

**A CRITICAL ANALYSIS OF ADMINISTRATIVE PRACTICES IN
THE DEPARTMENT OF AGRICULTURE, CONSERVATION AND
ENVIRONMENT – NORTH WEST PROVINCE**

BY : KELOPILE FRANS THUPAEMANG

**SUBMITTED IN FULFILMENT OF THE REQUIREMENTS FOR THE
DEGREE OF MASTER OF BUSINESS ADMINISTRATION IN THE
DEPARTMENT OF MANAGEMENT IN THE FACULTY OF
COMMERCE AND ADMINISTRATION AT THE UNIVERSITY OF
NORTH WEST, MMABATHO**

SUPERVISOR : PROF. W P J VAN RENSBURG

DATE SUBMITTED : 04 AUGUST 2002

CALL NO.
2021-04-18
ACC. NO.
NORTH

Personal statement

I declare that the dissertation of Master of Business Administration at the University of North West hereby submitted, has not previously been submitted by me for a degree at this or any other university, that it is my own work in design and execution and that all material contained herein has been duly acknowledged.

Signed : 
KF THUPAEMANG
10359788

Date : 14/08/2012

Synopsis

The flaws in the financial discipline of the Department of Agriculture, Conservation and Environment has urged me to explore the Department's financial management with a view to coming up with appropriate recommendations for solution thereof.

Change in the financial management is a necessary process for the rest of the public service in South Africa to address their disturbing trends in the fledging provincial administration.

According to Mr T J Mokgoro, the former Director General of the North West Provincial Administration, the main aim of change is to address the discrepancies of the past and to achieve representative and effective public service delivery with greater responsibility and accountability



Although there are signs of progress having been achieved in most public service operational areas, blockages still exist in financial management of public funds. According to Audit Talk (2000), the business day of 04 August 2000, reported that the lament of the

Auditor General was that untrained staff handling the finances, is the main stumbling block in the way government wishes to create effective public service.

It is critical to gear up the financial internal control systems and to tighten the monitoring mechanisms in order to be in line with transformation.

There is no way that management can escape the fact that there are weaknesses in the way finances are run in the Department. Incidents were identified by auditors where review to improve the anomalies is imperative.

To address the deficiencies in the financial management, questionnaires were distributed to senior officials of the Department in order to come up with the appropriate solution. The main aim was to lay a foundation where management will be assured that funds are utilised effectively and efficiently.

The result of the research is to have an effective financial management tool that will enhance the financial internal control environment. It is envisaged that all stakeholders will know the role they play in financial management.

Obstacles which block the financial transformation should be removed and focus must be on structures that seriously support reform in the financial management.

Acknowledgement

My sincere gratitude is given to my promoter Prof. W P J Van Rensburg, without whom, during the period of this research, I could not have managed. I also wish to thank my colleagues who gave me valuable and endless support during the study, especially Dr. Botlhe Michael Modisane from the Department of Agriculture and Mr. M Mabuza from the Office of the Auditor General – Pretoria. May God bless them.

To my wife Galeome Martha Thupaemang and kids Kagisho, Tshegofatso, Aobakwe and Tsholofelo, thank you for allowing me to spend hours from home furthering my studies. I will always remember your prayers which gave me strength and helped me to cope.

Finally! Thanks to the Lord Almighty, may He continue to bless us.

Table of contents

	Page
Chapter 1: Orientation.....	1
Chapter 2: Literature review and theoretical foundation	17
Chapter 3: Defining the problem and management questions	50
Chapter 4: Research design and data analysis.....	60
Chapter 5: Results and interpretation.....	63
Chapter 6: Discussions, conclusions, implementation and recommendations.....	76
Bibliography.....	85
Annexure.....	88

List of tables

	Page
5.2.1 Utilisation of revenue management system.....	63
5.2.2 Utilisation of expenditure management system.....	65
5.2.3 Storage of documents and stores.....	67
5.2.4 Human resource capacity in the financial area.....	69
5.2.5 Existence of managerial control in the finances of the department.....	71
6.2.1 Primary problem management questions.....	77
6.2.2 Secondary problem management questions.....	79

List of figures

	Page
5.2.1 Utilisation of revenue management system.....	64
5.2.2 Utilisation of expenditure management system.....	66
5.2.3 Storage of documents and stores.....	68
5.2.4 Human resource capacity in the financial area.....	70
5.2.5 Existence of managerial control in the finances of the department.....	72

CHAPTER ONE

ORIENTATION

1.1 Introduction

All the administrative actions which have an impact on the acquisition and utilisation of public funds are, in terms of the Constitution, subject to scrutiny by the Auditor General. This is in order to acquire value for money wisely.

This is further taken care of by the Batho Pele principles that require a caring public service administration to support administrative policies and programmes as they unfold during the transformation of the public service. In sharing the experiences and cooperation among Commonwealth countries, it is noted that governments need strong institutions which could be geared up in the key focuses for changed management. The international community is faced with new challenges of public service reforms. The key strategies for implementing these reforms include, amongst others, the following:

- efficient financial discipline housekeeping
- consultative and transparent systems, equity
- transformation of structures
- human resources which are bloated
- securing leadership for change

- enhancing policy development capacity
- efficiency in quality management
- harnessing, reviewing and the upgrading of information technology. Hall D.T. et al (1986, p.5) stated that "Computers, raw materials and market demand change very rapidly and the organisation must respond by changing technology."

There are changes in strategies by most governments in their endeavour to achieve economic growth and development. It is due to these new processes that the role of the state has taken the road to improved economic efficiency. The Public Service needs to urgently develop structures and civil service values in order to achieve greater efficiency in a responsive and flexible manner. (Kaul M, 1996).



Although policies and procedures pertaining to the use of public funds exist, reports issued by the Office of the Auditor General reveal each year that in one way or the other there has been a deviation from the prescripts in the form of unauthorised, irregular, fruitless and or wasteful expenditure. (Auditor General Reports 1998/99, 1999/2000 and 2000/2001 for the Department of Agriculture, Conservation and Environment, North West Province) and (Linde J., 2000). Hellriegel D. et al. (2002, p. 181) stated that "When the news hit the public that a company has 'cooked the

books," the story is likely to include statements from top-level executives claiming that they have no knowledge of the scandal. But the response from the public often is, "How can they not know?" Managers cannot divorce themselves from the irregularities committed by their subordinates. It is expected of every manager to monitor the actions of the staff under his/her supervision. The Department has to enforce good financial practices and a code of conduct to the employees before things become worse and so out of hand. It does happen that employees might take the code of ethics merely as window-dressing to protect top managers in the event of a scandal and thereby become cynical and less committed to the company. (Hellriegel D. et al., 2002).

Forces of law and order in the administrative practices in relation to the handling of public funds had to be brought on board. Chapter 10, section 195 (1) of the Constitution of the Republic of South Africa which is regarded as the supreme law, has amongst others, the following as the basic values and principles that govern public administration, namely:

- Promotion and maintenance of a high standard of professional ethics
- Promotion of effective, economic and efficient use of resources
- Accountable public administration
- Cultivation of good human resource management

Various tensions caused by non-adherence to rules and regulations have called for a review of the financial controls by government. What makes things worse is the obvious lack of appropriate skills and knowledge as well as commitment in the financial corps. Deficiencies in the administrative practices opened loopholes for areas with material risks and increased costs of carrying the mandated functions by government institutions. These anomalies hamper the economic development in the long term and reduce the credibility of government institutions. (Makgoke p., 2000).

This has led to the establishment and implementation of the Public Finance and Management Act, No. 1 of 1999 (PFMA) which is based on the supreme law of the land namely the Constitutional Act. It is noted that the PFMA is the key element in a set of reforms to the management of public funds that will bring about improved financial management of the scarce resources in the public sector. The key ingredients of these important reforms in financial management include:

- Output-based management which focuses on service delivery
- A financial accountability framework
- Accrual-based management

The PFMA sets as its objectives the acquisition of transparency, accountability and the sound management of revenue, expenditure, assets and liabilities of the national and provincial government as well as public entities. In order to achieve the objectives of the PFMA, all stakeholders have to change their way of doing things. This change is expected to reflect good financial management and accountability. Financial responsibility is divided amongst the executing authorities through the accounting officer down to the lower echelons who are charged with the safekeeping of public funds.

Year in and year out the reports of the Auditor General on Accounts of National Government show lack of adherence to laid down systems, rules and regulations that serve as guidelines to ensure the authenticity of expenditure. Qualified audit reports are an order of the day countrywide. For example, there were unprecedented levels of unauthorised expenditure that resulted due to non-compliance to the tender board regulations and procurement procedures throughout most provinces and government departments as detailed in Economic Crime Prevention Volume 1 of 2000. (Auditor General's Report on the Accounts of National Government for 1997/98)

There's been a lot of talk about "corporate governance" in recent years, especially as it pertains to risk management of ever larger and more

multinational public companies. Increasingly, Europe and the U.S. are adapting corporate governance codes that require companies to assess the effectiveness of the internal controls they have in place to identify, evaluate and manage their significant risks and to publicly report on that effectiveness. (International Monetary Fund, 2001)

New rules that strengthen the oversight role of the corporate audit committee call attention to this overlooked, internal financial monitor that could uncover improper financial reporting practices. But they also could expose committee members to increased liability. In December 1999, both the U.S. Securities and Exchange Commission (SEC) and the National Exchanges enacted comprehensive new rules and amendments that fundamentally alter the current operation of a corporate audit committee. Coming in the wake of litigation trends showing a strong increase in securities class action litigation involving accounting irregularities and restatement of earnings disputes, the rules affect all public companies. The rules were designed to enhance the reliability and credibility of financial statements and to improve the quality of corporate financial disclosure relating to the functioning of corporate audit committees. They can and should be seen as an attempt to focus Corporate America upon the market's and the investor's need to access reliable and credible financial information by encouraging strong and effective audit committees. These play a critical role in the financial reporting system by

overseeing and monitoring management's and the independent auditors' participation in the financial reporting process. (Ferrillo P., 2000)

The civil service is faced with the administrative reform challenges that aim at improving the current administrative practices with a view to increasing efficiency and effectiveness in the government machinery. Continuous qualified reports by auditors have forced governments to ruthlessly embark on an aggressive tackling of the administration problems.

According to Carter C. (1997), the government has to concentrate on efforts to revamp public administration. It is in the same paper where the former president Nelson Mandela said at the National Council of Provinces that progress on service delivery could not be sustained unless government acted with "deliberate speed and ruthless determination to clear blockages".

The government auditing teams found some disturbing trends in fledging provincial administrations. Efforts have, however, been taken to clean-up these provinces as a rescue plan. For example as a new broom, the Eastern Cape Premier Arnold Stofile headed a concerted effort to improve the administration and the Northern Province Premier Ngoako Ramatlhodi embarked on the cleaning up process by setting up a commission to stop corruption. Other problems highlighted by auditors are poor financial

administration, unqualified financial personnel who administered budgets of billions, lack of discipline and the prevalence of misconduct such as fraud and theft are major problems in many departments and provincial administrations. (Carter C., 1997)

Three provinces, namely Kwa Zulu Natal, Eastern Cape and Northern Province were according to the provincial audit report on the verge of collapse. Discipline among Eastern Cape public servants was poor and fraud appeared widespread in all areas of the public service. Service delivery targets were largely absent. It is noted that the audit team found that out of the nine provinces, the Eastern Cape and the Northern Province governments were in the worst shape because they inherited most of the former homelands and were thus "close to collapse". (Greybe D., 1997)

The high wage bills with less or no development provision, as well as other related operational expenditure urged the government to look at the available manpower in order to assess its capabilities and skills which could be employed adequately to reduce the recurring audit queries with no sign of improvement. Annual reports of government departments reflect a ratio of personnel expenditure to operational expenditure to be more than fifty percent with less or no capital budget and the expectation is to have the reciprocal timely and effective performance. For example,

according to the findings of the Office of the Auditor General, there is to date, no acceptable asset register in most departments including the Department of Agriculture, Conservation and Environment: North West Province.

During the past three consecutive financial years ending March 2001 (i.e. years ending March 1998, March 1999 and March 2000), auditors highlighted material weaknesses found in the Department of Agriculture, Conservation and Environment and these were reported to the Provincial Sessional Committee on Public Accounts (SCOPA). There was no indication of improvements by those entrusted with the responsibility of assets in the civil service. If transformation is a government priority, then there should be an accelerated pace in the improvement of financial practices with a view to achieving good governance.

1.2 Purpose of the study

The purpose of the study is to establish the flaws in the financial and administration discipline within the Department of Agriculture, Conservation and Environment-North West Province.

1.3 Objectives of the study

The objectives of the study are as follows:

1.3.1 To identify major policies that guide financial management in the public sector

In addressing the issues raised by the auditors, the first step is to look at applicable policies that guide financial management in the public sector.

1.3.2 To identify and discuss reasons for poor financial practices, lack of corporate governance and lack of total quality management

Whilst it is important to have policies, it is also important to change the way of doing things and adapt to the global administrative reforms in the financial management by observing such policies.

Management should apply laid down policies and also ensure that these policies are simple, understandable and easy to implement. All loopholes have to be closed to ensure effective and efficient implementation. This means giving clear guidelines on what constitutes sound financial management and best practices as well as developing a clear understanding of what constitutes best

administrative practices in the eyes of the Auditor General and the public.

1.3.3 To find out whether staff have sufficient skills to administer the finances and identify the required skills

Appropriate knowledge and sufficient skills of employees are necessary to ensure that the performance of tasks is up to scratch and in accordance with the standards that are aligned to the Departmental objectives.

1.3.4 To evaluate and assess effectiveness of control measures as well as the existing monitoring system.

Monitoring ensures that delegated or assigned tasks are performed properly. This is confirmed by a continued review of the results to verify whether such tasks are directed towards the common objectives. This includes the integration of strategic plans to operational plans.

1.4 Significance of the study

The research will benefit the following:

1.4.1 The government

It is imperative that the government is assured that its policies, rules and regulations are adequate, efficient, effective and

appropriate. This assurance will enhance the usage of funds for the purposes for which these funds were voted for. The final result is that, as the government is accountable to the public, it is assured that compliance to the prescripts in themselves will prevent potential unauthorised, irregular, fruitless and or wasteful expenditure. It is noted that the government has to meet unlimited needs of the community out of limited resources. Good and sound administration of public funds increases the image of the government and ends up in addressing the overwhelming mandate of service delivery to the customers of the Department.

The government will be informed of the inadequacy of its policies, rules and regulations regarding financial issues. If policies, rules and regulations are appropriate, the following results will be evident:

- expenditure will conform to stipulated procedures
- spending will be for the purposes for which funds were budgeted for.
- Integrated strategic plans and operational plans will be implemented
- There will be an improved service delivery

1.4.2 Government employees

The study will inform the employees about the impact of their practices which have a direct bearing on the credibility of the accounting officer and management. There will be an awakening of financial discipline and consciousness in the employees. When developing and implementing the internal control with regard to the administrative practices, it is important that the responsibility be fixed on the staff. This will develop competent, honest, dedicated and committed personnel. Employees will acquire a sense of ownership in their work as well as a spirit of participating and being involved in the efforts of striving towards the set objectives of the Department. Employees have a financial responsibility of helping to create and shape the financial processes and systems as well as giving the Department the necessary support through their knowledge and skills. If employees do things the right way, they will be ready to stand for any challenge that may arise.

1.4.3 Training needs identification

The identification of training and capacity building needs of the Department will be enhanced. Staff training should therefore be relevant and mainly on places where deficiencies were identified. This effort will nourish the management's endeavour to achieve the overall departmental objectives.

1.4.4 Department

The Department will be celebrating in front of the Sessional Committee On Public Account because it has in its structure capable, competent, efficient, dedicated, loyal and disciplined employees who ensure constant unqualified financial statements at the end of the financial year.

1.4.5 North West Province community

If recommendations are implemented, the community will benefit from efficient use of resources. The community will be informed about the level of efficiency and effectiveness in the financial administration. It should be noted that the community has elected the government to run the administration on their behalf and therefore the public expects feedback to the effect that there has been sound management of the financial affairs and operations of public funds.

1.4.6 Economic growth

Good governance on government resources will enhance economic growth with an indirect growth in rand/dollar relationship. There will be realised savings that could be utilised elsewhere to extend the research of the limited resources.

1.4.7 Global impact i.e. nationally and internationally

If monies appropriated are used efficiently, the long term debt inherited from the legacies of the past will ultimately be reduced and this will be compensated by an increase in budget allocation nationally. The government is seeking to compensate departments that are doing well, otherwise such departments that are deemed not to be doing well would face the penalty of deducting what should have been collected from their voted funds.

1.5 Scope of the study

The study will be conducted in all regional offices of the Department of Agriculture, Conservation and Environment in the North West Province. The population of 709 consists of staff from level seven (7) up to level fifteen (15). This means that senior officials who are active employees in the organisational structure will be consulted for data collection by way of self-administered questionnaires. No sample will be taken as the whole population was targeted.

1.6 Plan of the study

A survey, based on the findings of the Auditor General, will be conducted aiming at improving the administrative practices within the Department of Agriculture, Conservation and Environment – North West Province. Details

will therefore be presented as follows :

- Chapter Two
Literature study and theoretical foundation
- Chapter 3
Defining the problem and management questions
- Chapter 4
Research design and analysis
- Chapter 5
Results and interpretation
- Chapter 6
Discussions, conclusions, implications and recommendations.

CHAPTER TWO

LITERATURE STUDY AND THEORETICAL FOUNDATION

2.1 Introduction

Effective and efficient administrative operations are a priority and a concern to the public sector. It is imperative in today's international institutions that recognised standards, or codes of good practices are taken seriously and implemented. These standards, or codes of good practices can assist to improve economic policy-making and strengthen the international financial system. The international community has called upon the International Monetary Fund and other standard setting agencies to step into the arena by helping to develop standards and codes covering a number of economic and financial areas, including data dissemination, fiscal, monetary and financial policy transparency, banking regulation and supervision, securities and insurance regulation, accounting, auditing, bankruptcy and corporate governance. The acts, procedures, rules, regulations, standards and codes enhance financial discipline in most countries. Countries have the capacity to conduct their economic, administrative and financial affairs in prudent and transparent ways, so that the international financial system will be more stable and less prone to crisis. For example, the recent collapse of the financial affairs of Saambou Bank shows the practical result of lack of financial discipline in

that institution. The people who had to suffer are the customers because something went wrong in the maintenance of good financial practices. In the wake of recent international financial crises, attention has been focused on the adoption and implementation of internationally recognised standards and codes of good practice in economic and financial affairs as a tool to reduce the risk of future crises. The international community has strengthened and sharpened the monitoring of international financial systems. South Africa is also in the race of strengthening its financial management system by means of a new legal framework in the financial area. The introduction of the Public Financial Management Act (P.F.M.A.) based on section 195 of the Constitution of the Republic of South Africa (Act No. 108 of 1996) confirms the government's effort of strengthening the financial practices. This global effort has to be accelerated to ensure the development of standards that will provide policy makers with benchmarks of good practice in the key area of policy formulation. The development and adoption of standards in areas central to the effective operation of financial systems holds the promise of better informed decisions, increased accountability of policy makers and better policy making and, ultimately, improved economic performance. Finally the public is assured that resources are used efficiently. (International Monetary Fund, 2001).

According to the findings of The Presidential Review Commission (1998), the new Constitution of 1996 also places considerable emphasis on the principles of accountability and transparency on the part of those entrusted with financial management, and on the public participation which is necessary in order to implement these principles. Among other things this requires giving the Auditor-General's office sufficient resources, guaranteeing its independence from interference, and providing political support for its role in upholding the principles of transparency and accountability.

2.2 Topical issues regarding literature study

2.2.1 Good financial practices, corporate governance and total quality management

According to the International Monetary Fund (2001) good governance is mainly due to achieving macroeconomic stability and high quality growth. Fiscal transparency is a key aspect of good governance. In order to enhance fiscal transparency in its member countries, the International Monetary Fund (IMF) has aggressively embarked on the accelerated promotion of its code of good transparency. The good practices proposed a standard of fiscal transparency that is judged appropriate to provide assurances to the public and to market that a clear picture of the structures and

finances of government are available, and that the soundness of fiscal policy can be reliably assessed. A number of advanced economies have already met, and in some respects exceeded, many of the requirements reflected in this standard. For developing countries and countries in transition, however, a significant number of the practices are not yet in place. While all countries are encouraged to adopt the good practices proposed in the Code, the emphasis is on a voluntary implementation. The Code also proposes specific principles and good practices corresponding to these principles, namely:

- **Clarity of roles and responsibilities:** The government sector should be distinguished from the public sector at large, and the rest of the economy. Policy and management roles within the public sector should be clear and publicly disclosed. There should be a clear legal and administrative framework for fiscal management. It is important to know who does what and what output is expected from such an individual.
- **Public availability of information:** The public should be provided with complete information on the past, current, and projected fiscal activity of the government. Countries should commit to the timely publication of fiscal information. In terms of the Public Financial Management Act, information

should be made public in the annual report by 31 August.

- Open budget processes: Budget documentation should specify fiscal policy objectives, the macroeconomic framework, the policy basis for the budget, and identifiable major fiscal risks. Budget information should be presented in a way that facilitates policy analysis and promotes accountability. This means bringing the priorities of the Department in line with the provincial priorities and linking such priorities from bottom-up in order to match it to the National mandatory function. Procedures, rules and regulations for the execution and monitoring of approved estimates of expenditure and for collecting revenue should be clearly specified and documented. There should be regular fiscal reporting to the legislature and the public. In the North West Province, such regular monitoring and reporting is facilitated by the Standing Committee on Public Accounts and a chairperson is nominated to represent the mandatory function per departments
- The integrity of fiscal data: Fiscal data should meet accepted quality standards and should be subjected to independent scrutiny. At the end of the financial year, all the financial related activities have to be interrogated by auditors in their regulatory and performance audits.

International Monetary Fund (2001) further indicated that there is a manual on fiscal transparency, providing guidance on the code's implementation, and setting out the principles and practices in more detail. This Manual draws on experiences in member countries to illustrate good practices and also proposes basic requirements of fiscal transparency to be given highest priority by those countries that would have the greatest difficulty in meeting the overall standard of the Code. The basic requirements is to emphasise good practices that will lead to high quality fiscal reports that should be within the reach of most countries in a reasonable time frame. There is an increasing number of countries that are participating in a fiscal module of a Report on Observance of Standards and Codes (ROSC), which the IMF has developed as a means of assessing the extent to which countries meet the requirements of standards and codes in core areas and provide information to the public. Similar assessment is done by auditors to government departments through the application of the Generally Accepted Accounting Standards and it is also a requirement in terms of the Public Financial Management Act to promote compliance to rules and regulations.

Kaul M.(1996, p.143) states that "Quality management is the creation of a culture to identifying and meeting customer requirements throughout the whole organisation, within available resources. The approach defines standards for each area of activity, from which performance standards are set for each member of staff and unit of management. Performance is then regularly assessed against customer expectations and satisfaction. Commitment to quality management is openly avowed and performance is made public. The idea of quality management originated in the private sector, but has become increasingly relevant to government as rising expectations have highlighted areas of unacceptably low standards of service to the public, to officials and to politicians."

In order to improve quality of services in the public sector, the Malaysian Civil Service provided a clear example of a successful strategy for recognising excellence through a series of awards it offered; Singapore was the first civil service to introduce Work Improvement Teams (WIT) developed from quality control circles employed in successful and innovative private sector companies; India also introduced the WIT and the Botswana government introduced the productivity and quality improvement programme in

1993 by creating work improvement teams within various institutions and departments. (Kaul M., 1996)

King M.E. et al (1994, p.1) states that "Corporate governance is simply the system by which companies are directed and controlled. While it is simple to state the concept, it has become more complicated by virtue of the various interest groups or stakeholders which have an involvement in corporate governance in modern corporations."

Kaul M.(1996, p.133) states that "At their meeting in Harare, the Commonwealth Heads of Government reaffirmed their commitment to the Commonwealth principles for democratic development and identified sound and accountable administration as a priority for the Commonwealth. Subsequently, the Secretariat's Management and Training Services Division organised a series of roundtables and consultations with governments. The aim of these was to learn from successful experiences and explore ways and means of strengthening Commonwealth cooperation in the area of administration and managerial reforms."

The report of the International Federation of Accountants (IFA)(2000), released, for comments, a proposed study intended to

improve public-sector entities' self-governance. The IFA reported that "Corporate Governance in the Public Sector: A Governing Body Perspective recommends that governments use private-sector corporate governance concepts and practices to achieve their objectives more openly and effectively, and in the process, better serve their constituencies".

According to the IFA (2000), in reaffirming the significance of administrative reform in America, public administration has been a key element in the effectiveness of American government in the twentieth century. It has been evident at all levels of the American government that the founders' conceptions of democratic self-government, on one hand, and the idea of a merit-based and permanent professional public service, on the other hand, are essentially compatible. Tested over the years, the practices of public administration have proved to be both administratively competent and politically responsive in the fullest democratic sense. There are verifiable and significant accomplishments of the American democratic government which amongst others include:

- achieving victory in world war. This is why it is called super power
- winning the space race
- sharply reducing corruption in government



- building and maintaining the national highway system
- getting out of the Great Depression
- facilitating the recovery of Europe and Asia following World War II
- harnessing nuclear energy
- lengthening human life span and controlling diseases

There are many more administrative reforms that could be cited to have been effectively implemented by the American public administration. There is, therefore, no exaggeration in the claim that the American Century has also been an administrative century. (Frederickson, G.H., 1999)

To improve the financial management in the public sector, the ANC led government embarked on a broad strategy for the transformation of the financial administration previously administered by the repealed Exchequer and Audit Act of 1994. The Public Finance Management Act (Act 1 of 1999) and other procedures and regulations which focus more on efficiency and effectiveness were introduced. These financial reforms are the current debate in the global village's topic on best administrative practices. For example internationally, the concern of the World Bank is amongst others the good governance and public finance accountability by the borrower countries. This is a prerequisite for

approval of assistance programs which are facilitated through the World Bank. It is important for all stakeholders to consider transforming the existing organisational culture on the financial discipline as well as coming up with processes and mechanisms of coping with these reforms. Full constitutional control over the finances is exercised by Parliament nationally and delegated to the Provincial Legislatures in terms of the Constitutional Act as a financial control framework.

The Presidential Review Commission (PRC)(1998) reports that “the international experience regarding best practices indicates, amongst other things:

- That for the monitoring and evaluation function to be effective it must necessarily have the shortest possible reporting line to the key decision-makers in the organisation. (Currently this is not the case in most South African departments where monitoring units if they exist at all are usually headed by third tier managers – mainly Assistant & Deputy Directors).
- That a degree of operational independence is necessary to ensure credibility of evaluation

results. In this context the PRC found that in a number of departments in South Africa the evaluation department reports directly to a manager responsible for delivery of services, leading to a possible conflict of interest. In contrast, the Efficiency and Effectiveness Directorate within the Directorate of Public Service Administration seems to represent a fair resemblance of an independent evaluation capacity. Unfortunately the activities of this unit to date have been somewhat limited in scope.

- That the involvement of customers and clients is an indispensable part of any effective and accountable system of monitoring and evaluation (through the Citizens' Charter initiative in the UK, for example). Currently this is another weak link in the monitoring and evaluation processes in South Africa. However, the Batho Pele White Paper on Service Delivery recommends that all national and provincial departments publish an Annual Report to Citizens including, inter alia, an evaluation of performance against targets and

an explanation, where appropriate, of why service has fallen short of what was promised. Opportunities will clearly need to be created to solicit citizen feed-back on such reports if this exercise is to usefully guide future efforts to improve service delivery.”

Governments are therefore encouraged through this change in work culture and systems to introduce quality management approach as a firm base for a government of good repute. This practice will replace glorified bookkeepers by financial economic advisors. When the time comes for interrogation of books of accounts by auditors, the staff would have complied with set standards. The duties of the Auditor General are, according to the Constitution, mainly to verify whether during the spending of public funds, there was,

- compliance with legal requirements
- efficiency and effectiveness in programme execution by designated officials in the financial management.

In this way the Auditor General focuses on all operational activities of the Department to determine to what degree the operational arm has executed its administrative obligations with regard to

expenditure on public funds, utilisation of materials and personnel within the limits of programmes and whether this has been done in an effective, efficient and economical manner.

In his 1999 national budget speech, the Minister of Finance, Minister Trevor Manuel highlighted the following :

- That the budget should link departmental spending with service delivery and outputs.
- That the government is going to publish for the first time the national budget estimates in order to inform the public about how the public funds have been used.
- In terms of the new Financial Management Act, departments will have to account for service delivery.

2.2.2 The responsibility of the Auditor General to ensure sound management of public funds

The Auditor General is, in terms of the Constitution of the Republic of South Africa of 1996 (Act. 108 of 1996), demanded to enquire on the effectiveness of the department's internal financial control procedures as well as other external controls which may be prescribed as additional control tools in financial management and

other administrative practices which ultimately have financial impact.

Government auditing involves the investigation and evaluation of the financial administrations of government institutions. The object is to form an opinion on control to ensure that public funds and assets are safeguarded, accounting systems function properly and public monies are spent effectively. In accordance with the Public Finance Management Act, 1999, the Auditor-General has the power to investigate and audit the activities of public entities without the necessary approval of the CEO or board of directors, if he considers it to be in the public interest or upon receipt of a complaint.

The role of the Auditor General has also changed in recent years by moving from financial audit to efficiency audit. More weight is put on the performance audit. (Premchard, 1995).

In terms of section 215 of the Constitution of the Republic of South Africa (1996), budgets and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and the public sector.

In exercising his/her the duty, the Auditor General should ensure that:

- All reasonable preventative measures have been taken to safeguard the income, assets and other interests of the Department.
- Expenditure exist, authorised, complete, correct and that all relevant procedures and regulations are complied with.
- Satisfactory management measures are taken to ensure that resources are procured economically and utilised efficiently and effectively.
- Public reports containing audit findings are provided to the legislature concerned.

2.2.3 Transformation of financial practices vis-a-vis major policies that guide financial management in the public sector

The White Paper on the transformation of the Public Service identified the following problems in the Public Service:

- Poor service delivery
- Centralised control and top down management structures
- Lack of accountability and transparency
- Absence of effective management

- Low productivity
- A rule-bound rather than goal-oriented approach to the operational activities

Other legal frameworks that govern the financial and administrative practices include:

- The Constitution of the Republic of South Africa (Act No. 108 of 1996)
- Generally Accepted Accounting Principles (GAAP): These are those principles which have substantial authoritative support of financial activities. This is according to the opinions of the Accounting Principles Board. GAAP was mainly designed for the private sector although most of its principles have been adopted by the public sector,
- Generally Recognised Accounting Practice (GRAP): This legal framework will be used to address public sector issues which could not be adequately addressed by GAAP,
- The Public Service Act: The good conduct of staff is highlighted in this document,

- Treasury Regulations: These tabulate and give guidance to the handling of financial related transactions,
- The Public Finance Management Act: To secure transparency, accountability and sound management of revenue, expenditure, assets and liabilities of national and provincial government as well as public entities, and
- State Tender Board Regulations: To ensure affirmative procurement and transparent provisioning of goods and services.

According to the Public Finance Management Act (1999) the government when dealing with finances, has to focus on outputs and responsibilities rather than the rule-driven approach in the previous Exchequer Act. In addition, the Act promotes the objective of good financial management in order to maximize service delivery through the efficient and effective use of limited resources. In terms of Chapter five (5) of the Act, the accounting officers and other officials should amongst others:

- (a) Maintain effective and efficient system of financial management and internal control.

- (b) Accept responsibility for the effective use of financial and other resources.
- (c) Prevent unauthorized, irregular, fruitless and wasteful expenditure and under-collection of revenue.
- (d) Effectively manage the assets and liabilities of the department.
- (e) Comply with the provisions of this Act and the delegation or instructions within that official's area of responsibility.

According to Premchard, (1993) the public expenditure management forms part of the overall management of public services. In order to have service delivery, there should be a corresponding proper management of public spending.



It is imperative that today's financial official should be more conscious about their actions. Henley et al., (1983, p.1) states that "Financial management and control issues in the public sector have become the focus of increasing attention in recent years. Cuts in public expenditure have been the major cause for the new financial reforms. These have put pressure on public authorities to maintain services with less money (in real terms) and to do so, they have had to improve their financial analysis so that the action can be taken to improve efficiency and value for money. Another cause

has been the call for improved measures of performance, as part of pressure for stronger accountability. The disclosure of information in the financial statements is a requirement in terms of the Companies Act, Statement of Generally Accepted Accounting Practices as well as the Statements and Interpretations issued by the International Accounting Standards Committee. This has brought accounting practices in public under scrutiny. A third cause has been pressure within the accountancy profession to standardize accounting practices and to examine whether public sector practices should not be brought more into line with those in private sector. Finally, on the heels of government interest on cutting expenditure and trying to improve performance and accountability in the public services, all the professional accountancy institutes have become more interested in public sector practice with the objective of disseminating their experiences, skills and expertise and that in general the public sector has not succeeded in mobilizing support for its own way of doing things, and the political attacks at National level have been reinforced at the local elected level for improved efficiency”.

The South African government is currently discussing the following issues in order to address unhealthy practices in the public service:

- To improve management policies and practices in respect of procurement, employment, discipline, finance and risk management
- To promote the concept and practice of ethics management
- To embark on an intensive and extensive public awareness campaign that will be supplemented with education and training.

2.2.4 Adequate application of existing policies by management and staff

Despite established administrative policies, instances are found by auditors where deviations do exist. The overall concern in all reports issued by the Auditor General is mainly non-compliance to procedures, rules and regulations. Above all, the head of the Department has to account for both the positive and negative actions of the staff in his/her Department.

Delayed payments render the accounting officer to have committed financial misconduct for exposing the Department to possible legal action, which could amount to fruitless and wasteful expenditure. There are instances where queries were raised due to interest

charged on late payments as well as forfeiture of discounts as a result of payments not done promptly.

Section 217 of the Constitution requires procurement to be in accordance with the procurement system, which is fair, equitable, transparent, competitive and cost effective. The procurement function consists, inter alia, of the control over and guidance to government departments to ensure that the procurement policies and guidelines prescribed by the executing authorities and Tender Board are complied with. (Gildenhuys J.S.H., 1997)

According to Raboroko (1999), the Departments of Health, Education and Public Transport – Gauteng Province had an overspending of R431,496 million during the 1996/97 financial year due to non-compliance with state tender board regulations.

2.2.5 Financial skills and capacity in Human Resources

The Presidential Review Commission (1998) states that "There is an urgent need to develop South Africa's human resources and this has been stressed in a variety of policy documents, including the RDP White Paper, the WPTPS the Department of Labour's recent Green Paper on a Skills Development Strategy for Economic and

Employment Growth in South Africa (1997). Underpinning this urgency are two facts:

- firstly is the growing awareness that "investing in people" is the most productive investment a country or organisation can make;
- secondly is the realisation that South Africa currently ranks last out of 46 countries (at a similar stage of development) in terms of its human resources development performance (*World Competitiveness Yearbook*, 1996), a fact that is attributable in the main to the legacy of apartheid.

With respect to the public service, the White Paper on the Transformation of the Public Service stresses that the effective mobilisation, development and utilisation of human resources is not only an important transformation goal in its own right, in building individual and institutional capacity for good governance, but also critical for the success of the transformation process more generally. Accordingly, a coherent and holistic strategic framework for human resource development needs to be developed at both national and provincial levels. This will entail a number of related

elements, including:

- The elevation of the role and status of human resource development within the overall framework of government policy;
- The development of effective and lifelong career development paths for all categories of public servants;
- The improvement in employment conditions;
- The introduction of effective performance management and appraisal systems, and the use of incentives to reward individual and team performance;
- The basing of promotion and career advancement on performance rather than on seniority or qualifications.
- The introduction of effective systems of staff development and training for all public servants, within the context of a national training strategy.”

In order to survive the challenges of norms and standards required by auditors in their regulatory and performance audits, the department needs skilled personnel who can handle these challenges. Audit Talk (2000), Business Day (04 August 2000)

reported that the lament of the Auditor General was that untrained staff handling the finances is the main stumbling block as well as obstacle in the way the government wishes to create an efficient public service.

Linde, J. (2000, p.20) states that "Good financial management is a critical weapon against waste, yet government is seemingly unable to attract the calibre of staff needed to achieve this. Pay is an important factor. The grass is greener for skilled professionals in the private sector than in the public service".

It is evident that these anomalies occur notwithstanding the existence of provisioning administration controls. According to the Director General (1996) it was emphasised that there is no work ethic in the civil service and that the challenges impacting on us currently, for example interrogation of financial practices each year by the Auditor General, demands the sharpening of skills and the efficient and effective delivery of services. In order for change to happen in the public sector, the service deliverers – civil servants need to be empowered and capacitated in their core business. Emphasis on training has to be earmarked for the frontline staff whose actions directly impact on the performance of the head of the Department.

The head of the department cannot have “hands-on” regarding all the day to day activities of his or her department, therefore, such responsibility is delegated to the relevant officials in the organisational structure. It is important that the officials recruited to handle monies be capable and committed to ensure efficient and effective management of revenue, expenditure, liabilities and assets. The Sessional Committee on Public Accounts (SCOPA) does not entertain excuses for non-performance. Some of the excuses often raised by heads of Departments, are:

- No treasury approval was granted
- Tender Board procedures caused delay
- Inadequate system
- Unfunded mandates
- Capital projects take longer than expected
- Rollovers
- Blaming a province because of erroneous red tapes actions to be followed

Isaac-Henry et al (1994, p.88) stated that “The service provided by the personnel management during the next few years is likely to play a significant role in achieving change, not least facing up to the reality of commercial approach which is being demanded of local

authority managers.” It is therefore necessary that managers should provide relevant training to be in line with the international accounting practices.

2.2.6 Revenue and debtors management

It is imperative that management measures exist to ensure that all sources of income are levied timely and completely. In addition, the Department should maintain an updated debtors management system. According to Treasury Regulation 7.2.1 (2000) states that “the accounting officer must manage revenue efficiently and effectively by developing and implementing appropriate processes that provide for the identification, collection, safeguarding, recording and reconciliation of information about revenue”.

2.2.6.1 Revenue

It is a norm that the potential revenue is not collected adequately in order to enhance the limited resources.

Instead emphasis is on what we spent rather than what we can derive from the community in the form of charges, fees and or levies as cost recovery for the goods and services supplied. Auditors are not yet convinced that the collected revenue is complete. (Auditor General Reports 1998/99, 1999/2000 and 2000/2001 for Department of Agriculture,

Conservation and Environment, North West Province).

According to Treasury Regulation 11.1.1 (2000), debtors include all debts accruing to the Department as well as any amount owing to or receivable by the Department.

2.2.6.2 Debtors

The introduction of the public financial management Act has brought a total overhaul of the cash basis accounting into accrual accounting officer that a debts management system be developed. The current computer system in the government does not have capacity to handle this challenge. For example the ability to integrate accounts receivable with the general ledger within the existing system. A sound debts management system should include:

- Developing tariffs
- Recording and reporting of debts
- Collection of debts
- Charging interest
- Debts write-offs

2.2.7 Financial reporting and control

The accounting officer must keep full and proper records of the financial affairs of the Department, and must also prepare financial

statements in accordance with the Generally Accepted Accounting Principles. According to the Treasury Regulation 18.4 (2000), the financial statements have to be submitted within two months after the close of the financial year to the Auditor General. Thereafter he or she should submit the annual report and audit report to the relevant Treasury within five month after the end of the financial year. It is therefore, demanded of the head of the Department to report on the financial affairs of the money entrusted to him/her by the Legislature at the end of the financial year. The information in the report must amongst others be useful, effective, reliable, relevant, clear, appropriate, timely, precise and transparent to the users. Although managers are provided with monthly financial information, no decisions are taken on such information until the head of the Department falls into the grilling process by interrogation in front of the Sessional Committee on public Accounts. (PFMA, 2000).

According to the Presidential Review Commission (1998) there is a lack of effective monitoring and valuation mechanisms in the public service of South Africa. A perusal of the annual reports has revealed that the annual reports prepared by national and provincial departments are largely dry, skeletal and not always helpful. These largely fail objectively to outline successes and failures of the

previous year. In addition, they are not flexible enough to give immediate feedback to policy-makers and implementers. Annual reports have to bring a broad picture of the performance of the Department with regard to the promises made by the executing authority during the budget speech at the beginning of the financial year. The Commission visited provinces and within those visits, the thrust of the Ncholo audits was not substantially challenged by those provinces which queried the reports of the Commission. There is no reason to doubt the substance of the Ncholo reports as a whole. The following are some of the core issues and problems raised in the audits:

- managers are often not held accountable for service delivery objectives.
- lack of skilled staff and capacity.
- financial decision-making is over-centralised and funds are generally poorly managed. There is no penalty for over-spending and, therefore, managers do not take financial performance seriously.
- procurement procedures are tedious and unnecessarily bureaucratic and not responsive to departmental needs.
- lack of strategic planning in the provinces.



- Information Technology is in poor state due to lack of funding for training and the lack of skilled staff.

Gildenhuys J.S.H. (1997, p.72) stated that "The purpose of financial control is to ensure systematic and orderly financial management in order to secure the efficient and effective use of public money and public property."

Gildenhuys J.S.H. (1997, p.79) stated further that "The financial transaction of the department will therefore have to be managed in such a manner as to allow the accounting officer to defend them at the hearings of the public accounts committee". To fulfil all these obligations, it is important that an effective cost-appropriation system as well as an internal financial audit programme be maintained, so that mistakes are detected in good time and corrective steps taken before it is too late. Proactive and preventative internal control are necessary rather than the internal control coming after the wrong has been committed.

Makgoke, P. (2000, p.17) states that "Poor financial reports reported by the Auditor General not only threatens the collapse of service delivery by local governments. Local governments need to

tighten up their financial control in order to be able to deliver services and function effectively”.

Mohan Kaul,(1996, p.135) stated that “This identification of responsibilities, where policy formulation is separated from implementation, is a necessary precursor to strengthening accountability. Enhanced accountability fits with a broader concern to adopt a more managerial approach. Such an approach suggests that accountability is enhanced by tighter definition of tasks, measurement of performance, devolution of resource control, strengthening of monitoring, and clarifying of incentives”.

The concern to ensure efficiency in the public service is mirrored in the concern to achieve a civil service more oriented towards achievements and outputs than consistency of procedures – the model which traditionally underpinned civil service activities. (Kaul et al., p135).

In his document the then Director General – North West Province, Job Mokgoro, emphasised on the need to conduct in-depth analysis to review the operational managerial practices in place to achieve government policies and service delivery.

2.3 Conclusion

The previous financial legislation narrowly focused on the expenditure with less emphasis on the securing accountability and ensuring efficiency and effectiveness in the management of revenue, expenditure, assets and liabilities of the state. The Public Finance Management Act, gives effect to sections 213, 215, 216, 217, 218 and 219 of the Constitution of the Republic of South Africa, (1996) (Act No. 108 of 1996). These sections require the legislation:

- to introduce generally recognised accounting practices,
- to introduce uniform treasury norms and standards,
- to prescribe measures to ensure transparency and expenditure control in all spheres of government, and
- to set the operational procedures for borrowing, guarantees, procurement and oversight over the various National and Provincial Revenue Funds.

CHAPTER 3

DEFINING THE PROBLEM AND MANAGEMENT QUESTIONS

3.1 Introduction

The problem this research addresses is lack of financial discipline. The date 26 June 2001 could be marked as the worst day for the Department of Agriculture, Conservation and Environment in which the accounting officer was summoned to appear before the Sessional Committee on Public Accounts for responding to the anomalies resulting from the audit findings. Although issues raised by auditors appeared minor according to the perception of the department, auditors took these issues in a serious light and gave qualified reports for the financial year ending March 1999, 2000 and 2001.

3.2 Rationale to the problem

This research proposes to identify and evaluate the financial and administrative deficiencies in the Department of Agriculture, Conservation and Environment – North West Province as highlighted by the Auditor General in his audit findings for the financial years 1998/99, 1999/2000 and 2000/01 respectively.

The major policies that guide the financial management in the public sector are not adequately implemented by the staff of the Department. According to Auditor General Reports (1999, 2000 and 2001), it has been found that the financial management systems are not adequate to meet the challenges of the new model of corporate governance and financial discipline.

In addition, there is an overall lack of staff with appropriate skills and knowledge to run the departmental financial and administrative affairs in terms of the financial prescriptions. Staff does not have sufficient skills and/or understanding of the importance of financial management to oversee the Department's funds adequately. This lack of sufficiently skilled human resources poses challenges to the Department as this might result in a perpetual process of receiving audit queries each financial year with no improvement. Review and control measures are lacking. This results in major flaws in the internal control system in this regard.

The following are, amongst others, specific anomalies that require urgent attention by management in order to transform the current financial and administrative practices to be effective as well as adapting to the global corporate governance agenda:

- **Purchases and payments:** Purchase orders were split in order to remain within the ambit of a maximum limit of

R7 500. This practice is not allowed as it amounts to deviation from stipulated Tender Board exemption NWG 419/97 which prohibits the splitting of orders. Such splitting of order amounts to a violation of tendering procedures. Instances were found by auditors where less than three quotations or no quotation was attached to payment vouchers which is a contravention of the norm of asking for three quotations before an order is issued. Personnel matching invoices to orders and processing the payments did not make prompt payments in order to secure purchases discounts. This results in losing discounts which would otherwise have been revenue due to lack of urgency as well as lack to understanding on the part of staff that time is money and precious. Urgent issues turn not to be attended to urgently.

Other examples in this regard include timeous deposits received by officials. In some cases cheques are stored in drawers for some days before they are remembered and deposited. This action costs money in terms of interest forfeited. Furthermore, those officers who receive cash lend themselves money hence postponing the deposit thereof.

- **Payroll:** Monthly payroll not checked and signed. There is lack of verification on the payroll to ensure that all paid staff

exists. Payroll are also not kept at regions. Head count to verify ghost employees are not done.

- **Late response:** This attitude is related to urgency although it indicates the response time when queries are presented. Most officers, due to lack of experience, do not view late response or no response in some cases in a serious light.
- **Lack of follow-up:** On a daily basis many decisions are made at various levels of management which in the final analysis result into money transactions taking place. It is common that in the process of decision making, errors are committed. Creditors submit erroneous claims and/or the bank debit the department with incorrect payment. Such problems need to be followed up and addressed. However, in most cases these problems are not followed up because of ignorance. Staff need to be reminded time and again about these crucial issues. Although one might be tempted to argue that staff are not properly trained, the problem here is not lack of training but laxity on the part of supervisors to develop and implement monitoring mechanisms.
- **Late reporting:** Issuing of financial reports is the key to good financial management. Financial reports give a picture of how the Department is performing in terms of the budget allocation. In order to present good reports, basic processes

have to be carried out. For example, the clearing of suspense accounts, proper posting of transactions and so on.

- **Poor client care:** Our suppliers/creditors provide us with the means with which we run government business. When orders are placed we expect creditors to deliver timeously but when we have to pay we do not do so timeously. As a result, creditors lose confidence and already start demanding payments for the services that are still to be rendered.
- **Overspending on programmes:** Due to under-budgeting on personnel expenditure, money is utilised on other operational expenditure and then the balance goes to salaries. Lack of financial control has caused the Department to continuously exceed the personnel budget in some programmes.
- **Revenue:** The system for recovery of private telephones not efficient. Telephone bills issued to staff members do not bear the numerical sequence and therefore cannot be certified by auditors as complete. Revenue is not reconciled with cash banked to compare completeness and identify outstanding amounts. Sufficient supporting documentation for revenue is not always kept. There is also lack of control over internal

levies. For example, the Transport Division does not charge maintenance and fuel to the relevant programmes. Fodder from the crop division to the animal science division is not charged. Revenue registers and documents are not reviewed by a responsible official. Officials receiving money are not authorised to do so in the form of written delegation to receive money on behalf of the state. Remittance registers are not always complete or reviewed. Frequent cash counts are not done and money is not promptly banked.

Segregation of duties between receiving, recording and banking are not in place.

- **Debtors:** There is no debtors system for identifying and recording debtors. Interest is not charged on outstanding debtors.

Accounts for debtors are not prepared and outstanding amounts are not followed up.

- **Stores, livestock and non-current assets:** Annual stock take is not performed and if performed, not to the required standard. Surpluses and shortages were not reported to indicate that physical stock taking had been conducted. Details of stock valuation are not available. Physical access to stores is not restricted. Requisitions for stores and livestock are not pre-numbered. Handing over certificates is

not completed. Assets are not marked with the Provincial Mark. Asset registers are not complete. Inventory lists are not kept in offices. Asset counts are not regularly conducted. There are no lists for disposals of obsolete and redundant items.

- **Archives:** Access to resources and records is not limited to authorised officials who are accountable for their custody. Regular inspection is not done.
- **Vehicles:** Logbooks are not completed in full nor reviewed. Physical control over vehicles is not sufficient.
- **Stationery and consumables:** Registers are not kept for control of stationery and consumables.
- **Face value documents:** Face value registers are not always in use and where kept, there is no control over them.
- **Transfer payments:** No certificate to the effect that funds transferred to the parastatal institutions are used in accordance with the prescripts.
- **Liabilities:** Complete and accurate list of outstanding payments and orders are not maintained. There is no provision for contingent liabilities.
- **Investments:** An investment register is not kept in respect of the milk quotas at the colleges of Agriculture.

Primary problem

The primary cause for the administrative flaws is due to lack of financial discipline, insufficient staff competence to meet laid down prescripts and a lack of internal control systems with adequate monitoring mechanisms.

Management questions

- Are financial and administrative control objectives effective, efficient, appropriate, comprehensive and integrated into the overall objectives of the Department?
- Are managers and employees maintaining a supportive attitude to the standards at all times and do they have integrity and sufficient competence to meet the required financial standards?
- Is there a system that provides a reasonable assurance that the objectives of the internal control system will be met?
- Is competent supervision provided to ensure that control objectives are being achieved?

Secondary problem

The above primary problems have resulted in the following secondary problems:

- Salaries are paid to incompetent staff with insufficient skills and or lacking an understanding of the importance of financial management .
- Improper control of budgets resulting in unauthorised expenditure due to overspending and non-delivery of services due to underspending.
- Creditors losing confidence in the government thereby requesting advance payments before the rendition of services.
- Loopholes for fraudulent transactions/activities
- Material misstatement of necessary information in the financial statements
- Qualified audit opinion

Management questions

- Are adequate mechanisms in place for checking and controlling salaries and wages?
- What mechanisms for budgetary control are in place in this Department?

- Are suppliers paid promptly to secure purchase discounts and so avoid interest charges?
- Are there sufficient internal controls to prevent cheque and invoice fraud?
- Is the interpretation of the financial statements done by a responsible official with an analytical mind?

3.3 Conclusion

The financial corps will be failing in their duties and responsibilities if they do not comply to rules and regulations. In order to keep its head above the water, the Department has to be geared up to be on board with regard to the challenges of best administrative practices and corporate governance. It is important for the Department to focus on diagnosing the sources of poor financial management practices.

CHAPTER 4

RESEARCH DESIGN AND DATA ANALYSIS

4.1 Introduction

This research is a critical analysis of administrative practices in the Department of Agricultural, Conservation and Environment in the North West Province. This chapter gives an indication of the sampling techniques, population, survey methods as well as the methods used to analyse the data collected.

4.2 Sampling Method

No sampling will be made as a total population of all employees from levels seven to fifteen on the organisational structure is targeted i.e. 709. Data will be collected from supervisors/managers who had equal chance of being selected.

4.3 Population

The organisational structure of the Department of Agriculture, Conservation and Environment is made up of 2928 approved posts of which 2251 are filled. This research is, however, targeting 709 officials out of 2251 who are either directly or indirectly involved in the financial affairs of the Department. It is against this background that officials from levels 7

to 15 in the structure of the Department were chosen to be the target group (population) for the information required.

It is a requirement in terms of the Public Service Regulations and the Public Financial Management Act that these targeted officials render their services in a professional, responsible and accountable manner.

4.4 Survey methods

Information was collected by sending self-administered questionnaires consisting of close-ended questions. Self administered questions will target responses from all staff from level seven (7) up to level fifteen (15) in the department.

4.5 Data capturing analysis

Information received through the questionnaires was captured into the computer in a grid format. A file was developed into which all data from respondents was sorted. The data file was refined by eliminating mechanical coding errors. Data was be grouped in terms of the following categories in order to ensure that all responses to statements on the questionnaire – “don’t know, not sure, never, sometimes and always” are taken into consideration:

- Revenue management

- Expenditure management
- Human resource management
- Storage of documents and stores
- Managerial control

4.6 Statistical method used

Descriptive statistics was used to analyse the data collected from the survey. The graphic analysis of data is showed by way of pie charts and tables in chapter five.

4.7 Conclusion

In order to be able to come up with an appropriate solution, it is important not to ignore any step in addressing the problem. Problems confronting management should receive urgent attention in order to built a foundation where all staff will be comfortable with the usual interrogation of the way funds had been handled. Lack of operating according to best practices will render the Department ineffective.

**NWU
LIBRARY**

CHAPTER 5

RESULTS AND INTERPRETATION

5.1 Introduction

The results from the data collected as presented in chapter 4 is discussed and interpreted in this chapter.

5.2 Presentation of results

Out of the population of 709, only 180 responded. The following tables and charts present the findings from data collected:

Table 5.2.1: Utilisation of revenue management system

Statement	Observations	Percentage (%)
• Do not know whether there is a system in place for the effective collection of revenue.	317	29.4
• Not sure whether there is a system in place for the effective collection of revenue.	254	23.5
• Revenue management system is not utilised.	138	12.8
• Revenue management system is utilised sometimes.	170	15.7
• Revenue management system is in place and adequately utilised.	201	18.6
Total	1080	100

Six questions were asked under the utilisation of revenue management system category and 180 responses were received resulting in total observation of 1080 (180x6). 29,4% of the respondents indicated that they do not know whether a revenue management system is being utilised and 23,5% were not sure. It is noted that 12,8% indicated that there is no revenue management system in place. 15,7% of the respondents indicated that they are using the system often whilst 18,6% indicated that the system is always utilised.

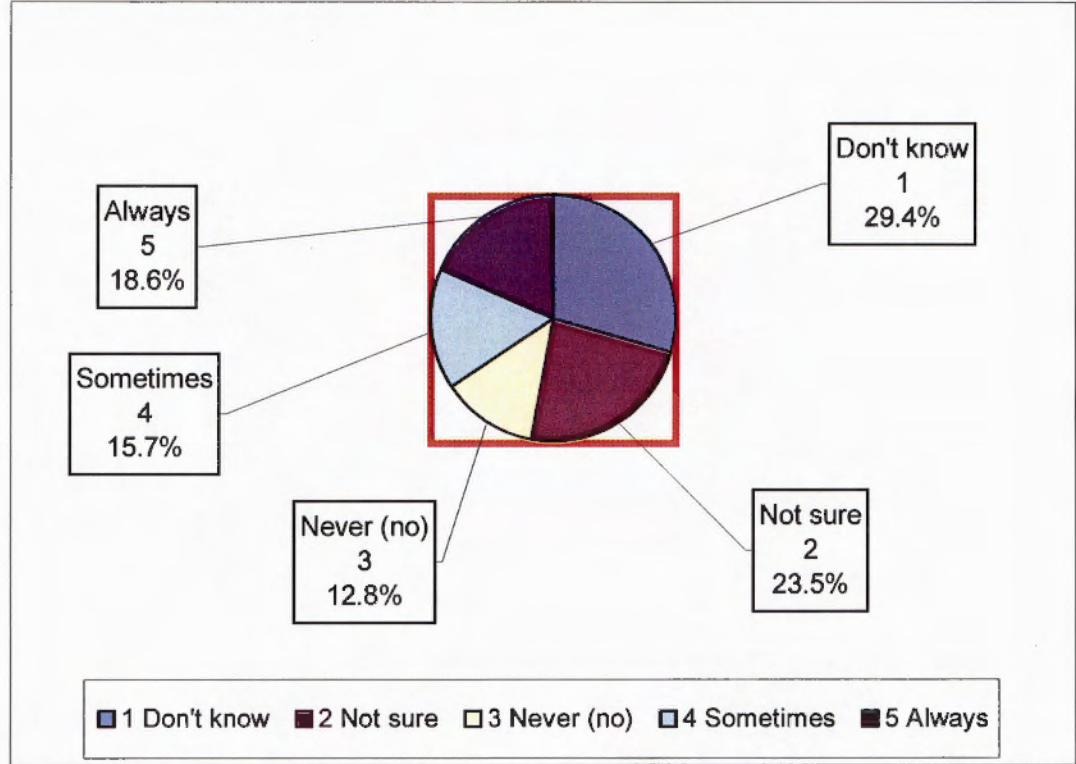


Figure 5.2.1: Utilisation of revenue management system

Table 5.2.2: Utilisation of expenditure management system

Statement	Observations	Percentage (%)
• Do not know whether there is sufficient exercise of control on payment of expenditure.	171	15.8
• Not sure whether there is sufficient exercise of control on payment of expenditure.	225	20.8
• Sufficient exercise of control on payment of expenditure is not utilised.	147	13.6
• Sufficient exercise of control on payment of expenditure is utilised sometimes.	276	25.6
• There is always sufficient exercise of control on payment of expenditure.	261	24.2
Total	1080	100

Six questions were asked under this category resulting in 1080 observations from 180 respondents i.e. 180x6. 15,8% of the responses indicated that they don't know whether sufficient control exists over the payment of accounts as well as the existence of asset registers. 20,8% of the responses were uncertain whether mechanisms are in place for expenditure management and whether such mechanisms are effectively utilised. 13,6% responded that there are no systems utilised for expenditure management. It is however noted that 25,6% of respondents indicated that they sometimes utilise the expenditure management system

whilst 24,2% confirmed that they do utilise the expenditure management system.

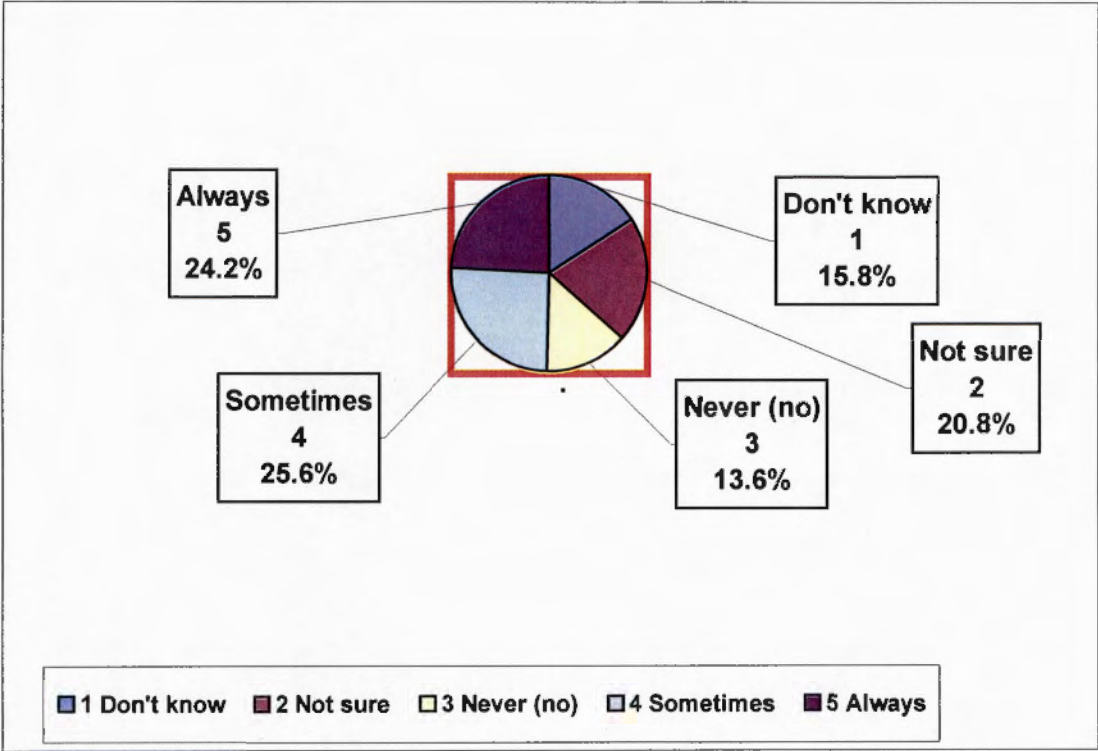


Figure 5.2.2: Utilisation of expenditure management system

Table 5.2.3: Storage of documents and stores

Statement	Observations	Percentage (%)
<ul style="list-style-type: none"> Do not know whether the approved filing system by the National Archives of South Africa is effectively implemented and whether the control of stores is effective. 	60	16.7
<ul style="list-style-type: none"> Not sure whether the approved filing system by the National Archives of South Africa is effectively implemented and whether the control of stores is effective. 	63	17.5
<ul style="list-style-type: none"> Approved filing system by the National Archives of South Africa is not implemented and the control of stores is not utilised. 	76	21.1
<ul style="list-style-type: none"> Approved filing system by the National Archives of South Africa is implemented and the control of stores is utilised sometimes. 	82	22.8
<ul style="list-style-type: none"> Approved filing system by the National Archives of South Africa is always implemented and the control of stores utilised. 	79	21.9
Total	360	100

Two questions were asked under this category. There were 360 observations from 180 respondents. 16,7% of the responses indicated that they do not know whether the storage of documents and stores is effectively implemented. Respondents who are not sure scored 17.5%. 21.1% of the responses indicated that the filing system in respect of

documents and the internal control of stores is not effective. However 22,8% responded that storage of documents is sometimes effectively done whilst 21,9% responded that storage of documents and stores is always effectively implemented.

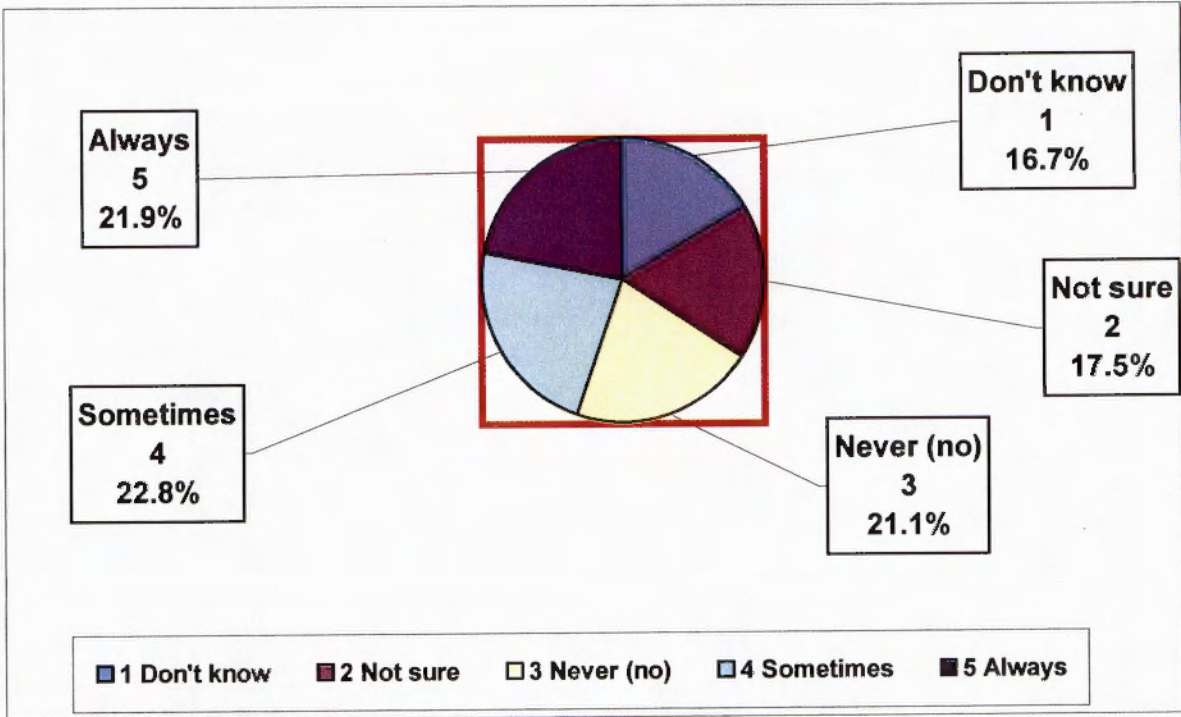


Figure 5.2.3: Storage of documents and stores

Table 5.2.4: Human resource capacity in the financial area

Statement	Observations	Percentage (%)
<ul style="list-style-type: none"> Do not know whether the Department has competent staff with relevant financial capacity to run the finances or are adequately trained in financial policies. 	85	11.8
<ul style="list-style-type: none"> Not sure whether the Department has competent staff with relevant financial capacity to run the finances or are adequately trained in financial policies. 	159	22.1
<ul style="list-style-type: none"> The Department does not have human resource capacity in the financial area. 	135	18.8
<ul style="list-style-type: none"> Sometimes the Department has human resource capacity in the financial area. 	163	22.6
<ul style="list-style-type: none"> The Department always has human resource capacity in the financial area capacity who manage the finances. 	178	24.7
Total	720	100

Four questions were asked under this category resulting in 720 observations i.e. 180x4. 11.8% responded that they do not know whether there is adequate human resource capacity in the financial area who can run the financial affairs of the Department. The percentage of other

statements not sure; never; sometimes and always were all below 25%
i.e. 22.1; 18.8; 22.6; and 24.7 respectively.

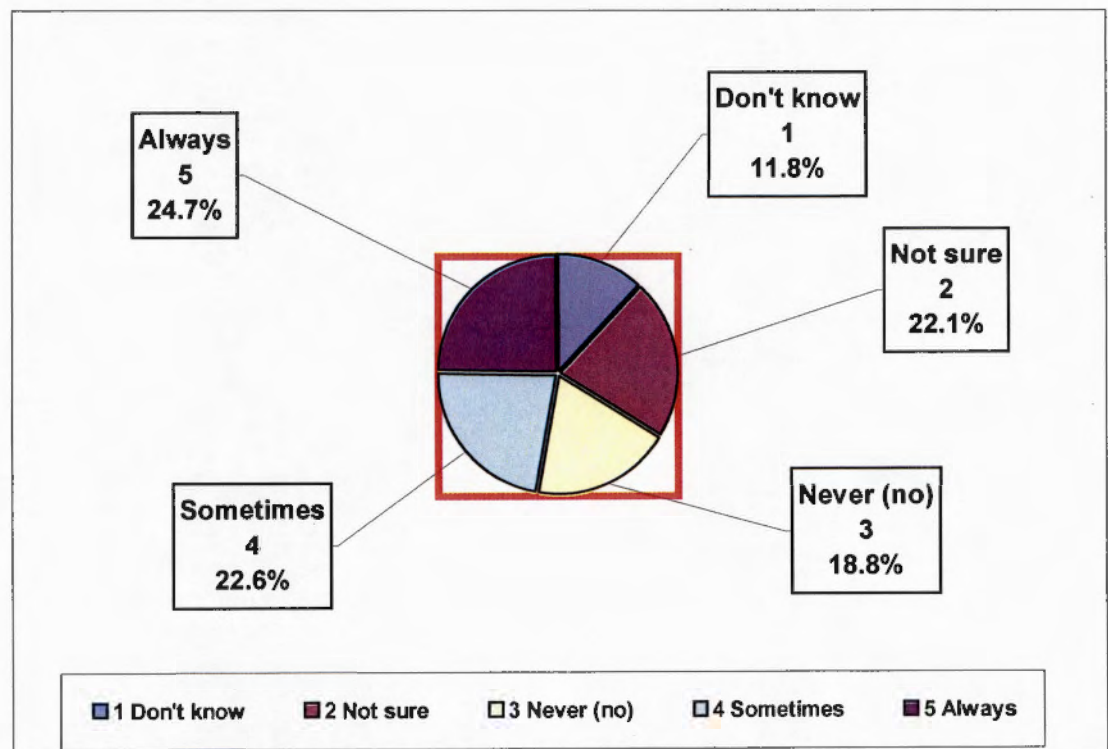


Figure 5.2.4: Human resource capacity in the financial area

Table 5.2.5: Existence of managerial control in the finances of the Department

Statement	Responses	Percentage (%)
• Do not know whether managerial control exists in the financial management of the Department.	103	9.5
• Not sure whether managerial control exists in the financial management of the Department.	188	17.4
• There is no managerial control of the finances in the Department.	341	31.6
• Managerial control of the finances in the Department sometimes exists.	235	21.8
• Managerial control of the finances in the Department always exists.	213	19.7
Total	1080	100

9.5% of the respondents indicated that they do not know whether managerial control exists in the financial management nor do they know of the presence of an effective internal control unit in the Department. 17.4% showed that they are not sure. Respondents showed 31.6% which denies the existence of managerial control in the finances. This is the highest percentage observed in all the five statements and is a point for concern. Statements “sometimes” and “always” scored 21.8% and 19.7% respectively.

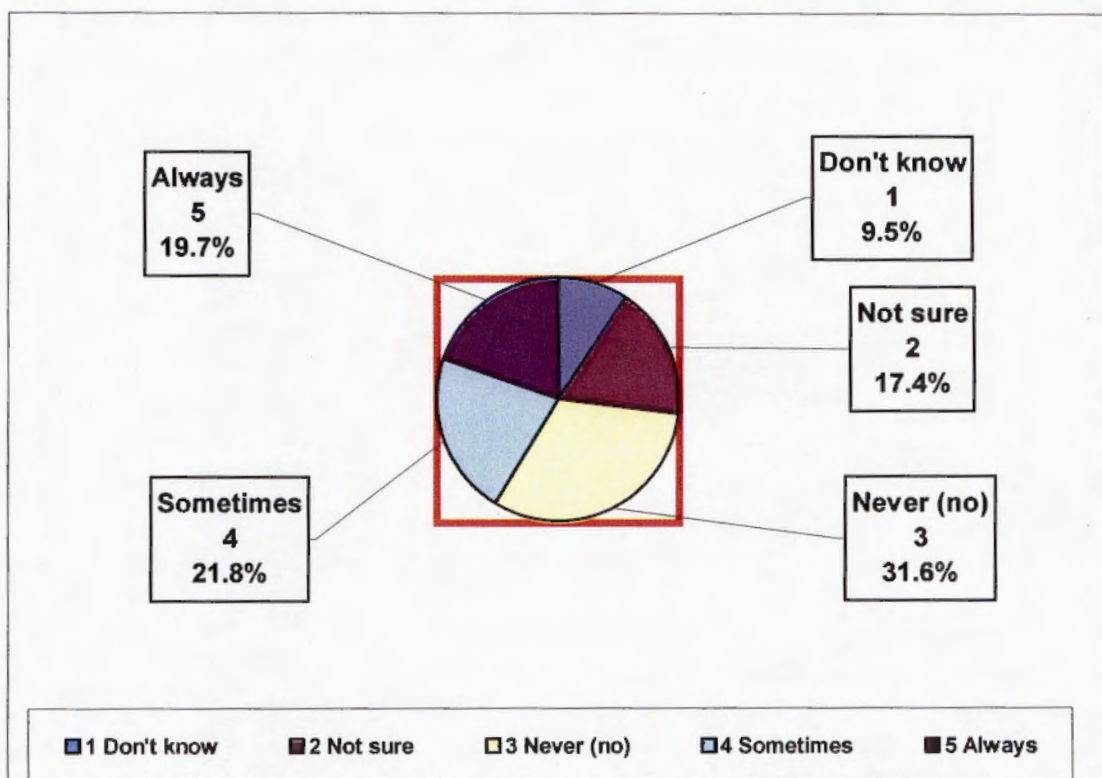


Figure 5.2.5: Existence of managerial control in the finances of the Department

5.3 Interpretation of results

Financial management needs to be modernised and professionalised to enhance accountability and service delivery. The interpretation of the findings will be grouped into two categories namely the negative responses and positive responses. Negative responses will include all responses under the statements “do not know”, “not sure” and “never”. The positive responses on the other hand will include the statements

“sometimes” and “always”. Here follows the interpretation of the results:

5.3.1 A positive response of 18,6% per table 5.1 : utilisation of the revenue management system shows that the Department does not have a revenue collection system. Line functions are not yet geared up to identify potential revenue sources as well as developing strategies to improve the current revenue status in the Department. This is the area in which managers have to sharpen revenue collection strategies in order to increase the ability to collect revenue which is currently 34.3% (i.e. 15.7%+18.6%). The National Treasury has mandated the Provincial Treasury to ensure that Departments maximise their revenue collection. Departments will therefore be compensated for extra revenue collected and such revenue so collected will be used by the Treasury as an incentive to augment the allocated budget. 65% shows negative responses towards revenue collection. The allocated budget might be cut with the amount equivalent to what should have been collected. The high percentages of 29.4; 23.5; 12.8 and 15.7 pose a threat to the Department. It is expected that revenue systems are to be better understood by managers and cascaded to the lower levels after having understood their necessity.

5.3.2 Expenditure Management is the major area associated with material risk and should be handled with the utmost care. 50.2% of the responses were negative and were made up of 15.8% (don't

know) + 20.8% (not sure) + 13,6 (never) with regard to the expenditure management.

5.3.3 55.3% (i.e. 16.7%+17.5%+21.1%) of the responses is an indication that although there is a filing system in place, it is not fully utilised by managers as prescribed by the National Archives of South Africa. This includes the non-effective internal control on stores. Managers are unaware of the necessity of the safe keeping of documents of potential value and that the custodianship of such financial records are their responsibilities. 22.8% of responses often comply to the system of storage of documents and stores but not adequately. Only 21.9% of the respondents towards the statement "always" were satisfied with the controls under this category.

5.3.4 A negative response of 52.7% comprising of 11.8%, 22.1% and 18.8% is the major reason why auditors could not rely on the financial capacity of the human resource in the financial area.

5.3.5 58.5% (i.e. 9.5%, 17.4%, 31.6%) of the respondents were not happy about the existing monitoring tools. This shows that managers are either not aware of the existing rules and regulations or there is a lack of communication on the financial prescripts to managers.

5.4 Conclusion

From the above discussion is evident that although policies exist, there is a need for a review of systems in order to be within the current budget and in line with new financial reforms. There are no appropriate linkages between all programme managers in the structure.

NWC
LIBRAR

CHAPTER 6

DISCUSSIONS, CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS.

6.1 Introduction

It is noted that the financial and administrative practices are becoming tougher and tougher each day due to the new reforms and challenges that are unfolding from the international community. It is therefore imperative that the staff of the Department be brought on board in an effort to improve the financial and administrative practices as well as to increase efficiency and effectiveness in the Department and ultimately in the country.

The administrative support functions in the organisational structure of the Department have been decentralised in order to bring the services at the doorstep of the line functions which in effect enhances service delivery.

The basic goal for fundamental changes in the administrative practices are to help the department to cope with the new more challenging scrutiny and interrogation of operational activities in the departments by auditors as demanded by the Constitution.

6.2 Discussion of results

The results show an alarming lack of financial discipline. The following

discussions addresses the questions raised in Chapter 3:

Table 6.2.1: Primary problem management questions

Management question	Remarks
<ul style="list-style-type: none"> Are financial and administrative control objectives effective, efficient, appropriate, comprehensive and integrated into the overall objectives of the Department? 	<ul style="list-style-type: none"> From Tables 5.2.1 (p.65), 5.2.2 (p.67) and 5.2.5 (p.73) it is clear that administrative and financial control objectives are not effective, efficient, appropriate, comprehensive and integrated into the overall objectives of the Department. The competent supervision is not provided to ensure that the control objectives are being achieved.
<ul style="list-style-type: none"> Are managers and employees maintaining a supportive attitude to the standards at all times and do they have integrity and sufficient competence to meet the required financial standards? 	<ul style="list-style-type: none"> According to Table 5.2.4 (p.71) there is sufficient competence in the financial staff to meet the required financial standards. 52.7% of the respondents were unhappy regarding the necessary supportive attitude.
<ul style="list-style-type: none"> Is there a system that provides a reasonable assurance that the objectives of the internal control system will be met? 	<ul style="list-style-type: none"> There is no reasonable assurance that the objectives of the internal control system will be met. Tables 5.2.4 (p.71) and 5.2.5 (p.73)
<ul style="list-style-type: none"> Is competent supervision provided to ensure that control objectives are being achieved? 	<ul style="list-style-type: none"> Table 5.2.5 indicates that 58.5% of the respondents are not comfortable with the overall financial management system in the Department.

This shows that there are material weaknesses in the control of expenditure payments. There is also no assurance that the objective of financial internal

control will be met. Managers do not a maintain supportive attitude to the standard at all times and they do not have integrity and sufficient competence to meet the required financial standards. The data as analysed in Table 5.2.2 (p.67) shows the lack of commitment on managers to run the financial affairs in terms of procedures and regulations.

The financial staff is not geared up to face the challenges brought about by the new financial reforms. Human resources dealing with finance are either not aware of the new legal frameworks that control the finances or not suitable to be given such responsibilities.

Table 6.2.2: Secondary problem management questions

Management question	Remarks
<ul style="list-style-type: none"> • Are adequate mechanisms in place for checking and controlling salaries and wages? • What mechanisms for budgetary control are in place in this Department? • Are suppliers paid promptly to secure purchase discounts and so avoid interest charges? • Are there sufficient internal controls to prevent cheque and invoice fraud? • Is the interpretation of the financial statements done by a responsible official with an analytical mind? 	<ul style="list-style-type: none"> • It is clear according to Table 5.2.2 (p.67) that monthly payroll are verified and signed for. • Functional managers do not have full control of their respective budgets. Table 5.2.5 (p.73) refers. • There is insufficient exercise of internal control on payment of expenditure. Table 5.2.2 (p.67) refers. • It is evident according to Table 5.2.5 (p.73) that control mechanisms in respect curbing fraudulent transactions are lacking. • Table 5.2.4 (p.71) has revealed that the Department lack adequately qualified.

6.3 Conclusion from results

It is absolutely imperative for all managers to be taken on board in the management of the finances in order to avoid falling into the trap of the consequences for failing to comply to rules and regulations. This will result in the development of civil service values which are responsive and flexible.

6.4 Implication from results

There are anomalies in the financial administration which if not addressed timely could result in major problems for the head of the Department as well as into those in whose hands such anomalies occurred. The major policies guiding the financial management in the public sector are not adequately implemented by the staff of the Department. There is an overall lack of staff with appropriate skill and knowledge to run the financial affairs in terms of rules and regulations. It is also noted that the financial control objectives are not adequately defined and integrated to the overall objectives of the Department. There is lack of competent supervision provided to ensure control objectives are being achieved. It is noted that the new reforms brought by the Public Finance Management Act need to be phased in by departments and all previous faults corrected.

LIBRARY

The internal control function is dormant and not effective. Rather than being proactive, it is reactive and concentrates mainly on investigations of incidents that resulted from deviations from procedures.

6.5 Recommendations

It is evident from the study that implementation of good administrative practices and corporate governance is the key solution to the problems identified in Chapter three. Corrective measures have to be taken to stabilise and improve the situation. The following are key measures and or recommendations to be effected in order to address some of the problems identified as impediments to the effective and efficient administrative operations:

6.5.1 Policies that guide financial management in the public sector

It is imperative that management from junior management to top management should be fully abreast with the existing financial policies in the public sector. Copies of such policies should be made available to all managers. Each manager has to acknowledge receipt of the documents. It is also important that he or she undertake to be responsible for the running of the finances under his section/division/sub-directorate/directorate and full implementation of the policies.

Where induction is necessary, training has to be conducted aggressively to assist managers to take full control of their finances in order to accelerate the delivery of services.

6.5.2 Improvement of financial and administrative practices

The Department has to appoint suitably qualified finance personnel who are proactive, productive and geared up to achieve the objectives of the Department. Policies mentioned in paragraph 6.5.1 above should be summarised in a more simpler way on circulars in order to be adequately understood by the operational staff. Policy guidelines should be developed for each financial activity.

An awareness programme in the form of financial management campaign is necessary in order to sharpen the skills necessary to administer the finances. (Mfikwe M., 1996). There is a need for human resource training in the financial area.

6.5.3 Building financial capacity in the financial staff

Managers have to be empowered in the financial area. Internal workshops should be conducted so that every staff member understands his or her role in the structure. It is also important that finance related information be cascaded to the lower ranks in order

to keep the momentum of effective and efficient administrative operations going smoothly and increasing. Managers as well as lower staff should start associating themselves with financial standards and norms. The lower staff should not see financial policies as senior management tools. It is recommended that this be done through a phase-in approach. The financial policies are to be work-shopped to reduce a negative perception and a high level of rejection by the operational staff. It is also recommended that managers should be obliged to be the custodians of the finances. The Department has to continuously make an effort to improve its financial capacity which is lacking according to the audit reports through the assessment of the current situation and provision of appropriate training.

6.5.4 Implementing effective control measures and monitoring mechanisms

It is matter of urgency, that more effective systems of monitoring and evaluation be designed, developed and implemented. Managers have to be committed to ensure good financial management corporate governance. The internal control should operate in full to reduce the scope of the external audit.

6.5.5 Need for further research

There is a need for further research in this area in order to explore the most effective administrative practices necessary to ensure good governance which is the current debate in the global village. All managers aspire to render customer services professionally and to excellently be in line with the challenges of service delivery in the public sector. The public sector has to keep its strides at the same pace with the private sector. Obligations brought about by the Public Finance Management Act has fueled the need for academic input into the concept of effective and efficient administrative practices. There is therefore a need to undertake intensive research on this concepts in order to assist Departments to implement these concepts effectively and efficiently as well as avoiding to learn from the experience of others as it was with Departments in our neighbouring provinces.

6.6 Summary

Those entrusted with the safe-custody of public funds are expected to perform such responsibility in a professional, transparent, accountable manner and with the utmost care. Financial reform is real and cannot be reversed. The solution is **“Get geared up”**.

Bibliography

1. Carter C. (1997): **"Mandela Signals New Push in the Provinces"**, and **"Audit Team Calls For Clean-Up In Provincial Administrations"**, City Press, 1997.
2. Constitutional Assembly (1996): **"The Constitution of South Africa"**, Hn Communications, Ottery Road, Wynberg.
3. Constitutional Assembly (1996): **"Public Finance Management Act"**, Government Printers.
4. Ferrillo P (2000) "Corporate Governance: A Call To Arms."
5. Frederickson, H.G. (1999): "The Repositioning of American Public Administration." The MUDdex,
<http://www.findarticles.com/cf0/m2139/432/59136259/p1/article.jhtml?term=%BPubl...>, December 1999.
6. Gildenhuys, J.S.H. (1997): "Introduction To The Management Of Public Finance – A South African Perspective", Sigma Press, Eland Street, Pretoria, 1st Edition.
7. Government Notice (2000): **"Treasury Regulations"**, Regulation Gazette No. 6822, Vol. 419, May 2000.
8. Greybe D. (1997): **"Three Provinces on Verge of Collapse"** Business Day (1997)
9. Hall D.T. et al (1986): **"Human Resource Management"**, Boston University, United States of America

10. Hellriegel D. et al (2002): **"Management : A Competency Approach"**,
Pre-Press Company, Inc., Canada, 9th Edition.
11. Henley, D. et al (1983): **"Public Sector Accounting And Financial Control"**, Chartered Institute of Public Finance And Accounting,
England, 2nd Edition.
12. International Monetary Fund (2001): "Codes of Good Practice",
<http://www.imf.org/external/np/sec/pn/2001/pn01117.htm>, January 2001
13. International Federation of Accountants (2000) : "IFAC study examines
public sector corporate governance <http://www.findarticles.com/cf0/m6280/4190/66527529/p1/article.jhtml?term=public+sector+best+practices>
14. Isaac-Henry et al (1994): **"Management In The Public Sector"**,
Chapman and Hall, Oxford, 1st Edition.
15. Kaul M (1996): **"Journal on Public Administration and Development"**,
Vol. 6, p133-150.
16. King M.E. et al (1994) : **"The King Report On Corporate Governance"**,
The Institute Of Directors In Southern Africa
17. PRC (1998): **"Presidential Review Commission : South Africa"**
18. Linde, J. (2000): **"Auditor General Report – Skills Needed"**, Audit Talk,
September 2000, p20.
19. Makgoke, P. (2000): **"Auditor General Report – Damning Report On
Provincial Government"**, Audit Talk, June 2000, p17.

20. Manuel A Trevor(1999): **"National 1999 Budget Speech"**, Department Of Finance
21. Mfikoe M. (1996): **"Article on Change Management"**, Vol.1 No. 001, December 1996.
22. Mokgoro J (1997): **"Document on Analysis of North West"**, Province Reports
23. Premchand, A. (1993): **"Public Expenditure Management"**, International Monetary Fund, Washington, D.C., 1st Edition
24. Premchand, A. (1995): **"Effective Government Accounting"**, International Monetary Fund, Washington, D.C., 1st Edition
25. Raboroko, J. (1999): **"Department Overspent By R400 Million"**, The Sowetan July 1999.

Research Questionnaire To All Departmental Staff From Levels 7-15 In The Department Of Agriculture, Conservation And Environment: North West Province

Listed below are questions intended to measure your perception on financial and administrative practices in the Department. Please indicate your response to each statement shown hereunder by means of a tick. There are no wrong or right answers. Your response will be used for study purpose as well as improving the financial and administrative practices in the Department.

1. REVENUE MANAGEMENT

(To be completed by all departmental staff from levels 7-15)

1. I Don't know 2. Not sure 3. Never (no) 4. Sometimes 5. Always (yes)

1.1 Is there a system in place for the collection of revenue
timely?

1	2	3	4	5
---	---	---	---	---

1.2 Are all departmental revenue sources utilised to their
full potential?

1	2	3	4	5
---	---	---	---	---

1.3 Are tariffs set appropriately to maximise revenue
which is generated by the department?

1	2	3	4	5
---	---	---	---	---

1.4 Does the Department have the debtors management
system in place?

1	2	3	4	5
---	---	---	---	---

1.5 Is interest charged on all outstanding debts?

1	2	3	4	5
---	---	---	---	---

1.6 Do written delegations exist to handle state money in all
instances?

1	2	3	4	5
---	---	---	---	---

2. EXPENDITURE MANAGEMENT

(To be completed by all departmental staff from levels 7-15)

1. I Don't know 2. Not sure 3. Never (no) 4. Sometimes 5. Always (yes)

2.1 Is there a sufficient exercise of control on expenditure payments?

1	2	3	4	5
---	---	---	---	---

2.2 Is the Departmental asset register certified correct?

1	2	3	4	5
---	---	---	---	---

2.3 Does the Department have mechanisms in place to check the payroll?

1	2	3	4	5
---	---	---	---	---

2.4 Are suspense accounts regularly reconciled. For example advances?

1	2	3	4	5
---	---	---	---	---

2.5 Are personnel records adequately verified as correct?

1	2	3	4	5
---	---	---	---	---

2.6 Is the procurement policy for services effective?

1	2	3	4	5
---	---	---	---	---

3. STORAGE OF DOCUMENTS AND STORES

(To be completed by all departmental staff on levels 7-15)

1. I don't know 2. Not sure 3. Never (no) 4. Sometimes 5. Always (yes)

3.1 Is the filing system approved by the National Archives of South Africa effectively implemented in the department?

1	2	3	4	5
---	---	---	---	---

3.2 Is the internal control system for stocks effective?

1	2	3	4	5
---	---	---	---	---

4. HUMAN RESOURCE CAPACITY IN THE FINANCIAL AREA

(To be completed by all departmental staff from levels 7-15))

1. I Don't know 2. Not sure 3. Never (no) 4. Sometimes 5. Always (yes)

4.1 Does the Department have competent staff with relevant
financial capacity?

1	2	3	4	5
---	---	---	---	---

4.2 Are managers in the financial area adequately qualified
to run the finances of the Department?

1	2	3	4	5
---	---	---	---	---

4.3 Are the financial staff adequately trained in financial
policies?

1	2	3	4	5
---	---	---	---	---

4.4 Is there an appropriate performance management system in
place to evaluate the staff?

1	2	3	4	5
---	---	---	---	---

5. MANAGERIAL CONTROL

(To be completed by all departmental staff from levels 7 To 15)

1. I don't know 2. Not sure 3. Never (no) 4. Sometimes 5. Always (yes)

5.1 Are functional managers at this Department in full control
of their respective budgets?

1	2	3	4	5
---	---	---	---	---

5.2 Are there mechanisms in place to curb fraudulent
transactions?

1	2	3	4	5
---	---	---	---	---

5.3 Does the Department have effective internal control
function?

1	2	3	4	5
---	---	---	---	---

5.4 Is financial data provided for management information

appropriate for making informed decisions?

1	2	3	4	5
---	---	---	---	---

5.5 Have you attended the induction course on financial

management?

1	2	3	4	5
---	---	---	---	---

5.6 Are you comfortable with the overall financial management

system at this Department?

1	2	3	4	5
---	---	---	---	---