size of a sample that will be representative of the universe. Very often the number of respondents interviewed will depend on whether a pattern has emerged. The researcher may also allow himself to be guided by the sample size he would require if he were drawing a probability sample. Further determinants of sample size are often the time and funds available for conducting the research.

3.10 Convenience sampling

Respondents were selected on the basis of availability or convenience. The respondents were self-selected. They had more time at their disposal, their personalities were different from those of the rest of the population and their opinions differed radically from the universe population. Despite its weaknesses, the tool is useful as their ideas and insights are more important than scientific objectivity.

3.11 Sample size

Since the research considered both qualitative and quantitative data, the researcher employed probability and non-probability sampling procedures. Accordingly, random samples were taken where it would be appropriate, especially where senior management input was sought. The choice of respondents to include in the study was invariably influenced by such factors as their current engagements in auditing operations and infrastructural matters in the department of education.

Simple random Hence respondents were randomly selected for study.

3.12 Conclusion

The reasons and justifications of adopting the chosen approaches were discussed in broad detail. The chapter also provided information on the population considered for this research and also how the samples studied were chosen from the population and why particularly those sampling techniques were reckoned appropriate. Data sources and data collection techniques were also alluded to in greater scope with specific emphasis on the merits and demerits of using particular sources of data collection. This therefore laid a solid basis for the findings, analysis and interpretation which was the focus of discussion in the ensuing Chapter four of this study.

CHAPTER FOUR: PRESENTATION, INTERPRETATION AND ANALYSIS OF DATA

4.1 Introduction

The findings from the interviews conducted are presented in this chapter. Questions used focused on accomplishing the research objectives which inter alia were to clarify and contextualise the construct of auditing in a public sector entity, to establish the tasks of senior managers into the auditing exercise, to establish the nature of obstacles that senior officials face in performing their audit-related responsibilities successfully and to develop a set of suggestions that may assist as guiding principles to augment the role of senior officials in the auditing exercise. The chapter presents findings first and discussions on the research findings based on the research instruments, integrating the research objectives, literature review and theoretical framework.

SECTION A: DEMOGRAPHIC DETAILS

Figure 4.1: Gender

Hereunder are the percentages relating to gender of respondents.

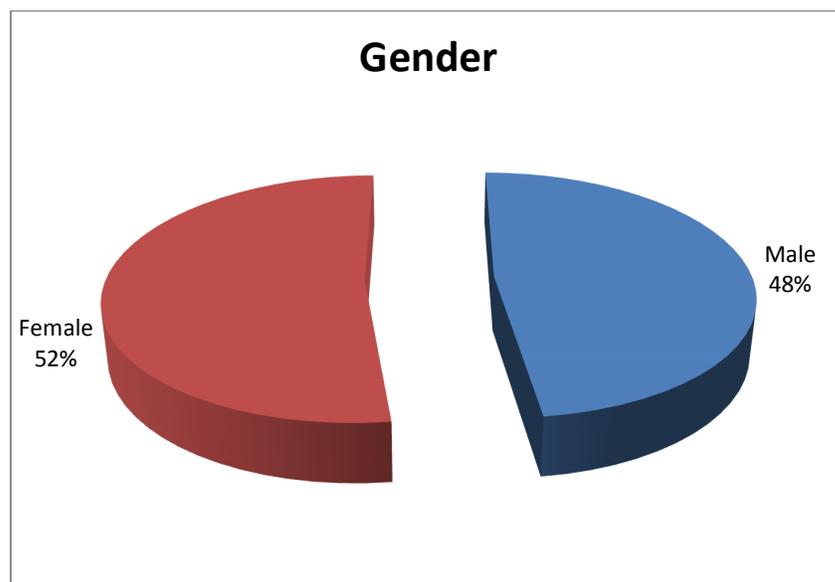


Figure 4.1 shows that the majority of respondents are females (52%) and 48% are males. This pattern reflects the national demographics of more females in the South African society and the traditional adage that women as good care givers by nature are more involved in societal issues than their male counterparts. This observation is also evident from Wade and Demb (2009: 11) who established that %Women do most of the work that helps communities deal with their problems, but have little political power as a senior official.+It could also be due to the fact that men as bread winners are often absent at social gatherings due to job commitments (Maxim Planning Solutions, 2012).

Figure 4.2: Age group

The age group of respondents appear in the following graph:

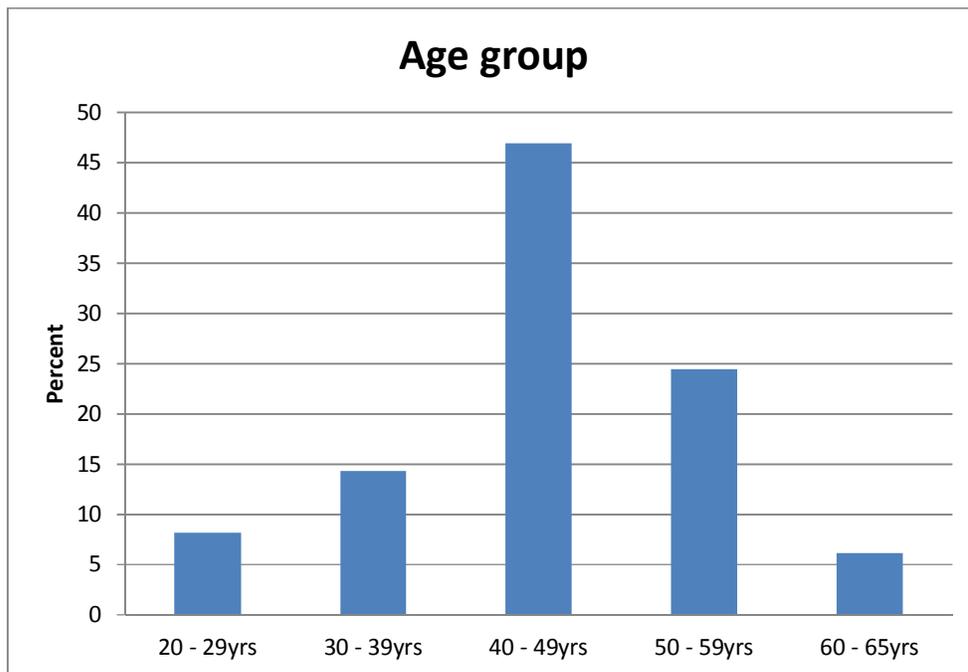


Figure 4.2 shows that the majority of respondents are in the age groups of 40-49 years and 50-59 years each forming about a third of the respondents. This is a reflection of people who are economically active. The researcher also concurs that the 40-49 year age group has higher educational attainment have made inroads on how the public finances and governance are operationalised.

Table 4.1: Level of education

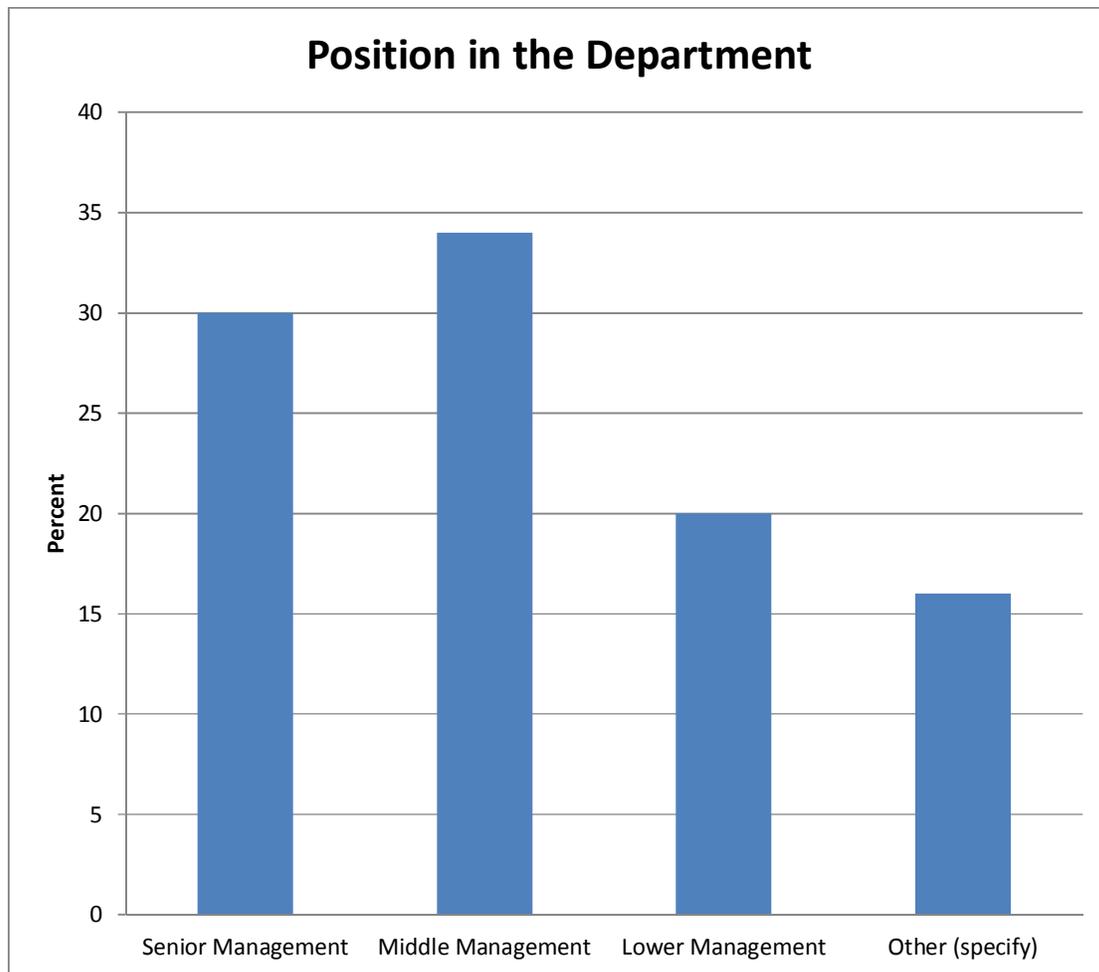
Table 4.1 relates to the level of education of respondents

Level of education	Frequency	%
High school	4	8
College (Diploma)	8	16
Level of education	Frequency	%
University (Junior Degree)	13	26
Post graduate (Honors/Masters/PhD)	25	50
Total	50	100

Table 4.1 shows that half of the respondents (50%) have post graduate qualifications and 8% have matric. Chambers (2008:31) suggests that the higher the level of education corresponds with appreciation of current affairs in community development. He also reiterates that such a bias puts the marginalised at the mercy of the better informed elites. The foregoing scenario could be reflected as a relic of pre-independent South Africa (Dodaro, 2012:45).

Figure 4.3: Position in the Department

Different officials of different positions responded to the questionnaire ranging from senior management to the lowest level



Human capital is assumed to grow through education, experience and impact of human capital on the organisation thus offering success to the organisation (Magrassi, 2002:34). Some studies have concluded that human capital investments are essential for sustaining economic growth. The law of diminishing returns suggests that investments in physical capital and land eventually fail to result in economic growth+ (David, 2012:34). Long strides taken by organisations in human capital training have been credited in per capita incomes and economic productivity. David (2012:57) also noted that skilled people are more likely to have competence, self-discipline and ambition that culminates in higher earnings for an organisation.

The study established that staff in middle management and senior management had the largest percentages (34% and 30% respectively). These people were found to have the most years of experience and offered highly credible and consistent information during the conduct of the study.

Table 4.2: Duration in current position

Duration of employment in the current position of respondents are as follows:

Period	Frequency	%
1-4 yrs.	10	20
5-9 yrs.	18	36
10-14 yrs.	15	30
15-20 yrs.	6	12
Over 20yrs	1	2
Total	50	100

Certain standards are expected from staff that mould expected professional behaviour (Bianca, 2007:23). Such standards help the organisation to develop a workplace environment into one that is respectful to employees and clients (Lewis, 2009:34). For the employees, they should nurture behaviour that is acceptable to the organisation. There are certain forms of behaviour that impact upon an organisation in either a positive or negative manner. Employees should not show preferential treatment of some clients over others when rendering service (Nelson and Quick, 2012:45). Indeed organisational policies are found in the workplace environment and it is incumbent on staff to be custodians of such a regulatory framework (Hackett, 2010:32).

Jaison (2012:11) inferred from the Human Capital Theory that organisations expect staff to behave in some way which supports the organization's culture. Hiring people who fit well into the culture of the organisation should view qualifications, skills and experience as critical. Spencer (2002:34) submits that where staff lack requisite knowledge and skills, management should make an effort to self-develop such workforce. Hence the longer staff stay in an organisation is reflective of organisational culture and it is also a positive return of investment to the organisation.

The duration of 5-9 years and 15-20 years highlighted the highest tenure and retention of staff in the department. Implications are that the environment is employee friendly, hence helps the department in saving costs that would have been lost through replacements of skills flight.

SECTION B

Table 4.3: Perceptions of employees regarding auditing in the public sector

Perceptions of employees regarding auditing in the public sector are outlined with percentages and explained further

		Strongly Agree (%)	Agree (%)	Not sure (%)	Disagree (%)	Strongly Disagree (%)
6	Auditing is a foundation of good public sector governance (N = 49)	57.14	38.78	4.08	0	0
7	Auditors help public sector organizations achieve accountability and honesty, improve operations, and instill confidence among citizens (N = 50)	64	30	6	0	0
8	Public entity auditors function is to give support on the governance tasks of oversight, insight, and foresight (N = 50)	50	30	16	2	2
9	In your best understanding, the real purpose of the external auditing in your department is to check wasteful expenditure (N = 50)	22	46	10	8	14
10	Evaluating value for money of the state financial resources explains what auditing in the public sector (N = 48)	31.25	45.83	20.83	0	2.08
	AVERAGE RESPONSE (%)	44.12	38.12	11.38	2	3.62

Perceptions on how respondents viewed auditing were configured in 5 groups. 57,14% strongly agreed that auditing was the foundation of good public sector governance. This was a reflection that the majority of the research participants perceived auditing as significant as also 38,78% agreed that auditing was critical. 64% of the respondents concurred that %Auditors assist public sector organisations achieve responsibility and trustworthiness, improve operations, and instill self-confidence among citizens.+ This was further supported by 30% who also agreed that auditing achieved accountability and honesty in public spheres.

50% and 30% of the respondents strongly agreed and agreed respectively that public sector auditing enhanced oversight, insight and foresight. Transparency and accountability are borne out of external auditing which checks on wasteful expenditure, and 22% and 46% strongly agreed and agreed on this proposition. No effective enterprise prospers when evaluation of its activities is not conducted. 45,83% and 31,25% of the respondents respectively agreed and strongly agreed that evaluating value for money of the states financial resources enhanced explaining the nature of auditing in public sector entities in the NW province.

Most prospective employees could have many different jobs throughout their working lives, each requiring a different level or set of skills. No matter the industry; from customer service to an office job to construction and the trades, all of these jobs have one thing in common: in order to succeed and move ahead, one needs to demonstrate professionalism. Professionalism does not mean wearing a suit or carrying a briefcase; it rather means conducting oneself with integrity, accountability, responsibility and excellence. This means communicating effectively and appropriately and always finding a way to be productive (Stein, 2014:67). Employers expect new workers to be ethical, team oriented, responsible and to possess strong communication, interpersonal, and problem solving skills. Wrap these skills up all together and there is evidence of professionalism.

Jobseekers need to continually find ways to stand out from the crowd in today's labour market that is becoming more competitive. There are few things an employer values more than employees who carry out their duties in a professional manner. Professionalism is a combination of qualities. A professional employee should arrive on time for work and manage time in an effective manner. Professional workers take

responsibility for their own behaviour and work effectively with others. High quality work standards, integrity and honesty are also part of the package. Professional employees look clean, neat and dress properly for the job. Effective and appropriate communication is also an essential part of professionalism (Stoker, 2012:81).

Irrespective of the occupation or industry, it is easy to spot professionalism. On a construction site or in a trade, a professional worker works hard and manages time effectively, including arriving and returning on time from breaks. A professional worker in a customer service setting speaks clearly and politely to customers and colleagues and has neat and clean appearance. In an office setting, an employee with professionalism works productively with others and strives for a high standard and constant improvement. Various settings in professionalism may look slightly different, but the core features are always the same and give young employees an edge as they begin their careers (Bergman, 2007:12).

On the Likert assessment tool used, it was established that auditing is a foundation of good public entity governance. A public entity auditor's function is to give support on the governance tasks of oversight, insight, and foresight. The real purpose of the external auditing in a public sector department is to check wasteful expenditure and that evaluating value for money of the state financial resources explains what auditing in the public sector entails. The respondents at 44,12% showed a strongly positive disposition towards the auditing procedures.

Proponents of human capital management accede that the synergy between employee capacitation and organisational success cannot be under-estimated (Meyer, 2007:54). Knowledge of what one is mandated to do is considered a currency for success (Wessels, 2014:32). It is further surmised that the quality performance of staff is a determinant of the success, progression and sustainability of any organisation. Qwabe and Pillay (2009:67) further amplify that a culture of skills acquisition in any organisation enhances the level of service delivery.

SECTION C

Table 4.4: The roles and responsibilities of senior managers during public sector entity audit exercises

		Strongly Agree (%)	Agree (%)	Not sure (%)	Disagree (%)	Strongly Disagree (%)
11	I reliably carry out the policies of the government of the day in the performance of official duties as enclosed in constitutional and other prescripts (N = 50)	42	50	8	0	0
12	Senior Managers and other staff members are very helpful during audit exercise (N = 50)	28	60	12	0	0
13	I serve the public in an impartial and patient way in order to build confidence in the public service (N = 50)	34	56	8	2	0
14	I try hard to accomplish the objectives of my organisation efficiently and in the public interest? (N = 48)	35.42	50	10.42	2.08	2.08
15	The main role of the Chief Financial Officer during the auditing exercise is put management under pressure to perform (N = 47)	21.28	29.79	17.02	21.28	10.64

15.1	The other role of the Chief Financial Officer is to act as an interface and point of co-ordination between the Department and the leader of the auditing team as far as management letters and request for information (RFI) is concerned (N = 48)	41.67	41.67	12.5	2.08	2.08
16	Senior Managers understand their roles and are able to discharge their duties relating to auditing exercise (N = 47)	12.77	46.81	23.40	6.38	10.64
	AVERAGE RESPONSE (%)	30.73	47.75	13.05	4.83	3.63

Loyalty to organisational policies is a critical aspect of good governance. 42% and 50% of respondents strongly agreed and agreed that they loyally executed policies of government in line of their duties as contained in statutory prescripts. Senior management and other members were identified as helpful during the conduct of the audit exercise. 60% and 28% of the respondents agreed and strongly agreed with this assertion. Creation of confidence through public service is also perceived as key in public sector entities. 56% of the respondents agreed and 34% strongly agreed that they served their clients in an unbiased and patient manner.

It is incumbent upon every member of staff to strive towards accomplishing organisational goals. 35.42% and 50% of participants respectively strongly agreed and agreed that they strived to achieve their organisations objectives in a cost effective manner. Accountability and oversight are critical components of an audit exercise. However, varied perceptions were established. 21,28%, 29,79% and 21, 28% indicated that they strongly agreed, agreed and strongly disagreed that the

main role of the CFO during the auditing exercise was to put management under pressure to perform.

The CFO is an interface between the Department and the leader of the auditing team. 41,67% strongly concurred with this assertion and a similar percentage agreed as well. Understanding one's professional mandate is key for organisational performance and growth. 46,81% agreed that that senior managers in the Department understood their roles and were able to discharge their duties relating to auditing exercises. 23.40% were not sure, implying that they were uncertain of senior management's official mandate.

The Systems Theory of Governance espouses that organizations are hierarchical and should operate under the guidance of visionary management. In the delivery of public service, such organisations should be staffed by competent people who are ready to offer service to the people (Ostrom, 2003:14). Another aspect of the theory is that services should be provided through multi-organisational imperatives. Such imperatives are "interrelated group of firms, organisations, and associations which come jointly within the structure of these programmes" (Hjern and Porter, 2001: 212-213). The implementation mechanism of these imperatives emanate from a notion of governance which is driven by consensus.

There exists a pervasive, shared, global perception of governance where governance is seen as a topic far broader than government. This governance is seen as a "new procedure of governing, or a reformed situation of ordered rule or the new technique by which society is administered" (Stoker, 2012:17).

Governance theory underscores the multi-faceted nature of policy and focuses on the "multi-layered structural context of rule-governed understandings, along with the role of multiple social actors in arrays of negotiation, implementation, and service delivery. Addressing governance entails attending to social patterns and thoughts about how to concert action among them (Millward and Provan, 2000: 276). It shows that the theory is driven by several implementation themes. Governance broadens itself into a variety of designs whose horizons can be depicted within the context of private and public sector domains.

The roles and responsibilities of senior management were studied under these variables: loyally perform the guidelines of the government of the day in the performance of official duties as contained in constitutional and other policies. Senior Managers and other staff members are very helpful during audit exercises, strive to achieve the objectives of the organisation in an effective manner and in the interest of the public, the main role of the Chief Financial Officer during the auditing exercise is to put management under pressure to perform. The other role of the Chief Financial Officer is to act as an interface or point of co-ordination between the Department and the leader of the auditing team as far as management matters and request for information (RFI) are concerned and Senior Managers understand their roles and are able to discharge their duties relating to auditing exercises.

The study established that 30, 73% and 47, 75% strongly agreed and agreed with the foregoing. This could be clear indication that management is conversant with auditing legal frameworks such as PFMA and AGSA's annual audit opinions. However, there is need to also comply with audit opinions from internal audit committee recommendations in the department.

SECTION D

Section D outlines the responses to challenges that are normally experienced during the auditing process

Table 4.5: Challenges experienced during the auditing process

The following responses in percentages relate to the challenges experienced during the auditing process:

		Strongly Agree (%)	Agree (%)	Not sure (%)	Disagree (%)	Strongly Disagree (%)
17	We are always informed about the actual commencement of the external audit team in our Department (N = 50)	20	44	12	12	12

		Strongly Agree (%)	Agree (%)	Not sure (%)	Disagree (%)	Strongly Disagree (%)
18	Audit findings of 2014/15 were shared with management of the Department (N = 50)	24	52	22	2	0
19	The Audit Committee of the Department monitors the implementation of internal control effectively (N = 48)	12.5	47.92	31.25	4.17	4.17
20	The Chief Financial Officer ensures that regular financial reporting is done (N = 50)	28	52	16	0	4
21	The common non-compliance matter raised by the auditor general at the end of the auditing exercise is lack of cooperation from management (N = 50)	12	46	18	10	14
22	Management sometimes fail to acknowledge correspondence from the auditors (N =50)	16	42	24	8	10
23	Management does not the capacity to handle all the issues relating to the external auditing process (N = 49)	18.37	30.61	18.37	16.33	16.33
24	The qualified audit opinion is mainly caused by issues	40	34	12	10	4

	relating to unauthorised, irregular, fruitless and wasteful expenditure (N =50)					
25	Management fully understands the opinion expressed by the auditor in the audit report (N = 50)	24	56	10	8	2
26	Sometimes the management is unable to respond timeously to the request for information by the external auditors within the required minimum period (N = 49)	32.65	40.82	10.2	6.12	10.2
27	Sometimes management argue with the external auditors with regard to the scope of the audit (N = 49)	22.45	22.45	26.53	20.41	8.16
28	There is poor communication between external auditors and employees (N = 50)	26	36	10	14	14
29	There is a lack of strategic leadership in the Department of Education and Sport Development (N = 50)	14	16	34	18	18
	AVERAGE RESPONSE (%)	22.31	39.98	18.80	9.93	8.99

Every growing organisation has challenges. These challenges can exist at a micro, task or macro-level within the organization. The staff also need to be appraised of all developments in an organisation. 20% and 44% of the respondents strongly agreed and agreed that they were always informed about actual commencement of external audit teams in their department. 52% and 24% agreed and strongly agreed that there was sharing of audit findings of the 2014/15 with management in the department. Monitoring of the implementation of internal control practices should be conducted effectively in any department and in this regard, 47,95% and 12,5% agreed and strongly agreed with this assertion though 31,25% were not sure, possibly reflecting staff with no knowledge on the relevance of auditing in public sector entities.

Teamwork demands that someone should take the reins of leadership. 52% of the respondents agreed that the CFO should ensure that regular financial reporting is done. Compliance with laid down statutory prescripts is fundamental. 46% of the respondents indicated that there was non-compliance with the Auditor General's recommendations due to lack of cooperation from management. The study also established that management at times failed to acknowledge correspondence from auditors. This was reflected by 42% of the respondents.

Skills deployment is an integral part of quality service delivery. 30,61% indicated that management lacked the capacity to handle issues relating to external audit exercises. These could be material or human hence the urgent need to work on this shortcoming. 40% and 34% of the respondents strongly agreed and agreed that the qualified audit opinion was mainly caused by issues relating to unauthorised, irregular, and fruitless expenditure. Also the organisation needs to understand recommendations put forward by the audit teams. 56% of the participants highlighted that management fully understood the opinion expressed by the auditor in audit reports.

Every organisation should ensure that deadlines are adhered to. 40,82% and 32,65% agreed and strongly agreed that sometimes their management failed to respond timeously to the request for information by external auditors. In some instances, management argued with external auditors with regards the scope of the audit, and 22,45% respectively strongly agreed and agreed with this assertion. 26,53% were not sure, possibly reflecting respondents who were not conversant with

audit exercises in the Department. Where arguments prevail, communication becomes ineffective. 36% of the respondents indicated that there was poor communication between external auditors and employees in the Department. Organisations could lack strategic and visionary leadership. 14% and 16% respectively strongly agreed and agreed that there was a gap of leadership was lacking in the Department. However 34% were not sure, possibly indicative of staff who feared victimisation and who knew little in terms of strategic leadership.

Peters and Pierre (2008:232) also note that governance is about maintaining public-sector resources under some degree of political control and developing strategies to sustain government's capacity to act in the face of management tools that replace centralised systems which have always impacted negatively on quality service to clients. The foregoing perceives governance as a technique in programme development and implementation. Governance is seen as a multi-faceted approach with an ordered rule. As a developmental rule, it advocates for numerous social players and is open to novel ideas. There is need to consult even those in junior spheres so that there is buy-in.

The study established the ensuing variables as critical in auditing challenges in the department: the participants were always informed about the actual commencement of external audit team in their department, audit findings of 2014/15 were shared with management of the department, audit findings of 2014/15 were shared with management of the Department, the Audit Committee of the Department monitors the implementation of internal control effectively, the Chief Financial Officer ensures that regular financial reporting is done, and the common non-compliance matter raised by the auditor general at the end of the auditing exercise indicated lack of cooperation from management among other institutional issues. 22, 31% and 39, 98% strongly agreed and agreed to all these constructs.

The researcher also concurs that there are challenges encountered during auditing processes, some which can be political and skills related as some members are political deployees.

SECTION E

Table 4.6: Recommendations to improve efficiency of the function of senior officials during auditing exercises

The Table showing recommendations by respondents on how to improve efficiency of the function of senior officials during auditing exercises are outlined in percentages in this section.

		Strongly Agree (%)	Agree (%)	Not sure (%)	Disagree (%)	Strongly Disagree (%)
30	It is important to recruit, orientate, educate senior managers about audit exercises (N = 49)	57.14	40.82	2.04	0	0
31	It is important to have proper reporting relationships between management and the audit committee (N = 49)	67.35	30.61	2.04	0	0
32	It is important to regularly assess the effectiveness and contribution of the senior managers during audit exercise (N = 49)	55.10	42.86	2.04	0	0
33	It is important to make effective use of executive sessions with the audit committee (N = 49)	61.22	32.65	4.08	2.04	0
34	It is important to ensure that audit committee independence is real (N = 48)	62.50	35.42	0	2.08	0
	AVERAGE RESPONSE (%)	60.66	36.47	2.04	0.82	0

In a large organisation like the Department of Education and Sport Development, challenges are likely to arise. Therefore there is a need to propose recommendations in order to enhance the effectiveness of the role of Senior Management during the auditing exercise. 50,14% and 40,82% strongly agreed and agreed that it is important to recruit, orientate, and educate senior management about audit exercises. 67,35% further concurred that it was important to have proper reporting relationships between management and the audit committee. 55,10% also concurred that regular assessments needed to be conducted to enhance effectiveness and input of management during audit exercises. Interaction between management and the audit committee was considered critical, with 62,50% acceding to this assertion. 62,50% further indicated that it was important to ensure that the audit committee's independence was real.

Organisational performance focuses on actual output or results (Richard, 2009:34). Some organisations benchmark their performance by integrating the balanced scorecard technique to measure dimensions like employee stewardship, customer care, performance improvement, financial performance and organizational re-engineering. Jennings and Ewalt (2009:23) advocate for a scholarship of organisational performance that should focus on achieving collective effort among staff. Blame avoidance and scapegoating should be detested but everyone should be held accountable for performance outcomes. They further propose that there should be adherence to shared beliefs and exercise of power through collective consent by every organisational member and social actor.

The study established that 60,66% strongly agreed with the following parameters: it is important to recruit, orientate, educate senior managers about audit exercise; it is important to have proper reporting relationships between management and the audit committee; it is important to regularly assess the effectiveness and contribution of the senior managers during audit exercise; it is important to make effective use of executive sessions with the audit committee; and it is important to ensure that audit committee independence is real.

SECTION F: RELIABILITY ANALYSIS

Cronbach's alpha () reliability coefficient, whose numerical value ranges from 0 to 1, measures the reliability (or internal consistency) of items in the Likert scale. A high value (close to 1) for Cronbach's alpha reliability coefficient indicates good internal consistency of the items in the scale.

Table 4.7 Cronbach's alpha coefficients

Section	Cronbach's Alpha (α)	N of Items
B	0.672	5
C	0.578	6
D	0.670	13
E	0.842	5

The Cronbach's alpha coefficients in Table 4.7 above are close to 1, suggesting that the items in the scale have relatively high internal consistency. This part therefore confirms that the measures used in the study were consistent (Bless, 2013:222). It amplifies that equivalent results could be produced for repeated trials. Hence according to the study's findings, perceptions raised here are likely to be raised in similar study areas.

The variables with this high internal consistency were perceptions of employees regarding auditing in the public sector, the roles and responsibilities of senior managers during the public sector entity audit exercise, challenges experienced during the auditing process and recommendations to improve the efficiency of the function of senior officials during the auditing exercise.

Section G: Correlation Analysis

Spearman's status rho test

The relationship between two ranked variables (X and Y) is being tested here. The relationship is statistically significant if the p-value has a lesser amount than 0.05 level of implication.

The coefficient of Spearman's rank correlation is given by the formula:

$$r = 1 - \frac{6 \sum D^2}{N(N^2 - 1)}$$

where

D = differentiation of ranks of matching figures of X and Y

N = number of paired values in the data

$$-1 \leq r \leq 1$$

The p-value is less than 0.05 as it reflected -1. Therefore the relationship of the Spearman's rank rho test was statistically significant. This establishes that there is a statistically significant relation between perceptions of employees regarding auditing in the public sector, the roles and responsibilities of senior managers during public sector entity audit exercise, challenges experienced during the auditing process and recommendations to improve the effectiveness of the role of senior officials during an auditing exercise.

The respondents' views are tabled in the Spearman's rank correlation between level of education and views of respondents concerning challenges experienced during auditing processes

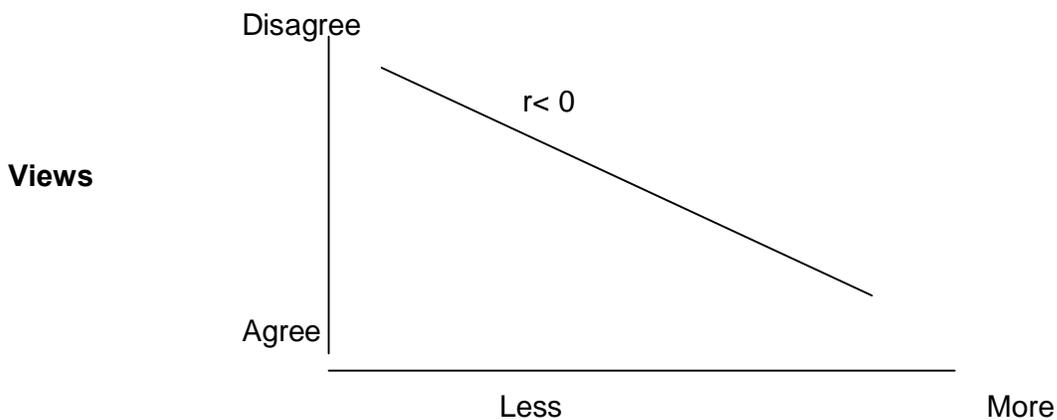
Table 4.8: Spearman's rank correlation between level of education and views of respondents concerning challenges experienced during auditing processes

Views		
The Chief Financial Officer ensures that regular financial reporting is done (N = 50)	Correlation coefficient(r)	0.326
	p . value	0.021

Sometimes the management is unable to respond timeously to the request for information by the external auditors within the required minimum period (N = 49)	Correlation coefficient(r)	-0.328
	p . value	0.022
It is important to recruit, orientate, educate senior managers about audit exercise (N = 49)	Correlation coefficient(r)	-0.462
	p . value	0.001

To get the correlation analysis and results shown in Table 4.8, SPSS 23 software package was used. Since all the p-values are less than 0.05 level of significance, the connection between the level of education and views of respondents about the items listed in Table 4.8 is significant. The study established that the CFO ensures that regular financial reporting is conducted, that sometimes management is unable to respond timeously to the request for information by external auditors within the required minimum period.

Negative correlation coefficients imply that more educated respondents tend to agree with the listed views, whereas less educated respondents tend to disagree. This is conveyed in Figure 4.4.



Level of education

Figure 4.4: Views of respondents versus education level (r < 0)

The educational discrepancies amongst the research participants may have a negative impact on how respondents perceive service delivery and their appreciation

of it. In situations where information is provided, the literate and illiterate may have variances in levels of inquiry and comprehension as depicted in Figure 4.4. Chambers (2008:31) perceives that the level of education influences appreciation of current affairs in community development. He also reiterates that such a bias puts the marginalised at the mercy of the better informed elites. Hence this qualifies the different perceptions between the educated and less educated respondents in the study.

The respondents' views are tabled in the Spearman's rank correlation between position in the Department and their view about the auditing route in the public service auditing processes

Table 4.9: Spearman's rank correlation between position in the Department and views of respondents about the auditing route in the public service

Views		
Audit findings of 2014/15 were shared with management of the Department (N = 50)	Correlation coefficient(r)	0.459
	p . value	0.001
The Audit Committee of the Department monitors the implementation of internal control effectively (N = 48).	Correlation coefficient(r)	0.360
	p . value	0.012
The Chief Financial Officer ensures that regular financial reporting is done (N = 50)	Correlation coefficient(r)	0.388
	p . value	0.005
There is a lack of strategic leadership in the Department of Education and Sport Development (N = 50)	Correlation coefficient(r)	-0.445
	p . value	0.001

Table 4.9 shows that most significant loadings ($|loadings| < 0.05$) are allocated to factor 1, some factors violate the rule of thumb of at least three items per factor. As such, rotation of the initial factor matrix is necessary in order to improve interpretability of the factor matrix. Interpretability is a highly essential criterion in determining the number of features. Factor solutions should be assessed not only according to empirical criteria but also according to the criterion of "theoretical meaning." Extracting more aspects assures that the residual correlations get smaller and thus the chi-square values get reduced relative to the number of degrees of freedom. However, non-interpretable issues may have little utility.

A family of statistical techniques concerned with the reduction of a set of observable variables in terms of a small number of latent factors is a generic term for factor analysis. This has been established mainly for analysing relationships among a number of measurable entities (such as survey items or test scores). The underlying assumption of factor analysis is that there exists a number of unobserved latent variables (or "factors") that account for the correlations among observed variables, such that if the latent variables are partialled out or held constant, the partial correlations among observed variables all become zero. In other words, the latent factors determine the values of the witnessed variables. Hence it was critical to develop a summation of the variables which guided this study which were configured as constructs of position in the Department and views of respondents about the auditing process in the public sector.

Since all the p-values have a lesser amount at the 0.05 level of significance in Table 4.12, the correlation between the position in the Department and views of respondents about the items listed in Table 4.12 is significant. Positive correlation coefficients imply that the respondents who occupied higher positions in the Department tend to agree with the listed views, whereas the respondents who occupied lower positions in the Department tend to disagree. The views of those in higher positions could have been instigated by their level of education and period of service in the Department.

Negative correlation coefficients imply that the respondents who occupied higher positions in the Department tend to disagree with the listed views, whereas the

respondents who occupied lower positions in the Department tend to agree. This is the essence depicted in Figure 4.5

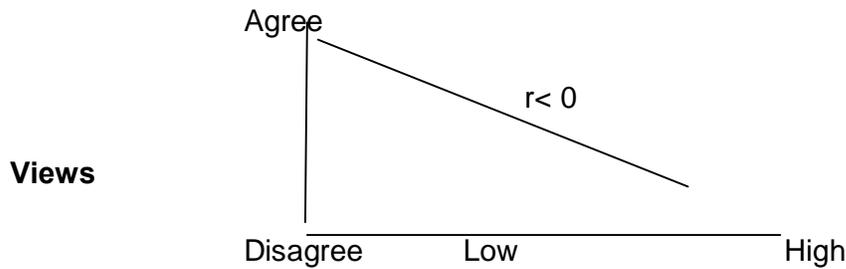


Figure 4.5: Views of respondents versus position in the Department ($r < 0$)

Position in the Department

Respondents in lower positions in the Department agreed with the following assertions: audit findings of 2014/15 were shared with management of the Department, the Audit Committee of the Department monitors the implementation of internal control effectively, the Chief Financial Officer ensures that regular financial reporting is done and there is a lack of strategic leadership in the Department of Education and Sport Development.

The variances with what those in senior positions could be a result of Hawthorne effect+where those in lower positions felt they could be victimised. In terms of lack of strategic leadership, those in higher positions could not have agreed with this perception as it would be shooting themselves in the foot. Furthermore, those in lower positions agreed that audit findings were shared though the practice reflected that their input was not highlighted as significant and any concerns they could raise were not incorporated (Figure 4.6).

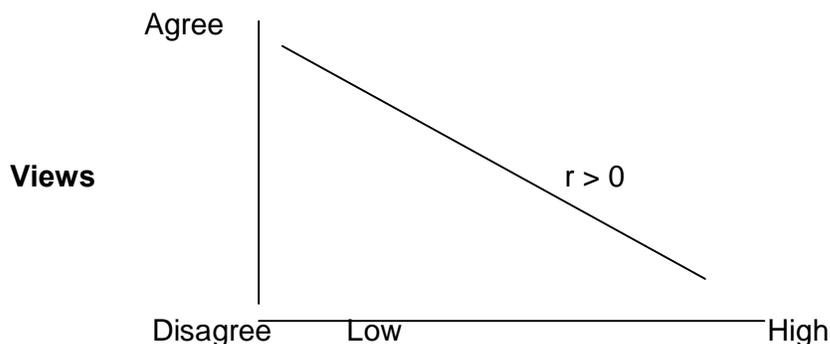


Figure 4.6: Views of respondents versus position in the Department ($r > 0$)

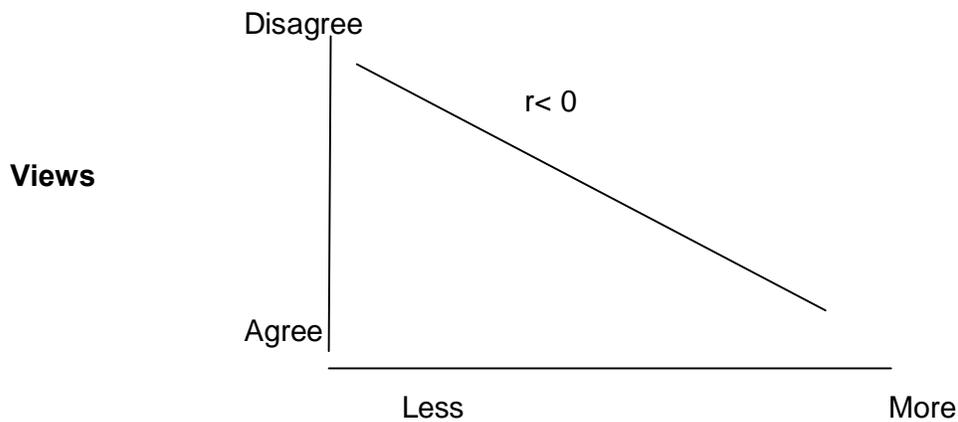
Table 4.10: Spearman’s rank correlation between job experience in current position and views of respondents about auditing process in public sector

Views		
In your best understanding, the real purpose of external auditing in your department is to check wasteful expenditure (N = 50)	Correlation coefficient(r)	-0.290
	p . value	0.041
Senior Managers and other staff members are very helpful during audit exercises (N = 50)	Correlation coefficient(r)	-0.305
	p . value	0.031
Senior Managers understand their roles and are able to discharge their duties relating to audit exercises (N = 47)	Correlation coefficient(r)	-0.333
	p . value	0.022

Section 153(a) of the South African Constitution 1996 prescribes the duties of a municipality, which are to: % structure and manage its administration and budgeting and planning process to give priority to the basic needs of the community and to promote the social and economic development of the community.+ Pretorius and Schurink (2007:19) point out that access to effective public services should not be an advantage to the few privileged only, but a legitimate right to everyone, particularly those who were previously disadvantaged during the apartheid era. It further goes on to cite that community engagement in decision-making should be an epicentre.

Since all the p-values have a lesser amount of 0.05 level of significance in Table 4.10, the correlation between the job experience in the current position and views of respondents about the items listed in Table 4.10 is significant. The findings show that the purpose of external auditing in the department sought to check on wasteful expenditure, that senior management helped during audit exercises and that senior management understood their roles and were able to discharge their duties relating to auditing exercises.

Negative correlation coefficients mean that questionnaire respondents who have more experience are likely to agree with the views that are listed, whereas less experienced respondents tend to disagree. See Figure 4.7.



Job Experience (yrs.)

Figure 4.7: Views of respondents versus job experience ($r < 0$)

Spencer (2002: 12) views human capital theory as the sum total of knowledge, talent, skills, experience, and intelligence that should be promoted. This assertion concurs with Nel, Mark and Teasdale (2011; 29) when they suggest that right skills and knowledge should determine where to place an employee. Also, Jaison (2012:11) considers the foregoing as a wealth that should be incorporated in organisational activities in the quest to accomplish institutional imperatives. A workforce with knowledge and skills understands profoundly their operational mandate. This is instigated by numerous factors that can range from period of service, level of education and nature of motivation. The negative perceptions emanating from those in lower positions could have been due to the foregoing imperatives.

4.3 Conclusion

An open system model is a common phenomenon in public institutions in a democratic dispensation. It should be borne in mind that such institutions in terms of sustainable service delivery are negatively impacted by employment equity policies, brain drain, and deployment policies and skills shortage. This chapter focused on the roles and responsibilities of senior managers during public sector entity audit

exercise, challenges experienced during the auditing process, recommendations to improve the efficiency of the role of senior officials during the auditing exercise among other variables. The study established that people occupying different positions viewed auditing exercises in the Department differently. Level of education and duration of employment were perceived as some of the contributory factors to these differing perceptions.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Skills and capacity hiccups are symptomatic of deep-seated human capacity management deficiencies in public entities. Such deficits compromise the promotion of quality human capacity value chain and worker value. Without a strong talent management base, profound service delivery hiccups persist to affect the planning trajectory of the public sector. Numerous factors could be attributed to the shortage of skills and capacity in the sector. These could be lack of career growth opportunities, a non-conducive work environment and a lack of collaborative mechanisms between the public sector and private entities. Such strategic challenges are a panacea for human capital inefficiencies in public bodies; hence this stifles sustainable service delivery.

A working environment that is not conducive attracts and retains scarce skills. In most cases, such an environment experiences high labour turnover. There is therefore urgent need for a reflective talent management strategy which negatively impacts on sustainable service delivery. Intolerance and social instability have been the result in the public service. This has been so because communities find themselves pushed to a hard brick wall as they perceive public authorities as being insensitive to their basic needs. The Auditor General's Report (2014-2015) concurs that reliance by public institutions on consultants has been destructive. The exorbitant calls of compliance could have been reduced if public institutions had in their midst employed scarce-skilled staff. This strategy has proved that it is not cost-effective or sustainable. In addition the performance constructs of consultants are barely aligned with the annual service delivery and budget implementation plans. Thus it becomes paramount to render precedence to the acquisition and retention of scarce skills in public entities.

5.2 Auditing compliance

Auditing is an assessment of sound financial management, namely of the economy, efficiency and effectiveness with which audited entities have carried out their responsibilities. The Public Finance Act No. 15 of 2004, provides legislative support for internal and external auditors in the public sector. Section 11 (2) (c) of the Public

Finance Act, 2004 provides that: % internal auditors may investigate whether there are adequate measures and procedures for the proper application of sound economic, efficient and effective management of public funds.+

Section 45 (1) of the Public Finance Act, 2004, empowers the Auditor General to % carry out performance and specialised audits in a Ministry, Government department or statutory corporation as the Auditor General may consider necessary and shall prepare a report on the audit for submission to the National Assembly.+ It is worth noting that sections 7 (3) (e) and 9 (2) (b) of the Public Finance Act, 2004 repose upon controlling officers and accountants, respectively, a duty to ensure efficiency, economy and effectiveness in the management of resources. Auditing in the public sector takes place in an environment where it is the responsibility of the management of a given entity to institute measures to:-

- “ acquire resources of the right quality, in the right quantity, at the right time and place at the lowest possible cost (Economy);
- “ achieve the optimal relationship between output of services or other results and the resources used to produce them (Efficiency); and
- “ achieve policy objectives, operational goals and other intended effects (Effectiveness).

The primary objective of a performance audit is threefold. It has to confirm independently that adequate measures exist to:

- “ ensure that the above stated standards for economy, efficiency, and effectiveness are achieved.
- “ provide management with information on adequate and inadequate management measures by means of a structured reporting process.
- explain the effect or impact of the management measures.

Apart from examining aspects of economy, efficiency and effectiveness, a performance audit also looks at whether management measures are in place or that are inadequate for ensuring attainment of the three (3) Es. Therefore, an audit ensures that the reasons for inadequate management measures or the causes for the ineffectiveness, inefficiency and uneconomical procurements are identified.

Auditing in the public sector provides the Government with an avenue to demonstrate to the public whether or not it has fulfilled its responsibilities with regard

to accountability of resources. An audit, therefore, helps in holding implementers of Government programmes accountable for the economic, efficient and effective discharge of programmes. This promotes better public service delivery while enhancing public accountability and management. Benefits of audits in the public and private sectors are generally similar, although in the private sector focus is largely on improving efficiency and effectiveness of operations in order to maximise profits and value to shareholders.

An audit:

- “ Helps in evaluating performance of individuals and departments or sections in an organisation. Evidently, audits assist in obtaining a critical view of compliance with legal requirements, policies, objectives and procedures;
- “ Helps citizens obtain insight into the management of different government programmes and activities.
- “ Audits may serve as a basis of decisions on future funding and priorities.

5.3 Research design and methodology

Quantitative research is generally associated with the positivist or post positivist paradigm. It usually involves collecting and converting data into numerical form so that statistical calculations can be made and conclusions drawn. Objectivity is very important in quantitative research. Consequently, researchers take great care to avoid their own presence, behaviour or attitude affecting the results. They also critically examine their methods and conclusions for any possible bias. The research design used in this study was both exploratory and descriptive.

Quantitative research methods describe and measure the level of occurrences on the basis of numbers and calculations. Moreover, the questions of *how many?* and *how often?* are often asked in quantitative studies. Quantitative research is defined by Bryman and Bell (2005) as *entailing the collection of numerical data and exhibiting the relationship between theory and research as deductive, a predilection for natural science approach, and as having an objective conception of social reality*. The most popular research methods from this category are closed-ended questionnaires, experiments, correlation and regression analysis methods and others. For this study, the researcher used self-administered questionnaires, observation and document analysis as data collection methods.

5.4 Summary of findings

A quantitative research design was used to collect relevant data. This encompassed the use of questionnaires, observations and document analysis. A sample size of 50 respondents was used for the study, selected through convenience sampling techniques.

The study's research instruments captured the demographics of the respondents, their perceptions regarding auditing in the public sector, the role and responsibilities of senior management during public sector entity audit exercises, challenges experienced during audit exercises, and established recommendations for policy implications. Reliability analysis was done through Cronbach's alpha, and correlation conducted through Spearman's rank rho test.

The study established that respondents in the age group 40-49 years had the highest attendance and there were more females than males involved in the study. Differences in level of education, duration of employment, job experience and position at work were perceived as determinants of how respondents perceived the variables used in the study. A Likert scale was used to configure respondents' perceptions regarding auditing in the public sector; role and responsibilities of senior management in auditing; and challenges experienced during audit exercises.

50% of the respondents had post graduate qualifications. 44.12% strongly agreed that auditing was a foundation of good governance and helped to cut down on wasteful expenditure. They further indicated that public sector staff should comply with audit opinions from internal audit committee recommendations in the department. They also concurred that numerous challenges were encountered during audit processes, some of which were political and skills related.

Cronbach's alpha test was used and established a high internal consistency. Spearman's rank rho test determined a statistical significance between perceptions of staff in the department; roles and responsibilities of senior management during audit exercises; and challenges experienced thereof. For instance, the Spearman's rank correlation for views in Table 4.11 showed a p-value of less than 0.05 indicating that the Spearman's rank rho test was statistically significant.

5.5 Limitations

The study was focused on the Department of Education and Sport Development. However, there is need to expand this critical component to the private sector and other public sector entities in the entire North West Province.

5.6 Recommendations

Enhancing unqualified audit opinions in any organisation is of paramount importance. Wasteful and fruitless expenditure should be averted in public service organisation as it impacts on service delivery. Therefore it becomes imperative for organisations to strive to improve their audit outcomes. This has placed pressure on those tasked to ensure unqualified audit outcomes to improve their operational systems.

Informed by the foregoing findings, recommendations were developed:

- “ Stakeholder audit at all levels of governance, that is local, district, provincial and national.
- “ Stakeholder identification and mapping.
- “ Alignment of stakeholder engagement to National Treasury strategy.
- “ Prioritisation of stakeholder concerns.
- “ Apolitical deployment of staff and appointments should be merit-based.
- “ Implementation of programmes should be governed by existing legislative frameworks.
- “ Transparency, accountability and oversight should be upheld.
- “ Implementation of a results-based monitoring and evaluation system for public sector staff.
- “ Regular report back to public sector staff.

Effective human resource management is a key driver of audit outcomes. The following areas relating to human capital acquisition, deployment and retention should be looked into:

- “ All key vacancies in the Department should be filled.

- “ Provincial and national government must find a sustainable way to bring the essence of public service home in the hearts and minds of all officials. Without this key breakthrough, the pace of transformation continues to be unsatisfactory and slow as evident in the current audit results.
- “ The leadership should set the tone by implementing sound performance management processes; evaluating and monitoring performance; and consistently demonstrating that poor performance has consequences.
- “ Public sector departments should develop frameworks, succession plans and recruitment strategies to ensure that employees with the necessary skills and competencies are employed and retained.
- “ As part of the staff development process, management should ensure that key officials who lack the minimum competencies receive training and on-going learning and development that their positions require, and link these to performance and audit outcomes. There should be a clear understanding that the expected results are higher because upgrading of skills has taken place.

5.7 Conclusion

Public sector entities experience numerous challenges related to auditing. The study has shown that senior management in public organisations should understand their roles and responsibilities during auditing exercises.

Weaknesses in the effective conduct of auditing in public entities promote wasteful and fruitless expenditure. Staff also needs to understand their input in auditing processes; where this is lacking, upgrading skills becomes imperative. Resource constraints faced by Government in general underlie the necessity for audits as a means to help government to prioritise programmes and ultimately provide quality service delivery. Therefore, the need for Audits in the public sector cannot be over emphasised.

Regular research is critical in the NWP districts to ensure up-to-date findings on auditing matters. Therefore the researcher further proposes that periodic research on governance and skills impact on auditing services ought to be conducted in future.

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Appendices

Appendix 1: Questionnaire

Appendix 2: Turn it in report

Appendix 3: Certificate of language editing

Appendix 1: Questionnaire

QUESTIONNAIRE

SECTION A

DEMOGRAPHIC DETAILS

1. Gender?

Male	
Female	

2. Age group?

20-29	
30-39	
40-49	
50-59	
60-65	

3. Level of education

High school	
College (Diploma)	
University (Junior Degree)	
Post graduate (Honours/Masters/PhD)	
Other (specify)	

4. What is your position in the Department

Senior Management	
Middle Management	
Lower Management	
Other (specify)	

5. How long have you been in that position?

1-4 years	
5-9 years	
10-14 years	
15-20 years	
Other (specify)	

SECTION B

Perceptions of employees regarding auditing in the public sector

		Strongly Agree	Agree	Not sure	Strongly Disagree	Disagree
6	Auditing is a foundation of good public sector governance					
7	Auditors help public sector organisations achieve accountability and honesty, improve operations, and instil confidence among citizens					
8	Public sector auditors' role supports the governance responsibilities of oversight, insight, and foresight					
9	In your best understanding, the real purpose of the external auditing in your department is to check wasteful expenditure					
10	Evaluating value for money of the state financial resources explains what auditing in the public sector					

In your view, do you see any value for an external auditing team?

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SECTION C

What are the role and responsibilities of senior managers during public sector entity audit exercise?

		Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree
11	I loyally execute the policies of the government of the day in the performance of official duties as contained in statutory and other prescripts					
12	Senior Managers and other staff members are very helpful during audit exercise					
13	I serve the public in an unbiased and impatient manner in order to create confidence in the public service					
14	I strive to achieve the objectives of your institution cost effectively and in the public interest?					
15	The main role of the Chief Financial Officer during the auditing exercise is put management under pressure to perform					
15.1	The other role of the Chief Financial Officer is to act as an interface or point of co-ordination between the Department and the leader of the auditing team as far as management letters and request for information (RFI) is concerned					
16	Senior Managers understand their roles and are able to discharge their duties relating to auditing exercise					

As an employee of the Department, what frustrates you more about the auditing exercises?

.....

For the purpose of avoiding a disclaimer opinion, what role should management play during the auditing exercise?

.....

SECTION D

What challenges are experienced during the auditing process?

		Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree
17	We are always informed about the actual commencement of external audit team in our Department					
18	Audit findings of 2014/15 were shared with management of the Department					
19	The Audit Committee of the Department monitors the implementation of internal control effectively.					
20	The Chief Financial Officer ensures that regular financial reporting is done					
21	The common non-compliance matter raised by the auditor general at the end of the auditing exercise is lack of cooperation from management					
22	Management sometimes fail to acknowledge correspondence from the auditors					
23	Management does not the capacity to handle all the issues relating to the external auditing process					
24	The qualified audit opinion is mainly caused by issues relating to unauthorised, irregular, fruitless and wasteful expenditure					
25	Management fully understands the opinion expressed by the auditor in the audit report					
26	Sometimes the management is unable to respond timeously to the request for information by the external auditors within the required minimum period					
27	Sometimes management argue with the external auditors with regards to the scope of the audit					
28	There is poor communication between external auditors and employees					
29	There is a lack of strategic leadership in the Department of Education and Sport Development					

In your view, what often causes tension between the Department's management and AG auditing team?

.....

.....

.....

Appendix 2: Turn it in report

Monkwe L

ORIGINALITY REPORT

%20
SIMILARITY INDEX

%14
INTERNET SOURCES

%3
PUBLICATIONS

%15
STUDENT PAPERS

PRIMARY SOURCES

1	www.treasury.gov.za Internet Source	%1
2	Submitted to University of the Free State Student Paper	%1
3	Submitted to Intercollege Student Paper	%1
4	Submitted to Missouri Valley College Student Paper	%1
5	www.utexas.edu Internet Source	%1
6	www-wds.worldbank.org Internet Source	%1
7	Submitted to University of Kent at Canterbury Student Paper	%1
8	schools.utah.gov Internet Source	<%1
9	africacheck.org Internet Source	<%1
	Submitted to North East Wales Institute of	

Appendix 3: Certificate of language editing



NORTH-WEST UNIVERSITY
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9th November 2016

To whom it may concern

CERTIFICATE OF EDITING

I, Muchativugwa Liberty Hove, confirm and certify that I have read and edited the entire dissertation **The challenges of auditing in the public sector: A case of the Department of Education and Sport Development** for Lerato Rebecca Monkwe Student Number 16916042 submitted in fulfilment of the requirements for a Master's Degree in Business Administration: Finance in the Faculty of Commerce of the North West University, Mafikeng Campus. Lerato Rebecca Monkwe was supervised by Professor W. Musvoto of North-West University.

I hold a PhD in English Language and Literature in English and am qualified to edit academic work of such nature for cohesion and coherence. The views and research procedures detailed and expressed in the dissertation remain those of the researcher/s.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'M.L. Hove'.

Dr M.L.Hove

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9th November, 2016 File reference: Dr M.L.Hove