

An evaluation of the implementation of GRAP by the South African Social Security Agency

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DECLARATION

I, Patrick Thulaganyo Mothusi, declare that this thesis is my own design, execution, unaided creative work that has not previously been submitted by me for a degree at this or any other university for awarding my qualification. All material contained and used herein has been duly acknowledged. Figures that appears in the text of this thesis have been duly checked and are accurate.

PT Mothusi

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ABSTRACT

Globally, the public sector implements appropriate and pragmatic international accounting standards. The importance of developing these standards is to ensure and enhance transparency and accountability of public funds, which result in well thought out and better financial decisions. The introduction and implementation of the recognised accounting practices (GRAP) in three spheres of government, namely, national, provincial and local government, are embedded in section 216 of the Constitution of the Republic of South Africa (108 of 1996), the Public Financial Management Act (1 of 1999), and policy documents that support the legislative requirement.

The study evaluated the South African Social Security Agency's (SASSA) implementation of GRAP standards. The study aimed to understand the challenges that the accounting profession encountered during GRAP standards. There have been relatively few empirical studies specific to public entities that validated the advantages of accrual-based accounting in assuring a high-performance management system. Instead, most international research studied the migration from the cash basis of accounting to the accrual basis of accounting. Opinions differ concerning the benefits of implementing the accrual basis of accounting framework for external use in the public sector. Despite the limited empirical evidence and academics arguments, the implementation of the accrual basis of accounting framework is viewed appropriate for the public sector because it follows the International Public Sector Accounting Standards (IPSAS). However, the claimed benefits are questionable.

This study contributes to the existing body of knowledge by providing detailed important generic strategic GRAP standards implementation guidelines. External and internal stakeholders should follow these guidelines to address the challenges encountered, implement new GRAP standards, and enhance teaching and learning at higher education institutions. The guidelines provide holistic solutions to three spheres of government, which are national, provincial and local inclusive of other public entities, and other African and international countries that implement the accrual basis of accounting framework, influenced by IPSAS, in public entities.

The researcher followed a qualitative research approach to yield descriptive data obtained from individuals' written or spoken responses using interview questions, amongst other methods. Triangulation was adopted for collecting data. Semi-structured interviews were conducted to generate data by asking predetermined qualitative questions. Interviewing was used as data collection instrument because it is less structured than questionnaires and is not guided by any preconceived expectations or judgments. Furthermore, an interview is more qualitative in nature and allows more flexible exploration of issues while still providing rich detailed responses.

The study's target respondents consisted of employees who were purposely selected to respond to the interview questions. Reasons for selection included respondents being involved in decision-making as seniors in SASSA, their level of skills, immense knowledge and years of experience, and a required background in financial accounting, the financial system, training, and organisational development. The study used inductive analysis because it is suitable to use with interviews.

The study results highlight that the perceived potential benefits of implementing GRAP standards are not realised due to the challenges encountered by SASSA. These challenges are similar to the challenges encountered by other countries that implement IPSAS in the public sector. Therefore, it is critical for SASSA and other public entities that implement GRAP standards or IPSAS to note and address the challenges encountered. It is recommended that all spheres of government departments, which are national, provincial and local inclusive of the public entities, and other African and international countries that implement or intend to implement GRAP standards, strictly follow the developed pragmatic and measurable strategic GRAP standards implementation guidelines as well as develop internal control measures. The pragmatic and measurable strategic GRAP standards implementation guidelines and internal control measures should be regarded as a monitoring and evaluation tool in realising the potential benefits of GRAP standards.

Keywords

Accounting; Accounting Standards; Challenges; GRAP Standards; Implementation; Legislation; Potential Benefits; Public Entities; Public Sector; Transparency and Accountability.

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LIST OF ABBREVIATIONS

AGSA	Auditor-General of South Africa
ANC	African National Congress
ASB	Accounting Standards Board
BSC	Business Support Centre
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHE	Council on Higher Education
Denel	Defence Technology Company
GAAP	Generally Accepted Accounting Principle
GBE	Government Business Enterprise
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICT	Information and Communication Technology
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
MFMA	Municipal Finance Management Act (56 of 2003)
MTEF	Medium-term Expenditure Framework
NPM	New Public Management
OAG	Office of the Accountant-General
OECD	Organisation for Economic Co-operation and Development
PAA	Public Audit Act (25 of 2004)

PDP	Performance Development Plan
PESC	Political, Economic, Social and Cultural
PFMA	Public Financial Management Act (1 of 1999)
PPE	Property, Plant and Equipment
PRASA	Passenger Rail Agency of South Africa
PSC	Public Sector Committee
RAB	Resource Accounting and Budgeting
SAI	Supreme Audit Institution
SAICA	South African Institute of Chartered Accountants
SAIGA	Southern African Institute of Government Auditors
SAIPA	South African Institute of Professional Accountants
SAQA	South African Qualifications Authority
SARS	South African Revenue Service
SASSA	South African Social Security Agency
SCOAG	Standing Committee on the AGSA
SCOPA	Standing Committee on Public Accounts
SMART	Specific, Measurable, Achievable, Relevant and Time-bound
UIF	Unemployment Insurance Fund

CHAPTER 1: INTRODUCTION AND ORIENTATION

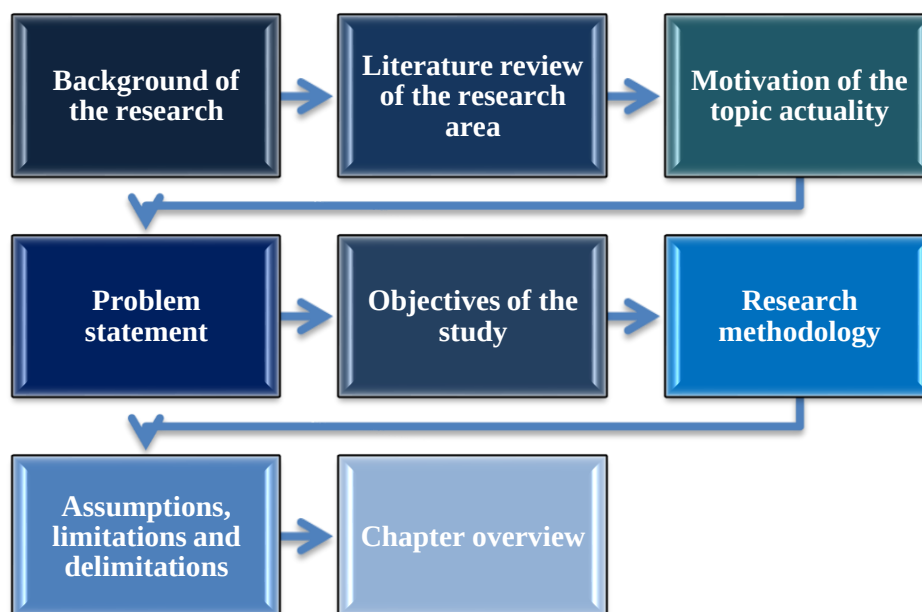
1.1 INTRODUCTION

This chapter provides a background to the research area. This includes clarifying the topic, namely, the implementation of generally recognised accounting practice (GRAP) standards in the South African Social Security Agency (SASSA). Moreover, the chapter explains the importance of the legislative and accounting policy frameworks that govern the development of accounting practices and standards in the public sector.

This explanation is followed by a literature review on the research area. The importance of evaluating the relevant literature on the topic and annual reports issued by Auditor-General of South Africa (AGSA) is highlighted. The topic actuality is motivated, thereby drawing attention to the existing knowledge gap. The problem statement and the objective of the study are provided in detail. Thereafter, the research methodology approach is explained. The chapter finalises with a chapter overview and summary.

Figure 1.1 illustrates the flow of Chapter 1. The main headers indicated are discussed in the sub-sections that follow.

Figure 1.1: The illustrative flow of Chapter 1



Source (Own Research, 2018)

1.1.1 Background of the research area

The implementation of accounting evolved over time. Boolaky (2004:6) states that the history of accounting reveals that accounting has undergone a three-stage process, namely, the evolution, revolution and transcendental stages. The three-stage process is linked to the bases of government accounting and practices around the world classified into four areas, namely: cash basis of accounting; modified cash basis of accounting; modified accrual basis of accounting; and accrual basis of accounting.

In terms of ASB (2009), the available legislative and accounting policy frameworks provide sound accounting practices, standards directives and guidelines in the public sector. The directives and guidelines ensure that countries develop appropriate and applicable accounting standards (Treasury Regulations, 2005). In terms of Treasury Regulations (2005), these standards are in line with international accounting standards applicable in the public sector accounting environment. De Vos (cited by Solomons, 2012:17) describes the International Federation of Accountants (IFAC) as the international leader that makes inputs to, drafts and sets local public sector accounting standards in regular consultation with the Accounting Standards Board (ASB).

Globally, there are specific international accounting standards for the public sector; for example, the International Public Sector Accounting Standards (IPSAS) that are developed and set by the International Public Sector Accounting Standards Board (IPSASB). The introduction and implementation of the recognised accounting practices (GRAP) in three spheres of government, namely national, provincial and local government, are embedded in section 216 of the Constitution of the Republic of South Africa (108 of 1996), the Public Financial Management Act (1 of 1999), and policy documents that support the legislative requirement.

Section 216 of the Constitution (1996) emphasises the national legislation to issue directives to all spheres of government to implement GRAP standards measures to ensure transparency (SAIGA, 2010). The PFMA (1 of 1999), as amended, was developed to guide the financial management and administrative reforms that have been ongoing since 1994. The PFMA's main objective is to recognise the need to improve the value for money to all citizens of South Africa by implementing GRAP standards in the public sector (ASB, 2009).

In terms of Section 91 of the PFMA (1 of 1999), the ASB was established during 2002 to define and support GRAP implementation as an accounting standard for the local public sector. The ASB (2009) has strict deadlines for finalising the required GRAP standards and emphasises good governance and accurate financial position reflected and reported in the public sector entity or government departments financial statements and annual reports (ASB, 2009).

In terms of Treasury Regulations (2005), treasury regulations are located within National Treasury where all directives and guidelines issued by PFMA (1 of 1999) for all three spheres of government are regulated. These spheres are governed by the PFMA (1 of 1999) and concentrate on fulfilling government mandate; for instance, SASSA that distributes various social grants to the eligible beneficiaries, and government business enterprises (GBEs) such as Eskom, Telkom, and the South African Post Office.

Public entities in South Africa assist national and provincial government departments with carrying out their legislative mandate in terms of the PFMA (1 of 1999), which gives effect to various sections of the Constitution (108 of 1996). The various sections of the Constitution require public entities to implement the GRAP standards to realise potential benefits such as transparency, accountability, and ability to make informed financial decisions.

In terms of Treasury Regulations (2005) and PFMA (1 of 1999), the use of bases of accounting differs per sphere of government in South Africa, for instance, GRAP standards influenced by IPSAS, which is an accrual basis of accounting framework implemented by municipalities and public entities to prepare financial statements. The situation is different in the national and provincial government departments because they implement the modified cash basis of accounting (Quist *et al.*, 2008).

Most potential benefits of public sector accounting practices and standards are determined by the appropriate development and implementation thereof in the public sector. These potential benefits form the basis for the analysis of SASSA as a Schedule 3A public entity in respect of its implementation of GRAP.

Challenges have been encountered when implementing effective public sector accounting practices and standards. The challenges have not only been limited to South Africa but have been experienced in the international public sector as well. The impact of the challenges and

risks could affect the realisation of the potential benefits of implementing the accounting practices and standards in the public sector. Some of the problems include: the accounting system implemented; available accounting skills; understanding and interpretation of the accounting standards; and the public officer's attitude.

1.1.2 Literature review of the research area

The available legislative and accounting policy frameworks prescribe the requirements for the public sector when preparing their general-purpose financial statements, significant accounting policies, and explanatory notes. According to De Jager (2016:3), legislation is one of the most important instruments of government for organising society and protecting citizens. For example, the Constitution (108 of 1996), PFMA (1 of 1999), and Treasury Regulations (2005) are regarded as the legislative framework for implementing GRAP. GRAP is used as an accounting policy framework for developing and setting the accounting standards for the public sector.

The development of South African accounting practices and standards is informed by legislative and accounting policy frameworks that align with international practices and standards. The emphasis from SAIGA (2010) is on section 216 of the Constitution (108 of 1996) to ensure transparency by implementing the GRAP standards to the three spheres of government.

Foster (2010) defines the accrual basis of accounting as a framework that recognises revenues and expenses according to the matching principle. The rationale for specifically defining the accrual basis of accounting is because in terms of the PFMA (1 of 1999), the accrual basis of accounting framework, which is influenced by IPSAS, requires the implementation of GRAP standards by public entities to prepare financial statements.

According to Fourie *et al.* (cited by Baboojee, 2011:12), the recognition of financial transactions incurred is critical irrespective of the timing of the related cash receipts and payments. Fourie *et al.* (cited by Baboojee, 2014:12) further add that:

“... all assets and liabilities are initially recognised on the historical cost basis, but often revalued to their fair value. Later the measurement focus is on economic resources or service potential and the change in these, and the information is provided about: the resources controlled by the entity, the cost of operations or providing services, the financial positions; and changes in the financial position and operational efficiency.”

The emphasis of the implementation of the accrual basis of accounting is therefore on recognising and measuring assets and liabilities. The public sector's assets and liabilities are recognised and the financial position reported. The associated cost provides a true picture of their service potential.

The value of government is realised by implementing the GRAP standards when governments departments and public entities are supported by an appropriate financial system, which results in improved service delivery. It is necessary that the public sector recognises the accounting transaction in the period during which it is incurred and provides a clear indication of the actual expenditure incurred in financial reporting. Management will make an informed decision on the exact cost incurred for service delivery implementation.

Countries across the globe implement the accrual basis of accounting influenced by IPSAS in the public sector. Connolly and Hyndman (2010:275) indicate that in the late 1980s countries like Australia and New Zealand migrated to public sector accrual basis of accounting arguing that new and better information is offered. “However, there is increase in number of governments on implementing public sector accrual basis of accounting framework, while others implement modified cash basis of accounting or modified accrual basis of accounting” (PwC, 2013:8).

The following African countries are adopting the cash basis of IPSAS: Algeria, Lesotho, Malawi, Namibia, Swaziland, Zambia, Zimbabwe and Nigeria, while in Tanzania, government authorities and GBEs in the Local Government of the United Republic of Tanzania are already complying with accrual-based IPSAS/International Financial Reporting Standards (IFRS) (Deloitte, 2013:6-12).

According to Tiron Tudor and Blidisel (2007), there have been relatively few empirical studies that have validated the advantages of accrual-based accounting specific to public entities because the studies were completed in the United States of America or in the western part of Europe. Thus, the findings are not a true reflection of Eastern European and African countries considering their historical, economic and social characteristics.

Hepworth (cited by Baboojee, 2011:34) cautions governments, which are intending to migrate and implement the accrual basis of accounting, that financial control problems encountered will not be addressed, but that those problems will instead become worse. This supports the argument that the implementation of the accrual basis of accounting in the public sector is more theoretical than practical.

There have been support and arguments by various academics on the claimed benefits of implementing the accrual basis accounting in the public sector and their argument is based on a lack of empirical evidence and facts. Wynne (2008:17) states that “it is becoming increasingly clear that the claimed benefits of the accrual basis of accounting are not being realised in practice”. Potter (cited by Carlin, 2005:313) supports Wynne (2008:17) and emphasises that this is contributed by a lack of empirical evidence. Connolly and Hyndman (2006:287) caution on the treatment of claims even if there are supporters in many countries of implementing the accrual basis of accounting in the public sector.

This study was necessary in the South African environment to assist government departments that must still implement the GRAP standards under the accrual basis of accounting framework influenced by IPSAS. The study indicated whether the potential benefits of GRAP standards as per theory could be realised practically or not. Furthermore, it assisted in identifying challenges so that corrective measures could be effected before implementing the GRAP standards.

1.1.3 Motivation of the topic actuality

The study evaluated the implementation of GRAP standards. Furthermore, it learned from the challenges encountered by SASSA during its implementation of the GRAP standards. Based on the study findings, recommendations were made to National Treasury and all three spheres of government, including public entities and stakeholders in the public sector.

SASSA is a national Schedule 3A public entity that was established in 2004. SASSA came into operation in April 2006 following a Constitutional Court ruling that the provision of social assistance as a concurrent function was unconstitutional. The objective of SASSA is to ensure effective and efficient administration, management and payment of social security (SASSA, 2019). SASSA derives its mandate from the following acts:

- The Constitution (108 of 1996), section 27.1(c);
- The Social Assistance Act (13 of 2004), as amended; and
- The SASSA Act (9 of 2004).

SASSA has regional offices in all nine provinces. Its head office is based in Pretoria. SASSA controls a budget of R7 billion, which is distributed amongst all nine regions. SASSA was selected as a case study because the entity provides a holistic view of how it implemented the GRAP standards in the financial years from 2011/2012 to 2015/2016.

The researcher was encouraged to acquire knowledge to determine practically whether the potential benefits of GRAP standards in SASSA have been realised, and if not, the reasons for not realising the benefits. The study aimed to understand the challenges that the accounting profession encountered with the GRAP standards implementation and interpretation. Furthermore, the consideration of a qualified and disclaimer audit report on public entities from the AGSA led to the research area of the study.

The significance of the intended research validated the theories on the benefits of the accrual basis of accounting frameworks influenced by IPSAS such as the GRAP standards, which are suitable and specific to public entities as identified by some researchers; for example, Vilakazi (2012), Solomons (2012) and De Vos (2009). The study indicated the important factors specific to public entities to realise the potential benefits of implementing GRAP standards. Most research conducted internationally studied the migration from the cash basis of accounting to the accrual basis of accounting. The research mostly highlighted the importance and advantages of the accrual basis of accounting when compared with cash basis accounting. These research studies did not indicate whether the benefits have been realised and what the challenges were.

South African research that has been conducted include:

- “A case study on the challenges faced by municipalities in implementing new GRAP standards” (Vilakazi, 2012);
- “Assessing the readiness for the implementation of GRAP in the Department of Transport and Public Works in the Western Cape” (Solomons, 2012); and
- “GRAP: A critical evaluation of the impact of GRAP 23 on administrative tax and legislation and recommendations” (De Vos, 2009).

Therefore, this was a new study on the potential benefits of the GRAP standards in public entities. The study clearly accentuated the existing knowledge gap for realising the potential benefits of the GRAP standards under the accrual basis of accounting framework influenced by IPSAS in public entities, which reflected the significance of the study in South Africa.

The study had a positive impact on all spheres of government, other public entities, and other African and international countries that have been implementing the accrual basis of accounting framework influenced by IPSAS in public entities. Thus, this research could provide new information regarding the unidentified potential benefits of GRAP standards. The standards were suitable, specific to public entities, and measurable. The study further identified new information and better ways of addressing the challenges encountered. New information included the factors that contributed negatively to realising the potential benefits of the GRAP standards suitable and specific to public entities.

1.2 PROBLEM STATEMENT

There are different opinions concerning the benefits of the accrual basis of an accounting framework influenced by IPSAS for external uses. Despite the limited empirical evidence regarding the benefits associated with implementing the accrual basis of accounting in the public sector and arguments by academics, the implementation of the accrual basis of accounting framework influenced by IPSAS is nowadays regarded as “being self-evident”, as Lapsley *et al.* (2009) comment. However, “it has become increasingly clear that the claimed benefits are not being realised in practice” (Wynne, 2008:17).

The implementation of effective accrual basis of accounting frameworks has encountered challenges; not only in South Africa, but in international public sectors as well. Mellor and Richardson (cited by Solomons, 2012:32) dispute the said benefits of implementing the accrual accounting frameworks in the public sector as indicated by various academics.

The research area evaluated the implementation of the GRAP standards in South African public entities, particularly SASSA. The study considered the challenges and conditions that hampered the potential benefits of implementing and implementing GRAP standards. Furthermore, the study reviewed indications of theories from various authors to determine the reasons for achieving or failing to implement the GRAP standards. The analysis was determined using various research methodologies as mentioned in Section 1.4.

1.3 THE OBJECTIVES OF THE STUDY

The objectives of the study were:

- Objective 1: To analyse the implementation of the GRAP standards (Chapters 2, 3 and 4);
- Objective 2: To determine the challenges encountered in implementing the GRAP standards, and the potential benefits and lessons learned (Chapters 2, 3 and 4);
- Objective 3: To determine whether the financial systems implemented are appropriate for implementing GRAP standards (Chapters 3 and 4); and
- Objective 4: To determine whether SASSA's capacity is adequate for implementing GRAP standards (Chapter 4).

1.4 RESEARCH DESIGN

1.4.1 Ontology and epistemology

It is critical to understand the ontology and epistemology of the study. Terre Blanche *et al.* (2008) define ontology as “the nature of the reality that is to be studied”. Epistemology is concerned with “the nature and forms of knowledge” (Cohen *et al.*, 2007). The ontology of GRAP standards refers to the reality or the environment in which the participants operate. In this study, the epistemological concern was with the knowledge that SASSA Finance employees had regarding GRAP standards implementation.

1.4.2 Research approach

Limited research has been done in South African public entities regarding the potential benefits of implementing the GRAP standards. This study deployed a qualitative research approach to study the potential benefits of the implementation of GRAP standards.

1.4.3 Literature review

A literature review was done to study and analyse the research available on the theme. Special emphasis was placed on the benefits that public entities in the public sector experienced when implementing GRAP standards. Existing literature on the accrual basis of accounting framework as influenced by IPSAS implementation benefits was used as reference material. Information was extracted from publications, books, electronic information and available government circulars. The research further used the IFAC, IPSAS, GAAP, National Treasury, and ASB to study generally recognised accounting guidelines, procedures and manuals.

Additionally, the relevant literature on the topics of the accrual basis of accounting framework, annual reports issued by the AGSA, and compliance were evaluated critically to support conclusions and recommendations. The literature included:

- The GRAP standards issued by the ASB regarding the implementation of the accrual basis of accounting framework principles, as well as discussion papers issued;
- Additional IPSAS information relating to the allowed transitional period; and
- Available documentation relating to South African public sector GRAP standards issues and experiences, and international experiences documented by the IFAC.

1.4.4 Selection of the research method

This research used interviews as a case study research method. Case studies are used when “the researcher wants to examine an organisation or an object carefully to explain the behavioural structures of that organisation or object, or its smaller components” Namazi (cited by Mohammadi *et al.*, 2012:292). Therefore, this research generated data and information related to the implementation of GRAP standards.

According to Gibbert *et al.* (2008:1465), case studies have been utilised as tools for generating and testing theory. Cooper and Morgan (2008:159-178) conducted research on “the suitability of case study research in accounting”. They state that “case studies are valuable for describing the details of how new accounting innovations are performed”. SASSA implementation of GRAP standards were presented in Chapter 4.

1.4.5 Data collection instruments

This research adopted the concept of triangulation in data collection by using more than one source of data wherever possible. Atlas.ti facilitated the triangulation of research data generated through multiple methods of data collection, such as semi-structured interviews, observations, and literature reviews (Contreras, 2015). The study employed a survey design method to collect data because the study involves analysing employees’ opinions or other manifestation through direct questioning. Equally important, data was generated from both primary and secondary sources.

1.4.6 Interview guide development

The interview guide development was divided into the following different phases:

- Identified topics included in the structure of the interview and interview guide;
- Introduced the researcher and defined the structure of the interview;
- Elaborated the interview guide, interview schedule, interview data collection; and
- Issued consent forms.

1.4.7 Reliability and validity

According to Neumann (cited by Vilakazi, 2012:34), validity means truthfulness and authenticity. To ensure validity and as part of control appropriate for interview questions, a pilot phase was conducted using a draft version of the interview questions. The pilot questionnaire was completed with senior managers who had the technical knowledge, skills and experience regarding financial accounting, the financial system used, training and organisational development.

1.4.8 Research ethics

Ethical procedures were considered during the whole research process. According to Henning (cited by Vilakazi, 2012:34), it is important that all participants provide consent before participating. Importantly, participants of this study were informed of what would be done with their responses and guaranteed on the protection of their privacy. As no names would be mentioned in the research report, a consent letter was not drawn up by the researcher. More importantly, all information gathered in this report was used with the verbal consent of each interviewee. Transparency, confidentiality, and integrity of the objectives and collected data were considered during the process of constructing the data collection instruments as well as when collecting the data.

1.4.9 Selection of the target respondents

The study's target respondents consisted of employees who were purposely selected because of their seniority in SASSA; their involvement in decision-making; their level of skills; immense knowledge and years of experience (ranging from two to five years); and a required background in financial accounting, the financial system, training, and organisational development. This experience was required for respondents to respond to the interview questions. Equally important, the individuals who acted as the target respondents were assessed based on the interview questions. The interview was used to analyse the potential benefits of the GRAP standards in SASSA. More importantly, the researcher sent the interview questions to the target respondents, which enabled them to prepare because they knew the type of interview questions in advance. They were requested to respond electronically via email and have face-to-face interviews with the researcher to respond to the interview questions.

1.4.10 Interview findings analysis

Smith (cited by Lehmann *et al.*, 2019:4) describes thematic analysis as an “interpretative approach to qualitative research based on categorising data into particular themes, with the aim of grasping the complexity of meanings of the phenomenon under study”. Both the primary and secondary data obtained were analysed by re-examining the identified categorised themes.

According to Wang *et al.* (2018:204), researchers use thematic analysis to gain an understanding about a group or an organisation. The findings provided by a thematic analysis can be potentially useful for decision makers to do interventions in organisations.

1.5 ASSUMPTIONS, LIMITATIONS AND DELIMITATIONS

1.5.1 Assumptions

The available legislative and accounting policy framework provides sound accounting practices, standards directives and guidelines in the public sector. The framework ensures that countries implementing the accrual basis of accounting framework develop appropriate and applicable IPSAS. The assumption in this study was that the GRAP standards aligned with IPSAS. They were applicable in the public sector accounting environment for realising the potential benefits and assisted in arriving at a result that would be as close to the truth as possible.

Furthermore, data obtained from this study served as a legitimate representation of the respondents under study. The lessons learned from the challenges encountered by SASSA could benefit the three spheres of government including public entities and stakeholders in the public sector.

1.5.2 Limitations

Literature highlights that limited research has been conducted on South African public entities regarding the potential benefits of implementing the GRAP standards. Thus, a qualitative research approach was deployed, which provided descriptive data from written or spoken responses obtained from individuals using interview questions.

Participants may not always be free from bias, could misrepresent concepts, and either intentionally or unintentionally give misleading comments. In addition, because of the interview method of collecting data, the responses from the same questions asked may be in conflict and not relevant to all other public entities implementing the GRAP standards.

Due to the technical nature of the research and the small number of selected respondents with the required knowledge, skills, and experience on the implementation of the GRAP standards and financial system used, the method of research was qualitative and purposeful.

Thus, there was a possibility that the research results might not have been relevant to all other public entities in South Africa due to their size and level of implementing GRAP standards.

According to Rubin and Rubin (cited by Baapogmah, 2014:16), all researchers who use a qualitative phenomenology approach must consider the selected participants a limitation. It was likely that there would be senior managers from financial accounting, the financial system, and training within SASSA's regional offices who would not be interviewed who could have provided useful results based on their unique regional perspective. This study further used qualitative research because the results were non-statistical in nature and the research problem relevant information was available rather than explicit data.

1.5.3 Delimitations

The significance of the intended research validated the theories on the benefits of the accrual basis of accounting frameworks such as the GRAP standards, which were suitable and specific to public entities as identified by researchers such as Vilakazi (2012), Solomons (2012) and De Vos (2009). It indicated the important factors, which were suitable and specific to public entities, to be considered to realise the potential benefits of implementing the GRAP standards.

The study's target respondents consisted of employees who were purposely selected because of their seniority in SASSA and their involvement in decision-making. Furthermore, they were purposely selected because of their level of skills, immense knowledge and years of experience (ranging from two to five years), and a required background in financial accounting, the financial system, training, and organisational development. This experience was needed to respond to the interview questions.

The researcher emailed the interview questions to individuals who acted as the target respondents. They were requested to answer electronically via email and have a face-to-face interview with the researcher to respond to the interview questions. The interviews were recorded using a digital device, written notes or both. The aim of the developed interview questions was to contact most target respondents, especially only those who formally granted permission to be interviewed.

1.6 OVERVIEW OF CHAPTERS

Chapter 1: Introduction and orientation

Chapter 1 covered the following: background to the research area; literature review of the research area; motivation of topic actuality; statement of the problem; research objectives; research methodology, which were detailed in Chapter 5; assumptions, limitations and delimitations; chapter overview; and summary.

Chapter 2: Literature review and theoretical foundation

Chapter 2 presents a discussion on the literature review and theoretical foundation. The chapter firstly starts with an introduction that links to the discussion in Chapter 1. Thereafter, the literature review and theoretical foundations are explained. The chapter compares the different bases of accounting to provide a base or background as well as the underlying theory about the implementation of the accounting standards in the public sector.

Secondly, the chapter evaluates the implementation of the accrual basis of accounting influenced by IPSAS and its significance in the public sector in detail. Chapter 2 provides an overview of the potential benefits of GRAP standards implementation in the public sector especially public entities.

Thirdly, the chapter explains the implementation of the conceptual New Public Management (NPM) framework of the accrual basis of accounting framework influenced by IPSAS in the public sector.

Fourthly, a detailed discussion covers international accounting standards, the challenges experienced, and lessons learned from the implementation of the accrual basis of accounting framework practices and standards influenced by IPSAS.

Overall, this chapter finalises the literature review and theoretical foundation discussion by explaining the status of the implementation of the accrual basis of accounting framework influenced by IPSAS. Specific reference is made to the GRAP standards in the South African public sector and the challenges encountered. GRAP standards are referenced because the accrual basis of accounting influenced by IPSAS informed the establishment of the GRAP standards and their implementation in the public sector. Moreover, the status is linked to the

objectives of the research mentioned in Chapter 1. The chapter concludes with a summary of the literature review and theoretical foundation.

Chapter 3: Legislative and accounting policy framework applicable and implemented in the public sector

The chapter starts with an introduction that links to the discussion in Chapter 2. Chapter 3 develops from Chapter 2 and provides background on the context of accounting practices and standards in the public sector. The chapter defines and explains the legislative and accounting policy frameworks available for implementing the IPSAS of the accrual basis of accounting in the public sector.

The chapter highlights the various factors in the accounting systems and practices implemented in various countries, including their contribution to the IPSAS of the accrual basis of accounting framework in the public sector. This chapter emphasises how the legislative and accounting policy frameworks support the development of appropriate accounting standards for the public sector, which links to the objectives of the study.

Chapter 3 further discusses how international and South African legislative and accounting policy frameworks are interrelated. Additionally, the processes followed in developing the IPSAS, their benefits, challenges and risks are explained in detail. The differences between IPSAS and the IFRS and their pertinence to the public sector are pointed out.

An overview is provided of how the ASB informs the development of appropriate national accounting standards in the public sector, such as the GRAP standards in South Africa. The chapter concludes with a summary of all the imperatives regarding the legislative and accounting policy frameworks in the public sector.

Chapter 4: South African Social Security Agency

Chapter 4 explains its objectives in respect of the accounting environment in SASSA where the GRAP standards have been implemented. SASSA is used as a case study. Interviews were conducted (see Chapter 6) to provide in-depth responses to the interview questions that addressed the same issues as highlighted by AGSA on how SASSA implemented GRAP standards.

Chapter 4 explains why SASSA was selected and provides a background of SASSA regarding its strategic overview, which includes key performance information and planning concepts such as its legislative mandate, vision, mission, values, and structure. The focus in terms of the SASSA structure emphasises the *Branch: Finance* because one of its core functions is to ensure that GRAP standards are implemented. This links to Objective 4 of the study, which determines the knowledge, skills and experience of SASSA Financial Accounting Department employees to implement GRAP standards.

Chapter 4 describes the performance information and provides the context of the SASSA accounting environment in relation to the research objectives mentioned in Chapter 1. The chapter focuses on service delivery programmes with specific emphasis on the *Sub-programme: Financial Management* for the financial years from 2011/2012 to 2015/2016. The chapter explains how SASSA prepares its annual financial statements as well as its internal control and corporate management when implementing GRAP standards.

The AGSA report reflects the implementation of GRAP standards for the financial years from 2011/2012 to 2015/2016. In the 2011/2012 financial year, SASSA implemented GRAP standards fully after receiving approval by the National Treasury based on SASSA's request to be exempted when it was established. The five-year comparison provides a holistic view of how SASSA executed GRAP standards. The AGSA report critically evaluates SASSA's performance on GRAP standards to support the conclusions and recommendations to be made in Chapter 7. The chapter concludes with a summary of SASSA's implementation of GRAP standards.

Chapter 5: Research design

Chapter 5 starts with an introduction that links to the discussion in Chapters 1, 2, 3 and 4. The logical flow of the identified research design is explained. The explanation includes the research methodology approach; research approach, which comprises the ontology and epistemology; literature review that was used as reference material; inductive analysis and the definition thereof; primary purpose, and what it promoted in relation to research findings for the study under review. The selection of the research method, which included interviews as a case study and its relevance, as a preferred technique is explained in detail.

The chapter explains the data collection instruments, including the interviews. These instruments were used to analyse the interview findings from the relevant interview questions that respondents were asked. Importantly, the different types of data source to be generated are discussed.

Chapter 5 explains how the interview guide was developed. Moreover, a detailed explanation follows on the process of developing the relevant interview questions; the structure of the interview; interview schedules; consent form; interview data collection and feedback from the respondents.

Chapter 5 further emphasises the importance of the method to validate the pilot questionnaire and interview reliably. Moreover, the importance of ethical procedures was confirmed during the whole research process. The chapter explains how the research process affected all participants.

Importantly, the chapter explains the selection criteria used to select target respondents. An explanation is provided on how the target respondents were assessed. This chapter discusses the process that was followed to analyse the interview findings. Chapter 5 concludes by summarising the research design.

Chapter 6: Research findings and analysis

The chapter starts with an introduction that links to the explanation in Chapters 2, 3, 4 and 5, which informs the interview questions. Chapter 6 describes the qualitative research findings derived from the interviews. A thematic analysis was conducted based on the interview findings. The qualitative research findings and analysis were related to the research objectives mentioned in Section 1.3. The chapter concludes with a summary.

Chapter 7: Summary, conclusions, and recommendations

Chapter 7 concludes the thesis by presenting chapter summary discussion and conclusions. The recommendations and conclusion, which were informed by the research findings, detail contribution of this research and challenges of the research are highlighted. Recommendations for further research areas are provided. This also clearly indicates whether the interview questions have been answered adequately. The chapter concludes with a summary.

1.7 SUMMARY

Chapter 1 provided a background to the research area, which included explaining the implementation of the GRAP standards in SASSA. The chapter further discussed the importance of the legislative and accounting policy framework that governs the development of accounting standards. The literature review of the research area emphasised the importance of evaluating the relevant literature on the topic of the accrual basis of accounting framework influenced by IPSAS and annual reports issued by AGSA.

The motivation of topic actuality was detailed, which highlighted the existing knowledge gap. The problem statement and the objectives of the study were provided. The research methodology approach was provided, which was described in Chapter 5. This chapter finally provided an overview of the chapters and summarised the discussion.

CHAPTER 2:

LITERATURE REVIEW AND THEORETICAL FOUNDATION

2.1 INTRODUCTION

Chapter 1 discussed, explained and provided background to the research area, which included explaining the implementation of GRAP standards and the importance of the legislative and accounting policy frameworks governing the development of the accounting standards accrual basis of accounting. The chapter also described the literature review of the research area. Furthermore, the chapter reviewed the importance of evaluating the relevant literature on the topic of the IPSAS accrual basis of accounting and the annual reports issued by AGSA. The motivation of the topic actuality was discussed, which highlighted the existing knowledge gap.

The problem statement and the objectives of the study were provided in detail. Chapter 1 explained the research methodology approach that was followed in this chapter. Chapter 1 further provided the assumptions, limitations, delimitations, chapter layout, and referencing technique to be used. The chapter concluded with a summary.

Chapter 2 presents a discussion on the literature review and theoretical foundation. The chapter firstly starts with an introduction that links to the discussion in Chapter 2. Thereafter, the literature review and theoretical foundation are explained. The chapter compares the different bases of accounting regarding their implementation in the public sector. The significance of the comparison is to provide the background as well as the underlying theory about the implementation of the accounting standards in the public sector.

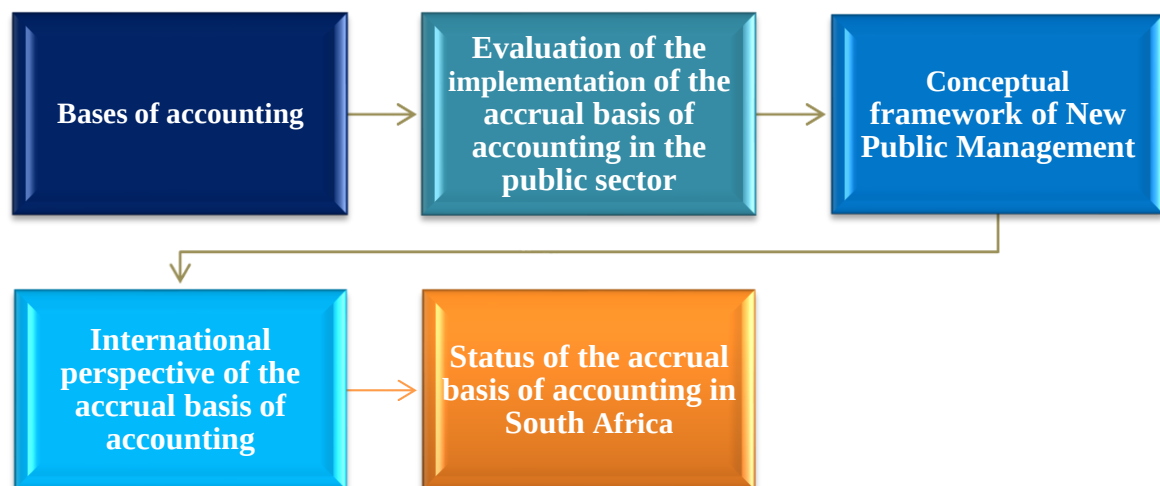
Secondly, the chapter evaluates the implementation of the accrual basis of accounting influenced by IPSAS and its significance in the public sector in detail. Chapter 2 provides an overview of the potential benefits of GRAP standards implementation in the public sector especially public entities. Thereafter, contradicting opinions of the various researchers are illuminated, emphasising that even though the implementation is important, challenges were being encountered.

Thirdly, the chapter explains the implementation of the conceptual NPM framework of the IPSAS accrual basis of accounting framework in the public sector. The NPM concept is embedded in the significance of the IPSAS accrual basis of accounting framework in the public sector. Fourthly, a detailed discussion covers international accounting standards, the challenges experienced, and lessons learned from the implementation of the accrual basis of accounting international practices and standards in the public sector.

Overall, this chapter finalises the literature review and theoretical foundation discussion by explaining the status of the implementation of the IPSAS accrual basis of accounting framework. Specific references are made to the GRAP standards in the South African public sector, and the challenges as well as risks encountered. GRAP standards are referenced because the accrual basis of accounting IPSAS informs the establishment of the GRAP standards and their implementation in the public sector. Moreover, the status is linked to the objectives of the research mentioned in Chapter 1. The chapter concludes with a summary.

Figure 2.1 illustrates the flow of this chapter. The main headers indicated in the figure below are discussed in detail in the sub-sections that follow.

Figure 2.1: Illustrative flow of Chapter 2



Source (Own Research, 2019)

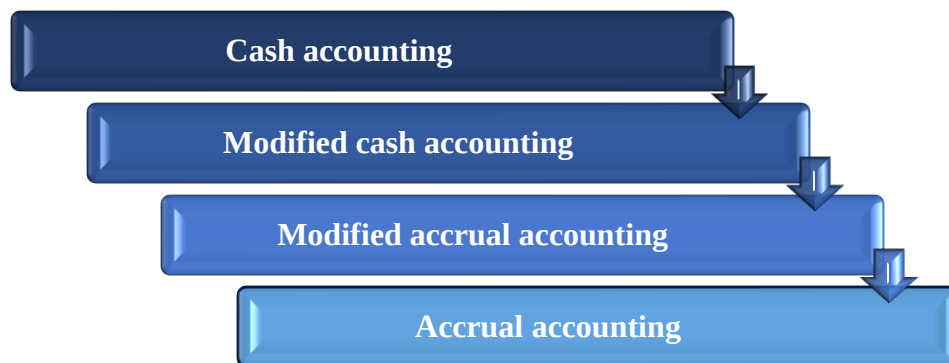
2.2 BASES OF ACCOUNTING

Boolaky (2004:6) states that the history of accounting reveals that accounting has undergone a three-stage process, namely, the evolution, revolution and transcendental stages. During the evolution stage, accounting developed from a simple recording to a double-entry bookkeeping system. However, the revolution stage extends to cost and management accounting, financial reporting, and auditing and harmonising standards and practices. In fact, this occurred due to world economies developing because of economic growth, which affects the basis of accounting. The transcendental stage includes the requirement for green reporting, money laundering reports, sophisticated accounting regulations, and reporting via the internet.

The general evolution of accounting in respect of government accounting practice as classified by Boolaky (2004:6) is discussed below. The aim of the classification is to provide the total background and underlying theory on IFAC's focus and emphasis on government accounting practice implementation. In terms of IFAC (2002) government accounting around the world generally classifies government accounting practices into four bases of accounting, namely: cash accounting; modified cash accounting; modified accrual accounting; and accrual accounting.

The three-stage process described by Boolaky (2004:6) in relation to government accounting practice refers to cash accounting and modified cash accounting as the evolution stage, modified accrual accounting as the revolution stage, and accrual accounting as the transcendental stage (IFAC, 2002). These three stages are mostly informed by a spectrum of government accounting practices implemented within a country. The sub-sections that follow describe the total background and underlying theory of the spectrum of government accounting practice implementation, their focus and emphasis within a country. Figure 2.2 shows the link between the spectrum of government accounting practices.

Figure 2.2: Spectrum of government accounting practices

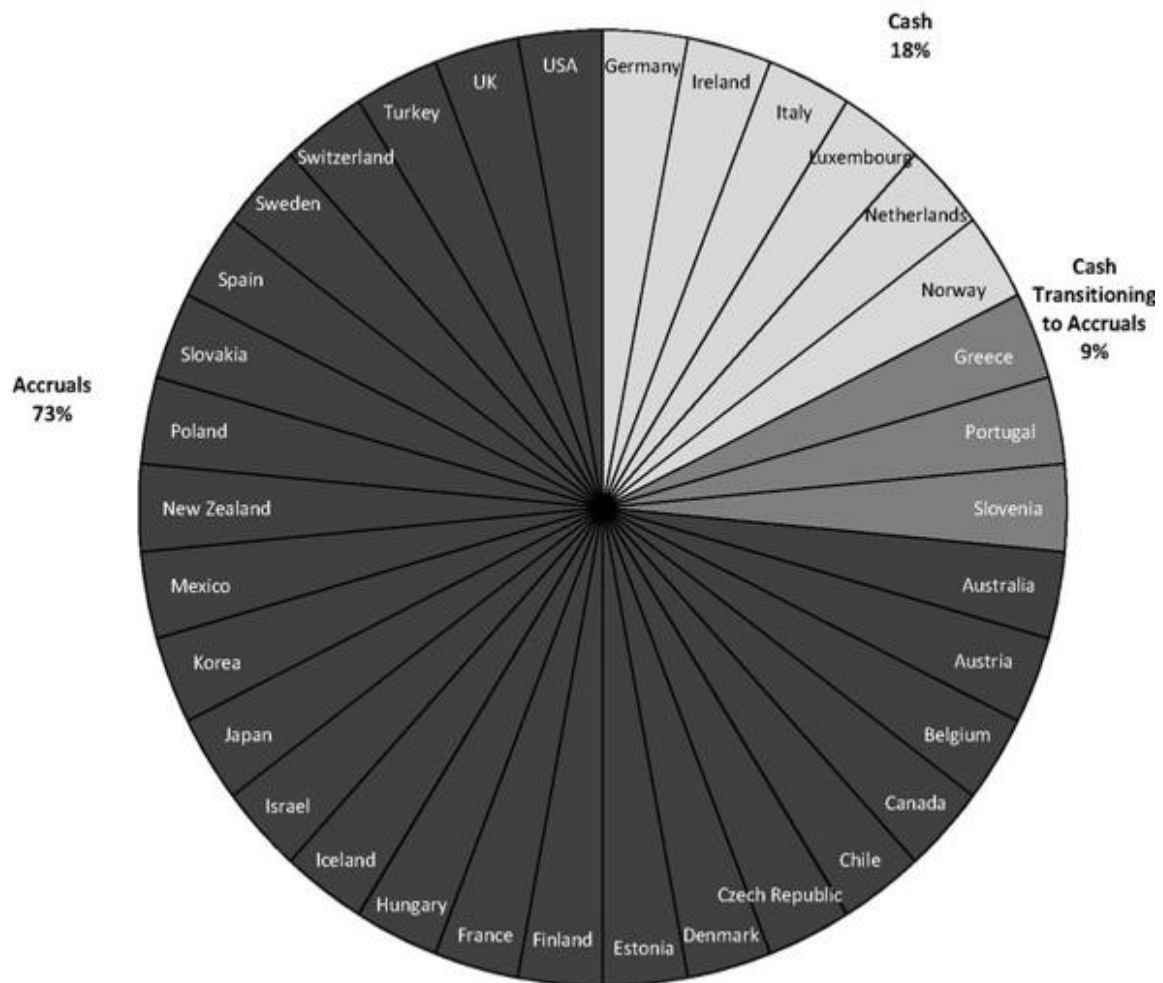


Source (Own Research, 2019)

In terms of IFAC (cited by Baboojee, 2011:11), cash accounting and accrual accounting financial reporting in the public sector are categorised according to a variety of accounting practices. Carlin (cited by Baboojee, 2011:11) illustrates that Iceland, for instance, uses the modified accrual basis of accounting rather than full accrual accounting, which recognises the expenditure when long-lived assets are purchased. Figure 2.3 illustrates that the Organisation for Economic Co-operation and Development (OECD) countries use different bases of accounting for producing annual financial reports.

In terms of the OECD Accrual Survey (2016) the basis of accounting determines the extent of information that an accounting system can collect and, therefore, report in respect of the spectrum of government practices implemented. The collection of public sector financial transactions and reporting thereof are critical to clearly explain the treatment of financial transactions in the public sector using the different bases of accounting.

Figure 2.3: Bases of accounting used by different OECD countries



Source (OECD Accrual Survey, 2016)

Table 2.1 illustrates the different bases of accounting implemented by OECD countries in line with the spectrum of accounting practices. Table 2.1 shows that based on the four spectrums of accounting practices, different OECD countries implement different bases of accounting in the public sector. The cash basis of accounting is used by most OECD countries including Austria, France, Japan, Netherlands, Portugal and Turkey. Only a few OECD countries, namely, Australia, New Zealand, and the United Kingdom use the accrual basis of accounting. The Czech Republic, Finland and Iceland are the only OECD countries that use the modified accrual basis of accounting, except for capitalising or depreciating assets. Denmark is the only OECD country that uses the modified cash basis of accounting, except for certain transactions that are done using the accrual basis of accounting.

Table 2.1: Different accounting bases implemented by OECD countries

Countries	Full accrual basis	Accrual basis, except no capitalisation or depreciation of assets	Cash basis, except certain transactions on accrual basis	Full cash basis
Australia	X			
Austria				X
Belgium				X
Canada				X
Czech Republic		X		
Denmark			X	
Finland		X		
France				X
Germany				X
Greece				X
Hungary				X
Iceland		X		
Japan				X
Korea				X
Luxembourg				X
Mexico				X
Netherlands				X
Norway				X
New Zealand	X			
Poland				X
Portugal				X
Spain				X
Sweden				X
Switzerland				X
Turkey				X
United Kingdom	X			
United States				X

Source (Blöndal, 2003:56)

Champoux (2006:1) indicates that over the last two decades, global public sectors have switched to the accrual basis of accounting for reporting financial and budgeted information. Due to the varying views regarding using the cash basis of accounting in the public sector, other public sectors prefer to migrate to other bases of accounting such as the modified cash basis of accounting, modified accrual basis of accounting, and accrual basis of accounting. These are explained in detail in the sub-sections that follow.

2.2.1 Cash basis of accounting

The cash basis of accounting is the first of the spectrum of government accounting practices to be discussed. The intent is to explain its focus and emphasis on the public sector to determine when and how the public sector should report income and expenses.

The cash basis of accounting focuses on recognising and reporting all income that has been received from various sources and expenses paid to suppliers and employees. Bellanca *et al.* (2015:25) define the cash basis of accounting in the public sector as a “method that records transactions and other events when cash is received or paid”. Peter van der Hoek (2005:35) agrees with Bellanca *et al.* (2015) and further adds that transactions are recorded in the public sector “when funds are paid by an appropriation authority or when funds are received”.

According to Tiron Tudor and Mutiu (2006:3) income is only recognised when cash has been received, and expenses are not recognised until they have been paid. Tiron Tudor and Mutiu (2006:3) list some of the advantages as being relatively easy to implement in the public sector, and recognising the payment of expenses as definite.

According to Solomons (2012:12) recognition and accountability of financial transactions and events incurred is critical to reflect on cash received or paid but not important for owed amounts. When cash is received from various sources, it is reported in the statement of financial performance. Expenses are reported when cash is paid to suppliers and employees.

Therefore, in terms of implementing the cash basis of accounting in the public sector, you would merely consider income when you have been paid or have received money in cash. Similarly, you would only consider expenditure when you have paid for the goods or services delivered. The emphasis is that the cash basis of accounting in the public sector does not recognise and record non-cash assets and liabilities.

In this regard, under cash accounting, methodical recording of non-cash assets and portfolio of liabilities is not important for governments (Barton, 2009). A public sector statement of financial position includes several types of assets and liabilities. Assets include financial assets such as cash, bonds that are recognised when the department controls it, and non-financial assets with financial value that is owned by the public sector. Examples of non-financial assets include land, buildings, vehicles and equipment. In terms of National

Treasury (2018:14) these assets are used by government departments to provide goods or services capable of satisfying the want or need of their beneficiaries.

Liabilities in respect of the cash basis of accounting in the public sector relate to what a department owes to other government entities, suppliers or employees due to past transactions or other past events. This results in a department's present obligation to pay; for example, with amounts payable for services rendered and goods received. The amount owed is recognised at historical cost in the statement of financial position. Examples of liabilities are payables such as salary deduction payments owed to other institutions; for example, the Unemployment Insurance Fund (UIF) or pension fund, which are recognised when the party comes to an arrangement (National Treasury, 2014:22-297; 2018:15-18).

In terms of the Treasury Regulations (2005) the South African public sector is not currently implementing the cash basis of accounting. According to Van Wyk (2003:13 & 154) the limitation of the cash basis of accounting in the public sector is that the statement of financial position does not provide corresponding information on the management of assets and liabilities under the control of government to be held accountable. However, the users of governmental reports expect to be provided with assets and liabilities information.

Even though non-cash assets and liabilities are not recognised and recorded in a South African context, in terms of the Treasury Regulations (2005) the implementation of the cash basis of accounting requires the public sector to recognise income in the statement of financial performance when the public sector is paid or receive money in cash. Importantly, cash deposits and withdrawals from the public sector bank account play an important role. They reflect how the cash has been received and utilised in the accounting year. The cash basis measures cash flows at the time those flows have taken place; therefore, the significance of reflecting how the cash has been received and utilised in the accounting year is detailed when the cash flow statement is prepared and presented.

According to Dittenhofer (2001) the implementation of the cash basis of accounting in the public sector focused on responding to the accountability demands of society and not on efficient and effective use of resources. Based on the aforementioned, the implementation of the cash basis of accounting in the public sector assists government departments or public entities to be responsive to the demands of society. In this regard, government departments or public entities will be responsive and accountable by providing important service delivery

matters, such as providing quality education and health services, building proper houses and roads, and ensuring that all households are electrified. The highlighted operational demands of society differ from one government department or public entity to another, which requires the development of a strategic plan for ensuring the realisation of the operational demands. In addition, the public sector should compile a budget that is in line with the cash basis of accounting for these service delivery matters to be implemented with the aim of a better life for all.

According to Fourie *et al.* (2009:13) the implementation of the cash basis of accounting in the public sector are less relevant to decision makers because the use of limited public funds, government might not be held accountable by the legislature. In addition, the cash basis of accounting is not useful for ensuring that government departments and public entity expenditure for service delivery matters remains within the budget allocated by the legislature. Although the expenditure incurred for service delivery matters, it is critical that the allocated budget by the legislature is not overspent. There are disadvantages to using the cash basis of accounting in the public sector. According to Archibald (1994:1) the main disadvantage is non-differentiation between cash spent on running costs and cash invested for the future in capital items.

Despite its limitations, Dorgan (cited by Connolly & Hyndman, 2006:276) and Wynne (2004) suggest that the strength of implementing the cash basis of accounting in the public sector in many countries is because is simple and objective. In terms of the FEE (2007:21) these strengths led the cash basis of accounting being the primary method used in the public sector, which remains in place for many governments.

There are several European countries like Italy, German and Hungary that implement the cash basis of accounting differently in the public sector. For instance, Italy permits the accrual basis of accounting, but budgeting and annual financial statements are still prepared on a cash basis (FEE, 2007:21).

Although the different implementation of the cash basis of accounting is better understood, there is an argument about its usefulness and effectiveness for decision makers to account (FEE, 2007:21). However, Champoux (2006:1) has a different view in that the cash basis of accounting in the public sector is not the preferred basis when compared with the accrual basis of accounting. Champoux's view is supported by Tiron Tudor and Mutiu (2006:3) that

no attempt is made to match an expense with the revenue it generates; the statement of financial performance and the statement of financial position may not provide the recent activity and present activity conditions.

Tiron Tudor and Mutiu (2006:3) further indicate that cash basis of accounting in the public sector can distort the true operations of the activity and incorrectly reflect income because it does not generate enough useful information. This holds true in the public sector; for example, payables and receivables do not provide adequate information on the full costs of operations and thus do not support decision-making. For instance, decisions to either place sub-contracts with private sector contractors or to carry out the work in-house do not generate reliable information on the full range of assets and liabilities and do not generate comprehensive financial information about government, such as the impact of a loan being written off.

To summarise, the sub-section defined and explained the implementation of the cash basis of accounting. It focuses on recognising and reporting when cash is paid or received. Some limitations in the public sector were discussed. Despite these limitations, there are strengths regarding the implementation of the cash basis of accounting in many countries and because is simple and objective.

2.2.2 Modified cash basis of accounting

Section 2.2.1 provided a detailed explanation regarding the shortcomings and strengths of the implementation of the cash basis of accounting in the public sector. The modified cash basis of accounting is the second basis of accounting to be discussed in the public sector.

Tikk (2010:81) describes the implementation of the modified cash basis of accounting in the public sector as “when cash receipts and disbursements committed in the budget year are recorded and reported at the end of the financial year”. Thus, the cash receipts and disbursements committed in the budget year are recorded and reported in the statements of financial performance and financial position of particular public sector entities. The emphasis is that both the cash basis of accounting and the modified cash basis of accounting are similar in the public sector for recording and reporting cash received and expenses paid.

Guerra de Sousa *et al.* (2013:221) and Peter van der Hoek (2005:35) further define the modified cash basis of accounting in the public sector as “a system that recognises transactions on a cash basis during the year, and accounts payable and receivables at the end of the financial year”. Hardman (cited by Solomons, 2012:12) emphasises that the implementation of the modified cash of accounting in the public sector can take several forms were delayed receipts or payments for financial transactions and events incurred can be captured in an accounting period. This allows a short period of time after year end for settling liabilities, which treats this expenditure as occurring in the year just ended.

Istrate *et al.* (2016:7) state that “the modified cash basis of accounting in the public sector combines elements of both the cash and accrual methods of accounting. In the public sector, the modified cash basis of accounting generally uses the accrual method of accounting for fixed liabilities and assets, and the cash basis method for short-term items when transactions occur”. The National Treasury (2018:12) further explains that only certain elements such as assets, liabilities, revenue and expenditure are recognised in the statement of financial position and statement of financial performance, while others are recorded and disclosed as notes in the annual financial statement. The assets, liabilities, revenue and expenditure are therefore primarily recognised when they arise from cash inflows or outflows. The National Treasury 2018:58-60 &115) defines accruals, commitments and payables for recognition, measurement, recording and disclosure in departmental financial statements. This will assist users in holding a department accountable for the management of its assets and liabilities.

The National Treasury (2018:58-60 &115) further defines accruals as less uncertainty estimated liability amount or timing to pay for goods or services that have been received or supplied but invoiced for payment and less than provisions. In addition, the National Treasury (2018:116-119) describes liability as a present settlement obligation arising from past events. A provision is regarded as a “present obligation’s liability of uncertain timing or amount”.

“Provisions can be distinguished from other liabilities such as payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in the settlement” (National Treasury, 2018:116-119). The criteria for recording provisions are derived from the definition mentioned above. Regarding the measurement of provisions, “the amount disclosed as a provision shall be the best estimate of the funds required to settle

the present obligation at the reporting date. The time value of money is ignored when the obligation will be settled in a short period after the reporting date” (National Treasury, 2018:118).

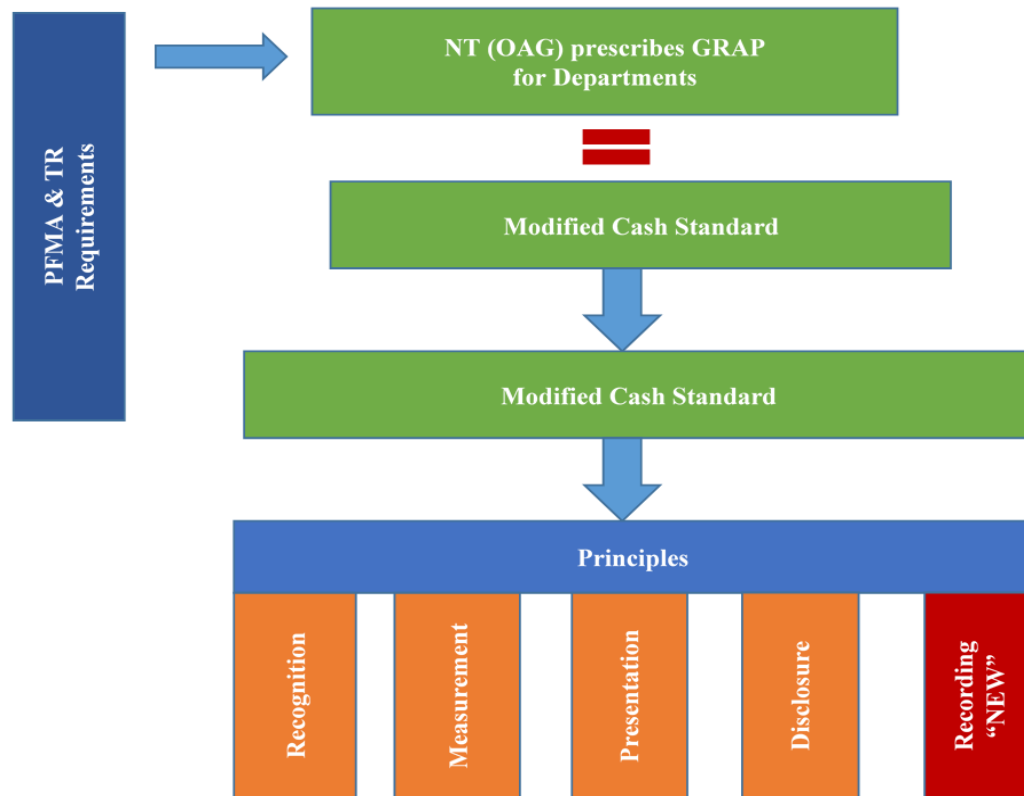
Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate to be used to pay for the expenditures for which the provision was originally disclosed. The public sector normally makes cash provision for leave days not yet paid to its employees. Employees resigning from the public sector are entitled to receive cash payments for leave days not taken during the financial year (National Treasury, 2018:119-121).

Furthermore, the same National Treasury (2018:59-60 & 114) defines a commitment as “a contractual arrangement that binds a department to incur future expenditure based on goods, services and capital assets that are still to be received. These exclude employee-related commitments and those related to transfers and subsidies”. In respect of not recognising payables, the National Treasury (2018:59 & 115) states that “payables that are not recognised are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier or recipient for payment”.

The Treasury Regulations (2005) require the “accounting officer of a department to ensure that the annual financial statements are prepared on a modified cash basis”. The Office of the Accountant-General (OAG) has accordingly developed and issued the modified cash standards for the public sector, which set out the principles for recognising, recording, measuring, presenting and disclosing information required in terms of the prescribed National Treasury format. Figure 2.4 illustrates these principles.

In terms of the National Treasury (2014:14) it is critical that a department and any other entity that claims compliance with the modified cash basis of accounting adhere fully to the principles, presentation and disclosure requirements contained in this standard to achieve fair presentation and compliance with the PFMA (1 of 1999) and its regulations.

Figure 2.4: Principles for the modified cash standards

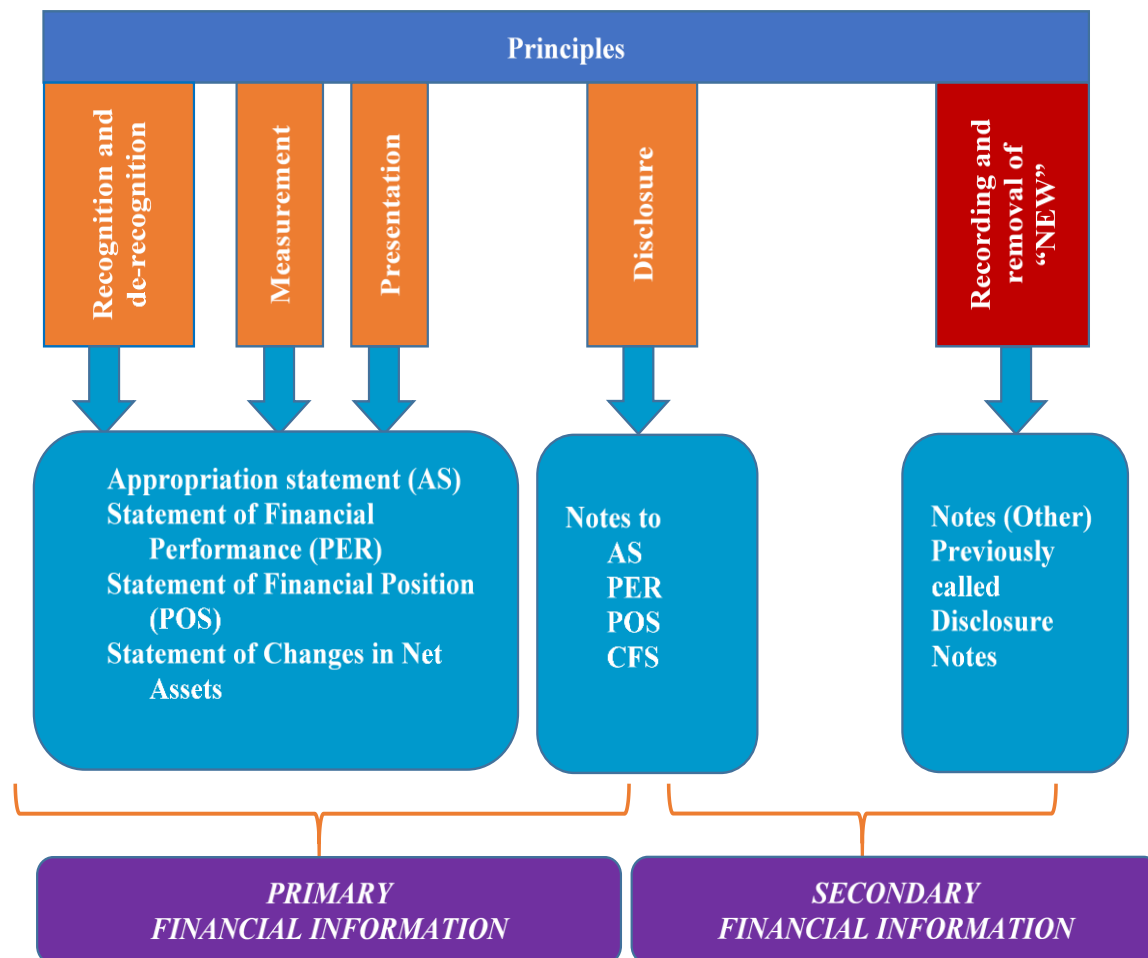


Legend: NT: National Treasury; TR: Treasury Regulations

Source (National Treasury, 2014:14)

Figure 2.5 further illuminates the principles of the modified cash standards as mentioned in Figure 2.4. The National Treasury (2018:16-55) explains how the revenue collected and expenses incurred by departments are recognised, measured, presented, disclosed and recorded using the principles of the modified cash standards. Departmental revenue is the inflow of cash that arises during ordinary departmental activities, normally from selling goods, rendering services, and earning interest, taxes and dividends. Revenue also includes transactions in financial assets and liabilities and transfers received.

Figure 2.5: Detail principles for the modified cash standards



Legend: CFS: Cash flow statement

Source (National Treasury, 2014:15)

Regarding expenses incurred, the National Treasury (2018:16 & 54-55) indicates that a departmental expense encompasses losses as well as those expenses that arise during operational activities. Expenses include, for example, the cost of services rendered, and salaries and wages. Losses include, for example, those expenses resulting from a disaster such as a fire or flood, as well as those arising when capital assets are disposed. The National Treasury (2018) emphasises that a department recognises and measures expenditure in the statement of financial performance on the date of payment.

Thus, the emphasis of the implementation of the modified cash basis of accounting in the public sector is on the recording and reporting of all cash received from the various sources and expenses paid to suppliers and employees, and how to disclose the accruals and expenses that have been incurred and not yet paid but committed. The significance of recording cash

receipts and disbursements committed in the current year's allocated budget is to disclose accruals and expenses that have been incurred and not yet paid but committed in the budget using the modified cash basis of accounting.

In terms of the Treasury Regulations (2005) the total budget committed is significant because it reflects the total money that will be used by the public sector from the current year's allocated budget. In the South African context in terms of Section 30(2)(g) and 31(2)(g) of the PFMA (1 of 1999) all spheres of government, such as departments, constitutional institutions and public entities, must obtain approval to roll funds over that have been appropriated but not spent in a particular financial year. National Treasury approves the rollover of unspent cash to allow all spheres of government to pay expenses committed in the new financial year from the previous year allocated budget.

Importantly, the expenses committed will be paid out of the current year's allocated budget and are also recorded and reported in all spheres of government financial statements. The results of the expenses committed will be recorded and reported to all stakeholders to be aware of how much will be spent during the current year's budget, which enables them to make an informed decision on utilising the current year's budget (Treasury Regulations, 2005). Therefore, the current year's budget is meant for 12 months; it differs per country depending on the accounting period of its financial year.

Moreover, allowance is made for the last month of the financial year to remain open to transact or adjust based on revenue received and expenditure incurred. This avoids misallocation of the revenue received and expenses incurred from the previous month and reflects an accurate revenue and expenditure report for the financial year. The impact on the implementation of the modified cash basis of accounting in the public sector is that the annual financial statements are on the cash basis of accounting for only certain expenses incurred and not yet paid. In addition, only certain expenses incurred and not yet paid are committed in the previous year allocated budget. They are not recorded and reported in the statement of the financial position but are disclosed as a note in the annual financial statement to provide the total amount that still needs to be paid in the next financial year (Treasury Regulations, 2005). According to Carlin (2005) countries that implement the modified cash basis of accounting use a primary cash-based reporting framework for

expenses committed and not yet paid, which is supplemented by disclosure notes in the annual financial statements.

To summarise, the implementation of the modified cash basis of accounting in the public sector has been defined in various ways. The focus area and its impact on preparing annual financial statements in the public sector were highlighted, including adjustments made for an accurate revenue and expenditure report for the financial year.

2.2.3 Modified accrual basis of accounting

Section 2.2.1 explained the definition, focus areas and impact of the modified cash basis of accounting in the public sector. The third basis of accounting in the public sector to be discussed and explained as per Figure 2.2 is the modified accrual basis of accounting. Its emphasis and significance are explained in detail. Its differences in the public sector are compared with both the cash basis of accounting and modified cash basis of accounting.

Istrate *et al.* (2016:19) define the modified accrual basis of accounting in the public sector as a “combination of the cash basis of accounting and the accrual basis of accounting”. The modified accrual basis of accounting records revenues as they become available, which is the cash basis of accounting, and recognises expenses as they are incurred, which is the accrual basis of accounting. In addition, governmental funds are expected to be used within a fiscal year since those funds provide direct services, such as public safety and capital improvements to roads.

Tikk (2010:81) agrees with the definition of the modified accrual basis of accounting given by Istrate *et al.* (2016:19). Tikk (2010:81) emphasises the recognition and reporting of both the revenue earned and expenses paid and not when incurred. He indicates that income earned and expenditure incurred are recognised and reported in the statement of financial performance. These two definitions explain how the public sector accounts, recognises and reports revenue received or earned and expenses paid and not when incurred.

Bellanca *et al.* (2015:25) specify that the modified accrual accounting in the public sector can take several forms. Hardman (1986) further declares that although the modified accrual basis of accounting in the public sector is similar to the accrual basis of accounting, the

modified accrual basis is simpler because it neither involves capitalising fixed assets nor providing depreciation of fixed assets.

Peter van der Hoek (2005:35) agrees with both Bellanca *et al.* (2015:25) and Hardman (1986) by explaining that the modified accrual basis of accounting in the public sector records expenses when resources are received and records revenues when they are measurable and available within the accounting period. Christiaens *et al.* (cited by Guerra de Sousa *et al.*, 2013:221-222) describe that “the modified accrual basis of accounting in the public sector recognises transactions and other events under the accrual basis of accounting, but not certain classes of assets and liabilities”.

Moreover, Tikk (2010:81) describes that “the modified accrual basis of accounting in the public sector (compared with both the cash basis of accounting and modified cash basis of accounting) recognises cash receipts, payments and expenses committed, which are disclosed and reported as a note in the annual financial statements of the public entity”.

To summarise, this sub-section defined the modified accrual basis of accounting in the public sector as a combination of the cash basis of accounting and the accrual basis of accounting. The modified accrual basis of accounting records revenues as they become available, which is the cash basis of accounting, and recognises expenses as they are incurred, which is the accrual basis of accounting. The modified accrual basis of accounting emphasises the recognition and reporting of both the revenue earned and expenses paid and not when incurred. Various forms and exceptions in terms of its implementation were mentioned. Its differences compared with both the cash basis of accounting and modified cash basis of accounting in the public sector were explained in detail.

2.2.4 Accrual basis of accounting

Section 2.2.2 explained the focus and significant change in the implementation of the modified accrual basis of accounting in the public sector. The last basis of accounting to be discussed is the accrual basis of accounting, which is compared with the other three bases of accounting.

Bellanca *et al.* (2015:25) and FEE (cited by Guerra de Sousa *et al.*, 2013:221) define the accrual basis of accounting in the public sector as “a method for recording financial transactions in which all transactions are recorded during the period they relate to”. Bellanca *et al.* (2015:25) further add that “transactions and other events are recorded when they occur and not only in the case of receipt or disbursement”.

Peter van der Hoek (2005:35) defines the accrual basis of accounting in the public sector as “a system that recognises expenses as incurred, record revenues as earned, and capitalises fixed assets”. He further indicates that governments have traditionally deployed input-based budgeting systems and cash-based accounting systems and the disadvantage is that is not suitable for government operations. “For governments, it is not only mandatory to draw up budgets for resource allocation both within the public sector and between the public sector and the rest of the economy, but they also must publish the budgets” (Peter van der Hoek, 2005:37).

According to Peter van der Hoek (2005:34 & 37) the public budget needs to be authorised by the legislature through appropriations to enable government to spend money for specific purposes. “Appropriations cover the full costs of the operations of government and increases in liabilities or decreases in assets.” Commitment-based appropriations give government the authority to make commitments to pay them by means of cash.

Kalulu (2015:5) emphasises that when cash is received or paid under the accrual basis of accounting in the public sector, transactions recorded as commitments are not affected. According to Peter van der Hoek (2005:37) some critics point out that an accrual budgeting system cannot be a governmental system because its mandate is to render a service through allocation of grants as the mains source of revenue or income.

According to Tikk (2010:1) the accrual basis of accounting in the public sector focuses on treating, recognising, measuring, matching and reporting all income received from the various sources as well as expenses paid to suppliers and employees. The IPSAS accrual basis of accounting is also used to report non-financial information. The detailed explanation of matching is relevant as one of the focus areas in the implementation of the IPSAS accrual basis of accounting in the public sector as mentioned by Tikk (2010:1). Istrate *et al.* (2016:2) indicate that expenses incurred are matched with the related revenues and/or reported when earned.

Foster (2010) clarifies matching as one of the focus areas of the accrual basis of accounting in the public sector. Foster (2010) defines the accrual basis of accounting, which recognises revenues and expenses, in relation to the matching principle. According to Solomons (2012:12) the matching principle states that revenue and expenses are to be recognised and matched in the accounting reporting month in which obligations are incurred or services are performed, whether the cash has been paid or received. Solomons (2012:12) further describes that the matching principle illuminates a public sector's financial position and performance at any given point in time to ensure that all financial transactions incurred will be completed, recorded, matched in the accounting reporting month.

Therefore, the matching principle is critical to the implementation of the IPSAS accrual basis of accounting in the public sector because it stresses the importance of recognising, recording and disclosing financial transactions incurred. Khan and Mayes (cited by Solomons, 2012:10) explain the accrual basis of accounting as an accounting methodology that recognises financial transactions incurred irrespective of the timing of the related cash receipts and payments. Importantly, the income received from the various sources and expenses paid to suppliers and employees will be recognised, measured, matched and reported timely in the financial records of the public sector.

Connolly and Hyndman (2006:273) assert that the public sector places great importance on using and recording capital assets. Woods and Hardman (cited by Solomons, 2012:11-12) emphasised that the focus is not actual receipt of payment but on receipt of income, expenditure incurred and classification of those financial transactions. It is therefore necessary for the public sector to recognise the financial transaction incurred in the month it has occurred and provide a clear indication of the actual expenditure incurred. It is evident that the actual expenditure incurred will allow decision makers to make an informed decision on the implementation of the service delivery based on the exact cost incurred.

Istrate *et al.* (2016:19) further agrees on the treatment of expenses incurred and revenue collected by the public sector during the implementation of the accrual basis of accounting framework influenced by IPSAS considering arguments that this accounting basis is complex, thereby resulting in “errors and encouraging the overstatement of total revenues by inflating income and receivables”.

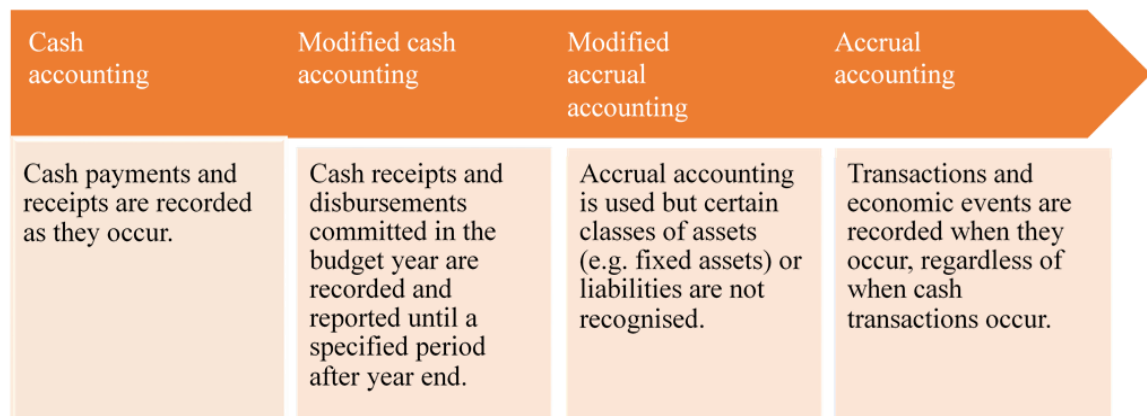
In respect of the standardisation of public spending and the costs for capital expenditure incurred, Peter van der Hoek (2015:39) indicates that it is critical to note that “the standardisation of public spending based on costs implies that cash expenditure can vary. Although costs may be equal to cash spending, this is not true in the case of capital expenditure”.

Regarding producing additional information, Barton (cited by Baboojee, 2011:13) states that “the accrual basis of accounting in the public sector produces additional and more complex information than the cash basis of accounting”. Laughlin (cited by Guerra de Sousa *et al.*, 2013:221) agrees with Barton and highlight that the benefits are in decision-making in respect of for instance assets, expenses and liability revenue.

Land and Rocher (cited by Guerra de Sousa *et al.*, 2013:221) note that “the accrual basis of accounting is often used in the private sector and is the exception in the public sector”. The main aim of the private sector is to make a profit, which includes additional information generated regarding the use of assets, expenses, liability and revenue for decision-making purposes.

In summary, the section explained the implementation of the IPSAS accrual basis of accounting in the public sector in detail, which included its focus, significant change, and differences compared with the other three bases of accounting. Figure 2.6 depicts how each spectrum (basis) of the government accounting practices treats financial transactions for recording, reporting and recognising them in the financial statements of the public sector. Figure 2.6 clearly shows that both the cash and modified cash basis of accounting focus more on recording and reporting cash payments and cash receipts as they occur. The modified accrual and accrual basis of accounting focus more on recognising, recording and reporting financial transactions and economic events regardless of when cash transactions occur.

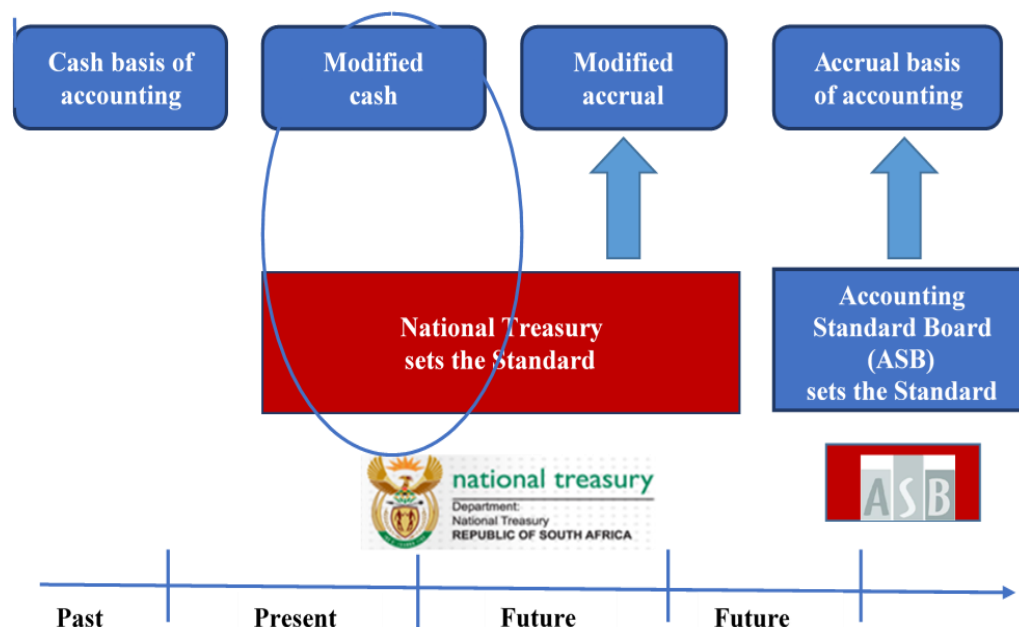
Figure 2.6: The spectrum of government accounting practice



Source (PwC, 2013:8)

Figure 2.7 illustrates the various stages of implementing the four bases of accounting in the South African public sector. It indicates the entities responsible for setting applicable accounting standards to be implemented by different spheres of government. IFAC (cited by Guerra de Sousa *et al.*, 2013:221) “recognises the modified cash and modified accrual basis of accounting methods as intermediate stages between the cash and accrual basis of accounting systems”.

Figure 2.7: Move from the cash basis to the accrual basis of accounting

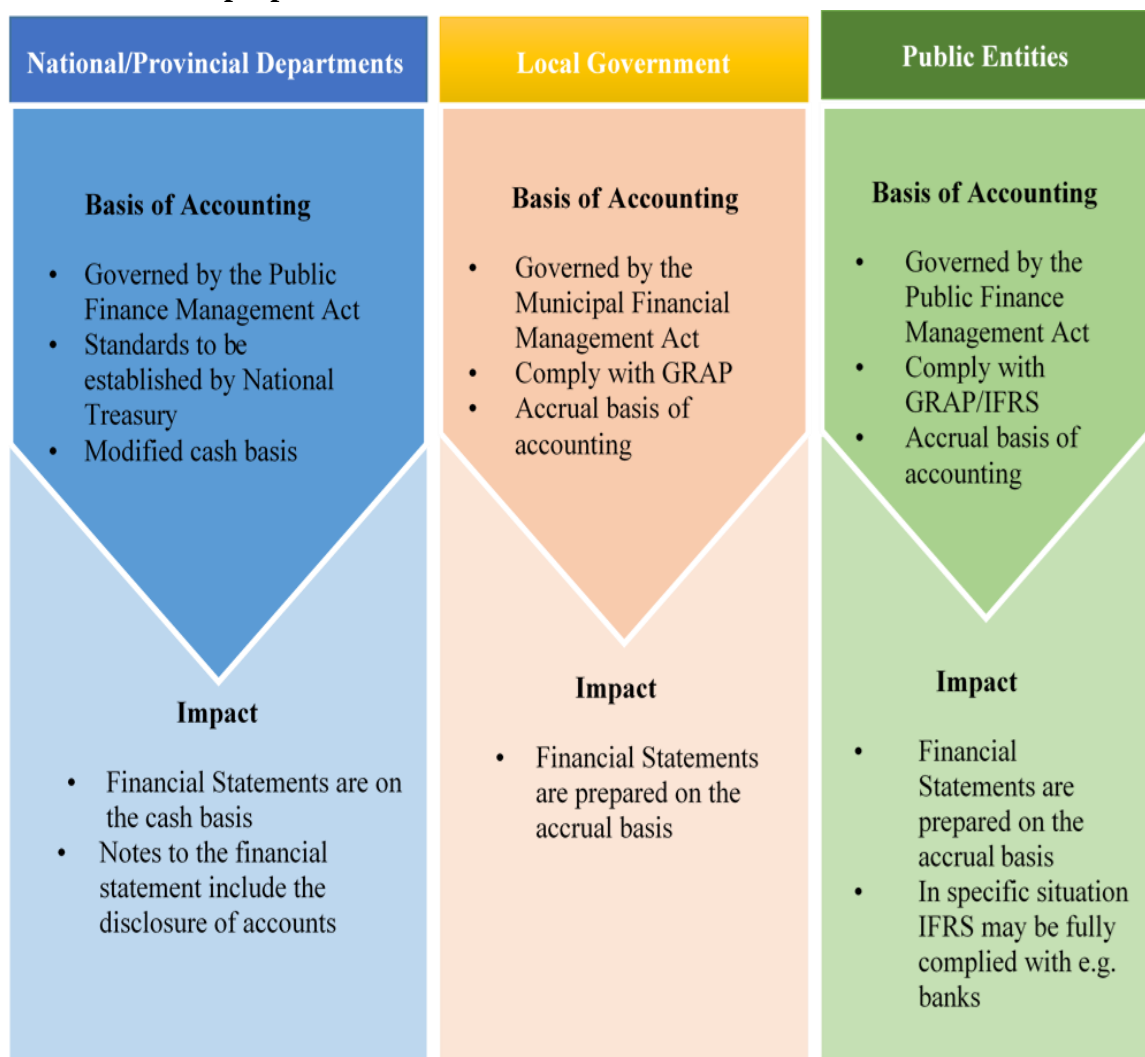


Source (National Treasury, 2014:24)

Figure 2.8 depicts the basis of preparation across the different sectors in South Africa. All South African spheres of government prepare their annual financial statements using the different bases of accounting as directed by the following applicable legislative and accounting policy frameworks: the Constitution of South African (108 of 1996), PFMA (1 of 1999), Municipal Financial Management Act (56 of 2003) and GRAP.

Figure 2.8 shows the applicable legislative and accounting policy frameworks that govern and ensure compliance by each sphere of government in the implementation of the different bases of accounting. What is more significant, Figure 2.8 demonstrates the impact of the different spheres of government using the different bases of accounting.

Figure 2.8: Basis of preparation across the different sectors



Source (Anthoo, 2015:8)

2.3 EVALUATION OF THE IMPLEMENTATION OF THE ACCRUAL BASIS OF ACCOUNTING IN THE PUBLIC SECTOR

As depicted and illustrated in Figure 2.8, local government and public entities in South Africa implement the GRAP standards accrual basis of accounting to prepare their annual financial statements. These annual financial statements should comply with GRAP, which is an accounting practice used by South African local government and public entities. A detailed discussion about GRAP standards are given in Chapter 4.

The explanation of the IPSAS accrual basis of accounting in the public sector provided a total background to and underlying theory of the implementation of the accounting standards with specific reference to GRAP standards in South Africa. This section discussed the significance of implementing the IPSAS accrual basis of accounting in the public sector, which highlights the important elements thereof.

2.3.1 Significance and important elements of implementing the accrual basis of accounting in the public sector

The discussion on the significance of implementing the IPSAS accrual basis of accounting in the public sector identified important elements that need to be noted, namely, recognition, measurement, matching and reporting. These elements direct the initial stage of performing a financial and non-financial transaction using the accrual financial system until these transactions are reported in the annual report of the public sector.

The significance of discussing the important elements is to reflect how they interrelate with the developed appropriate accounting standards such as GRAP. Moreover, the development of the appropriate accounting standards serves as a tool to realise recognition, measurement, matching and reporting in the public sector.

Figure 2.9 depicts the important elements for all income received from various sources and expenses paid to suppliers and employees. It shows the flow of the financial transactions incurred in the accounting month until these transactions are reported in the annual financial statements.

Figure 2.9: Important elements of implementing the accrual basis of accounting in the public sector



Source (Own research, 2019)

Recognition

Recognising the financial transactions incurred is the first initial stage of the important elements of implementing the accrual basis of accounting in the public sector. Fourie *et al.* (cited by Baboojee, 2011:12) agree with Khan and Mayes (cited by Solomons, 2012:10) that the accrual basis of accounting recognises financial transactions incurred regardless of the timing of its associated cash received or payments made. For example, this relate to the income received from various sources and expenses paid to suppliers and employees. As a result, the timing of income received and expenses paid is not critical because the financial transactions incurred are recognised.

Therefore, the public sector's accrual financial system recognises income received from various sources and expenses paid to suppliers and employees immediately even if the cash has not yet been received or when goods have been received or services rendered. Furthermore, this does not consider whether the invoice has been received for payment from the concerned suppliers, or whether an invoice has been received from employees.

Measurement and matching

After recognition, the financial transactions are measured using different measures such as goods received, a voucher to confirm the receipt of the goods, or services rendered. During the process of measurement, it is important to match the goods received or services rendered using relevant documents such as purchase requisitions, purchase orders, goods received vouchers, delivery notes and invoices received together with statements from suppliers. It is evident that it is important to match all relevant documents to identify any discrepancy before payments are made or to ensure the safekeeping of these relevant documents for audit purposes.

Reporting

The matched relevant documents are mostly recorded in the accrual financial system to enable the public sector to report financial and non-financial transactions in the annual financial statement and the annual report. Granof (1998:18) indicates that “public sector financial reporting should provide information to assist users in assessing the accomplishments of government with its associated costs”.

Thus, reporting is important for informing end users and other stakeholders of how the allocated budget has been spent and how challenges, if any, have been addressed. This information enables them to make informed decisions, which using the appropriate accounting standards, reflect if the best value for the funding has been achieved. Therefore, implementing the appropriate accounting standards might result in end users and other stakeholders receiving effective reports.

This section discussed the significance of implementing the IPSAS accrual basis of accounting in the public sector. The discussion reflected that the important elements of implementing the accrual basis of accounting in the public sector are generic and achievable by developing the appropriate accounting standards, such as GRAP. The development thereof is significant for realising the important elements, namely, recognition, measurement, matching and reporting, as depicted in Figure 2.9.

2.3.2 Criticism of implementing the accrual basis of accounting in the public sector

Section 2.3.1 discussed the significance of implementing the accrual basis of accounting in the public sector as well as its important elements, namely, recognition, measurement, matching and reporting. This section focuses mainly on the criticisms of the various countries using the accrual basis of accounting in the public sector. The main reason for illuminating the contradicting opinions is to emphasise that even though there are important elements of implementing the accrual basis of accounting in the public sector, the contradicting opinions or challenges encountered should be considered and treated with caution or as a learning curve.

On both theoretical and practical grounds, an increasing body of literature has criticised public sector organisations implementing the accrual basis of accounting. In the context of the public sector, Guthrie (1998) argues that the implementation of the accrual basis of accounting is not practical suitable for the public sector considering that its focus is not on profit making. Ellwood and Newberry (2007:550) add that the implementation of the accrual basis of accounting in the public sector “reduce government’s role” which is rendering service.

Ellwood and Newberry (2007:567) declare that it is accepted that the accrual basis of accounting has value in the public sector, but the implementation thereof is of business sector practices. Due to the increasing criticism of public sector organisations implementing the accrual basis of accounting, a research was conducted by Wynne (2008) in the United Kingdom, Australia and New Zealand regarding the effects of the accounting reform and Wynne (2008) research conclusion question the same critics as highlighted by other literature on the benefits of implementing the accrual basis accounting in the public sector.

It is evident that there are different opinions concerning the benefits of the accrual basis of accounting for external uses in the public sector. Wynne (2008) states that “it is becoming increasingly clear that the claimed benefits of the accrual basis of accounting are not being realised in practice”. This was as result of lack of empirical evidence, thereby showing the difference that the implementation of the accrual basis of accounting has made in the public sector.

Potter (cited by Carlin, 2005:313) makes this very point indicating the lack of empirical evidence contributed to the support of the public sector implementing the accrual basis of accounting and financial reporting. Along similar lines, Connolly and Hyndman (2006:287-288) caution on the treatment of claims even if there are supporters in many countries of implementing the accrual basis of accounting in the public sector.

In addition, Hepworth (cited by Baboojee, 2011:34) cautions governments, which are intending to migrate and implement the accrual basis of accounting, that financial control problems encountered will not be addressed instead those problems will be worse. Mellor and Richardson support Hepworth’s (cited by Baboojee, 2011:34) argument on unresolved underlying financial control problems. Bunea-Bontaş and Petre (2009:5) argue that the substantial costs and risks are not justifiable. This supports the argument that the

implementing of the accrual basis of accounting in the public sector is more theoretical than practical.

Despite the limited empirical evidence regarding the benefits associated with implementing the accrual basis of accounting in the public sector and arguments by academics, the implementation of the accrual basis of accounting framework influenced by IPSAS is nowadays regarded as being self-evident, as Lapsley *et al.* (2009) comment. At the opposite pole, certain authors demonstrate the “advantages of the accrual-based system through a content analysis of financial statements, both related to cost and efficiency, and refer to the benefits to the internal and external users” (Berman & Wang, 2000; Poister & Streib, 1999).

The rationale for a change in the public sector for implementing the accrual basis of accounting influenced by IPSAS is based on a sound basis in theory and this resulted arguments and distinctly different views regarding the benefits in the public sector with some supporters like IPSASB strongly encouraging its implementation and others opposing it (Wynne, 2008). Christensen (2007) and Wynne (2008) highlighted that decline in interested countries to implement the accrual basis of accounting was influenced by the level of understanding and knowledge on the implementation challenges encountered. “In Europe, several countries refuse to make the change despite the OECD (1995) endorsing accrual accounting.”

Dorotinsky (2008) suggests that the few countries for instance, Australia, New Zealand and the United Kingdom that implemented the accrual basis of accounting should have not done so, before considering key issues like accepting international guidance and knowing their national characteristics and economic limits. Wynne (2008) and Peter van der Hoek (2005) discloses that “several other countries such as China, Ghana, Malaysia, Mauritius, Namibia, Netherlands and Pakistan have also reviewed the evidence informed by experience of few countries on the implementation challenges encountered and took cautious decisions that a migrating and implementing of the accrual basis of accounting is suitable, at least in the short term”.

Based on the aforementioned studies, the findings are not always representative of Eastern European and African countries. Tiron Tudor and Blidiesel (2007) show that considering their historical, economic and social characteristics, these studies have mainly been conducted in the United States of America or in the western part of Europe. The varying

arguments clearly demonstrate the existing knowledge gap, which reflects the significance of the study in South Africa. A South African study will reflect the existing knowledge gap for those other African and international countries in the public sector, especially public entities, that would like to implement the accrual basis of accounting practices and standards, such as GRAP standards. Thus, this research can confirm whether these benefits, as argued by various researchers, are practically achievable in the public sector. This study can also provide better ways of addressing the common applicable challenges identified.

In conclusion, this section reviewed the criticisms by various authors to illuminate the contradicting opinions. The purpose was to emphasise that even though there are important elements, the contradicting opinions or challenges encountered by various countries should be considered and treated with caution or as a learning curve to implement the accrual basis of accounting practices and standards in the public sector.

2.4 CONCEPTUAL FRAMEWORK ON NEW PUBLIC MANAGEMENT

Due to the challenges and risks identified in different countries, various authors have different arguments or opinions regarding the implementation of the accrual basis of accounting practices and standards in the public sector. This section focuses on defining the conceptual framework for the NPM, including, among other things, its emphasis, focus and intentions in respect of the implementation of the accrual basis of accounting practices and standards in the public sector.

NPM is significant because its main objectives include, but are not limited to, offering the best value for money in the public sector, strengthening accountability, and ensuring transparency. Moreover, the objectives of NPM are embedded in the significance and important elements of implementing the accrual basis of accounting in the public (as mentioned in Section 2.3). Therefore, it is critical to create an accounting environment that enables the accrual basis of accounting practices and standards to be implemented in the public sector.

According to Ellwood and Newberry (2007) the implementation of the accrual basis of accounting influenced by IPSAS in the public sector is a component of the wider NPM reforms and the public sector market, which aims to create an accounting environment in which governments manage their activities and fulfil their responsibilities without leaving

an enormous burden on future generations. Ellwood and Newberry (2007) agree with Iyika (2011), Promberger and UNECA (cited by Ofoegbu, 2014), and Wynne (2011) that public sector accounting and market reform are critical for an efficient and wider NPM.

In terms of the OECD (1995:37) the main feature and focus of the NPM model is on best value for money, which is enhanced by the implementation of the accrual basis of accounting in the public sector. In addition, NPM introduced an important element, namely, the performance measurement management system, which aligns with the significance of implementing the accrual basis of accounting in the public sector.

Both the best value for money and the performance measurement management system is critical in respect of service delivery in the public sector. Importantly, the best value for money is achieved by evaluating the performance of public entities. Therefore, it is critical to have sound financial performance measurement to reflect the effectiveness of implementing the accrual basis of accounting framework in the public sector. The significance of evaluating the public sector's performance by the major role players in public policy development, is to account for the funds allocated for realising service delivery.

Besides NPM's main features as mentioned above, Connolly and Hyndman (2010) show that its intention is to improve efficiency, economic effectiveness, transparency, accountability and decision-making regarding public funds. These intentions are linked to the significance of implementing the accrual basis of accounting in the public sector and the development of appropriate accounting standards such as GRAP.

Some studies show that "NPM can sustain much better principles such as efficiency, effectiveness, transparency and accountability" (Aucoin, 1990; Hood, 1995; Lapsley, 1999; Lapsley & Oldfield, 2001; Likierman, 2000; Lye *et al.*, 2005; Mellett, 1997; Pallot, 1992, 1994; Parker & Guthrie, 1990). It is therefore necessary to create an enabling accounting environment to enhance accountability and responsibility. On the other hand, some authors "question the compatibility between public sector and private sector characteristics concerning objectives, aim, and sources of finance" (Barton, 2009; Guthrie, 1998).

According to Hood (1995) "some countries have implemented NPM style changes at a quicker pace and more enthusiastically than others because of the importance of NPM in the public sector" Hood (1995) identified "the high NPM group in the OECD countries as

Sweden, Canada, New Zealand, Australia and United Kingdom with France, Denmark, the Netherlands, Norway and Ireland also showing several marked shifts in the direction of NPM". It is evident that the intention of implementing NPM at a quicker pace was to improve efficiency, economic effectiveness, transparency, accountability and decision-making regarding public funds. It is therefore critical to focus on improving service delivery in the public sector.

The focus of NPM is increasingly on improving service delivery in the public sector and taking accountability and responsibility for budget spending. Indeed, it is argued that without the accrual basis of accounting practices and standards, "some NPM changes would be weakened" (Likierman, 2003). Accordingly, Likierman (2003) agrees with Connolly and Hyndam (2010), Ellwood and Newberry (2007), and Solomons (2012) about the importance of the link between NPM and the implementation of the accrual basis of accounting practices and standards in the public sector. Importantly, the efficient management of public funds by implementing an NPM enhances accountability and responsibility (Connolly & Hyndam, 2006:284). Thus, NPM focuses on being efficient, doing more with less, and being accountable for funds utilised.

The NPM encourages public sectors to prepare their annual financial statements using the principles and standards of the accrual basis of accounting for purpose of transparency, accountability, awareness in the decision-making process and account information to all stakeholders (Guthrie *et al.*, 1999). Therefore, public sector decision makers can make an informed decision on how the public sector performs using the statements of financial performance, position and information when implementing the accrual basis of accounting principles and standards.

Besides the importance, aim, focus and emphasis of NPM in enhancing public sector performance, there are doubts regarding the effectiveness of the accrual basis of accounting. Guthrie (1998), Guthrie and Johnson (1994), and Guthrie *et al.* (1999) emphasise these doubts, thereby indicating that "the same comparison between the public and private sector when considering the implementation of the accrual basis of accounting shows that there are doubts over the effectiveness thereof in guaranteeing a sound financial performance, as failures and scandals occur in the private sector".

To summarise, the conceptual framework of NPM was defined with an emphasis on its objectives, aim, main features, focus and intentions in respect of the implementation of the accrual basis of accounting practices and standards in the public sector. The importance of NPM in the public sector is embedded in the significance and important elements of implementing the accrual basis of accounting and the creation of an accounting environment for evaluating the performance of the public sector in respect of the value of the funds allocated. However, there are doubts regarding the effectiveness in the public sector because of failures and scandals in the private sector.

2.5 INTERNATIONAL PERSPECTIVE OF THE ACCRUAL BASIS OF ACCOUNTING IN THE PUBLIC SECTOR

The summary given in Section 2.4 informs the discussion on an international perspective of the accrual basis of accounting practices and standards in the public sector. This section discusses the international accounting practices and standards on the accrual basis of accounting in the public sector and the implementation challenges experienced. Finally, lessons learned are discussed.

The discussion in the previous section showed that countries across the globe implement the accrual basis of accounting practices and standards in the public sector. Connolly and Hyndman (2010:3) supported by Buhr (2012) and Carlin (2004) indicate that in the late 1980s countries like Australia and New Zealand migrated and implemented the accrual basis of accounting practices and standards in the public sector arguing that new and better information is available. However, there is increase in number of governments on implementing public sector accrual basis of accounting framework, while others implement modified cash basis of accounting or modified accrual basis of accounting (PwC, 2013:8).

According to Baker and Morina (2006); Carlin (2004) the implementation of the accrual basis of accounting practices and standards was firstly done at New Zealand at both national and agency level and produce its annual financial statements on a full accrual basis. In addition, according to Peter van der Hoek (2005:33 & 37) Netherlands, New Zealand, Canada, Spain, Sweden, the United Kingdom, the United States and Australia also implemented the accrual basis of accounting practices and standards and there are documents that reflect the challenges they encountered when migrating from the public sector cash basis of accounting to the accrual basis of accounting.

According to Peter van der Hoek (2005:33) supported by Abolhalaje *et al.*(2012) besides the difficulties and challenges experienced by these countries, a growing number of countries, including New Zealand, Australia, Canada and the United States have implemented the public sector accrual basis of accounting with the aim of realising the accrual basis of accounting benefits such as evaluate the management of cash accounts and assets better. Evaluating the management of cash accounts and assets requires skilled financial employees and enough infrastructure. If not, difficulties might be experienced when implementing the accrual basis of accounting practices and standards in the public sector.

It is evident that skilled financial employees assist in understanding and interpreting appropriate accounting standards in the public sector. Importantly, IPSAS is used to implement the accrual basis of accounting in the public sector. At present, only a minority of countries follow the norms of the IPSAS of the International Federation of Accountants/ Public Sector Committee (Arshad *et al.*, 2013:295). According to Wynne (2008:117) several other countries (such as China, Ghana, Malaysia, Mauritius, Namibia, Netherlands, and Pakistan) have reviewed the evidence and took cautious decisions that a move to implement the accrual basis of accounting is suitable, at least in the short term.

Consequently, it is critical for governments considering implementing IPSAS to take an informed decision based on the actual experience of those countries that have implemented IPSAS (Wynne, 2008:17). In Africa, the following countries are adopting the cash basis of IPSAS: Algeria, Lesotho, Malawi, Namibia, Swaziland, Zambia, Zimbabwe and Nigeria, while in Tanzania, government authorities and GBEs in the Local Government of the United Republic of Tanzania are already complying with accrual-based IPSAS/ IFRS (Deloitte, 2013:6-12). Importantly, the plan in Tanzania has been to consolidate local government authorities and GBEs from the year 2013. In South Africa, it is prescribed that all departments use the modified cash basis of accounting, while public entities and trading entities use GRAP standards, which have been developed by the South African ASB based on IPSAS (Deloitte, 2013:6-12).

Wynne (2008:125) asserts that “several African countries have adopted public financial management laws in recent years with assistance from international consultants with the exemption for instance, of Ghana, Tanzania, Uganda, and Zimbabwe, where these laws require government’s financial statements to be prepared in accordance with generally

accepted accounting principles (GAAP)". Wynne (2008) furthermore reflected that impact of such statements is a result of "few, if any, of these countries progressing in implementing the accrual basis of accounting practices and standards".

2.5.1 International accounting standards for the accrual basis of accounting in the public sector

It is evident that appropriate accounting standards applicable to the public sector have to be developed. This will ensure standardisation and compliance to all countries using them. The accounting standards should be in line with IPSAS. Arshad *et al.* (2013:292) affirm that the migration to accrual basis of accounting in government financial reporting and budgeting followed by implementing IPSAS has been accepted globally.

"In line with this, many countries have either started preparing financial statements in accordance with IPSAS or intend to use IPSAS" (Arshad *et al.*, 2013:294). Importantly, it is critical for the preparers of the financial statements to have appropriate knowledge and understanding of IPSAS to realise the potential benefits thereof (Arshad *et al.*, 2013:294).

Although Arshad *et al.* (2013:295) demonstrate that only a minority of countries unfortunately follow the norms of the IPSAS of IFAC/Public Sector Committee at present, it is critical to use an accounting system. Arshad *et al.* (2013:295) state that the implementation of international appropriate accounting standards in the public sector depend on the accounting system utilised by the affected country. Importantly, the accrual basis of accounting in the public sector could come in quite different accounting systems such as Oracle or Pastel.

For a long time, public entities have used the cash basis of accounting. However, in the 1980s consideration was made to implement private sector accounting principles practised (Bunea-Bontaş & Petre, 2009:2). Even though public sector mandate is not focusing on profit making, in contrast, its focus is on being responsible for appropriate public funds in rendering service to the people. It is important that the public sector's implementation of international accounting standards is appropriate to reflect consistent, timely, accurate and relevant financial information.

2.5.2 International implementation challenges and risks experienced on the accrual basis of accounting in the public sector

Some of the challenges and risks identified for discussion include: incomplete development of suitable accounting standards and its implementation; a lack of implementation of the relevant prescripts such as debt and asset management policies; a lack of training for existing and new financial employees as well as unskilled financial employees; and difficulty in retaining skilled financial employees.

According to Baboojee (2011:31) some countries that have and are still in the process of implementing the accrual basis of accounting practices and standards in the public sector were or are confronted with challenges when moving from the cash basis of accounting to the accrual basis of accounting. Furthermore, some of these countries operate different systems at different levels of government, which makes it difficult to generalise the state of accounting. The result is that the benefits of implementing the accrual basis of accounting practices and standards in the public sector are not always realised. According to Woods (2002) Australia has encountered problems with implementing the accrual basis of accounting in the public sector; as a result, not all predicted implementation benefits were realised. Importantly, the experience gained by Australia resulted in addressing the accrual basis of accounting implementation problems encountered over a five-year period.

In 1993, the United Kingdom government publicised its intention to implement the accrual basis of accounting after learning on challenges encountered and good practices from Australia (Connolly & Hyndman, 2006; Luder & Jones, 2003). According to Baboojee (2011:29) the main reason for the change and implementation of the accrual basis of accounting was to achieve better government performance. The United Kingdom only implemented the accrual basis of accounting in 2001 after considering a green paper and white paper in 1994 and 1995, respectively. The central governments migrated from a cash basis of accounting to accrual basis of accounting following an international norm for introducing and implementing the accrual basis of accounting (Connolly & Hyndman, 2006:275).

Although the United Kingdom followed an international norm, it experienced challenges due to unanticipated complexity (Connolly & Hyndman, 2006:272). According to Connolly and Hyndman (2006:279) the biggest drawback in the United Kingdom was a shortage of

employees. Furthermore, employees who were available received a strict timetable for implementation, little feedback, and did not know exactly how to work with the model. The lessons learned from international experience were not implemented appropriately or implemented at all because the information was too complex for the in-house staff (Connolly & Hyndman, 2006:282).

Based on the challenges experienced by the United Kingdom, Sweden's implementation of the accrual basis of accounting was not an exception. Their biggest setback also came from information availability, which was only used to manage the agencies based on the availability of the budget for decision-making (Paulson 2006). Furthermore, Paulson (2006) state that it is still uncertain whether the implementation was a success; as is the case of the United Kingdom, it is still too premature to tell. Considering that it was done 13 years later, maybe the status in United Kingdom is different based on the accounting development in the country.

Van Wyk, (2009:424) argues that the challenges and risks of the incomplete development of suitable and practical public sector accounting practices and standards as well as their implementation, complicated the process of implementing the accrual basis of accounting in the public sector. Van Wyk (2006) adds that another challenge is a lack of and failure to implement sound debt management policies and strategies, which results in a high number of long outstanding debts. The absence of sound asset management policies and strategies is contributed to a lack of technical asset competence pertinent to the implementation of the accrual basis of accounting practices and standards in the public sector.

Asset management is one of the key elements of implementing the accrual basis of accounting practices and standards in the public sector. Van Wyk (2006) states that "accounting practitioners are required to use the inadequate information to compile asset registers". Importantly, using inadequate asset information results in incomplete asset registers. To ensure an accurate and complete asset register that reflects all relevant elements of an asset, such as value, description and lifespan, it is vital to develop sound asset management strategies, policies and procedures. According to Van Wyk (2006) this valuable information helps to determine the correct asset calculation method to be used for preparing the annual financial statements.

Clearly, the non-determination of the asset calculation method may result in assets being over- or understated in the annual financial statements. Importantly, over- or understating of assets may contribute to the lack of public confidence in asset management. Van Wyk (2006) further affirms that public confidence could be severely affected during the implementation of the accrual basis of accounting in the public sector – especially where recurring poor financial management is identified and reported.

Connolly and Hyndman (2010:7) explain scarce accounting skills in departments lead to implementation problems encountered. Non-accountants lack of appropriate knowledge and understanding of the accrual basis of accounting information, continue to impede its efficient use in decision-making.

Keelan (2001) demonstrates that a conducive working environment is significant for training existing and new financial employees with the intention of addressing inadequate accounting skills and a lack of appropriate knowledge and understanding of the accrual basis of accounting information. More importantly, the necessity of introducing user-friendly financial systems and skilled employees is the core of implementing the accrual basis of accounting practices and standards successfully in the public sector.

Arshad *et al.* (2013:293) emphasise that to realise the potential benefits of the accrual basis of accounting, it is critical that there are skilled employees to understand, interpret and implement all international accounting practices and standards properly. Arshad *et al.* (2013:293) declare the possibility that “a lack of appropriate knowledge and understanding of IPSAS may lessen employees’ ability and skill to know and understand the potential benefits of implementing IPSAS when preparing and presenting financial statements”.

Keelan (2001:34) remarks that “skilled employees and implementing new practices for managers are all splendid, but lacking the overhauling and upgrading of the system, the project to implement the accrual basis of accounting will not be successful”. Keelan (2001:34) insists on a compliant and sound accounting system platform to ease the implementation of the accrual basis of accounting practices and standards in the public sector.

According to Ofoegbu (2014:111) the challenges experienced internationally in countries such as Australia, the United Kingdom and Sweden also implement to African countries. Ofoegbu (2014:110) notes that some of the challenges concern the accounting system, available accounting skills, understanding and interpretation of the accounting standards, and the public officer's attitude. Ofoegbu (2014:104) explains that due to the attitude of Nigerian public officers on handling the implementation in Nigeria, "most people have uncertainties on the realising the benefits of implementing the accrual basis of accounting".

Ofoegbu (2014:104) indicates that "Nigeria public sector for years encountered implementation challenges of the accrual basis of accounting such as poor governance characterised by corruption, a lack of transparency and accountability in government business transactions". Importantly, "the financial reporting system was based on local laws, namely, the Constitution of the Federal Republic of Nigeria and the Financial Regulations and implemented IPSAS for implementing the cash and accrual basis of accounting in January 2014 and 2016 respectively" (Ofoegbu, 2014:104). It is necessary for Nigeria to resolve all challenges encountered relating to the cash basis of accounting to ease the migration to the accrual basis of accounting implementation and realise its accounting practices and standards.

2.5.3 International lessons from implementing the accrual basis of accounting in the public sector

This section discusses the lessons learned internationally from implementing the accrual basis of accounting practices and standards in the public sector. This is informed by the international challenges encountered by various countries (see Section 2.5.2). Based on these international challenges, it is therefore critical to adopt the implementation of accrual basis of accounting practices and standards in the public sector over time to realise its benefits.

Matheson (2002) confers that governments, like United Kingdom, that have implemented accrual basis of accounting practices and standards for various purposes have done so over different timeframes and, in some cases, in several stages. For example, in 1999–2000, the United Kingdom prepared, produced and reported on its first accrual accounts for individual departments and the first accrual budget in 2001–2002.

It is evident that IFAC (2000) noticed the importance of timing, improvements and comments on the lessons learned from New Zealand in the introduction and implementation of the accrual basis of accounting. In terms of IFAC (2000) this provided the incentive: “the most important lesson is that it can be done”. For a self-governing government, there is no essential theoretical obstacle that precludes the accrual basis of accounting being implemented.

In addition, the following lessons were mentioned by Baboojee (2011:18), Matheson (2002), and Solomons (2012:27-33) as some lessons learned internationally from implementing the accrual basis of accounting practices and standards in the public sector:

- Ensure that the first step is organisational restructuring;
- Educate and communicate all intended changes before implementation begins;
- Train all financial personnel through seminars before implementation begins;
- Implement during favourable economic conditions, which will attribute to positive performance;
- Use the accrual basis of accounting in budgeting, which will lead to a better recognition of future unfunded liabilities, better infrastructure management, and a more efficient reallocation process; and
- Implement the accrual measures for better information for the purposes of asset management, cost calculations, much greater fiscal discipline, a suitable accounting system, and comprehensive accrual-based financial statements.

To implement the accrual basis of accounting successfully, it is critical to have highly skilled employees within the Finance department as well as enough infrastructure. Arshad *et al.* (2013:293) ascertain that “developing nations with a relatively non-competent employees in accounting and insufficient infrastructure experience problems implementing the accrual basis of accounting in the same way as their more highly skilled counterparts (e.g. Australia and New Zealand)”.

To conclude, the section gave a detailed international perspective on implementing the accrual basis of accounting in the public sector. Furthermore, the section discussed the implementation of international accounting standards on the accrual basis of accounting in the public sector. The section described the associated challenges and risks experienced

internationally and in other African countries. Consequently, the lessons learned were discussed to emphasise how other countries can implement the accrual basis of accounting practices and standards in the public sector. The section also considered the challenges encountered.

2.6 STATUS OF IMPLEMENTING THE ACCRUAL BASIS OF ACCOUNTING IN THE SOUTH AFRICAN PUBLIC SECTOR

Due to the challenges and risks identified in different countries, various authors have different arguments regarding the implementation of the accrual basis of accounting practices and standards in the public sector. This section discussed the status of the implementation of the accrual basis of accounting practices and standards in the South African public sector and highlight the challenges and risks encountered.

2.6.1 The status of implementing the accrual basis of accounting practices and standards in the South African public sector

The Treasury Regulations (2005) structure the South African government into “three spheres of government, namely, national, provincial and local government”. The structure clearly defines the remit of each sphere and how they are integrated to deliver services to the people. The national sphere focuses on central government, while the provincial sphere focuses on delivering services in the nine provinces. National or provincial public entities are extensions of a department with the mandate to fulfil government mandate. These entities rely on a grant received from government. As such, these entities have the least autonomy and are also accountable to the government for this money. For instance, SASSA that distributes various social grants to eligible beneficiaries. Local municipalities service the cities and towns of the nine provinces (Department of Public Service and Administration, 2002:2; PFMA, 1999).

In accordance with their formats, the national and provincial public entities have different levels of autonomy. For instance, the GBEs have the most autonomy to raise its revenue in a competitive environment and make decisions in accordance with business principles as a result are required to pay tax and dividends. Example of other GBEs are Eskom, Telkom, and the South African Post Office (Department of Public Service and Administration, 2002:2).

In terms of Sections 47 and 48 of the PFMA (1 of 1999), constitutional institutions and public entities are set out in Schedules 1, 2 and 3. At the national sphere of government, public entities are classified as:

- Constitutional institutions (Schedule 1);
- Major public entities (Schedule 2);
- National public entities (Schedule 3A); and
- National GBEs (Schedule 3B).

Legislative and accounting policy frameworks govern the implementation of the accrual basis of accounting practices and standards in the public sector. These frameworks focus on enhancing the benefits of the accrual basis of accounting in the public sector realised by other international countries (PFMA; 1 of 1999). The Constitution of the Republic of South Africa (108 of 1996) “sets the scene for introducing financial management, which is dedicated to enhancing transparency, accountability and performance”. It is evident that this requires the development of appropriate accounting standards that align with international accounting standards. Importantly, the appropriate accounting standards will enforce the public sector to adhere to and comply with the implementation of the accrual basis of accounting.

“The recommendation to implement the accrual basis of accounting was made in 2001 and the South African government pronounced its purpose to implement this recommendation over time” (Oxford Analytical, 2006). “The drive of general international governments and the South African public sector towards transparency and accountability has resulted in the interest of accrual-based financial reporting practices and standards, which are necessary to manage government effectively and efficiently” (IFAC, 1996; Peter van der Hoek, 2005:32). Based on the aforementioned, financial reporting in the South African public sector plays a significant role in enforcing transparency and accountability of the funds allocated and spent on improving service delivery.

Financial management reforms are important for ensuring transparency and accountability in the implementation of the accrual basis of accounting practices and standards in the public sector. The implementation and improvement of the accrual basis of accounting is integral part of a broader strategic programme of financial management reforms (National Treasury, 2009). The change and implementation of the accrual basis of accounting in the public sector

forms part of the financial management reforms and improvements intended by the enactment of the PFMA (1 of 1999) as stipulated in Section 40(1)(b), which requires that all entities must prepare annual financial statements for each year in accordance with GRAP (PFMA, 1999). It is thus evident that there is a relationship between GRAP and the accrual basis of accounting because GRAP is based on accrual principles of accounting.

“The term GRAP is a set of concepts that functions as a guideline for public sector accounting processes, practices and standards. This is the public counterpart of GAAP, which is a set of rules used by private entities” (ASB, 2007). “The accrual basis of accounting principles in the public sector was introduced and implemented in a small number of entities that appreciated the importance of recording financial transactions as and when they occur, resulting in the ready recognition of assets and liabilities” (SAICA, 2008).

In terms of the ASB (2007) “GRAP establishes the standards used in various accounting activities so that agencies in the public sphere can record and report their financial activities accurately, consistently and reliably”. In addition, the ASB (2007) indicates that GRAP ensures transparency when public entities handle funds.

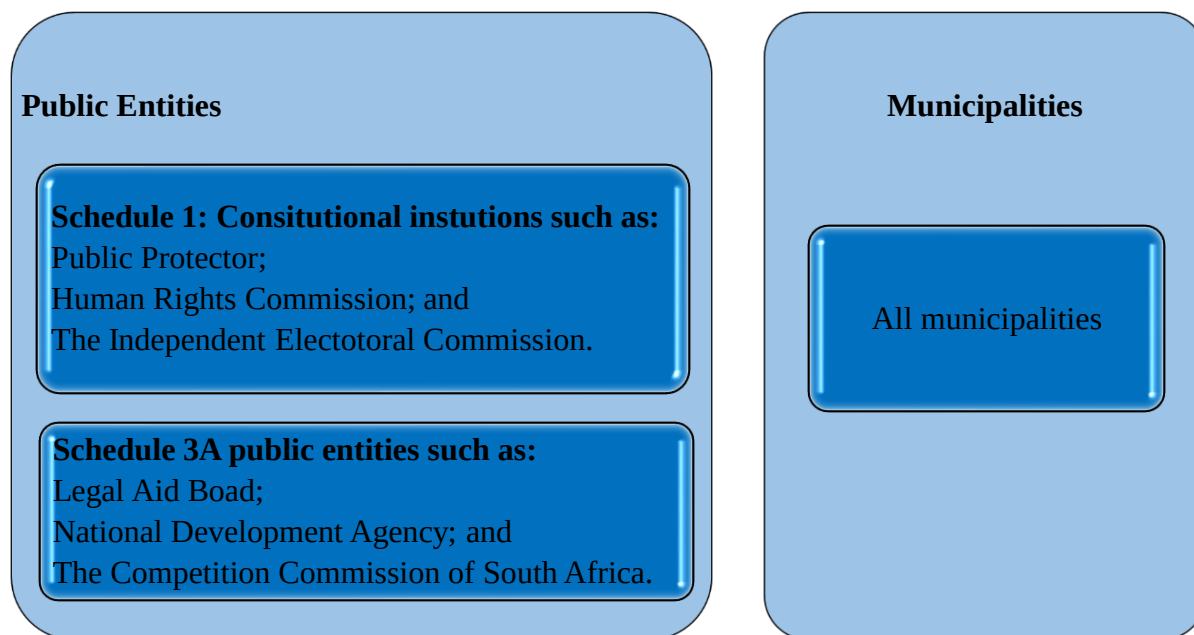
Van Wyk (2006) emphasises that the implications of introducing the accrual basis of accounting in the public sector and the implementation strategy for conversion could assist South African departments with migrating from the cash basis of accounting to the accrual basis of accounting. It is thus evident that the implementation of the accrual basis of accounting in the public sector is to be seen as an opportunity for accountants since the need for qualified accountants is expected to increase in the South African public sector.

This opportunity will address doubts about how well-equipped the public sector is to implement the accrual basis of accounting practices and standards. Given the progression of the accrual accounting execution, Van Wyk (2006) doubted whether the public sector would be equipped to implement the full accrual accounting standards completely by 31 March 2007. In fact, adequate progress has not been made because the departments are still using the modified accrual basis of accounting while public entities and municipalities are using GRAP standards.

The doubt cautioned by Van Wyk (2006) was more on the department's implementation of the accrual basis of accounting because "public entities implement GRAP where a relevant standard exists or otherwise revert to the implementation of GRAP". The implementation of the accrual basis of accounting are, therefore, critical when using GRAP standards to ensure transparency in how public entities handle funds. According to Maranya (2007:25) the emphasis is on enhanced financial management in the public sector through the implementation of the GRAP standards.

The accrual basis of accounting GRAP standards are already being used by South African municipalities, which are governed by the MFMA (56 of 2003), as well as public entities. Importantly, both municipalities and public entities comply with the GRAP standards implementation (Treasury Regulations, 2005). The situation is different in the national and provincial government departments because they implement the modified cash basis of accounting (Quist *et al.*, 2008), which are governed by the PFMA (1 of 1999) while National Treasury established standards applicable for implementing GRAP. The PFMA (1 of 1999), however, "requires national and provincial government entities to prepare their annual financial statements in accordance with GRAP, an accrual basis of accounting framework". In specific situations, Schedule 2 public entities may fully comply with IFRS (National Treasury, 2005). Figure 2.10 illustrates the types of public sector entities and their implementation of GRAP.

Figure 2.10: Types of public sector entities and their implementation of GRAP



Source (Own Research, 2019)

2.6.2 Implementation challenges and risks of the accrual basis of accounting in the public sector

The implementation of the accrual basis of accounting practices and standards in the public sector might encounter challenges and risks, which could affect the realisation of the benefits thereof. This section discusses the relevant challenges and risks facing the South African public sector.

Baboojee (2011:V) observes that “South African national and provincial departments are unprepared for the implementation of the accrual basis of accounting and considered the risks associated with implementation in the foreseeable future”. The necessity to gain the support of legislators is a core requirement to implement the accrual basis of accounting successfully at government level. Compliance with the PFMA (1 of 1999) remains a challenge, but research by Baboojee (2011) has suggested that “it is critical to consider the necessary systems and ensuring equipping employees for complying with accrual financial reporting requirements”.

According to Anthoo (2015:10) the South African public sector encounters four challenges, namely: systems, skills, internal control environment, and audit. He demonstrates the following challenges under systems: South African national and provincial accounting

systems are based on the cash basis of accounting and have not been established for the accrual basis of accounting; accruals disclosure is done outside the system; various systems are used across municipalities; and there is no standard chart of accounts.

Under skills, Anthoo (2015:10) mentions the following challenges: a lack of skill in accounting functions; difficulty in retaining skilled employees; tertiary institutions focusing their teaching on private sector accounting; overreliance on consultants; and difficulty in implementing the standards.

For internal control environment challenges, Anthoo (2015:10) notes the following: entities are at different levels of maturity; inadequate assurance and governance structures; a lack of capacity; a significant change in the process and capabilities; and insufficient guidance and support.

Anthoo (2015:10) lists the audit challenges as: difficulty in implementing standards; no monitoring of conversion plans; a lack of accountability; a lack of historical information (e.g. valuations); and exemptions and retrospective implementations.

In terms of the analysis outlined in the 2013/2014 AGSA (2014) general report on audit outcomes, 73 auditees received a qualified audit opinion; two public entities received adverse opinions, but performed similarly to those that received qualified opinions; and 16 auditees received disclaimed audit opinions. The main concern from AGSA (2014) is the regression in the number of auditees with clean audit opinions both at national and provincial auditee due to weak internal controls, high level of non-compliance with the primary legislation relating to financial management and irregular expenditure.

AGSA (2014) identified the six risk areas that must be addressed as follows:

- “Quality of the submitted financial statements;
- Quality of the submitted performance reports;
- Supply chain management;
- Financial health;
- Information technology controls; and
- Human resource management”.

The AGSA (2014) report further reflects that there is lack or weak internal control measures at some auditees. In fact, a great number of critical posts in Finance are not filled, which results in a lack of competent employees. In addition, auditees are unable to account adequately and accurately in respect of all financial transactions incurred. Moreover, the performance information submitted by the auditees to the AGSA was not useful and reliable.

Regarding having all the necessary resources, it is critical to have all the necessary resources to realise the benefits of GRAP fully. Arshad *et al.* (2013:293) declare that “the public sector in South Africa needs skilled financial people, new information systems, recording assets in the system, and a change in the mindsets of officials”.

Based on the aforementioned, reporting on the accrual basis of accounting practices and standards in the public sector requires an accurate and complete set of financial transactions reported by departments. The intention of Section 38 of the PFMA (1 of 199) is to increase the availability of the financial information to correctly manage the use of resources, and to perform the related financial management functions, but this will depend on having the accrual information available and supported by a suitable information system (Treasury Regulations, 2005).

In the final analysis, the South African government is structured into three spheres of government, which are: national, provincial and local. National and provincial public entities have different levels of autonomy even though they rely on government funding and public money. National and provincial public entities are accountable to government for this money. The structuring of these spheres of government clearly defines the remit of each sphere and how the spheres are integrated for delivering services to the people. The spheres use the appropriate accounting standards that are aligned with international accounting standards. The aim of developing appropriate accounting standards is to improve transparency, accountability, performance and service delivery in the public sector. It is therefore evident that it is critical for the public sector in South Africa to have skilled financial people and new information systems. To realise the benefits of GRAP fully, assets must be recorded in the system and the mindsets of officials have to change.

To summarise, some of the challenges and risks identified, such as the skills of financial employees and the accounting financial systems used, are common and applicable internationally as well as in the South Africa public sector. One of the most important

problems in changing financial reporting in South Africa is migrating from the modified cash basis of accounting to accrual basis of accounting. It is important to note that, in terms of the analysis outlined in the 2013/14 AGSA general report on the audit outcomes, there are regressions in the number of auditees with clean audit opinions at both national and provincial spheres of government. These regressions were due to lack or weak internal control measures in national and provincial spheres of government. This requires all spheres of government to appoint skilled financial people and implement suitable financial accounting systems. This will result in adherence to and compliance with all pertinent prescripts for the effective implementation of the accrual basis of accounting practices and standards.

2.7 SUMMARY

Firstly, the chapter started with an introduction that linked to the discussion in Chapter 2. Thereafter, the literature review and theoretical foundations were explained. Chapter 2 compared the different bases of accounting regarding their implementation in the public sector. The comparison provided an important base and the underlying theory, which was linked to the objectives of the research mentioned in Chapter 1. It clearly provided the basis for the discussion and interview questions that are followed in Chapters 3, 4 and 5. A detailed discussion on the accrual basis of accounting practices and standards in the public sector was conducted.

Secondly, the chapter evaluated the significance of the implementation of the accrual basis of accounting practices and standards in the public sector. Chapter 2 provided an overview of the potential benefits of GRAP standards implementation in the public sector especially public entities. Thereafter, contradicting opinions made by various researchers were illuminated, emphasising that even though the implementation is important, challenges are being encountered.

Thirdly, the chapter explained the implementation of the conceptual NPM framework of the accrual basis of accounting framework in the public sector. The NPM concept is embedded in the importance of the accrual basis of accounting framework in the public sector. Besides the importance, aim, focus and emphasis of the NPM in the public sector, there are doubts over its effectiveness because of failures in the private sector.

Fourthly, a detailed discussion was provided on the implementation of the accrual basis of accounting practices and standards in the public sector. The discussion covered international accounting standards, implementation challenges, risks experienced internationally and in other African countries, and lessons learned.

Overall, this chapter finalised the literature review and theoretical foundation discussion by explaining the status of the implementation of the IPSAS accrual basis of accounting framework. Specific reference was made to the GRAP standards in the South African public sector, and the challenges as well as risks encountered. Moreover, the status was linked to the objectives of the research mentioned in Chapter 1. The chapter concluded with a summary. The next chapter defines and explains the legislative and accounting policy framework available for implementing the IPSAS accrual basis of accounting in the public sector.

CHAPTER 3:

LEGISLATIVE AND ACCOUNTING POLICY FRAMEWORKS APPLICABLE AND IMPLEMENTED IN THE PUBLIC SECTOR

3.1 INTRODUCTION

Chapter 2 finalised the literature review and theoretical foundation discussion by explaining the status of the implementation of the accrual basis of accounting framework influenced by IPSAS. Specific reference was made to the GRAP standards in the South African public sector, and the challenges as well as risks encountered. Moreover, the status is linked to the objectives of the research as indicated in chapter 1.

This chapter starts with an introduction that links to the discussion in Chapter 2. Chapter 3 is an extension of Chapter 2 and provides background on the context of accounting practices and standards in the public sector. The chapter seeks to define and explain the legislative and accounting policy framework available for implementing the appropriate accounting standards of the accrual basis of accounting influenced by IPSAS in the public sector.

In addition, the chapter highlights the factors in the accounting systems and practice implemented in the public sector of various countries, including their contribution to the implementation of the appropriate accounting standards of the accrual basis of accounting. The emphasis of this chapter is on how the legislative and accounting policy frameworks support the development of appropriate accounting standards for the public sector, which is linked to the objectives of the study.

Chapter 3 discusses the interrelation of international and South African legislative and accounting policy frameworks. Additionally, the process followed in developing the IPSAS, their benefits, challenges and risks are explained in detail. The differences between IPSAS and the IFRS and their pertinence to the public sector are emphasised.

An overview is provided of how the ASB informs the development of the appropriate national accounting standards in the public sector, such as GRAP standards in South Africa. The chapter concludes with a summary of all the imperatives regarding the legislative and accounting policy frameworks in the public sector.

Figure 3.1 below illustrates the flow of this chapter with respect to the legislative and accounting frameworks for implementing IPSAS of the accrual basis of accounting in the public sector. The main headings indicated in the figure together with their sub-headings are discussed in detail below.

Figure 3.1: The illustrative flow of Chapter 3



Source (Own Research, 2019)

3.2 LEGISLATIVE AND ACCOUNTING POLICY FRAMEWORKS

Accounting policy frameworks prescribe the requirements for the public sector when preparing annual financial statements. According to De Jager (2016:3) “legislation is one of the most important instruments that government uses to organise society and protect citizens”. For example, in South Africa, the Constitution (108 of 1996), PFMA (1 of 1999) and Treasury Regulations are regarded as the legislative framework. GRAP is used in public entities as an accounting policy framework.

In terms of Treasury Regulations (2005) the primary purpose of the statutory and accounting policy frameworks is to comply with the developed appropriate accounting standards for the public sector. These standards could be implemented using the accounting directives as a guide (Treasury Regulations, 2005). In terms of Section 89(1)(b) of the PFMA (1 of 1999) the ASB is required to prepare and publish accounting directives and guidelines concerning GRAP standards implementation in the public sector.

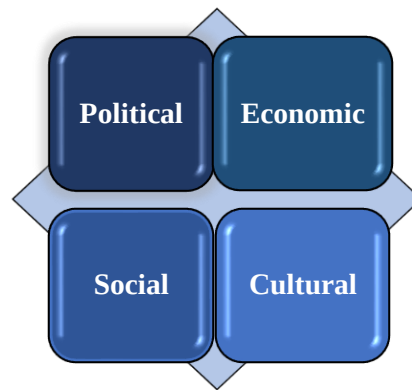
In terms of the ASB (2015:4) the objective of the accounting directives is to prescribe the criteria that public entities must use when preparing their annual financial statements to select and implement an appropriate reporting framework. The accounting directives guide preparers of public sector annual financial statements to implement the appropriate accounting standards and for reporting. In terms of the PFMA (1 of 1999) and Treasury Regulations (2005) the public sector should comply with the accounting directives and guidelines when implementing the appropriate accounting standards and reporting public funds.

Based on the above explanation, this section discusses those factors that influence accounting systems and practices in a country. Thereafter, a description and explanation of the objectives, importance and remit of the international legislative and accounting policy frameworks are provided. The section describes how these are interrelated and how they liaise with other international and national accounting bodies to develop appropriate accounting standards such as the IPSAS for public sector implementations and implementation. Furthermore, the section discusses the differences between private and public sector reporting when accounting for similar types of transactions.

3.2.1 Factors influencing accounting systems and practices in a country

This section discusses those factors that influence accounting systems and practices in a country. According to Boolaky (2004:2) various authors have proposed several different reasons for these factors, which can be categories as political, economic, social and cultural factors (PESC), as shown in Figure 3.2.

Figure 3.2: Factors influencing accounting systems and practices



Source (Own Research, 2019)

Political factors

Political power influences the development of accounting systems and practices in a country. Cairn (2000) states that “the development of the accounting standards in a country should consider the international practices and standards as well as the international nature of the business”. Political power, in this context, refers to the influence been exercised by the accountancy professionals on the development of appropriate accounting standards, such as GRAP standards in the public sector.

In the South African public sector, the ruling party, which is the African National Congress (ANC), has political power through its finance policy developers who are deployed in government to influence South African Institutes of Chartered Accountants (SAICA) and the ASB to consider international accounting practices and standards when developing GRAP standards for the public sector.

Economic factors

International accounting systems, practices and standards are appropriate to implement GRAP standards in a country’s economy for better investment, prices and income of government. Boolaky (2004:5) emphasise the objective of government which is rendering quality service delivery to the people of its country without making profit. This affects a country’s economy by providing better investment opportunities, prices and income to the government.

Furthermore, it is critical that the country has an accounting system that provides accurate financial information for delivering quality service to its people. Other authors explain that the economic development of a country affects accounting (Jaruga, 1993; Larson, 1993). Importantly, Enthoven (cited by Boolaky, 2004:2) “stresses the remit that accounting has to play in economic development and show that an accurate and informative accounting system creates a confidential environment that is conducive to capital stimulus”.

According to Taluga and Ndubizu (cited by Boolaky, 2004:2), “developing countries accepted accounting as a given variable or they assumed its contribution as inconsequential to economic development”. Based on the aforementioned, economic and accounting development are interlinked and should be developed at the same time in order to implement the appropriate accounting system and practices in the public sector.

Social factors

Social factors are interlinked with a country’s economic and accounting development. It is critical to consider the social factors in a country when developing accounting systems and practices to provide accurate financial information when implementing GRAP standards in the public sector.

In terms of the National Development Plan of South Africa (2012) social factors refer “to the quality of basic education; a long and healthy life for all; sustainable human settlements; improved quality of household life; and social protection”. The South African government fulfils its social responsibility needs by distributing social grants to eligible beneficiaries, who include pensioners, disabled people, and other categories of people as defined by the Social Assistance Act (13 of 2004).

The social burdens in government could be addressed by using appropriate accounting practices and systems effectively in the public sector. Therefore, to be transparent and take accountability, it is critical for government to have reliable and accurate accounting systems to report social responsibility spending.

Cultural factors

Culture is affected by local environmental factors. Gray (1988), Hofstede (1980) and Parker (1989) state that culture influences accounting, while Arpan and Radebaugh (1985) declare that local environmental factors affect accounting. Cultural factors in this context include people and processes, institutional context, interrelationships and interaction. According to McLeod and MacDonell (2011:28-31) people and processes inform technical, organisational and human-related issues; the importance of institutional context; and interrelationships and interaction of the accounting system developed for the government. According to Haniffa and Cooke (2002:317) the interaction of environmental factors influences the of disclosure accounting practices by the accounting system for corporate accounting.

Regarding influencing accounting systems, Boolaky (2004:2) emphasised that the South African accounting system is influenced politically, economically, socially and culturally. It is critical that South Africa has an accounting system that provides accurate financial information for improving quality service to its people. This is because the aim and purpose of the government are to improve service delivery by addressing PESC-contributing factors. Therefore, the development of appropriate accounting standards applicable to the public sector needs to be concrete and measurable. According to Ryan (1998:533) a country's political and economic environment creates a climate that favours "reporting on the financial performance of governments and their agencies".

In summary, there are many factors that influence a country's accounting systems and practices. in a country and they could be grouped as PESC. These PESC factors play an important role such as developing appropriate accounting standards that are concrete and measurable with the aim of delivering quality service to the people. Furthermore, it is critical that quality service is delivered to the people, which is informed by the accounting system despite local environmental factors that are affected by the development of the accounting system and practices.

3.2.2 International legislative and accounting policy frameworks

3.2.2.1 *The International Federation of Accountants*

IFAC is an international professional accountancy organisation that dedicates its efforts and strengthened by develop and implementing different appropriate accounting standards that add value in the public sector and serving public interest (IFAC, 2009). In terms of IFAC (2009) IFAC liaises closely with other international and national accounting bodies, such as the IPSASB and ASB.

Brusca and Condor (2002:155), supported by Deaconu (2011:78), indicate that IFAC launched “a project in 1996 through the Public Sector Committee (PSC) to develop a set of accounting standards for public sector entities, which are referred to as IPSAS”. After 31 July 1998, the PSC issued 31 “IPSAS based on the IFRS for the public sector” (Tickell, 2010:730). Deaconu (2011:78) confirms that “the IPSAS are based on the IAS issued by the International Accounting Standards Committee”.

Blöndal (2003:51) explains that the PSC comprises members who are drawn from or are nominated by professional accounting bodies in various countries. According to Brusca and Condor (2002:155) supported by Hughes (2004:92) “the objective of the PSC was to develop programmes aimed at improving public sector financial management and accountability. This includes developing accounting and auditing standards, promoting their acceptance, and encouraging and facilitating the exchange of information among member bodies and other interested parties”. Blöndal (2003:51) states that the PSC has an audit office represented by three member countries, namely, Canada, France and New Zealand. The role of the audit office is to audit the process followed in developing accounting standards.

In terms of IFAC (2009) and SAICA (cited by Van Wyk, 2003:19) appropriate, adequate and enforceable accounting standards are developed to have uniform accounting directives and guidelines for the public sector to adhere to during their implementation. According to Van Wyk (2003:19) the proper and effective implementation of the developed accounting standards are significant steps towards “transparency and accountability in the public sector”.

In summary, this section described IFAC and its objectives. The explanation and provision included its objectives. The section explained how IFAC liaises with other international and national accounting bodies, such as IPSASB, to develop appropriate accounting standards. The section explained the composition of PSC, its objectives, and the role of its audit office. The section concluded by emphasising the importance of developing appropriate accounting standards for the public sector.

3.2.2.2 The International Public Sector Accounting Standards Board

The summary above described the IFAC and the composition of the PSC for the public sector. This section explains the activities and remit of the IPSASB in the public sector. The section further shows how the IPSASB interrelates and liaises with other international and national accounting bodies to develop appropriate accounting standards for the public sector.

In terms of Deloitte (2013:2) the “IPSASB is an independent international standard-setting board working under the auspices of the IFAC”. Furthermore, Seguin (2008:27), supported by Deloitte (2013:2), emphasises that the IPSASB is an important international standard setter in terms of IPSAS and “has been developing and issuing these standards for the public sector since 1997”. “The main activity of the IPSASB is to publish the IPSAS” (Christiaens & Van den Berghe, 2006; IFAC, 2008; Khan & Mayes, 2009:6).

“The IPSASB consists of members from IFAC bodies and public members with expertise in public sector financial reporting and these members including the chair and deputy chair, are appointed by the IFAC board on the recommendation of the IFAC Nominating Committee” (Deloitte, 2013:5). The members of the IPSASB follow the operations and guidance that are supported by the structures and processes from IFAC “to develop high-quality public sector accounting standards” (Deloitte, 2013:5). “High-quality public sector accounting standards enhance the quality and consistency of accounting throughout the world and strengthen transparency and accountability of public sector finance” (IFAC, 2012).

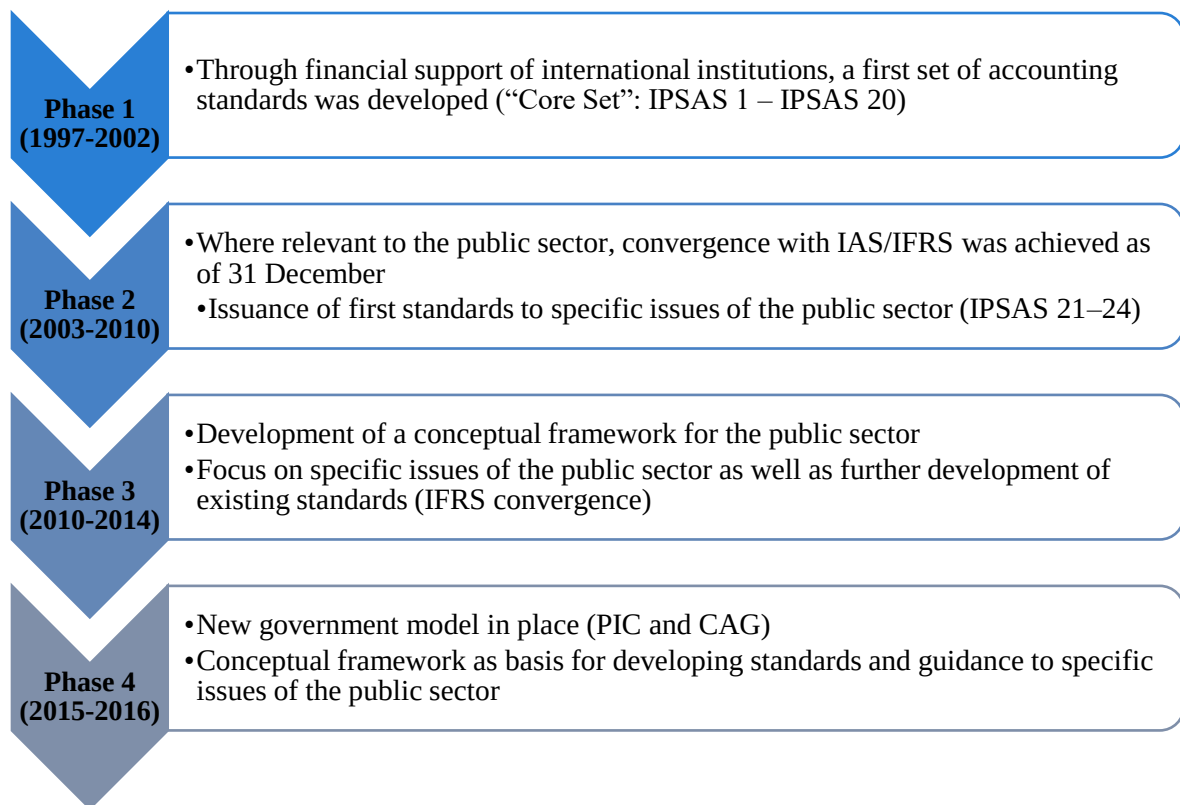
In terms of Deloitte (2013:4) the IPSASB started with the conceptual framework of the International Accounting Standards Board (IASB) which inform its intention to develop its own conceptual framework for solely understanding the unique aspects of the public sector and meet the financial reporting needs of public sector entities.

In terms of Deloitte (2013) there is a link between the IFAC and IPSASB regarding developing uniform “accounting standards for the public sector”. The IPSASB consists of members from IFAC bodies who determine the appropriate IAS for the public sector. According to Grandis and Mattei (2012:27) up to 2002, the IPSASB adapted the accounting principles of the IAS to the public sector. Subsequently, the IPSASB began to develop several specific accounting principles for cases in which IAS principles could not be implemented to the public sector.

Wynne (2008:117) indicates that the mandate and task of IPSASB is developing and promoting a full set of the accrual basis of accounting based on IPSAS and ensuring that these are adopted and implemented globally. As far as developing IPSAS, it is important for the IPSASB to follow a structured and public due process for developing uniform accounting standards effectively (Deloitte, 2013:3). The IPSASB explains that for effective development of the uniform accounting standards, “the public due process provides an opportunity for all those interested in financial reporting in the public sector to verify whether their views have been considered in the standard-setting development process” (Deloitte, 2013).

Figure 3.3 depicts the evolution of the IPSASB in developing the IPSAS.

Figure 3.3: Evolution of the IPSASB



CAG: Consultative Advisory Group; PIC: Public Interest Committee

Source (Berger, 2017:8)

Seguin (2008:26-27) highlighted that “the IPSASB focuses on the accounting and financial reporting needs of national, regional and local governments, related governmental agencies and the constituencies they serve”. Implementing the IPSAS of the accrual basis of accounting in the public sector address the accounting and financial reporting needs of government.

According to Baboojee (2011:13) supported by Wynne (2008:118) the IPSASB is one of the main “supporters for implementing the developed IPSAS for the accrual basis of accounting in the public sector”. The IPSASB strongly supports all governments adopting the accrual basis of accounting because of its advantages for reporting in the public sector (as explained in Chapter 2).

“The IPSASB work is acknowledged and receives support from banks, accounting professional bodies and some countries such as the Asian Development Bank, the Chartered Professional Accountants of Canada, the South African Accounting Standards Board and the

governments of Canada, New Zealand and Switzerland” (IFAC, 2012). In terms of IFAC (2012) through the support provided by these countries, the developed uniform accounting standards by IPSASB that are pertinent to the public sector will be effective.

In summary, the IPSASB together with its activities and remit were explained. The appointment process of IPSASB members and the guidance followed by its members in developing high-quality public sector accounting standards were discussed. An explanation was provided on how IPSASB interrelates and liaises with other international and national accounting bodies to develop appropriate public sector accounting standard. The evolution of the IPSASB in developing the IPSAS was described (see Figure 3.3).

3.2.2.3 International Public Sector Accounting Standards

The summary above discussed the important elements of IPSASB specifically regarding the development of the IPSAS for the public sector. This section describes IPSAS and their benefits, as well as the challenges and risks associated with IPSAS. The remit of role players, such as the IASB and IPSASB, and their link in the process of developing the IPSAS is explained (as depicted in Figure 3.4).

Peter van der Hoek (2005:35) describes IPSAS as “authoritative requirements established by the PSC to make financial reporting more accurate and comparable in the international public sector”. According to Hughes (2004:34) “the objective of IPSAS is to promote and enhance financial accountability and make financial statements more transparent to citizens, voters, their representatives and the public”.

IFAC (cited by Chan, 2003:5) highlights that the initial goals of IPSAS, which are aligned to its objectives, are “to promote greater government accountability in all countries; improve quality and reliability in accounting and financial reporting; ensure, better financial and economic performance; enhance financial management and discipline; and harmonise international reporting requirements”. Peter van der Hoek (2005) proposes that “given the increasing importance of international harmonisation of financial reporting, it is reasonable to expect that the role of the IPSAS will become more significant in budgeting and financial reporting in the public sector”. In support thereof, Arshad *et al.* (2013:293) confirm that the implementation of these standards enhances consistent “financial reporting in the public sector”.

Sutcliffe (cited by Chan, 2003:16) indicates that among the numerous changes in government accounting in recent years, the emergence of IPSAS stands out as the most significant development to change public sector accounting for the better. In addition, Arshad *et al.* (2013:292) highlight that the adoption of IPSAS has gained global acceptance. Many countries, including developing countries, are expected to change their accounting and reporting structures by implementing the accrual basis of accounting, which is associated with preparing IPSAS-compliant financial statements.

According to Ball and Pflugrath (2012:10) “a growing number of countries, including Switzerland, Spain, South Africa, Austria, Australia, New Zealand, the United Kingdom and Canada” implement the accrual basis of accounting influenced by IPSAS as the basis for financial reporting for public sector. In addition, Ball and Pflugrath (2012:10) show that for nearly two decades the leading countries were “Australia and New Zealand”.

Benefits of IPSAS

According to Arsha *et al.* (2013:292) proponents of IPSAS argue that IPSAS-compliant financial statements will be more transparent and, as such, will be a useful communication mechanism for various stakeholders. For example, more comprehensive financial information to both internal and external stakeholders on utilisation of financial resources will be critical for reflect transparency, accountability and evaluation of budget allocation and costs incurred for service rendered.

Challenges of IPSAS implementation

Arshad *et al.* (2013:292) show there is an argument that “implementing business model under IPSAS-compliant financial statements ignores the differences between the public sector and the private sector, has implementation challenges which could result in misleading financial information with little use for decision-making purposes”. Besides the arguments and debates, the idea to implement IPSAS-compliant financial statement has been accepted globally. Hence, the importance of top public managers, civil servants and other related parties understand the implementation importance which might result in IPSAS benefits as explained above.

Risks associated with adopting IPSAS

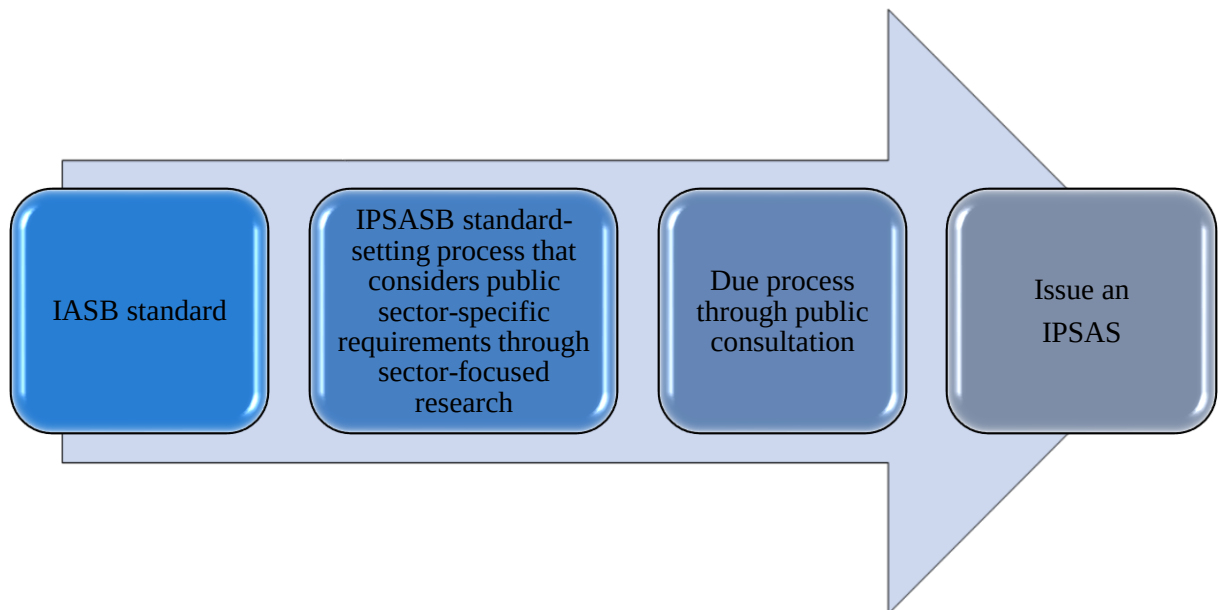
Ofoegbu (2014:107) emphasised that, despite all these criticisms, the IFAC and IPSASB argue “strongly that all governments should adopt the accrual basis of accounting” for effective uniform IPSAS standards. Bunea-Bontaş and Petre (2009:4) caution that there are risks associated with implementing IPSAS in the public sector such as misunderstanding and incorrect implementation of the accounting standards and practices, which could seriously “undermine the validity of the financial reports”.

According to Bunea-Bontaş and Petre (2009:4-5) another risk is that “the budget is prepared on the cash basis while the financial statements are prepared on the accrual basis”, this could affect proper financial management, expenditure control and accountability because of adjustment of financial transactions that must be made. To remove or minimise political criticism, political pressure may cause decisions to be made about the accounting treatment of transactions. Political pressure refers to the decision taken regarding implementing appropriate accounting standards for the public and private sector. A firm decision might not be supported by opposition parties due to non-alignment to opposition parties’ policies on government accounting. A further risk is the inadequate check by Parliament on the cash basis of accounting prepared financial statement only to be understood by the preparers and no provision for external authors to conduct their audit process properly.

Figure 3.4 summarises the development of IPSAS for the public sector. The process starts with the IASB and continues until the IPSAS are issued for implementation in the public sector. Deloitte (2013:2) states that the IPSASB “considers public-sector-specific requirements through sector-focused research” for developing and setting IPSAS. It is mostly informed by the IASB process.

In fulfilling its IAS-setting duties, “the IASB follows a thorough, open and transparent due process” which allow public comments on published discussion papers and exposure drafts (Deloitte, 2013:3). The due process allows further discussion and debate on the consultation papers issued prior to issuing exposure drafts. The due process on the development of the IPSAS is finalised by the IPSAB’s after deliberating on all important matters (Deloitte, 2013:3-4).

Figure 3.4: Process of developing IPSAS for the public sector



Source (EY, 2013:1)

In summary, this section discussed the IPSAS as defined by Peter van der Hoek (2005:36) and Van Wyk (2007:66) together with explanations of their remits. The benefits, challenges and risks associated with IPSAS were highlighted. Figure 3.4 depicted the process of developing the IPSAS and reflected the role players, such as the IASB and IPSASB, and their linkage. A detailed explanation was provided on each role player and their remit in IPSAS development.

3.2.2.4 The differences between the IPSAS and IFRS

The summary above discussed IPSAS together with their benefits, challenges and risks. The process of developing IPSAS was depicted in Figure 3.4, which reflected the role of players and their linkages.

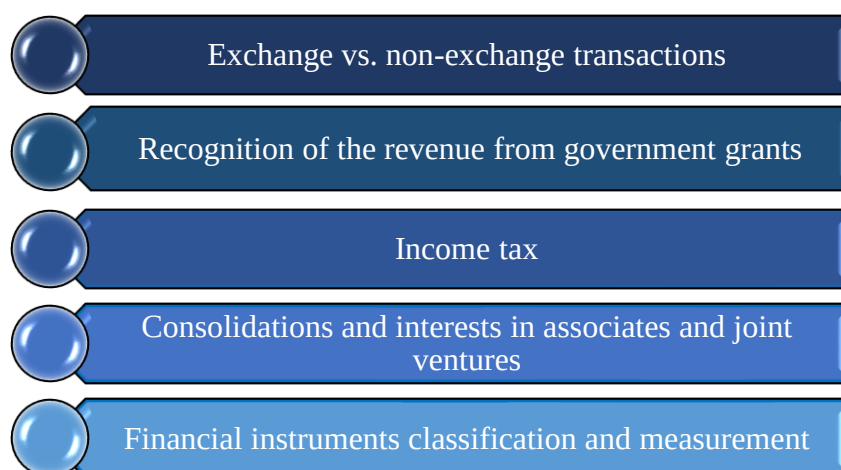
This section provides a detailed explanation of certain differences between the IPSAS and IFRS. These differences reflect their remit in the implementation of appropriate accounting standards on the accrual basis of accounting in the public sector “between private and public sector when accounting for similar types of transactions”.

In terms of EY (2013:1) it is emphasised that “FRS are developed primarily for profit-oriented entities, whereas IPSAS are developed for public sector entities that provide services to enhance and maintain the well-being of the citizens of a state”. The definition and remit of IPSAS, as explained in the previous section, are more concerned with the implementation of the international accounting standards in the public sector; while the IFRS are concerned with the reporting of the international accounting standards in the private sector (EY, 2013:1).

The basis of accounting, as explained in Chapter 2, is one of the factors that contribute to the differences between the two sets of accounting standards in the public sector and private sector (Deloitte, 2013:14). According to Chua (2014) understanding the differences between IPSAS and IFRS emphasise on “providing opportunity for businesses to evaluate the thrust of the government on certain functions that could have potential risks or impact on their businesses”. The potential risks or impact could be because of government’s non-adherence to and compliance with the implementation of developed uniform appropriate accounting standards for the public sector.

EY (2013:2) identifies certain differences between the IPSAS and IFRS that are pertinent and implemented regularly to the public sector, as shown in Figure 3.5. These differences are discussed in detail in the sub-sections that follow.

Figure 3.5: Differences between IPSAS and IFRS



Source (EY, 2013:2)

Exchange vs. non-exchange transactions

In terms of EY (2013:2) the emphasis is on exchanging equal value between public entities. “Non-exchange transactions refer to transactions in which an entity either receives value from another entity without directly giving approximately equal value in exchange or provides value to another entity without directly receiving roughly equal value in exchange” (EY, 2013:2). Non-exchange transactions are common in the public sector (e.g. transfer payments) but have no equivalent in the for-profit sector (Deloitte, 2013:14). For instance, in South Africa, SASSA receives a grant transfer from the Department of Social Development and then makes payments to the eligible beneficiary. Therefore, the Department of Social Development does not expect any equal value in exchange based on the grant transferred to SASSA. In particular, non-exchange transactions are prevalent within the public sector because the focus is on rendering service to the people.

The IPSAS “provide principles to guide the recognition and measurement of non-exchange transactions, whereas IFRS does not provide guidelines” (Deloitte, 2013:14). There are recognition and measurement differences to address the “absence of a profit driver for many public services” while public sector mandate is to render free quality service to the people (Deloitte, 2013:14).

Recognition of the revenue from government grants

The emphasis is on the public sector entitlement and recognising revenue from government grants implementing IPSAS. “The implementation of IPSAS focus on whether there is an entitlement to the revenue from government grants, or an obligation to meet certain conditions recorded as a liability. Importantly, there a recognition criterion available to determine whether revenue received should be recognised from a non-exchange transaction to distinguish between restrictions and conditions on government grants. As a result, government grants are fully released to income under IPSAS earlier than under IFRS” (EY, 2013:2).

The differences between IPSAS and IFRS (identified in the previous paragraph) reflect how private and public sector entities recognise and measure accounting transactions. However, it is worth noting that there will always be differences as the IPSAS is used to reflect on the

usage of public funds and service delivered programmes by the public sector entities (Chua, 2014).

Therefore, it is critical for the accounting standards used, such as IPSAS, to reflect the performance of the service delivery programmes of the public sector and how the government grant/transfer payment made, which is recognised as revenue, has been spent or used in relation to service delivery programmes targets (EY, 2013:2).

Income tax

The focus on exemption of paying income tax by public entities based on their nature of function, which is rendering service to the public without profit motive. In terms of EY (2013:2) “IPSAS presumes that entities that operate within the public sector are exempt from income taxes and, therefore, does not cater for the accounting of income taxes”. For example, the Council on Higher Education (CHE) and the South African Qualifications Authority (SAQA) are South African Schedule 3A public entities as described by the PFMA that are exempt from income tax. “In the unlikely event that an entity reports using IPSAS but is liable for the tax, reference should be made to IFRS (*IAS 12: Income Taxes*) for guidance” (EY,2013:2). For example, in South Africa, GBEs such as the Defence Technology Company (Denel) and Eskom are liable for paying tax. These GBEs use *IAS 12: Income Taxes* because they conduct similar activities as the private sector.

Thus, the difference is that income tax is payable by the private sector and by those public entities that aim to make a profit. Other entities are exempt because their focus is rendering service to the people. Therefore, IFRS is not applicable to non-profit-making public entities whereas IPSAS is applicable. This is also prescribed and supported by the PFMA.

Consolidations and interests in associates and joint ventures

“There are significant differences between the IFRS and IPSAS with the introduction of IFRS 10: Consolidated Annual Financial Statements, IFRS 11: Joint Arrangements, and IFRS 12: Disclosures of Interests in Other Entities. IPSAS are still based on IAS 27: Consolidated and Separate Annual Financial Statements, IAS 28: Investments in Associates, and IAS 31: Interest in Joint Ventures. The main difference that arises with the introduction

of IFRS 10, IFRS 11 and IFRS 12 is the way control is determined for consolidation” (EY, 2013:2).

The primary goal behind IFRS 10 was to introduce a single model for control that could be implemented to all entities. IFRS 10 provides guidance on implementing this new control model with a view to addressing some of the more complex areas that led to diversity in the past. This includes which factors should be considered in assessing control for entities not controlled by voting rights (i.e. special purpose entities or structured entities). Although not an exhaustive list, these are some of the areas that could lead preparers to reach a different conclusion under IFRS 10 than they had previously under IAS 27 as to whether an entity should be consolidated (Deloitte, 2013:1).

In terms of IFRS “judgment will need to be implemented after assessing and considering all facts and circumstances regarding parties or a group of parties have joint control over a joint arrangement. If these facts and circumstances change, an entity shall reassess whether joint control of the arrangement still exists” (IFRS, 2019a:2).

IFRS 12 requires “several new disclosures. One of the most significant disclosures is the judgments made by an entity to determine whether it controls another entity. These changes were introduced by the IASB partly in response to the financial crisis and are intended to improve transparency as to the judgments made in deciding whether to consolidate and the financial impact if management reached a different conclusion” (IFRS, 2019b:1).

Based on the aforementioned, the difference is the terminology used between IPSAS and IFRS. The IPSAS use the terminology *Consolidated and Separate Annual Financial Statements*, *Investments in Associates* and *Interest in Joint Ventures* based on IAS 27, IAS 28 and IAS 31 for preparing and reporting on public sector financials, while IFRS 10, IFRS 11 and IFRS 12 use the terminology *Consolidated Annual Financial Statements*, *Joint Arrangements* and *Disclosures of Interests in Other Entities*. The IFRS focus on determining control for consolidation purposes and assess whether all parties or a group of parties have joint control over a joint arrangement. There will be several new disclosures that are not required under IPSAS, which will affect the joint control over a joint arrangement by group of parties.

Financial instruments classification and measurement

The emphasis is on classifying and measuring financial instruments implementing IFRS and IPSAS. In terms of (PwC, 2019:7) the difference is mainly on the terminology used between IPSAS and IFRS. In terms of EY (2013:2), “with the introduction and ongoing development of *IFRS 9: Financial Instruments*, the classification and measurement of financial instruments under IFRS is changing from IAS 39. Prior to IFRS 9, the recognition and measurement of the financial instruments were similar under IFRS and IPSAS”.

In terms of the PwC (2019) *IFRS 9: Financial Instruments* with no equivalent IPSAS is addressed through the current IPSASB project. Furthermore, regarding IPSAS and the equivalent IFRS, IPSAS 28 uses different terminology and, “contains additional implementation guidance on when assets and liabilities arising from non-exchange revenue transactions are financial assets or financial liabilities and the identification of arrangements that are, in substance, contractual”.

“IFRS 9 makes other changes to the IAS 39 requirements for classifying and measuring financial assets and liabilities. These include, among others, allowing trade receivables that do not have a significant financing component to be measured at an undiscounted invoice price rather than at fair value, and setting new criteria for reclassifying financial assets and liabilities.”
(PwC, 2019:7).

With one exception, IFRS 9 carries forward, the IAS 39 requirement to “measure all financial assets and liabilities at fair value at initial recognition. The exception is trade receivables that do not contain a significant financing component, as defined by IFRS 15: Revenue from Contracts with Customers. As a practical expedient, entities can presume that a trade receivable does not have a significant financing component if the expected term is less than one year” (PwC, 2019:10).

To summarise, certain differences between IPSAS and IFRS reflect greater accounting reporting differences between the private and public sectors. In fact, the difference is that IFRS are developed for the private sector to make profit, whereas IPSAS focus on the public sector rendering service to the citizens of the state without profit motive. The well-being of the citizens of a state will be realised by implementing the accrual basis of accounting in the

public sector influenced by IPSAS because the IPSAS are relevant to the functions of the public sector.

3.2.3 South African legislative and accounting policy framework

The summary above explained the remit of each role player in developing IPSAS. The section also discussed IPSAS and the challenges and risks in its implementation in the public sector.

This section discusses the importance of developing the appropriate accounting standards for the public sector. In addition, it explains the South African legislative and accounting policy frameworks such as the Constitution (108 of 1996), the PFMA (1 of 1999), Treasury Regulations, ASB, GRAP and the Public Audit Act (25 of 2004). Furthermore, the section describes how these frameworks interrelate with international legislative and accounting policy frameworks for the development and implementation of the appropriate national accounting standards in the South African public sector.

3.2.3.1 Importance of developing the appropriate accounting standards

This section discusses how appropriate accounting standards improve transparency and accountability based on sound asset and liability management, and service delivery programme performance. The discussion further explained how financial reporting enhances transparency and accountability. In addition, the section describes how appropriate accounting standards inform stakeholders regarding how the allocated budget is spent, and address any challenges encountered. Thus, stakeholders can decide on the appropriate accounting standards used to reflect the best value for funding in public sector.

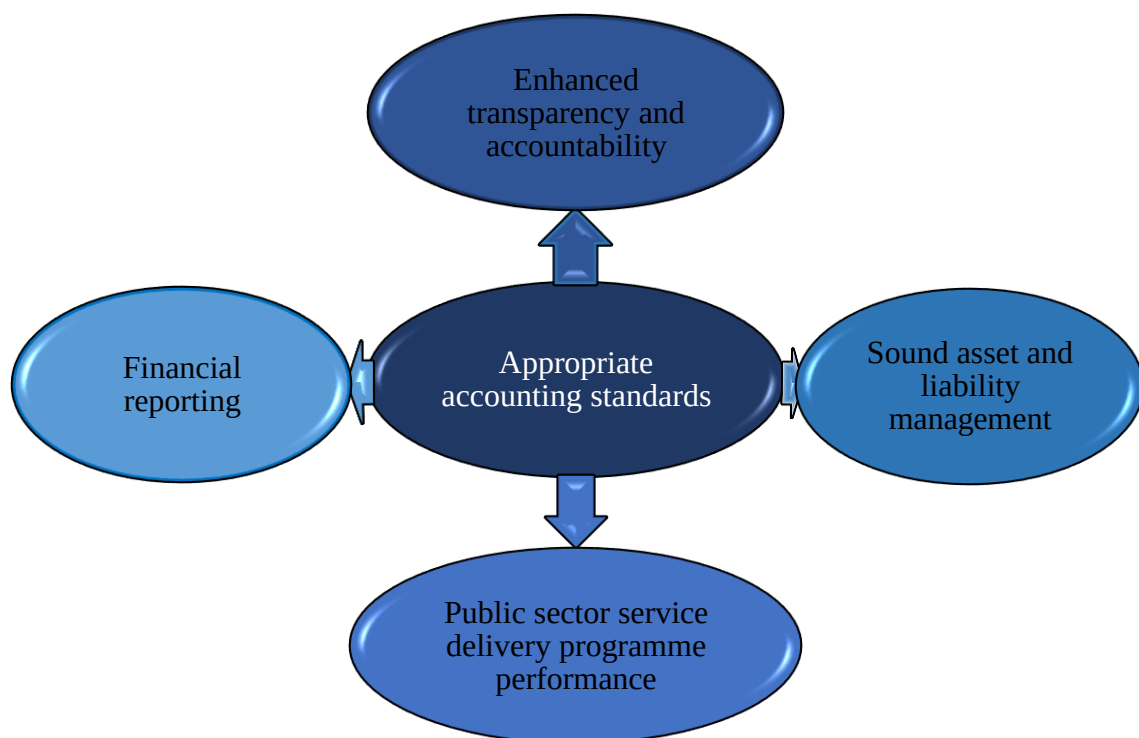
It follows that South African public sector stakeholders (public, government, investors, etc.) rely on public entities' compliance with GRAP standards to ensure that there is transparency in the way government spends money (Vilakazi, 2012:2). In terms of the SAIGA (2010) it is an urgent priority to introduce GRAP standards "on the accrual basis of accounting in the public sector for the preparation of annual financial statements". Importantly, compliance with GRAP standards is meant to give assurance that "annual financial statements have been prepared in accordance with GRAP principles which, in turn, ensures transparency South African public sector" (SAIGA, 2010).

The development of GRAP standards is mostly informed by IAS to ensure that “the accrual basis of accounting is implemented effectively in the public sector” (ASB, 2009). Therefore, IAS improve economic effectiveness, transparency, accountability and decision-making regarding public funds because of the benefits derived from developing appropriate accounting standards, such as GRAP.

In addition, IPSAS in the public sector (as explained in Section 3.2.2.3) “will improve accountability and ease the audit of public institutions” because GRAP standards are implemented (PwC, 2009). Public institutions should take accountability for the decisions taken in respect of the money spent. The audit process will provide an independent opinion of the spending and performance information of public institutions. Therefore, appropriate accounting standards such as GRAP standards are critical for reporting on accountability and performance information.

Figure 3.6 depicts the importance and benefits of developing appropriate accounting standards. The benefits are discussed in detail in the sub-sections that follow.

Figure 3.6: Importance of developing the appropriate accounting standards



Source (Own Research, 2018)

Enhance transparency and accountability

It was indicated above that introducing GRAP standards that are aligned with IAS, such as IPSAS, in the public sector improve efficiency, economic effectiveness, transparency, accountability and decision-making regarding public funds. The standards are also critical for reporting on accountability and performance information.

Importantly, in terms of the Constitution (108 of 1996) the implementation of GRAP standards in the public sector “aim for financial management improving transparency, accountability and performance”. In addition, Champoux (2006) adds that the motive for turning to IPSAS varies, but in general, an accrual system is seen as “a way of increasing budget transparency, especially in terms of its ability to account for long-term assets and liabilities”. It is also a tool for increasing government efficiency through performance-based management.

Therefore, the significant benefits of IPSAS in the public sector are to enhance transparency with a better focus on increasing budget transparency; increase government efficiency by managing assets and liabilities properly; and improve financial reporting.

The current mixture of implementing GRAP standards using the cash and accrual basis of accounting is not ideal for achieving set government goals (KPMG, 2006). Therefore, it is important to implement the IPSAS for the full accrual basis of accounting in the public sector. This will enhance the accountability of the utilisation of government resources and increase transparency in financial reporting.

There is a drive towards transparency and accountability by general international governments and the South African public sector. This has resulted in the move towards using the IPSAS accrual basis of accounting in the public sector to ensure the necessary financial reporting frameworks are in place to manage government efficiently and effectively (IFAC, 1996, Peter van der Hoek, 2005). Financial reporting thus plays a significant role in the public sector in implementing IPSAS to enforce transparency and accountability of the funds allocated and spent on improving service delivery.

As far as the driving forces in the decision-making process are concerned, it is critical to implement IPSAS of the accrual basis of accounting in the public sector so that decision makers can measure the performance of revenue in respect of the full cost to deliver public services. According to Guthrie *et al.* (1999) several driving forces are important for decision-making processes, such as “more regular financial awareness into the decision-making process in the public sector and the demand to provide comprehensive, transparent account information to all stakeholders”.

When the IPSAS accrual basis of accounting is used to disclose revenue and expenditure in the annual financial statements prepared for the public sector, it is critical to increase transparency and accountability in respect of disclosing certain information, such as fraud, and fruitless and wasteful expenditure. Therefore, accounting information can be used as tool to quality-check against fraud and waste in government (Chan, 2003). This enables management to take corrective measures to curb the recurrence of the reported fraud and fruitless and wasteful expenditure in the annual financial statements.

Sound asset and liability management

Enhancing transparency and accountability will result in “sound asset and liability management in respect of the knowledge of the total value of assets and liabilities in the public sector” (ASB, 2009). Through the disclosure in the annual financial statements, the public sector will be made aware of the exact amount owed to employees and suppliers, the cash available in their bank accounts, and the value of their property, plant and equipment and intangible assets.

Vilakazi (2012:34) further highlights that:

“The implementation of GRAP standards on the accrual basis of accounting enhances transparency with a better focus on the management of assets and liabilities. It is a tool to improve the allocation of scarce government resources for decision-makers to help them to make better decisions.”

Baboojee (2011:13) adds that “public sector assets and liabilities”, and the cost associated with them, will be recognised, measured and reported in the statement of the financial position. Thus, the decision-making process is enhanced using the asset’s technical skills,

and the knowledge and experience of employees to realise the service potential of assets and liabilities (Baboojee, 2011:13).

Importantly, to disclose the total value of assets correctly, it is vital that the GRAP standards “on the accrual basis of accounting are implemented in the public sector to prepare annual financial statements in respect of property, plant and equipment” (ASB, 2009). In terms of the ASB (2009) incorrect classification of assets might lead to the over- or understatement of the total value of the assets disclosed “in the statement of financial position of the public sector”. It is important to know the accurate value of the total liabilities to be paid to public sector employees and suppliers (ASB, 2009).

It is critical to recognise, measure and report all assets and liabilities using GRAP standards in the public sector to reflect the correct value of assets and liabilities (Robinson, 2000). According to Boolaky (2004:9) “the objectives of an appropriate financial system could be to increase transparency in financial reports” by developing appropriate accounting standards, protect creditors or calculate taxable income. Based on the aforementioned, using an appropriate financial system to implement GRAP standards as appropriate accounting standards in the public sector will provide information on how public sector assets have been used and will also assist to disclose a list of all suppliers and employees that must still be paid.

The public sector service delivery programme performance

Following the discussion on the importance of appropriate accounting standards, this section explains the performance of public sector service delivery programmes and how they are determined to implement GRAP standards as appropriate accounting standard for the South African public sector.

In terms of the Treasury Regulations (2005) the various public sector service delivery programmes are determined by government departments or public entities in terms of their core mandate, the legislative requirement of the Constitution (108 of 1996), or other applicable prescripts for rendering service to the people.

Even though the public sector service delivery programmes differ among government departments or public entities, it is important for them to know the total value of their assets and liabilities. The value informs the performance evaluation of the public sector service delivery programmes in realising their set targets. Fourie *et al.* (2009:183-184) emphasise the importance of evaluating government performance against its spending and the achievement of set targets.

In terms of the Constitution (108 of 1996) the public sector focuses on providing services to the public. Their services are evaluated against their spending and achievement of set targets. Therefore, the emphasis is that providing service to the public is measured through a report on the service delivery programme performance on how the public sector is using available resources (SAIGA, 2010). Fourie *et al.* (cited by Baboojee, 2011:13) note that:

“... the use of the accrual basis of accounting in the public sector is essential if the financial reporting is to provide information that is useful in evaluating the government’s performance in terms of service costs, efficiency and accomplishments.”

Thus, it is critical to note that implementing the accrual basis of accounting using GRAP standards in the public sector improves government operations through performance-based management. This will enable the public sector to understand and reflect their achievement or non-achievement of the set target and the challenges encountered, which will help identify and enhance poor performance.

Regarding the implementation of GRAP standards on the accrual basis of accounting framework in the public sector, it is crucial to determine the overall costs of the performance of the public sector service delivery programme. Dittenhofer (2001) indicates that initially the intention and purpose of the cash basis of accounting in government was to respond and account to society demands and not necessarily focus on the desired usage of resources. On the other hand, the modern system of accounting is anticipated to assist government in improving the control system, enhance transparency and support better decision-making.

Baboojee (2011:7) proposes that the traditional function of recording transactions should be discarded, and the modern accounting system be used instead. The rationale is that the focus should mainly be on key elements which is to deliver accurate financial reports, identify

underperforming service delivery programmes and reflect how spending incurred is linked to the service delivery programme planned targets.

Financial reporting

This section discusses the importance of financial reporting, which is informed by the implementation of GRAP standards in the public sector. In terms of the South African Institute of Professional Accountants (SAIPA, 2013:22) implementing GRAP standards on the accrual basis of accounting in the public sector is critical for all spheres of government to issue integrated high-quality internal and external financial reports, which promote better internal decision-making for the success of public sector management. The most effective way to is to implement GRAP standards when preparing the annual financial statements for the public sector (SAIPA, 2013:22).

It is argued in the Treasury Regulations (cited by Baboojee, 2011:1) that the implementation of the GRAP standards on the accrual basis of accounting will enhance the “timeliness, quality and quantity of financial information”. Better financial information enhances management control, budget control and accountability, which is essential for good the performance of government programmes to ensure service delivery at a lower cost. This can be realised by using appropriate financial systems to implement GRAP standards. The objectives of an appropriate financial system could be to increase transparency in financial reports by developing appropriate accounting standards. The implementation of the GRAP standards could result in reliable financial information for accurate reporting.

In terms of the IFAC (2012) supported by Champoux (cited by Baboojee, 2011:13), using the GRAP standards properly on the accrual basis of accounting in the public sector when preparing annual financial statements enforces “financial management transparency and accountability” of the funds allocated and spent on improving public sector service delivery programmes performance.

Bunea-Bontaş and Petre (2009) comment that public confidence is increased by “transparency in financial reporting in the statement of the financial position of government”. Vilakazi (2012:76) agrees with Bunea-Bontaş and Petre (2009) that public confidence includes benefits such as more accurate and complete financial reports and better comparability of reporting entities.

As far as accurately reporting on revenue collection and expenditure incurred is concerned, Vilakazi (2012) states that all revenue collected and expenditure incurred for the year will reflect costs incurred. The cost incurred reflects achieving the set target and accurate financial reporting in the public sector financial records.

In South Africa, an annual report that includes annual financial statements prepared on GRAP standards is presented to the oversight and monitoring institutions such as Parliament, the standing committee on public accounts (SCOPA) and parliamentary portfolio committees. The purpose is to determine what causes budget spending and whether the public sector correctly implemented GRAP standards (PFMA, 1999).

In summary, this section discussed the importance of financial reporting and highlighted high-quality financial reporting critical through the implementation of GRAP standards on the accrual basis of accounting in the public sector. Implementing appropriate financial systems is critical for the public sector to issue accurate, understandable, reliable and comparable information financial reports. The information reports are important to provide pertinent financial and non-financial information to decision makers, enhance transparency and accountability, and ensure better planning and financial management on the utilisation of the public funds for achieving service delivery.

3.2.3.2 Constitution of South Africa (Act 108 of 1996)

The development of South African accounting practices and standards is informed by legislative and accounting policy frameworks. It aligns with the international practices and standards discussed earlier. The Constitution of South Africa (108 of 1996) sets the scene for introducing accounting practices that commit “to improving transparency, accountability and performance within the public service and where there is accountability in respect of budgeting and financial management in spheres of government”.

Section 216 of the Constitution (108 of 1996) requires that “national legislation must prescribe measures to ensure transparency by introducing the accounting practices to the three spheres of government”. GRAP standards in the South African public sector are defined and explained in Section 3.2.3.6.

Botha (2009) stipulates that “more public entities are becoming aware of the impact of the accrual basis of accounting on the future preparation of their annual financial statements after the publication of the 2008 regulation in the Government Gazette”. Botha (2009) assumes that there is an increasing trend of South African public entities that use GRAP standards as prescribed by the Constitution (108 of 1996) “to prepare their annual financial statements, which are audited by the AGSA”. The relevance of Botha’s conclusion is that all public entities in South Africa are obliged to adhere to and comply with section 216 of the Constitution (108 of 1996) for implementation of GRAP standards in the public sector to be able to realise its benefits.

The AGSA audits the reports of all entities as per the normal auditing procedures to identify internal control deficiencies on the non-adherence to and non-compliance with section 216 of the Constitution (108 of 1996) regarding the implementation of GRAP standards in the public sector (PFMA, 1999). This gives public sector entities the opportunity to develop remedial action to reduce all control deficiencies as identified by the AGSA.

In summary, GRAP is an accounting policy framework that is embedded in the Constitution (108 of 1996) under section 216, which emphasises the development and implementation of GRAP standards across the three spheres of government. This ensures uniformity, which will enhance transparency, accountability, consistency and performance within the public service on the public sector financial reporting.

3.2.3.3 The Public Finance Management Act (Act 1 of 1999)

Following the discussion regarding the role of the Constitution (108 of 1996) where GRAP is concerned, this section describes PFMA (1 of 1999) remit on ensuring that public sector implements and implement GRAP standards.

The study identified transparency in Chapter 2 as one of the important elements for the effective implementation of GRAP standards on the accrual basis of accounting in the public sector, which is also linked to the objectives of PFMA (1 of 1999). Vilakazi (2012:1) affirms that the aim of the PFMA (1 of 1999) since 1994 was “to improve the components of financial management and administration in government reforms, thereby recognising the need to improve the value for money that the public sector provides to South African

citizens”. This obligated the PFMA (1 of 1999) to initiate a similar process for adhering to uniform accounting standards.

In terms of the PFMA (1 of 1999) GRAP standards were established by ASB as regulatory backing and introduced to all spheres of government to implement Treasury Regulations as measures to ensure transparent financial reports. Section 40 of the PFMA (1 of 1999) clearly spells out the reporting requirements of accounting officers. In terms of Section 36(1) and (2) of the PFMA (1 of 1999) every department or every constitutional institution must appoint an accounting officer, who will be the head of the department or the chief executive officer (CEO) of a constitutional institution. His or her reporting responsibilities, amongst others, in terms of Section 40(1)(b) and (c) and supported by Section 58(1)(a) of the PFMA (1 of 1999) are to prepare annual financial statements for each financial year in accordance with GRAP and to submit those annual financial statements to the AGSA for auditing within two months after the end of the financial year.

Currently, most Schedule 3A public entities are audited by the AGSA for the implementation of GRAP standards (PFMA, 1999). Non-compliance with GRAP standards provides decision makers with direction to develop remedial action to address non-compliance matters (PFMA, 1999).

Overall, this section described the PFMA (1 of 1999) remit. The mandate of PFMA (1 of 1999) is embedded in the Constitution (108 of 1996) in terms of Section 216 in respect of ensuring adherence to and compliance with the implementation of GRAP standards by public entities. The discussion highlighted different sections in the PFMA (1 of 1999) for the effective implementation of GRAP standards and conducting accurate financial reporting in the annual financial statements of the South African public sector.

3.2.3.4 Treasury Regulations (2005)

Following the discussion regarding the role of the Constitution (108 of 1996) and the PFMA (1 of 1999) where GRAP is concerned, this section explains the link between these acts and the Treasury Regulations in respect of the implementation of GRAP standards, especially in public entities. There are linkages because Treasury Regulations reside within the Department of National Treasury, whose primary purpose is to regulate all accounting

directives and guidelines issued by the PFMA (1 of 1999) for all spheres of government (Treasury Regulations, 2005).

All spheres of government must adhere to and comply with the Treasury Regulations for the practical implementation of GRAP standards. Treasury Regulations 1.2.1 and 25.1.1 support Sections 46 and 76(4) of the PFMA (1 of 1999). These sections stipulate that the National Treasury may make regulations or issue instructions applicable to all departments, constitutional institutions and public entities listed as Schedule 2, 3A, 3B, 3C and 3D of the PFMA (1 of 1999) concerning any matter that may be prescribed.

In terms of Section 48 of the PFMA (1 of 1999) public entities are classified as national GBEs, provincial GBEs, national public entities, and provincial public entities. These entities are described in various paragraphs of the Treasury Regulations, for example, Schedule 3A and 3C are indicated and explained in paragraph 6.1.2 as well as Treasury Regulations 16, 16A, 24–28 and 30–33 (Treasury Regulations, 2005). In terms of Treasury Regulations 26.1 and 28.1.5 states that public entities listed in Schedule 3A or 3C of the PFMA should ensure that within 30 days of the end of each quarter, after consultation with the designated accounting officer, submit their annual financial statements (Treasury Regulations, 2005).

Adherence to and compliance with Treasury Regulations is critical for submitting annual financial statements prepared on GRAP standards because it might lead to adverse audit findings (Treasury Regulations, 2005). In addition, public entities may require guidance and support to implement GRAP standards when preparing annual financial statements according to Treasury Regulations (2005). Overall, National Treasury initiated an assistance programme that includes, among others, developing appropriate formats, making recommendations, regulating the approach to using GRAP standards, providing guidance, and rendering support for implementation, including training (Treasury Regulations, 2005).

This section explained how the Treasury Regulations link with the Constitution (108 of 1996) and the PFMA (1 of 1999) in respect of the implementation of GRAP standards, especially in public entities. Treasury Regulations reside within National Treasury for regulating all accounting directives and guidelines issued by the PFMA (1 of 1999) for all three spheres of government in respect of the implementation of GRAP standards. Importantly, all three spheres of government submitted annual financial statements should

align with GRAP standards to avoid adverse audit findings. The accounting officer will be held accountable and responsible for the adverse audit findings.

3.2.3.5 Accounting Standard Board

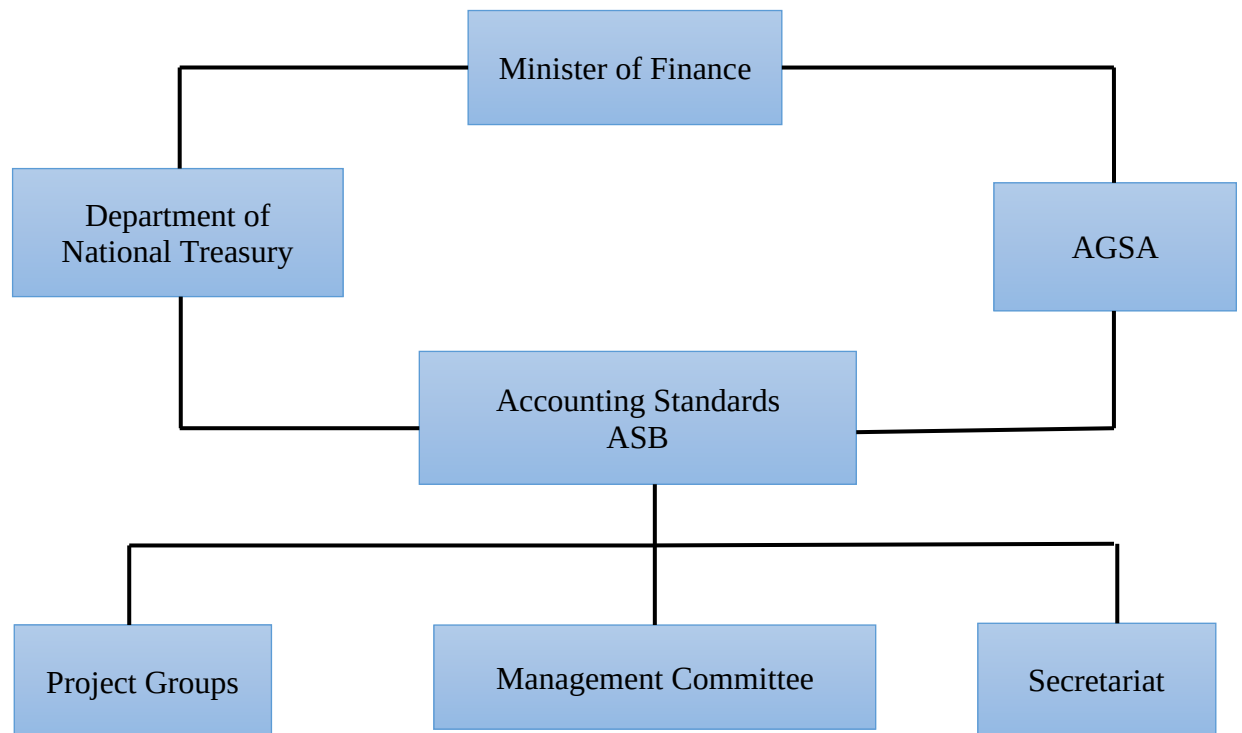
Based on the explanation above about the link between the Constitution (108 of 1996), PFMA (1 of 1999) and Treasury Regulations on the implementation of GRAP standards for all spheres of government, this section defines the ASB and its remit in detail in relation to the implementation of GRAP standards in the public sector.

In terms of Section 87 of the PFMA (1 of 1999) the Finance Minister established the ASB in 2002 as a juristic person to develop GRAP standards for the local public sector. In terms of the Sections 88, 89, 90 of the PFMA (1 of 1999) outlines the composition, functions, powers and regulations of the Board to support the accounting standards that will be implemented in the public sector.

In meeting the objectives of the ASB, its members must “serve public interest, respect and encourage input from all its stakeholders, bring objectivity to the consideration of issues, comply with the ability of its stakeholders, exercise professional judgment, and commit respond to stakeholder needs timeously” (ASB, 2009).

The ASB relies on the National Treasury and the Office of the AGSA for advice regarding the capacity of the relevant entities to comply with the standards. This reliance assists the ASB in its consultation with the Minister of Finance on the proposed implementation date of GRAP standards for the public sector. The standards are regarded as effective and must be implemented by the public entities from the particular standard’s effective date (ASB, 2009). Furthermore, the Minister of Finance has the right to determine and approve the effective date of the GRAP standards without consulting with the Office of the AGSA or ASB (ASB, 2009). Figure 3.7 illustrates the role and responsibilities of implementing GRAP standards.

Figure 3.7: Role and responsibilities in implementing GRAP standards



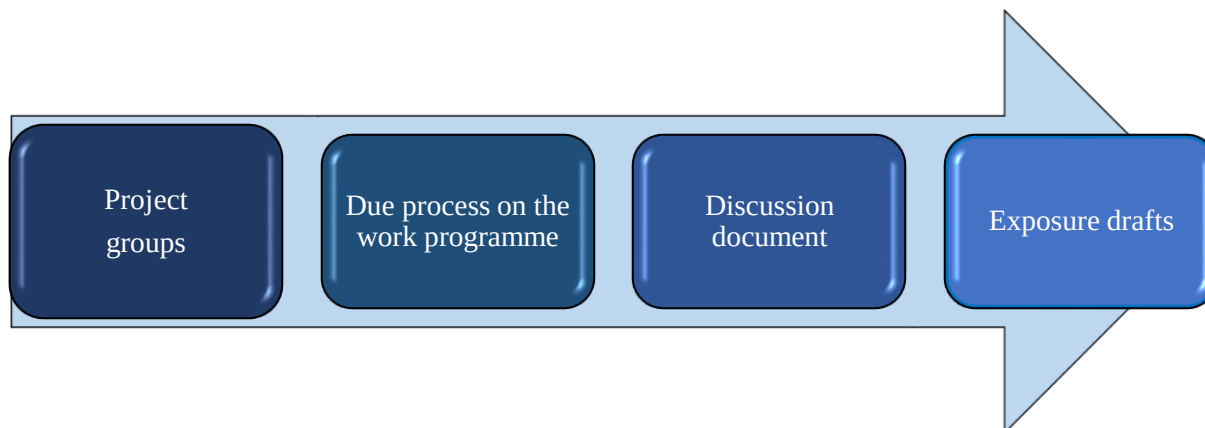
Source (ASB, 2009)

It follows that the ASB considers the best accounting practices nationally and internationally because GRAP standards are developed either:

- *“By adopting the IPSAS issued by the IPSASB. The ASB attempts, wherever possible, to maintain the accounting treatment and original text of the IPSAS unless there is a significant South African public sector challenge that warrants a departure; or*
- *By developing GRAP standards to deal with a particular public sector issue that is either not comprehensively covered in an existing IPSAS or for which an IPSAS has not been developed by the IPSASB” (ASB, 2009).*

Figure 3.8 depicts the process followed in the development of GRAP standards:

Figure 3.8: The process of developing GRAP standards



Source (ASB, 2009)

For topics that do not have national/international equivalents, the Secretariat of the ASB is required to research and draft a discussion document and an exposure draft (ASB, 2009). Project groups develop the ASB standards based on the draft discussion document and exposure draft. The project group members are recruited based on their commitment to ASB objectives, their technical knowledge, their ability to consider the practical aspects of issues being considered, and their ability to influence the adoption of standards and the building of consensus on the ASB's positions. These members include people who prepare, audit and use government annual financial statements and reports and recruited (ASB, 2009).

The procedure to publish the exposure drafts is on the ASB's website and a notice of the publication is given in the Government Gazette to invite comments from interested parties (ASB, 2009). Thereafter, the ASB sets a reasonable time (generally within three months) to allow interested parties to consider and comment on its proposals. The ASB considers all comments received on exposure drafts and makes such modifications as it deems appropriate. The ASB publishes the basis for accepting or rejecting significant comments on their website. If deemed necessary, discussion forums are held to obtain further opinions on issues identified by the exposure process (ASB, 2009).

The GRAP standards draft that has been developed from the exposure process is submitted to the ASB for approval (ASB, 2009). Where there are significant changes or unresolved issues associated with an exposure draft, the ASB may decide to re-expose the proposed GRAP standards. Each ASB member represented on the ASB has one vote during the approval process for discussion documents, exposure drafts or GRAP standards. For the vote to proceed, a quorum of six members is required. Furthermore, GRAP standards require approval by at least three-quarters of the total voting rights present at a meeting before the pronouncement is published and released. Discussion documents and exposure drafts are approved by at least a majority of the full right to vote present at a meeting (ASB, 2009).

It is important to note that the primary purpose of the ASB is derived from the PFMA (1 of 1999). Importantly, the ASB relies on National Treasury and the Office of the AGSA for advice regarding the capacity of the relevant public entities to comply with the standards. Moreover, the ASB conducts research to draft a discussion document and exposure draft for the adoption of international standards. Based on the exposure draft, GRAP standards are developed and submitted to the ASB for approval after which the members of the ASB vote using the voting criteria.

3.2.3.6 The Generally Recognised Accounting Practice

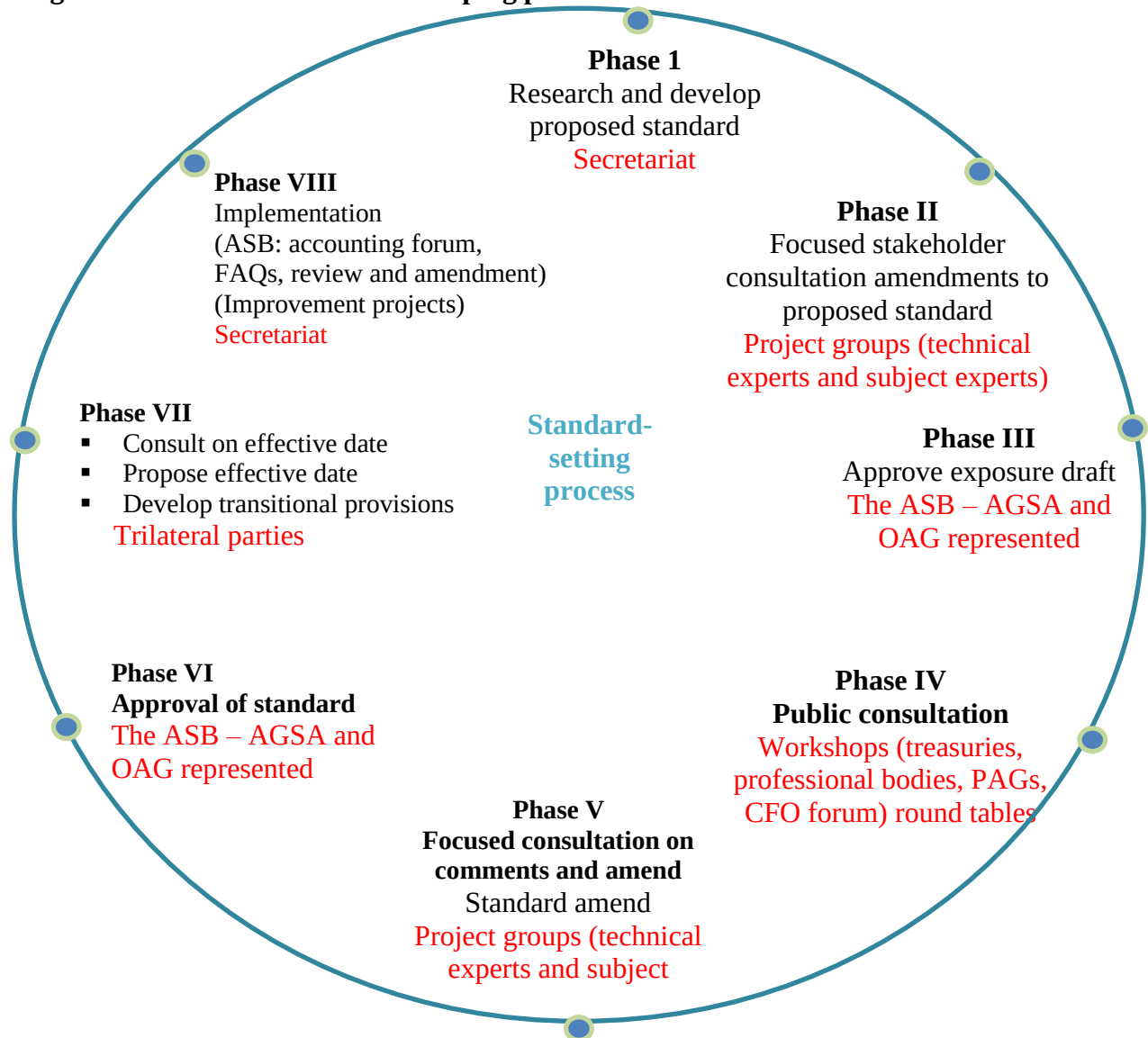
The previous section showed that the ASB derives its purpose from the PFMA (1 of 1999). The ASB's purpose is to adopt international standards for the public sector. This section describes GRAP and its importance to the implementation in all spheres of government.

The legislative context for implementing accounting policy frameworks such as GRAP is abundant and found in the Constitution (108 of 1996), the PFMA (1 of 1999) and policy documents that flow from the Constitution (108 of 1996). In other words, the implementation of GRAP standards in the public sector obtains its legislative mandate from section 216 of the Constitution (108 of 1996).

Accounting standards are “authoritative standards for financial accounting and reporting developed through an organised standard-setting process” (ASB, 2009). In South Africa, “the accounting standards are issued by the ASB and specify how transactions and other events are to be recognised, measured, presented and disclosed in government annual financial statements. Therefore, the objective of such standards is to meet the needs of the

users of the annual financial statements by providing the information needed to be accountable and make decisions” (ASB, 2009). Figure 3.9 reflects the GRAP standards developing process as mentioned above.

Figure 3.9: GRAP standards developing process



FAQs: Frequently asked questions

Source (ASB, 2009)

In terms of the ASB (2009) it is necessary to develop and implement appropriate accounting systems before developing appropriate accounting standards. In addition, the main reason is to realise transparency in financial reports. In terms of the PFMA (1 of 1999), Treasury Regulations (2005) and ASB (2009) GRAP standards development aims to recognise and relate to international legislation and principles to realise the benefits of GRAP as indicated

in Chapter 1 and Chapter 2. The implication of ASB developing GRAP standards for the public sector is the development of non-existing accounting standards and improve current accounting policies and practices.

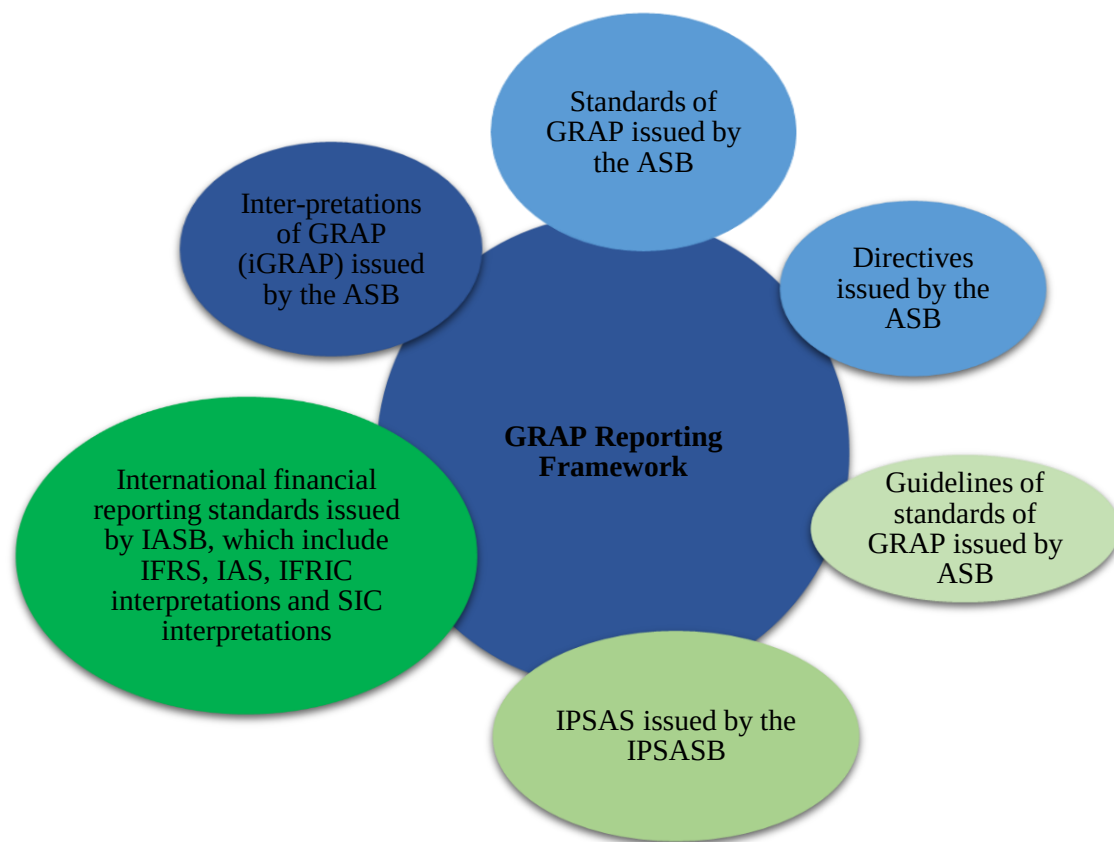
GRAP standards are based on the accrual basis of accounting principles implemented in the public sector as discussed in Chapter 2 (ASB, 2009). Complying with GRAP standards is important to ensure that annual financial statements and annual reports are an accurate reflection of a public sector entity or department's financial position. Furthermore, the annual financial statements and annual reports are prepared using GRAP standards and are audited by the AGSA to provide an audit opinion on its effectiveness in public entities.

According to Pauw and Swart (cited by Van Wyk, 2003:28-29), the perspectives to GRAP standards were developed by using GAAP. Harmonising GRAP standards with IPSAS will realise the potential benefits as explained in Chapter 2. According to Van Wyk (2003:167) South Africa uses the IPSAS to develop GRAP standards for its national, provincial and local levels of government.

The IPSAS is implemented to all public sector entities other than GBEs, which include trading enterprises in South Africa, such as utilities and financial enterprises, for example, Denel, the Passenger Rail Agency of South Africa (PRASA) and the electricity generation company for South Africa (Eskom) (Hughes, 2004:33).

Figure 3.10 depicts the GRAP reporting framework for public entities. "The relevant directive issued by the ASB determines the GRAP reporting structure and standards to be used for a given financial year. The directive is updated regularly to reflect new standards that take effect after having been approved by the Minister of Finance" (Deloitte, 2012:3).

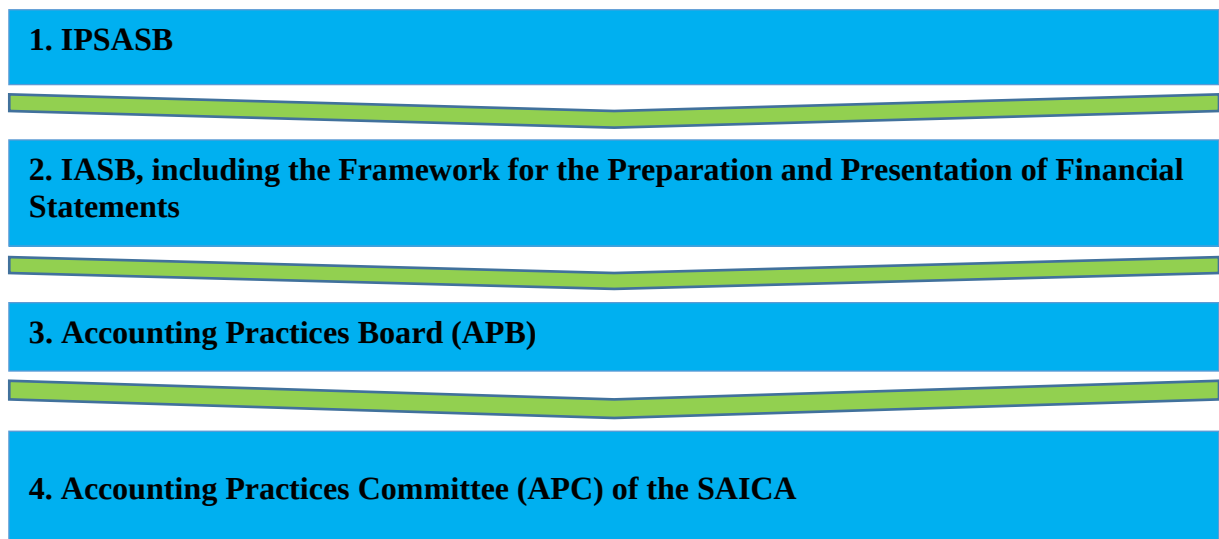
Figure 3.10: GRAP reporting framework



IFRIC: IFRS Interpretations Committee; SIC: Standard Interpretations Committee
Source (Deloitte, 2012:3)

In the absence of GRAP standards for a topic, the pronouncements of the standard-developing bodies as illustrated in Figure 3.11 should be used in descending order to develop an appropriate accounting policy (Deloitte, 2012:3):

Figure 3.11: Standard-developing bodies in the absence of GRAP standards



Source (Deloitte, 2012:3)

In summary, this section defined GRAP as found in the Constitution (108 of 1996), the PFMA (1 of 1999) and policy documents that flow from the Constitution (108 of 1996). In other words, the implementation of GRAP standards in the public sector obtains its legislative mandate from section 216 of the Constitution (108 of 1996). GRAP comprises accounting standards established to provide transparent financial reports. An explanation was provided on how the development of GRAP standards interrelates with international accounting standards such as IPSAS for effective use in the public sector.

3.2.3.7 Public Audit Act (Act 25 of 2004)

Following the summary above, this section explains the importance and remit of the PAA (25 of 2004) within all spheres of government that implement GRAP standards. In terms of the PAA (25 of 2004) Section 188 of the Constitution (108 of 1996) informs the remit of the AGSA which is to audit and report on the accounts, annual financial statements and financial management of all three spheres of government departments including the public entities.

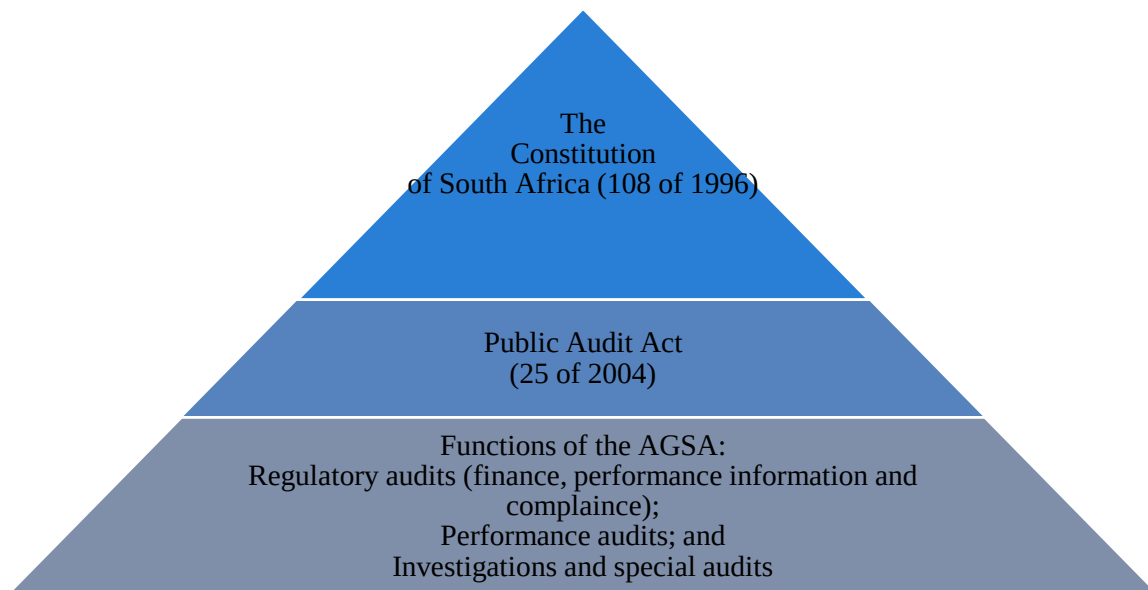
“The AGSA has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen South African democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence” (Constitution, 1996).

In terms of the PAA (25 of 2004) SAI not only conducts financial audits, but also provides assurance on performance information produced by government departments and public entities. The purpose is to address the public sector reforms, improve public reporting and provide better information on what taxpayers are getting for their taxes. Section 4 of the PAA (25 of 2004) further distinguishes between mandatory and discretionary audits (AGSA, 1999). In terms of the PAA (25 of 2004) mandatory audits relate to auditing the accounts, financial statements, financial management and performance information of the public sector, while the discretionary audits relate to investigating and doing special audits of the public sector. The relevance of the audits is to check compliance with GRAP standards implementation in the public sector and submit an audit report.

The Constitution (108 of 1996) Section 181 define, explain the establishment governing principles of AGSA as an independent and impartial body that supports state institutions constitutional democracy. The AGSA's main objective as an independent and impartial body is to ensure that the audit conducted is independent and of high quality. The AGSA must report on the management of allocated resources in respect of value for service rendered. The focus of the AGSA is on enhancing governance in the public sector. The AGSA audit opinions or conclusions on audited financial statements should be reflected as required by section 20(2) of the PAA (25 of 2004) (Constitution, 1996).

The Constitution (108 of 1996) recognises the importance and guarantees the independence of the AGSA, thereby indicating that the AGSA must be impartial and must exercise its powers and perform its functions without fear, favour or prejudice. The AGSA functions are described in section 188 of the Constitution (108 of 1996) and are further regulated by the PAA (25 of 2004), which mandates the AGSA to perform constitutional and other functions. Figure 3.12 shows the interconnected and hierarchical relationships of the mandate of the AGSA.

Figure 3.12: The mandate of the AGSA



Source (PAA, 2004)

Section 58(1)(a) of the PFMA (1 of 1999) prescribes that the AGSA must audit the annual financial statements of a public annually. Furthermore, the AGSA must audit the implementation of GRAP standards by all public entities on their annual financial statements. The main reason is to check compliance with respect to the Constitution (108 of 1996), the PFMA (1 of 1999) and Treasury Regulations for the implementation of GRAP standards in the public sector. An audit report is submitted by the AGSA on their finding.

The AGSA is accountable to the National Assembly regarding section 181(5) of the Constitution (108 of 1996) and section 3(d) of the PAA (25 of 2004). The AGSA has to “report on its activities and performance of its functions” in terms of Section 10 of the PAA (25 of 2004). Importantly, the primary accountability instruments are the AGSA’s budget and strategic plan, as well as the annual report – both of which are tabled annually in the National Assembly. The remit of governance structures such as the National Assembly function as an oversight structure to check adherence to and compliance with the Constitution (108 of 1996), the PFMA (1 of 1999) and Treasury Regulations (2005) (PFMA, 1999). Furthermore, “the Standing Committee on the AGSA (SCOAG), established in terms of Section 10(3) of the PAA (25 of 2004) oversees the performance of the AGSA on behalf of the National Assembly” (PAA, 2004).

“The AGSA prepares annual audit reports on all audited spheres of government, public entities, municipalities and public institutions” (PAA, 2004). Over and above these entity-specific reports, “the audit outcomes are analysed in general reports” that cover both the PFMA (1 of 1999) and the MFMA (56 of 2003) cycles (PAA, 2004). Also, “reports on discretionary audits, performance audits and other special audits are also prepared. Moreover, the AGSA present a report to the legislature that has a direct interest in the audit, namely; Parliament, provincial legislatures or municipal councils”. Based on the respective rules and procedures, these reports are used for oversight (PAA, 2004).

In summary, the Constitution of South Africa (108 of 1996) establishes and creates various acts, such as the PAA (25 of 2004), and institutions, such as the AGSA, perform their functions independently and impartially with the aim of achieving its objectives. The PAA (25 of 2004) supports and directs the functioning of the AGSA. The main reason for an AGSA audit is to check adherence to and compliance with respect to the Constitution (108 of 1996), the PFMA (1 of 1999), Treasury Regulations (2005) and GRAP. The audit outcomes from the AGSA are analysed in general reports that cover both the PFMA (1 of 1999) and the MFMA (56 of 2003) cycles.

3.3 SUMMARY

The chapter started with an introduction that linked to the discussion in Chapter 2. Chapter 3 is an extension of Chapter 2 and provided background on the context of accounting practices and standards in the public sector. The chapter explained the legislative and accounting policy frameworks available in the public sector.

The chapter highlighted the factors in the accounting systems and practice implemented in various countries and grouped these factors as PESC. Their important remit was mentioned, notwithstanding the local environmental factors affected by the development of the accounting system and practices. This included their contribution to the implementation in the public sector.

The chapter described the international and South African legislative and accounting policy frameworks for preparing annual financial statements for the public sector. The chapter further discussed the interrelation of international and South African legislative and accounting policy frameworks. An overview was provided of how the ASB informs the

development of the appropriate national accounting standards in the public sector, such as GRAP standards in South Africa. Additionally, the process followed in developing the IPSAS, together with its benefits, challenges and risks were explained. Moreover, the differences between IPSAS and the IFRS and their pertinence to the public sector were emphasised.

The chapter concluded with a summary of all the imperatives regarding the legislative and accounting policy frameworks implemented in the IPSAS accrual basis of accounting in the public sector. The next chapter explains the research design logical flow.

CHAPTER 4:

SOUTH AFRICAN SOCIAL SECURITY AGENCY

4.1 INTRODUCTION

Chapter 3 started with an introduction that linked to the discussion in Chapter 2. As an extension to Chapter 2, Chapter 3 provided background on the context of accounting practices and standards in the public sector. Chapter 3 provided the foundation for addressing the research objectives mentioned in Chapter 1 by analysing the implementation of GRAP standards in SASSA as representative of public entities.

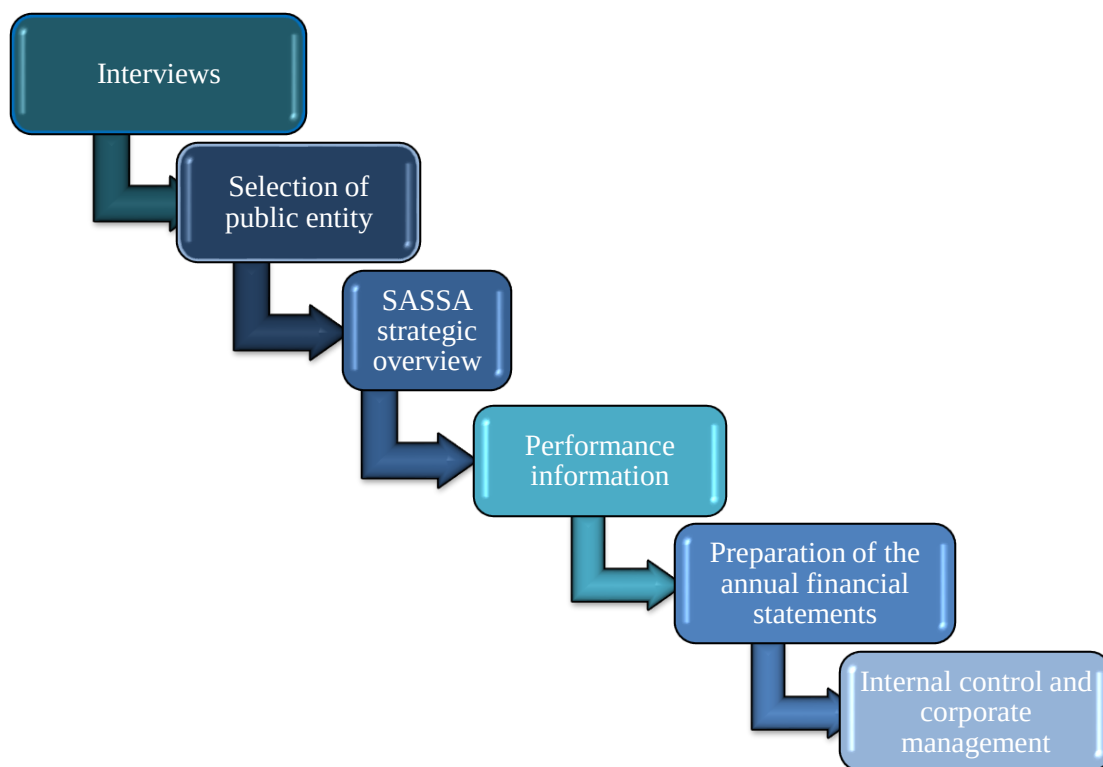
Chapter 4's objective is to analyse the accounting environment in SASSA where GRAP standards have been implemented. The case study was conducted using interview questions to be explained in Chapter 6.

Chapter 4 explains the reasoning for selecting SASSA and provides a background to SASSA regarding its strategic overview, which includes key performance information and planning concepts such as its legislative mandate, vision, mission, values, and structure. The focus in terms of the SASSA structure emphasises the *Branch: Finance* because one of its core functions is to ensure that GRAP standards are implemented. This links to Objective 4 of the study, which is to determine whether SASSA Financial Accounting Department employees have the required knowledge, skills and experience to implement GRAP standards.

Chapter 4 describes the performance information and provides background to the SASSA accounting environment in relation to the research objectives mentioned Chapter 1. It focuses on service delivery programmes with specific emphasis on the *Sub-programme: Financial Management* for the financial years from 2011/2012 to 2015/2016. The chapter discusses how SASSA prepares its annual financial statements as well as its internal control and corporate management to implement GRAP standards. The AGSA report reflects GRAP standards implementation from the financial years 2011/2012 to 2015/2016. The financial year 2011/2012 is the year that SASSA implemented GRAP standards. The AGSA report critically evaluates SASSA's performance on GRAP standards to support the conclusions and recommendations made in Chapter 7. Chapter 4 concludes with a summary.

Figure 4.1 illustrates the flow of this chapter in respect of SASSA's implementation of GRAP standards based on the literature review and theoretical foundation, as discussed in Chapter 3, and the legislative and accounting frameworks as discussed in Chapter 4.

Figure 4.1: Illustrative flow of Chapter 4



Source (Own Research, 2019)

4.2 INTERVIEWS

The interviews conducted in Chapter 5 informed the implementation of GRAP standards in SASSA and emphasise the challenges encountered by SASSA. The interview questions were linked to the study objectives in Chapter 1 and the literature review and foundation explained in Chapter 2 and Chapter 3.

Chapter 6 evaluates the implementation of GRAP standards in SASSA through observations and interviews. This study is descriptive because it describes the existence and implementation of GRAP standards within SASSA, and tests SASSA's implementation of GRAP standards. It highlights the challenges encountered and lessons learned during the process. The study is illustrative as it demonstrates what has been achieved by implementing GRAP standards. Therefore, this study is classified as both descriptive and illustrative.

Regarding evaluating the implementation of GRAP standards in the context of SASSA, the inductive analysis as defined by Prince and Felder (2006:123) was used. An inductive analysis takes place when the topics are introduced by presenting specific observations or problems. More importantly, “the primary purpose of the inductive approach is to permit research results derived from important regular identified research themes, which are entrenched in raw data without the obligatory limits introduced by structured methodologies” (Thomas, 2006:238). The inductive analysis was used in this study because it is not rigid and not guided by any preconceived expectations or judgments. Therefore, the inductive analysis is suitable for use with interviews.

Based on the aforementioned, the inductive method promoted the adoption of a deep approach to the implementation of GRAP standards. It further promoted intellectual development regarding the challenges that might be encountered. It is evident that the inductive method assisted with addressing the challenges encountered and lessons learned, thus acquiring critical thinking. Clear links between the research objectives and the interview questions were established because the inductive method is simple, straightforward and produces reliable and valid findings.

Overall, this section explained how the interviews were conducted in SASSA. This section further discussed the inductive method to be used for analysing the data or information. Furthermore, the link between the research objectives and the interviews was explained.

4.3 SELECTION OF THE PUBLIC ENTITY

Following the discussion in the previous section, this section explains SASSA’s purpose and discuss the main reason for selecting SASSA as a case study. The section further describes the purpose of providing the SASSA accounting environment in relation to the research objectives as stated in Chapter 1.

SASSA is selected as a case study because is a national Schedule 3A public entity. It was established in 2004 and is representative of public entities. SASSA came into operation in April 2006 following the Constitutional Court ruling that the provision of social assistance as a concurrent function was unconstitutional. SASSA has regional offices in all nine provinces with a head office in Pretoria. SASSA controls a budget of R7 billion, which is distributed amongst all regional office in all nine provinces. Thus, SASSA provides a holistic

view of how it implemented the GRAP standards in the financial years from 2011/2012 to 2015/2016. SASSA implemented GRAP standards in the 2011/2012 financial year. The five-year comparison from 2011/2012 to 2015/2016 is critical for assessing the matters raised by the AGSA on GRAP standards implementation in SASSA.

As stated in the annual reports for the financial years from 2011/2012 to 2015/2016, SASSA is a Schedule 3A public entity that was established in 2004 and came into operation in April 2006 (SASSA, 2016:21). It derives its legislative mandate from the Constitution (108 of 1996), SASSA Act (9 of 2004), and PFMA (1 of 1999). Moreover, section 27(1)(c) of the Constitution (108 of 1996) states that “everyone has the right to social security, including if they are unable to support themselves and their dependents, appropriate social assistance”. The objectives of the SASSA Act (9 of 2004) are to: “ensure effective and efficient administration, management and payment of social assistance; provide for the prospective administration and payment of social security including the provision of services related thereto; and provide for matters connected therewith”. The Social Assistance Act (13 of 2004) as amended provides for: “the rendering of social assistance to eligible persons; for mechanisms for the rendering of such assistance; and for matters connected therewith”.

Importantly, GRAP standards used in the SASSA accounting environment are provided because most of the benefits of the accrual basis of accounting are influenced by IPSAS implementation in the public sector and thus determine its importance. The importance of the accrual basis of accounting as discussed in detail in Chapter 2 forms the basis for analysing SASSA as a Schedule 3A public entity in respect of its implementation of GRAP standards. The basis of the analysis is mostly linked to the objectives of the study as stated in Chapter 1.

The reality is that SASSA implemented GRAP standards since the financial year 2011/2012 to date. Importantly, SASSA provided more information on how it implemented GRAP standards and the challenges it encountered. Interviews were conducted in SASSA as explained in Section 4.2, which provided a comprehensive report on all the matters raised by the AGSA on GRAP standards implementation for the financial years from 2011/2012 to 2015/2016.

The interviews further provided in-depth responses to the interview questions, which addressed the same issues as depicted in the AGSA report, challenges encountered and

lessons learned to improve on the challenges encountered. It was therefore important to determine whether SASSA employees had the required knowledge, skills and experience to implement GRAP standards. Furthermore, the interviews described in Chapter 6 were informed by the AGSA report on GRAP standards implementation in SASSA. The interviews were supported by the fact that the selected interview respondents had the knowledge, skills and experience on the accounting and financial system used.

In conclusion, Section 4.3 explained the main reason for selecting SASSA, its existence and the purpose of providing its accounting environment in relation to the research objectives as stated in Chapter 1. It further explained how SASSA's GRAP standards implementation informed the interviews to be conducted and analysed in Chapter 6.

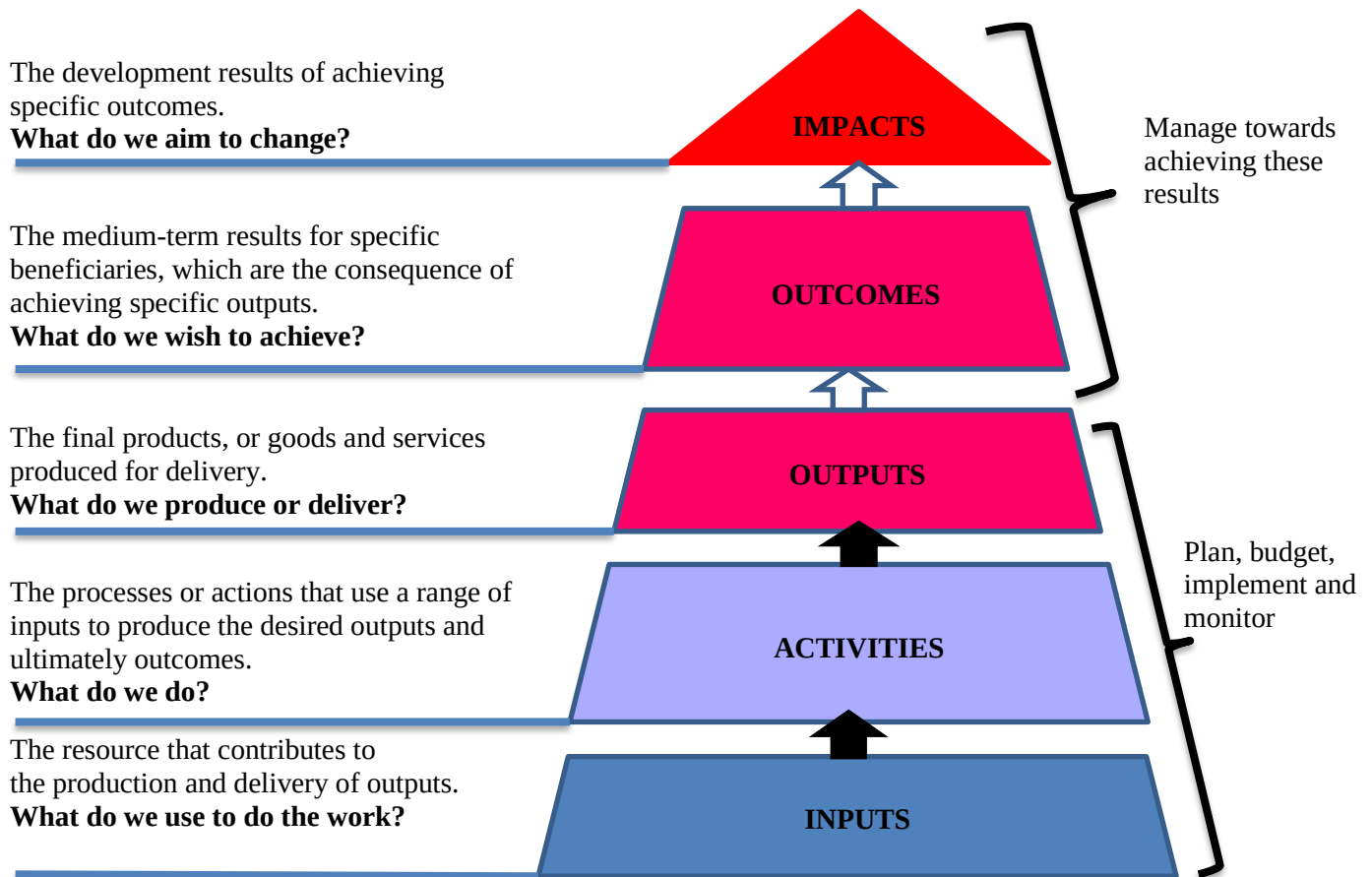
4.4 SASSA STRATEGIC OVERVIEW

This section provides a detailed explanation of SASSA strategic plans and annual performance plans. The importance of the key planning concepts is to reflect how they support the *Branch: Finance* in its implementation of GRAP standards as its core function in SASSA. This is linked to Objective 4 as explained in Section 4.1.

4.4.1 Key performance information concepts

In terms of the National Treasury (2010) Framework for Strategic Plans and Annual Plans, government identifies broad strategic outcomes as “part of the policy development process for achieving better service delivery for the South African people”. The outcomes require high-quality planning to accomplish. Importantly, given the limited nature of public funds, government has to ensure responsible spending (National Treasury, 2010). Figure 4.2 illustrates key performance information concepts aligned with the outcome-oriented approach.

Figure 4.2: Key performance information concepts

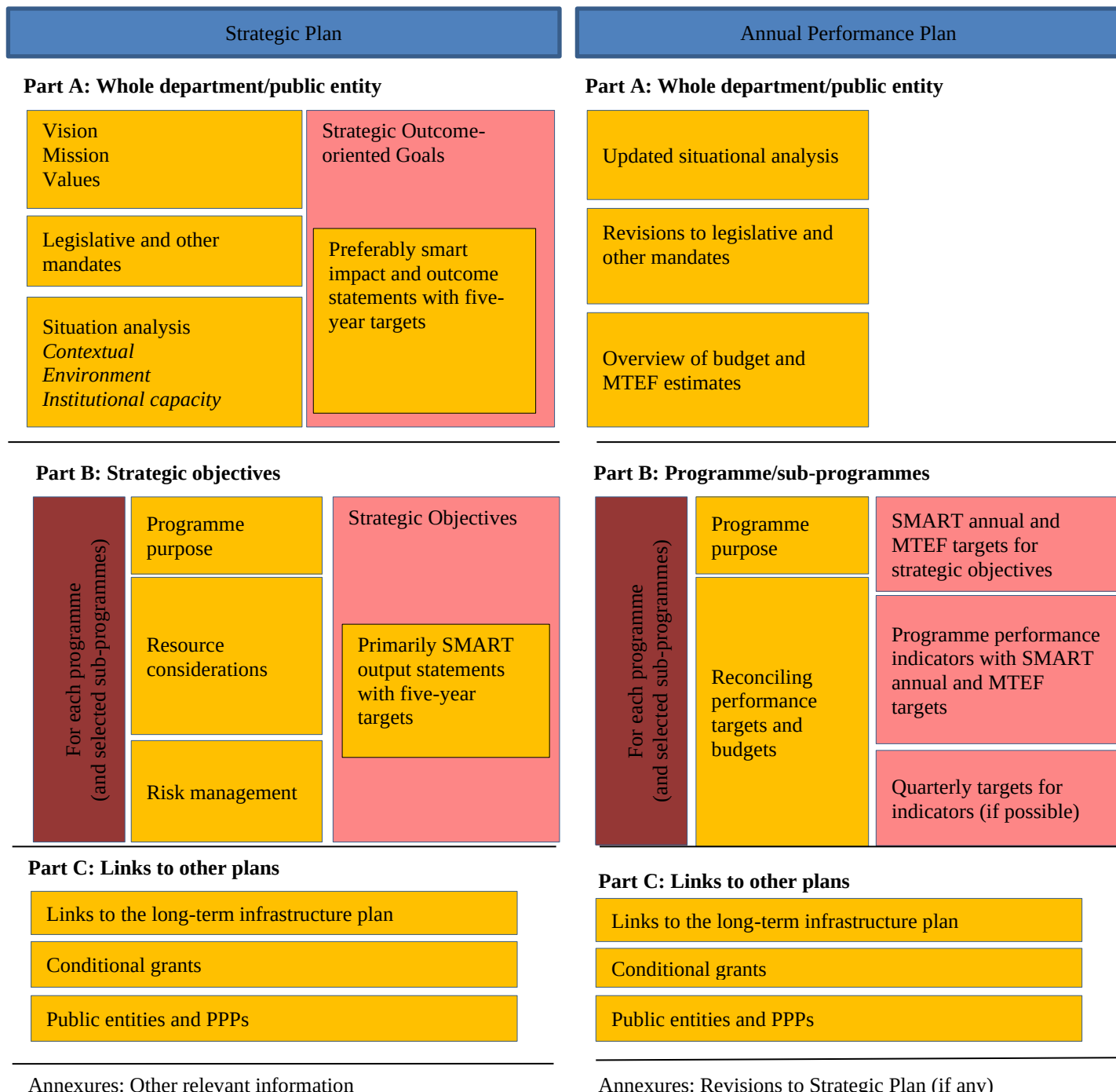


Source (National Treasury, 2010)

4.4.2 Core elements of the planning documents

Figure 4.3 provides the structure and content of the strategic plans and annual performance plans.

Figure 4.3: Structure and content of the strategic plans and annual performance plans



MTEF: Medium-term expenditure framework; PPP: Public-private partnership

Source (National Treasury, 2010:11)

4.4.2.1 Strategic plan

In terms of the National Treasury (2010:6) Framework for Strategic Plans and Annual Plans, “a strategic plan sets out an institution’s policy priorities, programmes and project plans for a five-year period as approved by its executive authority within the scope of available resources”. The framework further indicates that “the strategic plans focus on the institution’s strategic outcome-oriented goals, and that the objectives for each of its service delivery areas align to its budget programmes and, where relevant, budget for its sub-programmes” (National Treasury, 2010).

In terms of National Treasury (2010) there are various important parts to the strategic plan as illustrated in Figure 4.3:

“Part A focuses on a strategic overview of the sector and the department or public entity. It specifies the institution’s vision, mission, values and the strategic outcome-oriented goals it aims to achieve over a five-year period. Part B looks at specifies strategic objectives, their resource implications, and the risks that need to be managed to achieve them. Strategic objectives should be discussed in the context of the approved programme budget structures. Part C considers links to other plans such as the institution’s long-term infrastructure plan, its conditional grants, plans to review its public entities, and the management of its public-private partnerships”.

4.4.2.2 Annual performance plans

An annual performance plan sets out what the institution intends doing in the upcoming financial year and during the medium-term expenditure framework (MTEF) to implement its strategic plan. In addition, the said framework indicates that:

“the annual performance plan focuses on setting out performance indicators and targets for budget programmes and sub-programmes, where relevant, to facilitate the institution realising its goals and objectives set out in the strategic plan. Moreover, where appropriate, the plan should include a quarterly breakdown of performance targets for the upcoming financial year” (National Treasury, 2010:7).

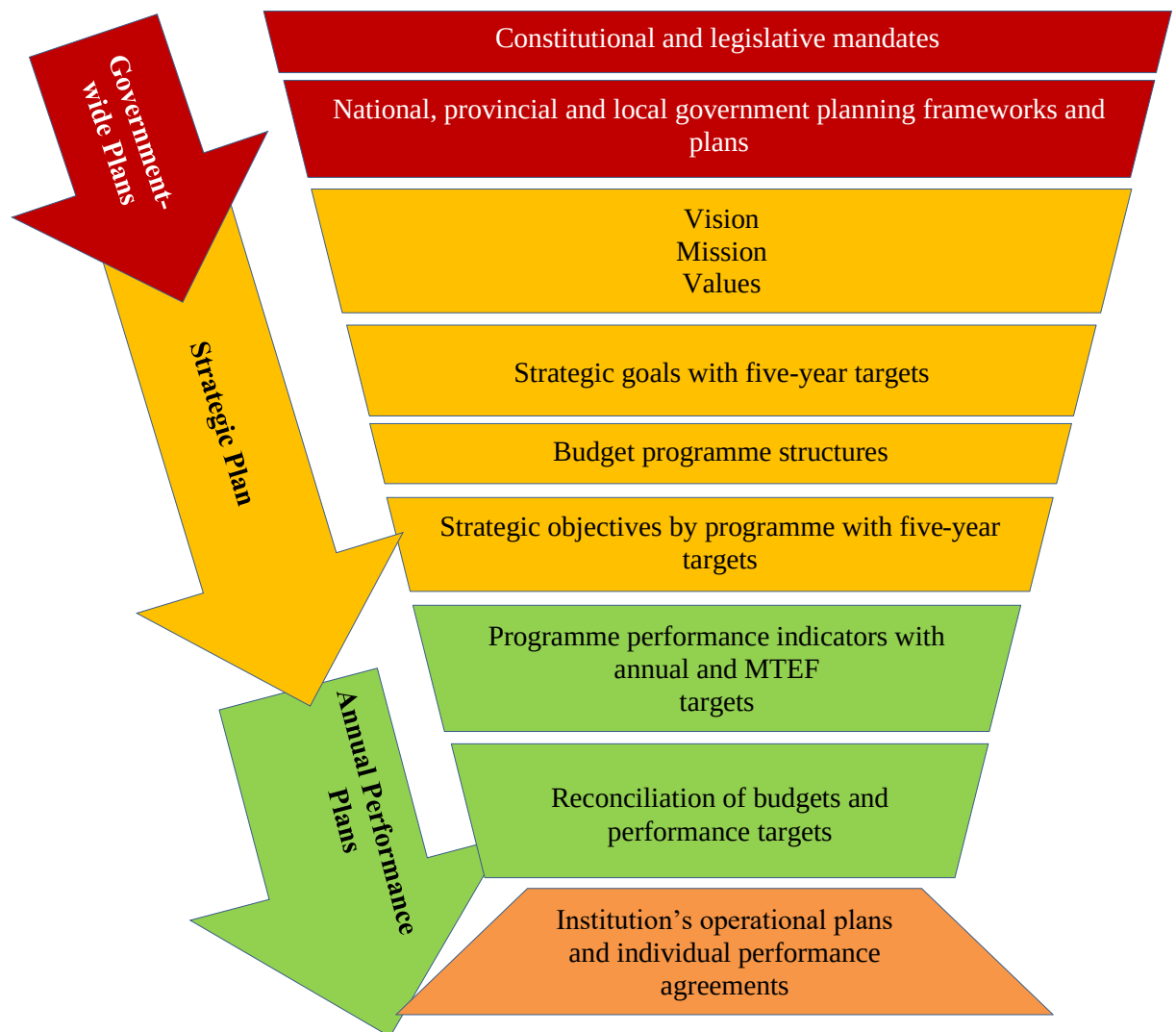
In terms of National Treasury (2010) there are various important parts to the annual performance plans as illustrated in Figure 4.3:

“Part A reviews recent developments in the operational environment and links the annual budget to the achievement of strategic outcome-oriented goals and objectives. Part B details planning information regarding the individual programmes and sub-programmes, and annual and MTEF performance targets for both strategic objectives and the programme performance indicators. Part C considers the details of budgets for infrastructure and other capital projects, and any planned changes to conditional grants, public entities and public-private partnerships”.

4.4.3 Key planning concepts

Figure 4.4 depicts the hierarchy of the relationship between the planning concepts that are discussed. The planning concepts provide a background on how it informs SASSA’s implementation of GRAP standards.

Figure 4.4: The hierarchy of the relationship between the planning concepts



Source (National Treasury, 2010:13)

4.4.3.1 Government's wider plans

The government's wider plans include all three spheres of government planning frameworks and plans founded from the constitutional and legislative mandate. In South Africa, the legislative mandate is mostly informed by the Constitution (108 of 1996). According to De Jager (2016), "legislation is one of government's most important instruments for organising society and protecting citizens". The National Treasury (2010:1) Framework for Strategic Plans and Annual Performance Plans indicates that "each department's activities must be founded in the legislative mandates that the department is directly responsible for

implementing, managing or overseeing”. As stated in the SASSA (2016:21) Annual Report 2015/2016, “SASSA functions within the legislative mandate, which governs the way it manages and conducts its operations.” The legislation that informs the mandate of SASSA includes but are not limited to the following acts:

- Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) as amended;
- Social Assistance Act, 2004 (Act 13 of 2004) as amended;
- SASSA Act, 2004 (Act 9 of 2004); and
- PFMA, 1999 (Act 1 of 1999) as amended.

These acts support and make provision for the implementation of GRAP standards by *Sub-programme: Finance*. Some of the critical sections of the PFMA (1 of 1999) were discussed in detail in Chapter 3. These sections ensure adherence to and compliance with section 216 of the Constitution (108 of 1996).

4.4.3.2 Mission

Thompson *et al.* (2010:74) define mission statement as a statement that describes an organisation’s purpose and its present business (“who we are, what we do, and why we are here”). Along the same lines, Cochran *et al.* (2010:1) indicate by extension that “a clear statement of a company’s mission is essential to effectively establish objectives, formulate strategies, set goals, devise policies, allocate resources, and motivate employees”. Furthermore, Pearce II and David (1987:109) add that a mission statement as an integral component of the strategic management process should create an organisational identity that is larger than the limits placed by an individual.

The National Treasury (2010) developed “the Framework for the Strategic Plans and Annual Performance Plans, which is applicable to all national and provincial departments, constitutional institutions and public entities”. In terms of the PFMA (1 of 1999) “public entities include all those listed in Part A and Part C of the act”. Furthermore, the National Treasury (2010:13) Framework for Strategic Plans and Annual Performance Plans concurs with the definitions of mission statement mentioned above and indicates that “an institution’s existence must be based on its legislative mandates, functions, and responsibilities”.

SASSA's mission statement describes its purpose and explains the reason for its existence. The mission statement as per SASSA's (2016:20) Annual Report 2015/2016 is: "To administer quality customer-centric social security service to eligible and potential beneficiaries." Furthermore, the intention is for SASSA to realise the mission statement by implementing GRAP standards by the *Sub-programme: Finance* as a service delivery programme.

4.4.3.3 Vision

A vision provides long-term direction for an organisation in terms of where it is heading to, and why it is heading that direction. Thompson *et al.* (2010:74) define a vision as a statement that portrays a company's aspirations for its future ("where we are going"). The National Treasury (2010:13) Framework for Strategic Plans and Annual Performance Plans concurs with this definition. The framework further shows that "a vision is not time-bound and serves as a foundation for all policy development and planning, including strategic planning".

The vision of SASSA, as presented in the SASSA (2016:20) Annual Report 2015/2016, is "to be a leader in the delivery of social security services". Moreover, the implementation of GRAP standards are critical to ensuring the long-term direction of SASSA, which is also linked to its vision.

4.4.3.4 Values

The main remit of values is to guide the pursuit of the vision and mission. Thompson *et al.* (2010:75) define values as the beliefs, traits, and behavioural norms that management has determined should guide the pursuit of an organisation's vision and mission. It is therefore critical for management to ensure that the values are shared with all employees; for example, to give employees the opportunity to reach their full potential. In addition, the National Treasury (2010:13) Framework for Strategic Plans and Annual Performance Plans defines values as "identifying the principles that govern how institution plan its performance to realise its mission for producing and delivering government services in line with the *Batho Pele* principles".

The values of SASSA as presented in the SASSA (2016:20) Annual Report 2015/2016 are: transparency, equity, integrity, confidentiality, and customer-centric. Furthermore, the Annual Report 2015/2016 indicates that “SASSA contributes to values that promote democracy, redress, social cohesion, and a culture of respect for human rights” (SASSA, 2016:20). Thus, those values that are required for financial employees to implement GRAP standards, and to adhere to and comply with section 216 of the Constitution (108 of 1996), which was explained in Chapter 4. The emphasis is on the value of transparency.

4.4.3.5 Strategic outcome-oriented goals

In terms of the National Treasury (2010:13) Framework for the Strategic Plans and Annual Performance Plans, “strategic outcome-oriented goals identify areas of institutional performance that are critical for achieving the institution’s mission”. The framework further indicates that “a strategic outcome-oriented goal should ideally be written as a statement of intent that is specific, measurable, achievable, relevant and time-bound (SMART)”.

4.4.3.6 Budget programmes and purposes

Every institution must develop a budget programme and sub-program structure in consultation with the National Treasury. The budget structures must “align with the main areas of the service delivery responsibility within the institution’s mandate”. The emphasis is that “once an institution has an appropriate budget programme structure in place, it should only change in response to a specific expansion or contraction in the institution’s mandate and preferably not in response to changes in priorities or organisational structure” (National Treasury, 2010:14).

4.4.3.7 Strategic objectives

In terms of the National Treasury (2010:14) Framework for the Strategic Plans and Annual Performance Plans, “strategic SMART objectives should state clearly in the form of an output statement what the institution intends doing (or producing) to achieve its strategic outcome-oriented goals”. The SMART principles in respect of the GRAP standards implementation imply that the *Branch: Finance* objectives should be developed to be simple, measurable, achievable and time-bound. The objectives will determine if the potential benefits of GRAP standards are realised.

4.4.3.8 Programme performance indicators

“An institution should identify a set of programme performance indicators and targets in its annual performance plan to track its ongoing performance. The indicators should reflect equity concerns, value for money in using resources, and must be SMART” (National Treasury, 2010:15).

4.4.3.9 Baseline and targets

In terms of the National Treasury (2010:15) Framework for the Strategic Plans and Annual Performance Plans, institutions are “required to set annual and quarterly targets relating to the budget year and the MTEF for the strategic objectives and programme performance indicators contained in the annual performance plans”.

4.4.3.10 Organisational structure

A strategy for an organisation determines how the organisational structure must be developed to ensure that the organisational strategy is realised. Grant (2013:147) highlights that strategy implementation encompasses the entire design of the organisation. Based on the definition above, the organisational structure therefore follows the organisational strategy. The organisational strategy informs the required human resources by developing an organisational structure to realise the mission, vision, values, strategic goals and objectives, and performance indicators of the organisation.

According to Thompson *et al.* (2010:394) organisational structure depends on the firm’s size, complexity and strategy. Although the organisational structure can be changed, the changes are informed by various factors affecting the organisation; for example, the organisation’s growth and strategy change. Furthermore, Cascio and Aguinis (2011:6) indicate that although many factors are driving organisational structure change, none is considered more important. This implies that management needs to prioritise factors that require organisational changes such as GRAP standards implementation for adherence to and compliance with National Treasury instructions or directives. In addition, Carbery and Garavan (1999:2) highlight the probability that significant changes in the strategy “will require corresponding changes in the organisation’s authority and decision-making

hierarchies for increasing the organisation's efficiency or effectiveness". Based on the aforementioned, the organisational structure is critical for implementing GRAP standards.

In respect of SASSA operations, the core function of the *Branch: Finance* is to ensure that GRAP standards are implemented as mandated by the legislative frameworks (as mentioned in Section 4.3 and Section 4.4). The impact of *Branch: Finance* as part of the SASSA structure is critical for the implementation of GRAP standards.

Overall SASSA structure at the Head Office

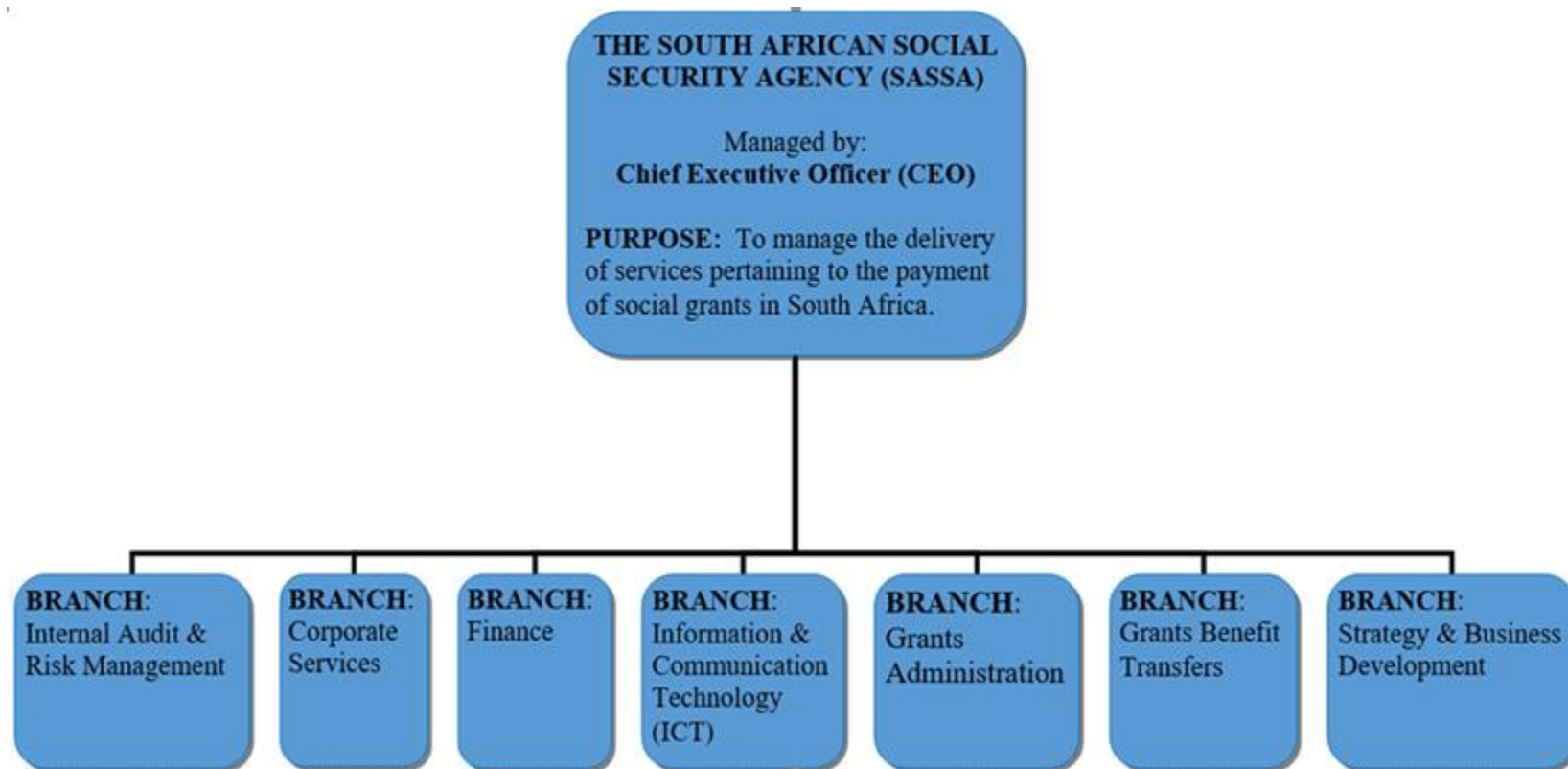
In terms of Section 55(1)(b) of the PFMA (1 of 1999), "the accounting authority delegates the CEO to prepare the annual financial statements for each financial year in accordance with GAAP unless the ASB mandates the implementation of GRAP for that public entity". The CEO is responsible and accountable for executing and achieving the legislative mandate and strategic objectives of SASSA, which includes implementing the GRAP standards.

The approved SASSA Head Office structure, as presented in Figure 4.5, depicts how the branches are structured to assist the CEO in managing the agency. Seven branches have been established (SASSA, 2013). These branches are managed by executive managers who support the CEO in ensuring that the legislative mandate and strategic objectives of SASSA are realised. The focus of this study was limited to the *Branch: Finance*, which is managed by the chief financial officer (CFO). One of the Branch's core functions is to ensure that GRAP standards are implemented. In terms of Section 2.1.3 of the Treasury Regulations (2005) the CFO's generic responsibility is to "assist the CEO in discharging his/her duties" as prescribed in the PFMA (1 of 1999) and the annual Division of Revenue Act (2 of 2013).

SASSA Overall SASSA structure at Head Office

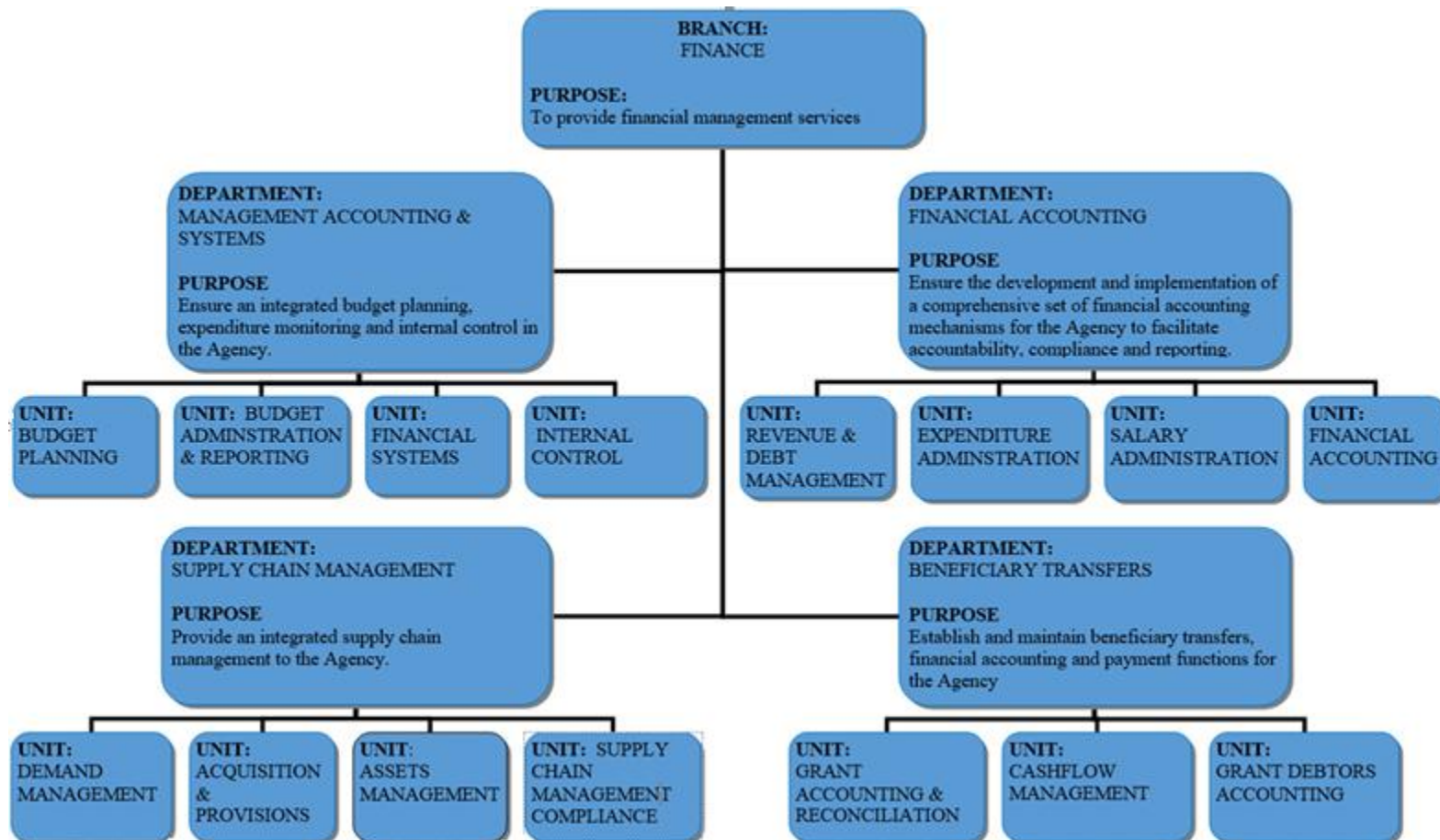
Figure 4.5 shows the approved overall SASSA structure at Head Office. The CEO manages and leads seven branches "to safeguard that the strategic plan and the objectives of SASSA are implemented and that the prescribed legislation that governs SASSA is adhered to and complied with" (SASSA, 2013). The CEO is supported by executive managers who are accountable for managing various departments in Head Office. They work closely with regional executive managers in nine provinces, who are supported by general managers to achieve the strategic objective of their departments (SASSA, 2013).

Figure 4.5: Overall SASSA structure at the Head Office



Source (SASSA, 2013)

Figure 4.6: SASSA Branch: Finance structure at the Head Office



Source (SASSA, 2013)

SASSA Branch: Finance structure at the Head Office

Figure 4.6 shows the approved *Branch: Finance* structure at the Head Office. The CFO uses the Financial Accounting Department to implement GRAP standards. This links to Objective 4 of the study, namely, to determine whether SASSA *Finance* employees can implement GRAP standards.

The *Branch: Finance* indicated in Figure 4.6 is managed by the CFO and is supported by general managers who are responsible and accountable for managing the four departments. The business units within the departments are managed by senior managers who support the general managers in achieving the strategic objective of their departments. The number of business units varies between the respective departments depending on their purpose and functions (SASSA, 2013).

In summary, a detailed explanation was provided of the fundamental elements of SASSA's strategic overview, which includes key planning concepts such as vision, mission, values, legislative mandate and its structure – especially the *Branch: Finance* structure. Importantly, the main reason for the key planning concepts linked with *Branch: Finance* structure is its core function, which is to support the implementation of GRAP standards as embedded in the Constitution (108 of 1996) and PFMA (1 of 1999). It is evident that there is a clear link between all key planning concepts mentioned above with the emphasis on the implementation of GRAP standards.

4.5 PERFORMANCE INFORMATION

Based on the summary in Section 4.4, this section details the importance of the performance information covering the SASSA environment factors to describe the existence of GRAP standards and illustrate how they have been implemented. Furthermore, an explanation follows on the performance information of service delivery programmes with more focus on the *Administration* service delivery programme. The purpose and description of the *Administration* service delivery programme are given in detail. Thereafter, the two sub-programmes, namely *Executive Management* and *Financial Management* are compared for the 2014/2015 and 2015/2016 financial years regarding their strategic objectives, performance indicators, planned targets and actual achievements that relate to the implementation of GRAP standards. Furthermore, the strategy

developed to overcome areas of underperformance by the *Administration* service delivery programme was explained.

4.5.1 SASSA situation analysis

In the 2015/2016 financial year, SASSA (2016:28) stated that “their objectives as published in the strategic plan for the financial years from 2014/2015 to 2018/2019 remain unchanged”. In its quest to execute its mandate successfully, SASSA had to revise its leadership deployment. Certain critical positions were filled by moving existing senior managers and appointing new personnel. Furthermore, the position of the CFO was filled to strengthen financial support (SASSA, 2016:29).

4.5.2 Performance information by service delivery programmes

The main reason for implementing service delivery programmes is to “ensure that the strategic objectives of government are achieved”. It further ensures accountability and responsibility for spent and allocated funds. The implication is that there is a strategic link between service delivery programmes and budget. In most cases, the service delivery programmes that have been identified support the core function of government by implementing GRAP standards. For example, two service delivery programmes in SASSA are *Administration* and *Benefits Administration and Support*. To achieve SASSA’s strategic objectives, the *Administration* service delivery programme plays a support role to SASSA’s core function under the *Benefits Administration and Support* service delivery programme (SASSA, 2016:28).

The *Administration* service delivery programme was discussed further under the *Financial Management* sub-service delivery programme because its sole remit is to ensure that the GRAP standards are implemented in SASSA. The aim emphasising Financial Management is to determine and respond to the research question as mentioned in Chapter 1. This was done through interviews that were conducted in Chapter 6.

In terms of the National Treasury (2010:3) Framework for Strategic Plans and Annual Performance Plans, the reasons for changing service delivery programmes must be informed by the following:

- “Adoption of a new policy; and
- A specific change in the department’s or entity’s mandate.”

The implementation of GRAP standards in SASSA informed *Financial Management* to review existing accounting policies and where necessary develop new accounting policies aligned to the GRAP standards. The review and development of accounting policies will ensure adherence to and compliance with GRAP standards as well as a clean audit report by SASSA.

The *Administration* service delivery programme “offers leadership as well as management and support services to SASSA and it includes the following sub-programmes:

- Executive management;
- Corporate services;
- Information and communication technology (ICT);
- Financial management;
- Strategy and business development; and
- Office accommodation” (SASSA, 2016:28-29).

The function of the *Financial Management* sub-service delivery programme is “to prepare financial plans and monitor the national and regional budgets and expenditure. *Financial Management* is also responsible for managing the SASSA accounting and procurement system. The service delivery programmes provide the purpose and description for its existence. The existence of *Service Delivery Programme 1: Administration*, in terms of the Annual Report 2015/2016 is to provide and ensure effective leadership, management and administrative support services within SASSA” (SASSA, 2016:29).

Table 4.1: Strategic objectives, performance indicators, planned targets and actual achievements: Sub-programme 1.1: Executive Management

Service Delivery Programme 1: Administration						
Sub-service Delivery Programme 1.1: Executive Management						
Strategic Objective: To Promote Good Governance in the Management of the Agency						
No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual	Comment on Deviations
1.	Unqualified audit outcome.	Unqualified audit outcome.	Unqualified audit outcome 2014/15.	Achieved. SASSA received an unqualified audit outcome for the 2014/15 financial year.	None.	None.
2.	A number of internal audit reviews conducted on high-risk areas.	36 internal audit reviews conducted on high-risk areas.	40 internal audit reviews conducted on high-risk areas.	Not achieved. 34 out of 40 planned internal audit reviews conducted on high-risk areas such as <i>Performance Information</i> . This represents 85% achievement against the annual target.	–6.	Ad hoc management audit requests were prioritised. These took longer than anticipated, hence the underachievement of planned targets.

Source (SASSA, 2016:30)

Table 4.2: Strategic objectives, performance indicators, planned targets and actual achievements: Sub-programme 1.4: Financial Management

Service Delivery Programme 1: Administration						
Sub-service Delivery Programme 1.4: Financial Management						
Strategic Objective: Effective Financial Management						
No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual	Comment on Deviations
1.	Percentage of eligible suppliers paid within 30 days.	Of 6216 suppliers, 5137 were paid within 30 days. This represents 82.64% of total suppliers as at 30 March 2015.	100% of eligible suppliers paid within 30 days.	Not achieved. 91.63% (5253 of 5733) of eligible suppliers were paid within 30 days.	−8.37% (480).	Non-payment of suppliers within the 30-day period is attributed to unresolved disputes with service providers.
2.	Percentage implementation of the audit action plan.		100% implementation of audit action plan.	Achieved. 100% (102 of 102) audit action plan interventions implemented in financial management.	None.	None.

Source (SASSA, 2016:38)

Table 4.1 and Table 4.2 depict the link between the strategic objectives of the *Service Delivery Programme 1: Administration* and two of its sub-service delivery programmes, namely, *Executive Management* and *Financial Management*. The tables show the performance indicators and planned targets for the 2015/2016 financial year. Table 4.1 and Table 4.2 compare the actual achievement for the 2015/2016 financial year with the 2014/2015 financial year. The tables show the deviation from the planned target for the 2015/2016 financial year and comment on the deviation. Table 4.1 and Table 4.2 highlight the implications of GRAP standards and determine the challenges encountered, which are linked to Chapter 3 and Chapter 4 as indicated by the objectives of the study in Chapter 1. The information in the tables is limited to performance indicators that relate to the implementation of GRAP standards.

Table 4.3 explains the strategy developed to overcome areas of underperformance in the *Service Delivery Programme 1: Administration*. This table assists in investigating the implications of GRAP standards and determining the challenges encountered in implementing GRAP standards benefits, which are linked to Chapters 2, 3 and 5 as indicated by the objectives of the study in Chapter 1. The strategies indicated in Table 4.3 are limited to targets that relate to the implementation of GRAP standards.

Table 4.3: Strategy to overcome areas of underperformance: Administration

Target	Strategy
40 internal audit reviews conducted in high-risk areas.	A panel of audit firms will be appointed to assist with audit assignments.
100% of eligible suppliers paid within 30 days.	Focus on improving internal controls.

Changes to planned targets: None

Source (SASSA, 2016:39)

In the final analysis, the performance information covering the SASSA environment factors described the existence of GRAP standards and illustrated how GRAP standards have been implemented. The description was explained by the performance information by service delivery programmes with more focus on the *Administration* service delivery programme.

In summary, Table 4.1 and Table 4.2 compared the 2014/2015 and 2015/2016 financial years for two sub-programmes, namely, *Executive Management* and *Financial Management* on their strategic objectives, performance indicators, planned targets and actual achievements that relate to

the implementation of GRAP standards. Table 4.3 indicated the strategy for overcoming areas of underperformance for the *Administration* service delivery programme.

4.6 PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

As discussed in the final analysis, this section provides a detailed explanation on how SASSA prepares its annual financial statements. The section reflects whether SASSA adheres to and complies with GRAP standards when preparing the annual financial statements. Accounting policies are critical for reflecting the adherence to and compliance with GRAP standards when preparing annual financial statements. Accounting policies further form the basis on which the audit was conducted.

In terms of section 55(1)(b) of the PFMA (1 of 1999), Treasury Regulations (2005) and Directive 22, the annual financial statements of public entities “must be prepared for each financial year in accordance with GAAP unless the ASB mandates that GRAP be implemented to that public entity, including any interpretations, guidelines and directives issued by the ASB in accordance with section 89(1) of the PFMA (1 of 1999)”. In terms of the SASSA (2016:76) Annual Report 2015/2016, its annual financial statements have been prepared in accordance with the PFMA (1 of 1999), Treasury Regulations (2005) and National Treasury Accounting Directives (2005). The SASSA (2016) annual report 2015/2016 indicates that, unless specified otherwise, “these annual financial statements have been prepared on an accrual basis of accounting”.

In conclusion, the section explained how SASSA prepares its annual financial statements. The section reflected that SASSA complied with section 55(1)(b) of the PFMA (1 of 1999), Treasury Regulations (2005) and National Treasury Accounting Directives (2005) when preparing their annual financial statements in accordance with GAAP unless the ASB mandates the implementation of GRAP for that public entity.

4.7 INTERNAL CONTROL AND CORPORATE MANAGEMENT

Based on the above conclusion, this section explains internal control and corporate management. This includes the following sub-headings:

- The link of the remit between the accounting authority/officer, internal audit and audit committee in the implementation of GRAP standards in public entities;
- Corporate governance, which includes compliance with laws and regulations;
- Internal audit responsibilities;
- Audit committee responsibilities;
- Accounting authority's responsibilities for preparing the annual financial statements; and
- AGSA's responsibilities.

As far as audit committee responsibilities are concerned, Table 4.6 shows that the SASSA audit committee reports emphasises the effects of internal control on *Finance*. The table further depicts the AGSA's reports with limitation to the audit opinions, and the emphasis on the annual financial statements for the financial years from 2011/2012 to 2015/2016. The audit reports are evaluated critically to support the conclusions and recommendations in Chapter 7 regarding the implementation of GRAP standards in SASSA.

4.7.1 The link of the remit of the use GRAP standards in public entities

Figure 4.7 depicts the link between the remit of accounting authority/officer, internal auditors, audit committee and external auditors in the implementation of GRAP standards as defined in the PFMA (1 of 1999) and Treasury Regulations (2005).

Figure 4.7: The link of the remit of GRAP standards in public entities



Source (Own Research, 2019)

4.7.2 Corporate governance: Compliance with laws and regulations

As stated in the SASSA (2016:46) Annual Report 2015/2016, legislative requirements principles embedded in PFMA (1 of 1999), Companies Act (71 of 2008) and King IV report requires public entities adherence to and compliance with the laws and regulation for corporate governance. Corporate embodies processes and systems by which public entities are directed, controlled and held to account. In terms of the legislative requirements Parliament, the executive and the accounting authority of the public entity are responsible for corporate governance.

In terms of good governance, SASSA has established various governance structures to comply with laws and regulations. These structures include: the executive committee as the decision-making body; the audit committee that provides an oversight role both on financial and non-financial matters; the risk management committee that advises management on how to mitigate against identified risks; and the financial misconduct board that deals with financial misconduct cases. SASSA continuously reviews “policies and procedures in line with the latest developments” (SASSA, 2016:55).

4.7.3 Internal audit responsibilities

PFMA (1 of 1999) section 51 and section 76 highlight the responsibilities of the accounting authority for effective internal audit and internal controls. Section 51(1)(a)(ii) and section 76(4)(b) and (e) of the PFMA (1 of 1999) state that “the accounting authority of a public entity must ensure that the public entity has and maintains a system of internal audit under the control and direction of an audit committee that complies with and operates in accordance with the regulations and instructions prescribed in terms of Section 76 of the PFMA (1 of 1999)”.

In terms of Treasury Regulations 27.1.8 and 27.2.7 (2005) the functions of the internal audit are “monitored and evaluated by the audit committee for effective corporate management”. The SASSA (2016:57) Annual Report 2015/2016 states that the internal audit unit operated at less than optimal capacity for a part of the year. Subsequently, this concern has been addressed: the critical vacancy has been filled appropriately and a co-sourcing arrangement has been initiated in the latter part of the year. The under-resourcing of the information technology audit function and steps to address the situation were noted. There was room for enhancement in respect of regional, district

and local offices and pay points coverage by the internal audit in their audit engagements. The committee noted the deviation granted by the OAG for the internal audit from complying with Treasury Regulations 27.2.6 and would monitor progress thereof (SASSA, 2016:57).

4.7.4 Audit committee

PFMA (1 of 1999) sections 76 and Treasury Regulation 27 (2005) highlight the responsibilities of the audit committee for effective internal control and corporate management. Section 51(1)(a)(ii) and section 76(4)(d) of the PFMA (1 of 1999) state that “the accounting authority of a public entity must ensure that the public entity has and maintains a system of the internal audit under the control and direction of an audit committee”. Internal audit must comply with and operate in accordance with regulations and instructions prescribed in terms of Treasury Regulation 27.1 (2005) (PFMA, 1999).

Treasury Regulation 27.1 (2005), mentioned the responsibilities and reporting channel on issues such as reviewing and evaluation of the financial information provided, implementation of internal control systems and effective function of the internal audit.

In terms of the SASSA (2016:57) Annual Report 2015/2016, the audit committee has “complied with its responsibilities arising from Section 51 (1) (a) (ii) of the PFMA (1 of 1999) and Treasury Regulation 27.1”. The audit committee reports that “it has adopted appropriate formal terms of reference in its audit committee charter and has discharged its responsibilities as contained therein” (SASSA, 2016:57).

The conclusion of the audit committee’s reports for the financial years from 2011/12 to 2015/16 are limited to the following matters:

- The effectiveness of internal control in *Finance* (Table 4.4); and
- AGSA’s report (Table 4.5).

Table 4.4: Conclusions of the audit committee's reports for the financial years from 2011/2012 to 2015/2016

The effectiveness of internal control in <i>Finance</i>				
2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
The system of internal control was not entirely effective for the year under review as compliance with prescribed policies and procedures was lacking in certain instances.	Despite the improvement noted in the various reports of internal auditors and the AGSA, the effectiveness of the system of internal control was not at the desired state for the year under review as compliance with prescribed policies and procedures was lacking in certain instances.	The audit committee review of the findings of the internal audit work, which was based on the risk assessments conducted by the public entity, revealed certain weaknesses, which were then raised with the public entity.	The audit committee review of the findings of the internal audit and AGSA, which was based on the risk assessments conducted in SASSA, revealed certain weaknesses, which were then raised with management.	The audit committee review of the findings of the internal audit work, which was based on the risk assessments conducted by the public entity, revealed certain weaknesses, which were then raised with the public entity.
		The following internal audit work was completed during the year under review: - Financial administration processes including asset management, accounts payable, payroll administration, debtor management, and ICT controls. - General controls in respect of user access management Oracle systems (<i>Finance</i>).	The following internal audit work was completed during the year under review: - Financial administration processes, including asset management, payroll administration, and debtor management. - Follow-up on general controls in respect of user access management Oracle systems (<i>Finance</i>).	The following internal audit work was completed during the year under review but not limited to: Lease management.

The effectiveness of internal control in <i>Finance</i>				
2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
Control over assets also remains a concern. However, management has shown commitment to resolving issues raised by internal audit and the AGSA. The necessary action plans have been developed. The Financial Misconduct Board (the committee established to deal with financial irregularities) is functioning.	Although control over assets, especially movable assets, remains a concern, management has shown commitment to resolving issues raised by internal audit and the AGSA. The necessary action plans have been developed and are being implemented. The Financial Misconduct Board is functioning, and reports are submitted to the audit committee on actions taken to address irregular, wasteful and fruitless expenditure.	Although control over assets, especially movable assets, remains a concern, management has shown commitment to resolving issues raised by internal audit and the AGSA. The necessary action plans have been developed and are being implemented.	Although control over assets, especially movable assets, remains a concern, management has shown commitment to resolving issues raised by internal audit and the AGSA. The necessary action plans have been developed and are being implemented.	The following were areas of concern: From the reports by internal audit and the AGSA, it was noted that certain reported matters indicate deficiencies in the system of internal control and require improvement.
		The committee remains concerned that some of the critical positions remain unfilled.	The following were areas of concern: - The effectiveness of the system of internal control was not at the desired level of the year under review, as compliance with prescribed policies and procedures were lacking in some instances; - Filling of critical posts; - Leases; and - Financial Misconduct Board (irregular expenditure).	Management has committed that effective corrective actions are being implemented in respect of internal control weaknesses identified and the audit committee will continue monitoring these corrective actions. The establishment of the internal control unit will assist in ensuring that consequence management is upheld.

Source (SASSA, 2012; 2013; 2014; 2015; 2016)

Table 4.5: Conclusions of the AGSA's reports from 2011/2012 to 2015/2016

AGSA Report				
2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
The audit committee has reviewed the AGSA's management report including the audit of predetermined objectives and management responses thereto, as well as the adjustments resulting from the audit.	The public entity's implementation plan for audit issues raised in the prior year was reviewed, and the audit committee was still satisfied that the matters have been resolved adequately except for the following: ▪ Record-keeping in respect of assets; ▪ Reconciling of financial transactions; and ▪ Internal control deficiencies in certain areas of financial management.	There were no changes in accounting policies. The committee has reviewed significant adjustments made and it is satisfied that these were justifiable.	The audit committee has reviewed SASSA's implementation plan for the audit issues in the prior year and is still satisfied that the matters were resolved adequately, except for the following: ▪ Record-keeping in respect of assets; ▪ Reconciling of financial statements; and ▪ Internal control deficiencies in some areas of financial management.	The audit committee has reviewed the annual financial statements prepared by SASSA for the year ended 31 March 2016 focusing on: ▪ Significant financial reporting judgments and estimates contained in the annual financial statements; ▪ Clarity and completeness of disclosure and whether disclosures made have been set properly in context; ▪ Quality and acceptability of, and any changes in accounting policies and practices; ▪ Compliance with accounting standards and legal requirements; ▪ Significant adjustments and/or unadjusted differences resulting from the audit; ▪ Reflection of unusual circumstances or events and management's explanation for the accounting treatment adopted; ▪ Reasons for major year-on-year fluctuations; ▪ Asset valuations and revaluations; ▪ Calculation and levels of general and specific provisions; and ▪ Write-offs, surpluses, reserves, and transfers.

AGSA Report				
2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
The committee notes with appreciation that the Agency received an unqualified audit report and would like to thank management and employees for this achievement. The committee also notes that the first step has been taken by the CEO incapacitating the <i>Branch: Finance</i> by appointing a CFO. The appointment should enable the upskilling of internal capacity and in so doing address the problem of overreliance on external service providers.		The audit committee also reviewed the predetermined objectives and no material errors were noted. They have reviewed the public entity's implementation plan for audit issues raised in the prior year, and they are still satisfied that the matters have been resolved adequately except for the following: ▪ Record-keeping in respect of assets; ▪ Reconciling of financial transactions; and ▪ Internal control deficiencies in certain areas of financial management.		The audit committee has reviewed the entity's implementation plan for audit issues raised in the prior year and they were satisfied that the matters have been adequately resolved.
	The audit committee concurs and accepts the conclusions of the AGSA on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the AGSA.	The audit committee concurs and accepts the conclusions of the AGSA on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the AGSA.	The audit committee concurs and accepts the conclusions of AGSA on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the AGSA.	The audit committee concurs and accepts the conclusions of the AGSA on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the AGSA.

Source (SASSA, 2012; 2013; 2014; 2015; 2016)

4.7.5 Accounting authority’s responsibilities for preparing the annual financial statements

The accounting authority is responsible for preparing and presenting the annual financial statements fairly in accordance with the South African GRAP, the requirements of the PFMA (1 of 1999), and the requirements of the SASSA Act (9 of 2004). The accounting authority should determine necessary internal controls to “prepare annual financial statements that are free from material misstatement, whether due to fraud or error ” (SASSA, 2016:66).

4.7.6 Responsibilities of the Auditor-General of South Africa

The procedures selected and followed by AGSA depend on the auditor’s judgment and mandate as explained in Section 3.2.3.7. The primary responsibility of the AGSA is to:

“express an opinion on these annual financial statements based on the audit. The AGSA conducted an audit in accordance with the International Standards on Auditing, which require that AGSA comply with ethical requirements. AGSA should further plan and perform an audit to obtain reasonable assurance about whether the annual financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements”
(SASSA, 2016:66).

In terms of the PFMA (1 of 1999) an audit also includes “evaluating the appropriateness of the accounting policies used, reasonableness of the accounting estimates made by management, and overall presentation of the financial statements”. Based on the aforementioned, the AGSA (2016) believed that “the audit evidence obtained was sufficient and appropriate to provide a basis for their audit opinion”. The AGSA audit reports on the financial statements for the financial years from 2011/2012 to 2015/2016 are limited to the following matters in Table 4.6:

- Audit opinion;
- The emphasis on the matter; and
- Other matters.

Table 4.6: AGSA audit reports on financial statements from 2011/2012 to 2015/2016

2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
A. Audit Opinion				
Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
B. Emphasis on the Matter				
None	None	None	None	None
C. Other Matters				
1. Compliance with Laws and Regulations				
No, any instances were identified of material non-compliance with specific matters in key applicable laws and regulations as set out in the <i>General Notice</i> issued in terms of the PAA.	None.	None.	Performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management, and other related matters.	None.
2. Annual Financial Statements				
None.	The financial statements submitted for auditing were not supported by full and proper records as required by section 55(1)(a)(b) of the PFMA (1 of 1999); for example, leases and commitments.	The financial statements submitted for auditing were not supported by full and proper records as required by section 55(1)(a)(b) of the PFMA (1 of 1999); examples include accrued expenses, trade payables and provision for leave pay.	The financial statements submitted for auditing were not supported by full and proper records as required by section 55(1)(a)(b) of the PFMA (1 of 1999) for operating leases.	None.
	Material misstatements of commitments and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.	Material misstatements of accrued expenses, trade payables and provision for leave pay identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.	Material misstatements of operating leases identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.	

2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
3. Internal Audit				
None.	Internal audit did not have a three-year rolling strategic internal audit plan in place, as required by Treasury Regulations 27.2.7(a).	None.	Internal audit did not have a three-year rolling strategic internal audit plan in place, as required by Treasury Regulations 27.2.7(a). The internal audit did not evaluate the reliability and integrity of financial and operational information as required by Treasury Regulation 27.2.10(b).	None.
4. Internal Control Deficiencies				
4.1 Leadership				
There was a lack of oversight responsibility regarding performance reporting and related internal controls. Policies and procedures were not established to enable and support the understanding and execution of internal control objectives, processes, and responsibilities regarding accurate, valid and complete performance reporting.	Lack of review and oversight regarding approved and communicated policies and procedures to enable and support understanding of internal control activities to ensure complete and accurate financial reporting of commitments, disclosure items, and performance reporting.	Management did not adequately establish and communicate policies and procedures to enable and support understanding of internal control activities to ensure complete and accurate financial reporting of accrued expenses, trade payables and provision for leave pay. There were insufficient review and oversight by management to ensure compliance with applicable legislation and regulations and related controls regarding procurement.	The accounting authority did not establish and communicate policies and procedures to enable and support understanding of internal control activities to ensure complete and accurate financial reporting of irregular expenditure and leases. The accounting authority did not execute adequate review and oversight to ensure compliance with applicable legislation and regulations.	The accounting authority did not exercise enough review and oversight to ensure compliance with applicable legislation.

2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
4.2 Financial and Performance Management				
Proper record-keeping and related internal controls were not implemented in a timely manner to ensure that complete, relevant and accurate information was accessible and available to support performance reporting. Regular, accurate and complete performance reports that are supported and evidenced by reliable information were not prepared in all instances.	Proper record-keeping and review processes were not implemented in a timely manner to ensure that there is complete, relevant and accurate financial reporting on commitments, disclosure items, and performance reporting.	Proper record-keeping and review processes were not implemented in a timely manner to ensure complete, relevant and accurate financial reporting on accrued expenses, trade payables and provision for leave pay. Proper record-keeping and review processes were not implemented in a timely manner to ensure compliance with applicable legislation and regulations.	Proper record-keeping and review processes were not implemented in timely manner management to ensure complete, relevant and accurate financial reporting on irregular expenditure and leases. Record-keeping and review processes were not implemented in a timely manner to ensure compliance with applicable legislation and regulations.	Proper record-keeping, monitoring, and review processes were not implemented in a timely manner to ensure compliance with applicable legislation.
4.3 Governance				
The internal audit unit was not adequately resourced and functioning to ensure that internal control deficiencies regarding performance reporting were identified in a timely manner and to recommend corrective action effectively.	Procedures to ensure compliance with Treasury Regulations 27.2.7(a) were not in place.	None.	Internal audit did not perform a review of the reliability and integrity of financial information.	None.

Source (SASSA, 2012; 2013; 2014; 2015; 2016)

The final analysis explained the internal control and corporate management by describing and illustrating how GRAP standards were implemented within SASSA. Table 4.5 and Table 4.6 reflected that SASSA received unqualified audit opinions from AGSA, which were informed by the non-compliance with PFMA (1 of 1999), accounting internal control deficiencies or weakness, and lack of good governance. The challenges encountered for the financial years from 2011/2012 to 2015/2016 reflected that *Branch Finance* employees lack GRAP standards knowledge, skills and experience. The challenges encountered informed the interview questions that were developed and asked in Chapter 6, which assisted with responding to the research questions in Chapter 1.

4.8 SUMMARY

Chapter 4 analysed the accounting environment in SASSA where GRAP standards have been implemented. The case study was conducted at SASSA using interview questions (see Chapter 6). Chapter 4 explained the reasoning for selecting SASSA as a case study. The chapter further provided a background to SASSA regarding its strategic overview, which includes key performance information and planning concepts such as its legislative mandate, vision, mission, values, and structure. In terms of the SASSA structure, the focus was on the *Branch: Finance* because one of its core functions is to ensure that GRAP standards are implemented. This linked to Objective 4 of the study, which is to determine whether SASSA Financial Accounting Department employees have the required knowledge, skills and experience to implement GRAP standards.

Chapter 4 described the performance information and gave background to the SASSA accounting environment in relation to the research objectives mentioned in Chapter 1. It focused on service delivery programmes with specific emphasis on the *Sub-programme: Financial Management* for the financial years from 2011/2012 to 2015/2016. The chapter explained how SASSA prepares its annual financial statements and provided information about its internal control and corporate management in the implementation of GRAP standards. The AGSA report reflected how SASSA implemented the GRAP standards from the financial year 2011/2012 to 2015/2016. This reflection supports the conclusions and recommendations to be made in Chapter 7. Chapter 4 concluded with a summary. The next chapter starts with an introduction that links to the discussions in Chapters 1, 2, 3 and 4. The logical flow of the research design is explained.

CHAPTER 5: RESEARCH DESIGN

5.1 INTRODUCTION

The objectives and reasons for selecting SASSA were described in Chapter 4. The implementation of GRAP standards in the SASSA accounting environment was explained. The case study was conducted at SASSA using interview questions, which were discussed in Chapter 6.

This chapter starts with an introduction that links to the discussion in Chapters 1, 2, 3 and 4. The logical flow of the research design is explained. The explanation includes the research methodology approach, which comprises the ontology and epistemology, research approach, literature review that was used as reference material, inductive analysis, its definition, primary purpose, and what it promotes in relation to research findings for the study under review. The selection of the research method, which includes interviews as a case study and its relevance as a preferred technique, is explained in detail.

The chapter provides a detailed explanation of the data collection instruments, which include the interviews. These instruments were used to analyse the interview findings from the relevant interview questions that respondents were asked. Importantly, the different types of data sources to be generated are discussed in this chapter.

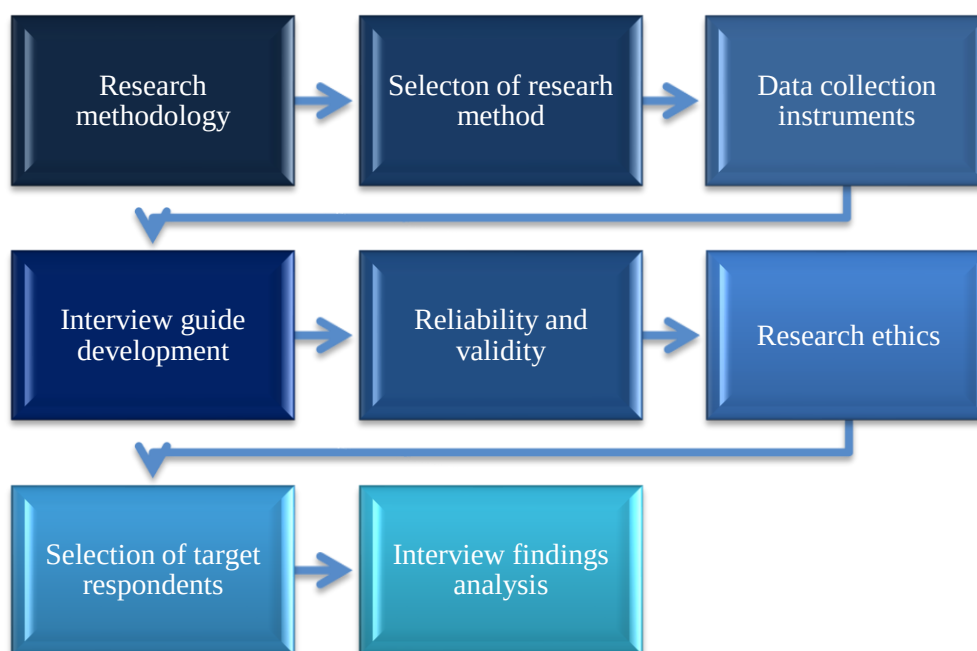
Chapter 5 explains how the interview guide was developed. A detailed explanation follows on the process for developing the relevant interview questions; the structure of the interview; interview schedules; consent form; interview data collection and feedback from the respondents.

Chapter 5 further emphasises the importance of the method for reliably validating the pilot questionnaire and interview. Moreover, the importance of ethical considerations is confirmed during the whole research process. The chapter explains how the research process affected all participants.

Importantly, the chapter explains the selection criteria and how the target respondents were assessed. Lastly, this chapter discusses the process followed to analyse the interview findings. Chapter 5 concludes by summarising the research design.

Figure 5.1 illustrates the flow of this chapter. The main headers indicated are discussed in detail in the sections that follow.

Figure 5.1: The illustrative flow of Chapter 5



Source (Own Research, 2018)

5.2 RESEARCH METHODOLOGY

5.2.1 Ontology and epistemology

It is critical to understand the ontology and epistemology of the study. Terre Blanche *et al.* (2008) define ontology as the nature of the reality to be studied. “Epistemology is concerned with the nature and forms of knowledge” (Cohen *et al.*, 2007). The ontology of GRAP standards refers to the reality or the environment in which the participants operate. The epistemological concern is with the knowledge that SASSA Finance employees have regarding GRAP standards implementation. The study validated the theories on the potential benefits GRAP standards as identified by some researchers. It further indicated the important

factors that are suitable and specific to public entities to realise the potential benefits of the implementation of GRAP standards.

In line with Objective 4 as mentioned in Chapter 1, it was important to acquire knowledge to determine whether the employees appointed in SASSA had the knowledge, skills and experience to implement GRAP standards. Using the interview method, the research gave the respondents the opportunity to provide feedback on employee's skill levels for implementing GRAP standards.

5.2.2 Research approach

A qualitative research approach was followed due to the limited literature, empirical evidence and previous research on the implementation of GRAP standards in South Africa. The inquest and contribution to theory development are important where limited resources are available to drive qualitative research. The qualitative research method value was based on the important features of this approach.

According to Spencer (cited by Vilakazi, 2012:33), “the purpose of qualitative research is to understand people's experiences, perceptions, perspectives and histories in terms of their personal circumstances and environment as well as produces descriptive data from written or spoken responses, which are obtained from individuals through interview questions, amongst other methods”. Qualitative research assists in understanding and explaining the meaning of social phenomena with less natural setting disruption as possible. According to Fourie *et al.* (cited by Vilakazi, 2012:33), “this approach allows for more freedom and the natural development of the responses, actions and representations that the researcher wishes to capture”. Qualitative researchers are interested in how they make sense of their world based on their experience.

Qualitative research is normally more concerned with procedures and meanings than results (Taylor & Bogdan, 1998). “It focuses on the context and people and considers the environmental constraints that affect the investigation” (Guba & Lincoln, 1994). Furthermore, “qualitative research involves a thorough and comprehensive description of the issue under investigation, which is often described as a thick description” (Hessler, 1992). Guba and Lincoln (1994) explain that “the term thick description includes data on the setting and the intentions and meanings of people – where meanings are contingent on the

environment”. In this study, a thick description referred to the knowledge that Finance employees within SASSA had to have to implement GRAP standards.

“In a quantitative study, the researcher’s objective is to obtain information without entering into a relationship with the interviewee. However, in a qualitative study, the interviewer cannot be free of a relationship as the researcher strives to understand how people make sense of their world.”
(King, 1994).

Yin (2003) considers that “this relationship forms part of the research process and does not distract from it”. “From an epistemological perspective, the researcher is not independent of the study and interacts with the ‘subject’ being researched” (Creswell, 1994; Yin, 2003). Finally, “the human nature assumption underlying qualitative research rests on the premise that the research is value-laden” (Creswell, 1994). Due to the technical nature of the research and the selected respondents’ knowledge, skills and experience on the implementation of GRAP standards, the method of research was qualitative and purposeful.

According to Prince and Felder (2006), “an inductive analysis is conducted when topics are introduced by presenting specific observations through interviews, case studies or problems”. “The primary purpose of the inductive approach is to permit research results derived from important regular identified research themes, which are entrenched in raw data without the obligatory limits introduced by structured methodologies” (Thomas, 2006:238). Based on the interview findings on the implementation of GRAP standards in SASSA, an inductive interview analysis was used in Chapter 6.

The inductive approach promoted adopting a deep approach to the implementation of GRAP standards and intellectual development regarding the challenges that could be encountered. This assisted in overcoming the challenges encountered and addressing the lessons learned, thereby acquiring critical thinking.

5.2.3 Literature review

The literature review completed in Chapters 2, 3 and 4 and the research available on the theme were studied and analysed. Special emphasis was placed on how public entities in the public sector could benefit from implementing GRAP standards. The literature study

considered the published academic research and GRAP standards implementation by SASSA was analysed through interviews.

It is critical to note that the existing literature as explained in Chapters 2, 3 and 4 on the implementation benefits of the accrual basis of accounting influenced by IPSAS was used as reference material. Information was extracted from publications, books, electronic information and available government circulars. Chapters 2, 3 and 4 discussed IFAC, IPSAS, GAAP, National Treasury and ASB. This information was used to study GRAP standards accounting directives, guidelines, procedures and manuals.

Additionally, the relevant literature described in Chapters 2, 3 and 4 on the topics of accrual basis of accounting on IPSAS, annual reports issued by the AGSA, and compliance were evaluated critically to support conclusions and recommendations. The literature included:

- The GRAP standards issued by the ASB regarding the implementation of the accrual basis of accounting framework principles, as well as discussion papers issued;
- Additional IPSAS information relating to the allowed transitional period; and
- Available documentation by scholars and academics relating to GRAP issues and experiences in the South African public sector, and international experiences documented by various accounting professional institutions or associations.

According to Bless (cited by Vilakazi, 2012), “it should be noted that even though a literature review is essential in research, it also carries some challenges”. The researcher was wary of being influenced by the limited previous literature on South African public entities regarding the potential benefits of implementing GRAP standards. The researcher was objective so that he could make objective criticisms and conclusions.

To avoid bias, the literature review was used to develop relevant interview questions. The detailed interview development process was explained in Section 5.5. A literature review methodology was adopted to establish a strong theoretical basis. The objectives of the literature review were to:

- Obtain the most recent theory about the subject;
- Determine the findings that have been raised by other researchers on this subject;
- and

- Ensure that previous studies are not duplicated.

It followed that the empirical study used the interview questions that were developed after the literature review was conducted. The literature review informed the basis of the definitions and concepts that were used for the relevant interview questions. This was the foundation against which the actual empirical performance was measured.

5.3 SELECTION OF THE RESEARCH METHOD

SASSA

The research method was selected using the current literature (discussed in Chapters 2 and 3) and the GRAP standards implementation by SASSA (as explained in Chapter 4). The research method included interviews as a case study in which interview questions were developed. The research objectives in Chapter 1 were addressed through the qualitative research findings and analysis.

According to Namazi (cited by Mohammadi *et al.*, 2012), “case studies are used when a researcher wants to examine an organisation or object carefully to explain the behavioural structures of that organisation or object, or its smaller components”. This research examined the GRAP standards implementation by SASSA through interview questions and interview findings.

According to Gibbert *et al.* (2008:1465), “case studies have been utilised as tools for generating and testing theory”. The testing of the theory for the study under review refers to the GRAP standards implemented by SASSA and an analysis of the interview findings. Cooper and Morgan (2008:159-178) examine “the suitability of case study research in accounting”. They state that “case studies are valuable for describing the details of how new accounting innovations are performed”.

In accounting research, most case study research has been designed “to test a theory or set of theories” (Atkinson & Shaffir, 1998). Therefore, this study was not about developing a theory or theories as much as it was about testing GRAP standards implemented in SASSA or even using GRAP standards to drive the analysis to add meaning to the findings. Moreover, the role of theory in accounting research is to interpret, tell a story and give coherence to plausible stories. Thus, in this thesis, the role of theory was to assist in

analysing, explaining and evaluating the implementation of GRAP standards in the public sector, particularly in SASSA. In doing so, the GRAP standards helped to direct the researcher's focus to issues that provided the greatest meaning and explanation. It was further helpful for the researcher "to understand the information gathered on organisational actions, events, structures and processes" (Llewelyn, 2003). Overall, the GRAP standards were used in this study to analyse, interpret and possibly explain the findings in order to enhance our understanding of the phenomenon under study.

Leedy and Ormrod (2005:135) highlight "observations, interviews and documents as research techniques used in case study to learn and understand the situation better". Consequently, interviews were conducted to evaluate the implementation of GRAP standards in SASSA. The interview findings were presented in Chapter 6.

Moreover, according to Pervis *et al.* (cited by Rkein, 2008:103), interview method as part of the case study research offers a "high degree of relevance for analysing, explaining and understanding complex situations as they actually occurred". In recent years, interview methods as part of the case studies have become "a popular method in accounting research: interviews are now found in a wide variety of research journals" (Humphrey & Lee, 2004; Scapens, 2004).

Regarding analysing the potential benefits of implementing GRAP standards in the context of SASSA, the inductive analysis as defined by Prince and Felder (2006) was used. An inductive analysis takes place when the topics are introduced by presenting specific observations or problems. More importantly, "the primary purpose of the inductive approach is to permit research results derived from important regular identified research themes, which are entrenched in raw data without the obligatory limits introduced by structured methodologies" (Thomas, 2006:238). The inductive analysis was used in the study because of the analysis of the potential benefits of GRAP standards in SASSA, and because it was less structured and not guided by any preconceived expectations or judgments. The inductive analysis was suitable or relevant to the study because semi-structured interviews were used.

Based on the aforementioned, the inductive approach promoted the adoption of a deep approach to the proper implementation of GRAP standards. It further promoted intellectual development regarding the challenges that could be encountered. It is evident that the

inductive method assisted with overcoming or addressing the challenges encountered and lessons learned, thus acquiring critical thinking.

The study used the same method as selected by Vilakazi (2012). The purpose of reviewing similar studies was to provide reasons why the same method was implemented by Vilakazi (2012) to study the challenges faced by Gauteng municipalities during the implementation of the new GRAP standards. Vilakazi (2012) arranged semi-structured interviews with persons in authoritative financial management positions in Gauteng municipalities, senior auditors from the AGSA, and consultants. The purpose was to collect pertinent information from the views and opinions of the CFOs, auditors and consultants.

The same method implemented by Vilakazi (2012) was appropriate for this study as the method provided data to support analyses of the interview questions for implementing GRAP standards in SASSA. Furthermore, it assisted with understanding the challenges encountered and lessons learned in order to make improvements.

SASSA, which was selected as being representative of the public entity, provided more information on how it implemented GRAP standards, the challenges encountered, and lessons learned. SASSA provided a comprehensive report on all matters raised by the AGSA in respect of how it implemented GRAP standards. The interviews described in Chapter 6 provided in-depth responses to the interview questions that addressed the same issues as highlighted by AGSA on how SASSA implemented GRAP standards. Furthermore, this was supported by the selected interview respondents having the knowledge, skills and experience on the accounting and financial system used for implementing GRAP standards.

Overall, this section explained the selection of the research method using interviews in which interview questions were developed, and the inductive approach that was followed to analyse interview findings using Atlas.ti software. Furthermore, Section 5.3 explained the link between the research objectives and the interview findings.

5.4 DATA COLLECTION INSTRUMENTS

This research adopted the concept of triangulation in data collection by using more than one source of data wherever possible. Atlas.ti facilitated the triangulation of research data generated through multiple methods of data collection, such as semi-structured interviews,

observations, and literature reviews (Contreras, 2015). The study employed a survey design method to collect data because the study involves analysing employees' opinions or other manifestation through direct questioning. Equally important, data was generated from both primary and secondary sources.

5.4.1 Primary data

The primary data was generated by means of semi-structured interviews that were conducted using predetermined qualitative questions. The researcher was guided by Leedy and Ormrod (2005:135), where the researcher used his or her intellectual, analytical and interpretive activities to generate primary data through from observations, interview questions and existing documents. The interview questions were distributed to employees who were chosen because of their seniority and work requirements, and their ability to implement GRAP standards based on their adequate knowledge of GRAP standards, the financial system used, training and organisational development in SASSA. These employees were interviewed using the predetermined questions. In this regard, employees were informed that their responses were reported in such a manner that statements cannot be attributed to specific individuals.

5.4.2 Secondary data

The study's intention was to use existing secondary data derived from the literature review in Chapters 2, 3 and 4. The aim was to evaluate the GRAP implementation in SASSA by responding to the research objectives in Chapter 1.

The following important discussion from the underlying literature in Chapters 2, 3 and 4 was identified to develop the relevant interview questions to respond to the research objectives in Chapter 1. The comparison of the different bases of accounting provided an important base and the underlying theory. The section evaluated the significance of the implementation of the accrual basis of accounting practices and standards in the public sector, which covered international accounting standards, an overview of the potential benefits, implementation challenges, risks experienced internationally and in other African countries, and lessons learned.

The study explained the status of the implementation of the IPSAS accrual basis of accounting framework with specific reference to GRAP standards in the South African public sector and the challenges as well as risks encountered. It further explained all the imperatives regarding the legislative and accounting policy frameworks implemented in the IPSAS accrual basis of accounting in the public sector. The explanation of the important factors in the accounting systems and practices implemented in various countries was considered.

The international and South African legislative and accounting policy frameworks for preparing public sector annual financial statements were considered. In addition, the significance of the development of the appropriate national accounting standards applicable to the public sector was considered, such as GRAP standards in South Africa. In terms of the SASSA structure, the focus was on *Branch: Finance* because one of its core functions is to ensure that GRAP standards are implemented. SASSA's method for preparing its annual financial statements as well as its internal control, corporate management and the AGSA report on GRAP standards implementation from the financial years 2011/2012 to 2015/2016 were explained.

5.5 INTERVIEW GUIDE DEVELOPMENT

The interview guide development was divided into three different parts:

Part 1: Explain the interview research process

The researcher introduced himself to all the selected respondents and explained the process in detail, including the aim and objective of the study; reasons for the respondents being selected and their remit in terms of responding to the interview questions; definition of the structure of the interview; elaboration of the interview guide; interview schedule; and interview data collection.

Part 2: Obtain consent

The researcher explained the aim and purpose of the consent forms to all respondents. They were requested to freely indicate whether they were interested and willing to participate by responding to the interview questions based on their knowledge, skills and experience in implementing GRAP standards in SASSA.

Part 3: Explain objectives to respondents

The researcher explained the four objectives of the study to the respondents, namely:

- Objective 1: To analyse the implementation of GRAP standards (Chapters 2, 3 and 4);
- Objective 2: To determine the challenges encountered when implementing the GRAP standards, and the potential benefits and lessons learned (Chapters 2, 3 and 4);
- Objective 3: To determine whether the financial systems implemented are appropriate for implementing the GRAP standards (Chapters 3 and 4); and
- Objective 4: To determine whether SASSA's capacity is adequate for implementing the GRAP standards (Chapter 4).

As stated above in Part 3, these objectives were included in the interview guide.

5.5.1 The process for developing the relevant interview questions

The important explanation and discussion from the underlying literature in Chapters 2, 3 and 4 were identified as themes for developing the relevant interview questions that specifically emphasise GRAP standards issues. The rationale was to link to the study topic and to respond to the research questions mentioned in Chapter 1. The themes in respect of the interview questions were conducted using a mix of closed and open questions. Importantly, the interview questions obtained the respondents' opinions regarding whether SASSA is realising or has realised the potential benefits of implementing GRAP standards.

The relevant interview questions focused on the following four themes that linked to the research objectives in Chapter 1:

Knowledge and understanding of the implementation of GRAP standards

The Financial Accounting Managers were purposely asked the interview questions under this theme. They were included in the study because of their involvement in decision-making, seniority, level of skills, immense knowledge and years of experience in the implementation of GRAP standards in SASSA. Their functions were centralised in Head Office. These managers clearly understood the policies, processes and procedures, which

gave them the overall picture as opposed to simply knowing the tasks required for the job. The selected managers were representative of the Financial Accounting Department. Junior employees were not considered in order to obtain rich information for in-depth analysis. The detail interview questions are depicted in Appendix C.

Knowledge and understanding of the training offered

The Senior Manager was purposely asked interview questions under this theme because of seniority, level of skills, immense knowledge and years of experience in coordinating and ensuring the training of employees within SASSA. The functions of the manager concerned were centralised in Head Office. The manager clearly understood the policies, processes and procedures, which gave him the overall picture as opposed to simply knowing the tasks required for the job. The selected manager was representative of the Human Resources Department under the Training Unit. This reflected the importance of not considering junior employees so that the manager could provide rich information for in-depth analysis. The detail interview questions are depicted in the Appendix E.

Knowledge and understanding of organisational structure development

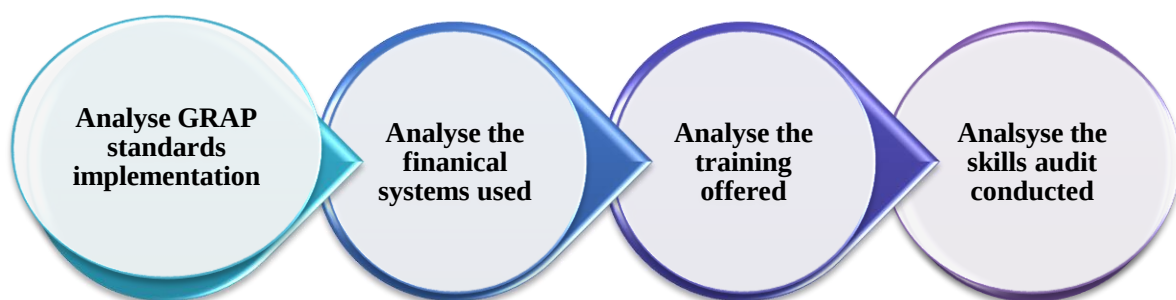
The Senior Manager was purposely asked interview questions under this theme because of seniority, level of skills, immense knowledge and years of experience in developing the organisational structure within SASSA. The functions of the manager concerned were centralised in Head Office. The manager clearly understood the policies, processes and procedures, which gave the manager the overall picture as opposed to simply knowing the tasks required for the job. The selected manager was representative of the Human Resource Department under the Organisational Structure Development unit. This reflected the importance of not considering junior employees so that the manager could provide rich information for in-depth analysis. The focus in respect of the structure was on the Financial Accounting Department within SASSA because the remit of the managers and employees in the Financial Accounting Department is to implement GRAP standards. The detail interview questions are depicted in the Appendix B.

Knowledge and understanding of the Oracle financial system

The Senior Manager was purposely asked the interview questions under this theme because of the seniority, level of skills, years of experience and immense knowledge on coordinating and ensuring that the financial system is an enabler or supports the implementation of GRAP standards. The functions of the manager concerned were centralised in Head Office. The manager clearly understood the policies, processes and procedure and had the big picture. The selected manager was a representative of the Information Communication System Department under the Business Support Centre. This reflected the importance of not considering junior employees so that the manager could provide rich information for in-depth analysis. The focus in respect of the financial system was on the Oracle financial system implemented in SASSA. The detail interview questions are depicted in the Appendix D.

Figure 5.2 depicts the four themes that were covered by the relevant interview questions. The figure shows the flow of questions and their importance to the research objectives.

Figure 5.2: Pilot questionnaire and interview questions themes



Source (Own Research, 2018)

The interview questions consisted of four sections: The first section covered the implementation of GRAP standards. The second section contained questions about the financial system used. The third section asked questions regarding the training offered on the GRAP standards and the financial system used. The fourth section, which was an extension of the third section, comprised the skills audit conducted by the Financial

Accounting Department employees. The inclusion of a skills audit was critical for auditing the skill levels of SASSA Finance employees who implemented the GRAP standards and respond to Objective 4 of the research.

Interviews were conducted with all respondents when they were free or available with the intention of receiving positive feedback. The interview period provided the respondents with enough time to implement their minds before answering each question and they responded adequately to the questions asked.

To conclude the face-to-face interview, respondents were permitted to freely add general comments and concerns relating to the potential benefits of implementing GRAP standards that had not been considered yet. The importance of the additional comments was to strengthen the understanding of GRAP standards or to increase the depth of the analysis received from the respondents regarding the potential benefits of GRAP standards implementation.

5.5.2 Structure of the interview

Generally, interviews constitute a major source of data generated. Brownell (1995) “distinguishes between two types of interviews, namely, structured and unstructured interviews”. This study used a semi-structured type of interview, which falls between structured and unstructured interviews. This method is neither highly structured nor completely unstructured. Importantly, “this type of interview is used by most qualitative researchers” (Scapens, 2004; Smith, 2003; Yin, 2003).

King (1994) refers to the semi-structured interview as:

“... a structured open-response interview with an imposed structure and a balance of open and closed questions”. This type of interview is suitable in cases in which it is not known in advance whether participants will be able to give information or in cases in which the nature and spectrum of informants’ views cannot be foreseen”.

“A semi-structured interview includes asking several predetermined interview questions in a systemic and consistent order, but the interviewer may digress and probe further into answers of predetermined and rich information questions” (Berg, 1998).

A semi-structured interview was used because it allowed a more flexible exploration of the issues while still providing rich detailed answers. A semi-structured interview allowed respondents to include additional information when they deemed it necessary, which provided qualitative data to support a deeper analysis. The idea was to create an atmosphere for respondents to express their opinions or ideas freely, so the issues concerned were explored deeply. The interviews were conversational rather than formal and structured. The purpose of this study was to explore the views and perceptions of the targeted employees regarding the analysis of the potential benefits of implementing GRAP standards in SASSA.

According to Dunne *et al.* (2005:28), the interview approach that was used is classified “as semi-structured, individual and personal”. “It is considered as an elite interview” (Gillham, 2005) as each interviewee had a deeper understanding than the interviewer regarding the potential benefits of the implementation of GRAP standards.

The semi-structured interviews comprised the most appropriate questions from a wide range of questions covering specific topic areas (Berg, 1989). However, according to Guba and Lincoln (cited by Rkein, 2008:108), “the exact wording of the questions was left to the discretion of the researcher”. Finance managers with functions centralised in Head Office were systematically and consistently asked the same questions. The financial system manager, training manager and organisational development manager were systematically and consistently asked specific questions targeted to their areas of specialty. All interview questions were linked to the research objectives in Chapter 1. Respondents were given adequate opportunity to make any other comments, concerns or to deviate as needed on matters that relate to the interview questions. This form of interview was qualitative in nature, which increased both the depth and breadth because of the knowledge, skills and experience of the respondents. “It is designed to get a comprehensive understanding of the phenomenon under study” (Rkein, 2008).

The semi-structured interviews were represented a multi-purpose method for collecting or generating data. Key respondents were requested to answer electronically via email and have a face-to-face interview with the researcher to respond to the interview questions. In order to establish the potential benefits, the researcher used the most appropriate questions from a wide range of questions to gather rich and comprehensive qualitative data on the implementation of GRAP standards in SASSA. The interview questions were sent

electronically via email, which allowed the respondents to elaborate further using their own free will. The advantage was that it reduced the risk of their views been misrepresented by the researcher or the researcher being biased.

5.5.3 The interview schedules

The interviews were conducted using the interview questions. The aim of the interview questions was to include the important aspects being investigated and to obtain answers to the research objectives in Chapter 1. The interviews were recorded using a digital device, written notes or both. The interview questions were divided into Section A: General Information, and Section B: Instructions (refer to Appendix B to Appendix E: interview questions).

Section A: General Information

This section requested information regarding the respondent's position and level within SASSA, unit responsible for, gender, race, educational qualification/s, and the number of years employed by SASSA. This section was descriptive in nature.

Section B: Instructions

This section instructed and advised respondents to be truthful when responding to the sub-section's questions. It also reflected the number of sub-sections in the interview questions and what each sub-section intended to analyse.

5.5.4 Consent form

The researcher explained the aim and purpose of the consent forms to all respondents and further explained that it was included in the interview process. Some concepts included in the questions were explained in the form and allowed the interviewee to freely indicate whether they were interested and willing to participate by responding to the interview questions based on their knowledge, skills and experience in implementing GRAP standards in SASSA. The interviewee had to choose between completing an online interview questions or using a hard copy and a digitally recorded interview, an interview with written notes, or both. The consent form further presented the ethical principles that were followed strictly, such as the data retention period and the anonymity of the responses when presenting the

results. This form was read to all respondents before the interview. This interview consent form is included as Appendix A.

5.5.5 Interview data collection

Target respondents were chosen based on three criteria:

- Willingness to be interviewed as signalled in the interview instruction (hard copy or online version);
- The feasibility of respondents attending the interview in person; and
- Availability for being interviewed.

5.5.6 Feedback from the respondents

Respondents completed the interview questions online and also submitted a hard copy form. The interviews created an opportunity for the selected respondents to provide detailed responses to the interview questions. Their answers were based on their knowledge, skills and experience on the implementation of GRAP standards in SASSA. “An analytic survey approach based on closed and objective questions were used” (Gill & Johnson, 2002) as the interviews created the opportunity for collecting more detailed information.

5.6 RELIABILITY AND VALIDITY

5.6.1 Pilot questionnaire

According to Neumann (cited by Vilakazi, 2012:34), validity means truthfulness and authenticity. To ensure validity and as part of control appropriate for interview questions, a pilot phase was conducted using a draft version of the interview questions. The pilot questionnaire was completed with senior managers who had the technical knowledge, skills and experience regarding financial accounting, the financial system used, training and organisational development. They were asked to validate the electronic version of the interview questions and give additional feedback on the pertinent questions not included in the interview questions. Feedback was required according to the following items:

- Content and depth of the questions;
- Terminology;

- Response time;
- Length of questions;
- Interview questions structure (links between pages, use of open and closed questions, and several questions for each section);
- Language mistakes; and
- General considerations identified as being important.

5.6.2 Interview

The researcher considered the proposed amendments and suggestions for the final interview questions. This validation was important to ensure reliability during the final interview stage of the study for the study to be replicated or for findings to be used in future research. To arrive at a measure of reliability, information derived from data collection techniques and instruments were used. “Reliability determines whether the tool used in the research will provide the same information when it is used by different people, under the same conditions, and at different times” (Goddard & Melville, 2007:73). The researcher validated the final interview responses received according to the terminology, language mistakes, and general comments identified as important to the implementation of GRAP standards.

5.7 RESEARCH ETHICS

According to Henning (cited by Vilakazi, 2012:34), ethical considerations must be confirmed during the whole research process. All participants needed to provide consent before participating. As no names were mentioned in the research report, a consent letter was not drawn up by the researcher; however, each interviewee gave verbal consent for the researcher to use the information gathered in this report. Participants were informed of what would be done with their responses and they were assured that their privacy was protected.

Fundamental ethics principles such as transparency of the objectives, confidentiality and integrity of the data were strictly followed during the design of the data collection instruments as well data collection. In addition, the guidelines stated in the Protection of Personal Information (4 of 2013) were observed as the research investigated aspects related to the personal perceptions of participants.

Participants were informed of the purpose of the research and the procedures of the interview. They were not forced to be part of the interview. They participated voluntarily and knew that they could withdraw at any time. Voluntary participation ensured that respondents provided more detailed responses to the questions asked based on their knowledge, skills and experience on GRAP standards. This indicated whether the potential benefits of the GRAP standards implementation were realised or not. Interviews were recorded but participants were assured that they could request that the recording device be turned off at any time during the interview.

5.8 SELECTION OF THE TARGET RESPONDENTS

According to Wellman *et al.* (cited by Solomons, 2012:65), the researcher used non-probability sampling as the respondents were selected purposely. Neumann (cited by Vilakazi, 2012) and Leedy and Ormrod (2005) agree that “purposive sampling as a non-probability sampling method is common in qualitative research. Researchers normally use this method to select individuals from whom the most information can be drawn”. The target respondents selected were required to provide in-depth responses based on their seniority, level of skills, immense knowledge and years of experience on how the GRAP standards were implemented. Their interview responses and comments were analysed.

The non-probability sampling method was used: respondents were purposely selected and semi-structured interviews conducted. Particularly, due to their respective positions, all selected respondents were able to provide detailed information on how SASSA implemented GRAP standards to realise the potential benefits thereof.

The study’s target respondents consisted of employees who had been purposely selected because of their seniority in SASSA; their involvement in decision-making; their level of skills; immense knowledge and years of experience (ranging from two to five years); and a required background in financial accounting; the financial system; training; and organisational development. Interviewing individuals who were seniors in SASSA allowed the interviewer to speak to individuals who clearly understood the policies, processes and procedures. They saw the big picture as opposed to simply knowing the tasks required for the job. The selected respondents were representative of the Financial Accounting Department, Human Resource Department and Information Communication System Department. This reflected the importance of not considering junior employees because the

selected respondents' seniority, level of skills, immense knowledge and years of experience are expected to provide rich information for in-depth analysis.

The basis of the target respondent's selection was for the respondents to respond to the interview questions. The following people at the SASSA Head Office were invited to respond to the interview questions:

- General Manager: Financial Accounting;
- Senior Managers: Financial Accounting;
- Senior Manager: Financial System;
- Senior Manager: Training; and
- Senior Manager: Organisational Development.

The target respondents were assessed based on the interview questions, which were informed by the current literature (as discussed in Chapters 2 and 3) and GRAP standards implementation by SASSA (as discussed in Chapter 4). Their responses were used to analyse the implementation of GRAP standards in SASSA. The researcher sent the interview questions to the target respondents, which enabled them to prepare because they knew the type of interview questions in advance. They were requested to respond electronically via email and have face-to-face interviews with the researcher to respond to the interview questions.

5.9 INTERVIEW FINDINGS ANALYSIS

Smith (cited by Lehmann *et al.*, 2019:4) describes “thematic analysis as an interpretative approach to qualitative research based on categorising data into particular themes, with the aim of grasping the complexity of meanings of the phenomenon under study”. Both the primary and secondary data obtained as explained in Section 5.4.1 and Section 5.4.2 were analysed by re-examining the identified categorised themes.

Guest (cited by Wang *et al.*, 2018: 204) indicates that “thematic analysis is one of the most common forms of analysis used to examine and record themes within qualitative data”. Braun and Clarke (cited by Lehmann *et al.*, 2019:2) highlight that “thematic analysis can facilitate the description and categorisation of the data as a basis for further interpretations and theoretical developments”. According to Braun and Clarke (cited by Lehmann *et al.*,

2019:4), “there are several approaches to doing thematic analysis, such as inductive, deductive or semantic approaches. One of the main benefits of using thematic analysis is that it is a highly flexible framework within which to work”. According to Wang *et al.* (2018:204), “researchers use thematic analysis to gain an understanding about a group or an organisation. The findings provided by a thematic analysis can be potentially useful for decision makers to do interventions in organisations”.

According to Alhojailan (cited by Lehmann *et al.*, 2019:4), “the thematic analysis could provide explicit links between themes and the whole of the narrative, which goes far beyond choosing words that appear unambiguous in the data”. The thematical analysis was conducted by implementing the inductive approach to the themes as mentioned in Section 5.5.1. For simplicity and flexibility in the analysis, the four themes relevant to the interview questions were categorised further into sub-themes linking them to the research objectives as mentioned in Chapter 1. The main purpose was to determine whether the research objectives had been addressed. The sub-themes were:

- Combination of the organisational structure development and knowledge and understanding of the implementation of GRAP standards.
- Challenges encountered.
- Knowledge and understanding of the Oracle financial system.
- Combination of the skills audit and training offered.

The interview responses based on the categorised interview questions were consolidated as follows for the purpose of a simple, highly flexible and in-depth analysis:

Objective 1: Analyse the implementation of the GRAP standards

All interview responses related to the organisational structure development, knowledge and understanding of the implementation of GRAP standards. The intent was to receive holistic responses on how the Financial Accounting Department structure was structured and affected the support of the implementation of GRAP standards.

Objective 2: Determine the challenges and benefits of implementing GRAP standards

All interview responses related to the challenges encountered. The intent was to determine all the challenges encountered in the implementation of GRAP standards. The responses received assisted with the recommendations to be made to address those challenges.

Objective 3: Determine the suitability of financial systems

All interview responses related to the knowledge and understanding of the use of the Oracle financial system in SASSA for the implementation of GRAP standards. The intent was to determine whether the Oracle financial system was suitable to enable and support the implementation of GRAP standards.

Objective 4: Determine SASSA's capacity

All interview responses related to the knowledge and understanding of the skills audit and the importance of the training offered. The intent was to have holistic responses to determine whether a skills audit was conducted and whether training was offered for the implementation of GRAP standards. This assisted in determining SASSA's capacity, especially the Financial Accounting Department employees on implementing the GRAP standards.

5.9.1 Analytic strategies

The analytic strategies assisted in making the analysis process organised, transparent, integrated and grounded in the evidence from the responses received from the completed interviews. The analysis reflected the significant research results and lessons to be learned on organised and categorised themes regarding the implementation of GRAP standards. According to Creswell (cited by Contreras, 2015), "analytic strategies involve the following:

- Sketching ideas;
- Taking notes;
- Working with words;
- Identifying codes;
- Reducing codes to themes;
- Counting the frequency of codes;

- Relating categories to the analytic framework in literature;
- Creating a point of view; and
- Displaying the data”.

5.9.2 Data analysis in qualitative research

Smit (2002:66) indicates that “data analysis in qualitative research is an ongoing, emerging, and iterative or nonlinear process”. The responses from the recorded interviews were transcribed into a Microsoft Word™ document before being loaded into Atlas.ti™ software and analysed.

Coding plays an important part in the analysis. Straus and Corbin (cited by Smit, 2002:70) explain that “selective coding involves selecting one main core category and linking the other categories to it”. The categories were integrated and refined. Atlas.ti was used to create code families and rename codes; in other words, redefining codes. A codes-quotations list is information that “shows a code with the relevant quotation, which is the verbatim evidence given by the respondent” (Smit, 2002:71). Furthermore, Smit (2002:71) highlights that “the code-filter *P* shows that this list will be filtered using all the primary text, also referred to as primary documents, which simply means all the interviews”.

The responses were organised systematically according to the interpreted interviews. The responses were divided or merged into the research objectives to reflect the impressions, relationships and connections, and to identify similarities, differences, categories, themes, and concepts.

The comparisons were used to build and refine categories to define conceptual similarities and discover patterns. Importantly, the respondent’s perceptions were reflected. Categories were flexible and modified during the analysis of the interviews.

The same Atlas.ti procedures followed for the pilot questionnaire were also used for analysing the fined-tuned interview responses after the content and validity of the questions were tested for truthfulness and authenticity.

5.9.3 Analysis of the responses of the interviews

5.9.3.1 *The role of Atlas.ti*

The interview responses were analysed using Atlas.ti. This software facilitates the qualitative analysis of research data, which makes the analysis process organised, transparent, integrated and grounded in evidence. Importantly, “Atlas.ti facilitates the triangulation of research data generated through multiple methods of data collection, such as semi-structured interviews, observations, and literature reviews” (Contreras, 2015).

In this study, Atlas.ti helped to aggregate qualitative data by creating codes associated with similar responses. Therefore, the researcher was able to identify themes and common trends in the data.

5.9.3.2 *The data analysis using Atlas.ti*

According to Contreras (2015), the objects of analysing a project are primary documents, quotations, codes, networks, and families. He further mentions that these objects exist in relation to each other and must be integrated into the project analysis. Based on the objects of analysing a project as mentioned by Contreras (2015), the researcher adhered to the following process:

(a) Upload transcripts of the interview responses to Atlas.ti

The Microsoft Word™ Grammarly implementation was used to check the grammar of all uploaded transcribed interview responses. The transcripts were reflected on the interview's responses. The total number of transcripts were uploaded from the interview responses. The importance of the interview responses corresponded to the research objectives in Chapter 1 and assisted in analysing how the respondents view the implementation of GRAP standards in SASSA.

The transcribed interview responses were uploaded into Atlas.ti as primary documents. Atlas.ti automatically creates a unique identification number, which was indicated as *P* with the relevant number of interview responses. Uploaded interview responses on the primary documents were linked to families as interviews on the family manager.

(b) Create codes in line with the research interviews or topics covered

According to Charmaz (cited by Bhattacharyya *et al.*, 2018:7), there are different levels of codes used. Some codes were selected because of their significance and the overarching research questions. The codes emerged through an inductive process of collapsing codes into categorical themes and analysis of the relationships between codes.

Codes are labels that are linked to the research data generated. In terms of Atlas.ti (2008) methodologically speaking a code can be a category; theme; attribute; property; dimension; subcode; or more generally, something of a higher or lower order within the data. The ‘free coding’ method was used, which afforded an opportunity to create additional codes as the data was analysed. This was helpful for identifying new themes or groups of data that emerged through the analysis process. However, there is a high probability of codes overlapping. During this process, the researcher avoided creating overlapping codes. The codes were created and aligned with the interview questions.

(c) Link codes to the responses from the qualitative data generated – ‘textual data’

This process entails reading the responses in detail and associating them with the correctly created codes. Similar responses were grouped together to identify similar trends or themes, which assisted in writing up the actual analysis. The quotations were linked to the created codes on the interview responses.

(d) Create networks

Networks in Atlas.ti help the researcher to visualise the data that has been consolidated through the coding process. Through the Network Editor in Atlas.ti (Solutions4U, 2008) conceptual networks can be created and edited using the material gathered during the textual phase. In this research study, the networks were created and linked to the created codes through the consolidated interview responses grouped accordingly to the respective codes and responses. The visual display of the network simplified the reading and understanding of the interview responses. A semantic layout was created under networks, which was linked to the interview responses. Furthermore, it was fitted to the window network for easy readability and as an appendix tool for the analysis of the responses in Chapter 6, and

conclusions and recommendations in Chapter 7. See Appendix F for the consolidated interview questions.

5.10 SUMMARY

This chapter explained the logical flow of the research design identified for the study. The chapter discussed the research methodology, its purpose and intentions in relation to the research findings for the study under review. The ontology and epistemology, research approach, and literature review (under research methodology) were explained.

The chapter explained the selection of the research method, its relationship and relevance as a preferred technique. The data collection instruments, which included the interviews, were described in detail. Furthermore, the chapter discussed the development of the interview guide. Importantly, the process for developing the relevant interview question; the structure of the interview; interview schedules; consent form; interview data collection; and feedback from the respondents were discussed. The importance of the method for reliably validating the pilot questionnaire and interview, as well as the importance of ethical considerations for the participants, were confirmed.

The chapter explained the effect of the research process on the participants. Importantly, the chapter discussed the selection criteria of the target respondents and the tool of assessment. Overall, this chapter concluded by discussing the process to be followed for analysing the interview findings. The next chapter describes the research findings derived from the relevant interview questions asked to the targeted respondents.

CHAPTER 6

RESEARCH FINDINGS AND ANALYSIS

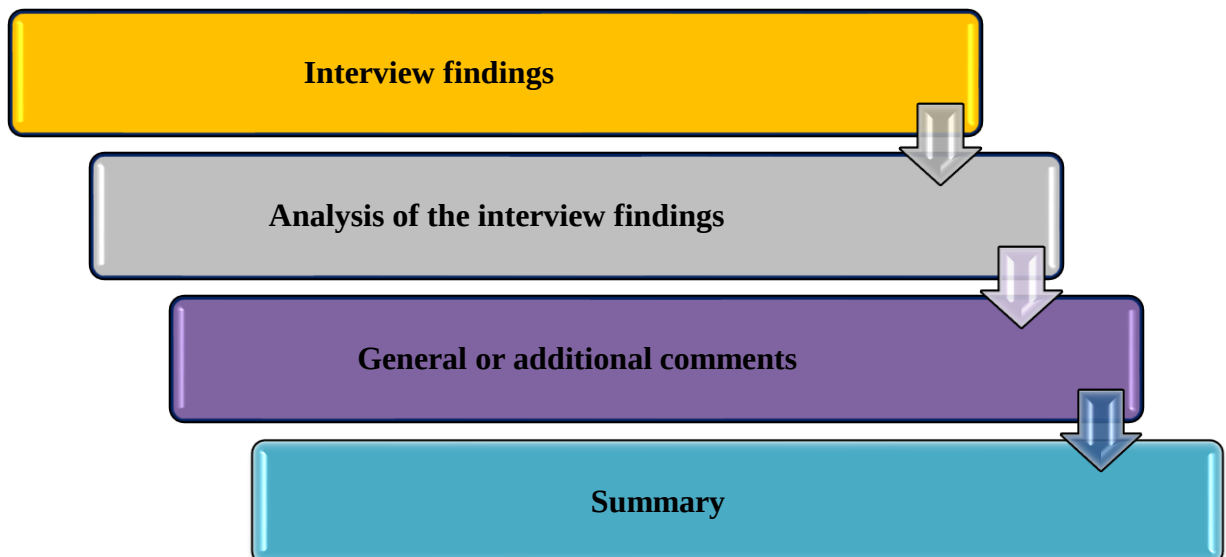
6.1 INTRODUCTION

Chapter 5 discussed the logical flow of the research design identified for the study. The research methodology, including its purpose and intentions in relation to research findings for the study under review were explained. The chapter concluded by discussing the process for analysing the interview findings.

Chapter 6 describes the qualitative research findings derived from the interviews. The interview questions were informed by the explanation of the literature review and theoretical foundation in Chapters 2 and 3 and the SASSA AGSA report in Chapter 4. The interview responses were critically reviewed and analysed. The qualitative research findings and analysis related to the research objectives mentioned in Chapter 1. The chapter concludes with a summary.

Figure 6.1 illustrates the flow of this chapter on the critical review of the qualitative research finding and analysis derived from the interviews conducted.

Figure 6.1: Illustrative flow of Chapter 6



Source (Own Research, 2019)

6.2 CRITICAL REVIEW OF QUALITATIVE RESEARCH FINDINGS AND ANALYSIS

The interview findings were grouped and organised systematically according to the interpreted interview responses that relate to the four sub-sections as explained in Section 5.5.1, which are linked to the research objectives mentioned in Chapter 1. The purpose is to reflect the impressions, relationships and connections, and to identify similarities, differences, categories, themes, and concepts. Section 5.9.3.2(a) explained that the transcribed interview responses were uploaded to Atlas.ti as primary documents to be able to analyse the research findings. To identify the responses of the respective target respondents, each document was assigned an automatically created unique identification number (*P*). For the purpose of confidentiality, this identification number did not disclose the name of the respondent.

The identification numbers range from P1 to P7. P1 refers to a respondent in the Human Resources Department who specialises in organisational structure development within SASSA. P2 to P5 refers to all respondents in the Financial Accounting Department. P6 refers to a respondent in Human Capital Development and Performance Management who specialises in coordinating the training of employees within SASSA. Lastly, P7 refers to a respondent in the Financial System Unit who specialises in coordinating and ensuring the implementation of the Oracle financial system within SASSA. The functions of the Respondents P1, P6 and P7 are centralised at the Head Office. In Chapter 5 section 5.8 a detailed explanation was provided on how the target respondents were selected, their importance in responding to the interview questions and which areas they represent.

6.2.1 Interview findings

The research objectives stipulated in Chapter 1 was addressed by critically reviewing the interview findings from Objective 1 to Objective 4. The interview findings were consolidated according to the topics or themes that relate to the research objectives.

6.2.1.1 *Objective 1: Analyse the implementation of the GRAP standards*

Objective 1 was formulated to analyse the implementation of the GRAP standards in terms of challenges encountered by SASSA. The interview findings were based on the interview

questions, which were informed by the explanation in Chapters 2, 3 and 4. Arshad *et al.* (2013:294) emphasise that to realise the potential benefits of the accrual basis of accounting, skilled employees are critical for understanding, interpreting and implementing all international accounting practices and standards properly. Vilakazi (2012:76) indicates that public confidence includes benefits such as more accurate and complete financial reports and better comparability of reporting entities. However, Wynne (2008:117) states that “it is becoming increasingly clear that the claimed benefits of the accrual basis of accounting are not being realised in practice”. The opposing views mentioned above reflect the importance of critically analysing the GRAP standards or IPSAS implementation challenges encountered in the public sector and develop pragmatic and measurable measures to address those challenges GRAP standards or IPSAS in the public sector. The developed pragmatic and measurable measures possibly resulted in realising the potential benefits of GRAP standards or IPSAS in the public sector.

Organisational structure development

An organisation’s strategy determines how the organisational structure must be developed to ensure that the organisational strategy is realised. Grant (2013:147) highlights that strategy implementation encompasses the entire design of an organisation. Based on this definition, the organisational structure therefore follows the organisational strategy. The organisational strategy informs the required human resources by developing an organisational structure to realise the mission, vision, values, strategic goals and objectives, and performance indicators of the organisation.

According to Thompson *et al.* (2010:394) the structure of an organisation depends on the firm’s size, complexity and strategy. Although the organisational structure can be changed, the changes are informed by various factors affecting the organisation; for example, the organisation’s growth and strategy change. Furthermore, Cascio and Aguinis (2011:6) indicate that although many factors drive organisational structure change, none is considered more important than another. This implies that management needs to prioritise factors that require organisational changes, such as implementing GRAP standards to adhere to and comply with National Treasury instructions or directives.

The responses in respect of organisational structure development are from Respondent P1. The focus is on the structure of the Financial Accounting Department. According to Respondent P1 the organisational structure identifies the organisational objectives that should be achieved. Equally important, Respondent P1 highlighted that a strategy is set, where after the structure is developed accordingly to achieve the strategy. The structure according to Respondent P1 depicts and outlines the different human resources required. It further outlines the aim of the various units within a department as well as the number of departments that will be required. In addition, the structure outlines the salary levels of the individual posts together with the number of posts within a specific unit.

For instance, for the Financial Accounting Department, according to Respondent P1, the structure clarifies its main aim and objective, provides a holistic view of the remit of the Financial Accounting Department, and gives the number of units within the department. In addition, the structure outlines the number of posts within the units with their salary levels and whether individual posts are funded. Moreover, Respondent P1 mentioned that the structure outlines how delegation takes place. In fact, according to Respondent P1 a structure is based on a hierarchy; therefore, the organisation is informed about the hierarchal structure of the Financial Accounting Department. For example, SASSA's Financial Accounting Department is managed by a general manager who is supported by units that are headed by senior managers. Consequently, the structure outlines the lines of authority and the patterns of communication.

According to Respondent P1 it follows that SASSA's structure, in general, is formal, which leads to formal communication. In other words, one level reports to another because of the delegation structure and how the structure is developed. As far as the location of decisions is concerned, Respondent P1 highlighted that the structure shows the location of the decision centres within the organisation. In addition, Respondent P1 added that the structure outlines the resources required for human resource planning to achieve the objectives, which are aligned to the strategy.

Regarding the important factors that lead to the restructuring of an organisation, the knowledge and understanding of Respondent P1 are that the important factors are informed by changes to the strategy, work processes, economic environment, merging of departments and the legal mandate. According to Respondent P1 a review of the strategy is needed, which

should be conducted during the process of the MTEF period to determine the alignment of the current structure with the strategy.

Where the changes made to the work processes are concerned, Respondent P1 mentioned that the restructuring in SASSA was critical because the work process needed to be changed. According to Respondent P1 previously, SASSA's mandate has only been to administer grants. Now it must comply with and implement its full mandate, which relates to comprehensive social security management and includes payment of grants, which was outsourced previously. Importantly, if the employees as per the organogram are still aligned, then according to Respondent P1, the mandate to be followed becomes compelling. According to Respondent P1, SASSA is therefore obliged to restructure and check the relevance of the current structure. In addition, the remit of the Financial Accounting and Information Technology departments will change because of the comprehensive implementation of the SASSA mandate. As a result, according to Respondent P1 SASSA will have to change how it deals with all its clients.

According to Respondent P1 it follows that the economic environment in which SASSA is operating is changing. Respondent P1 highlighted that the budget plays an import part, which will result in downsizing in terms of the number of available different departments within SASSA. The downsizing of the number of available different departments will inform the reprioritisation of the budget allocation to various departments to implement SASSA's mandate. Thus, according to Respondent P1 it is critical to determine the levels needed to perform the comprehensive mandate of SASSA.

According to Respondent P1, as far as merging the different departments and legal mandate, as an illustration, all social cluster departments will need to be under one department depending on the parliamentary mandate or directive. Respondent P1 indicated that Parliament plays an important role in terms of how the entities must be structured because of the mandate that must be aligned with the strategy. It also plays an important role in how SASSA must be restructured to achieve its intended strategic objective. According to Respondent P1 there have not been any structural changes that have been made in the Financial Accounting Department since SASSA has been established up to the financial year 2017/2018.

The implementation of GRAP standards

i. Knowledge and understanding of the implementation of GRAP standards

Chapters 2 and 3 explained that the Finance Minister established the ASB in 2002 as a juristic person in terms of Section 87 of the PFMA (1 of 1999). The purpose of ASB is to develop GRAP standards for the local public sector (PFMA, 1999).

This section describes the responses from Respondents P2, P3, P4 and P5. According to most respondents GRAP refers to generally recognised accounting practices. Both Respondent P2 and Respondent P3 provided similar responses regarding how GRAP has been established (as explained in Chapters 2 and 3). Respondent P2 indicated that GRAP is a customisation of what used to be GAAP for companies doing financial reporting. In addition, the government uses GRAP on the modified accrual basis of accounting to create financial reports to suit the government's framework and standardise reporting. According to Respondent P2 the government cannot use GAAP and IFRS because these standards do not apply to government.

Respondent P3 indicated that the ASB developed the reporting framework to ensure consistent and comparable financial reporting across all spheres of government; however, it is currently only implemented by municipalities and some government entities. GRAP requirements need to be incorporated into the relevant government entity's business processes and policies to ensure compliance. The response from Respondent P3 correlates with what was mentioned in Chapter 1, namely, that both municipalities and public entities comply with the GRAP standards implementation (Treasury Regulations, 2005).

Respondent P5 indicated that GRAP is a practice that guides how to account for assets, such as current and non-current, in the annual financial statements. The specific format is regulated according to the standards. However, Respondent P4 said that GRAP is accounting practices, which became important to SASSA when migrating from the cash basis accounting to the accrual basis of accounting. Respondent P4 further indicated that GRAP uses the standards that are critical for transacting to present the financial position of SASSA at the end of each financial year. GRAP is a practice used by an organisation to present financial statements in a certain form, which is regulated according to the accounting standards. Debtors, for example, according to Respondent P4 focus on GRAP 19, which

provides standards for disclosing debtor's information such as age analysis and provisions in the annual financial statements. For that reason, it enables the AGSA to provide an opinion on the accuracy of SASSA debtors as disclosed in its annual financial statements.

ii. Importance of implementing GRAP standards

Respondent P2 indicated that it is important for Financial Accounting Department employees to comply with GRAP standards legislated by the PFMA (1 of 1999). The compliance allows the annual financial statements to be compared with other entities that also implement GRAP standards. Respondent P2 added that GRAP standards assist government structures with accounting and assist National Treasury with the consolidation of all entities using GRAP standards.

According to Respondent P3 implementing GRAP standards is important to ensure understandable, consistent and comparable financial reporting. These financial reports are understandable because the criteria used to recognise and measure annual financial statements items and guide all users. Furthermore, Respondent P3 indicated that GRAP standards are important to ensure that the unique conditions and circumstances applicable in the South African public sector are considered when presenting annual financial statements. This would not have been the case if the South African public sector adopted widely used accounting standards such as IFRS or IPSAS.

Respondent P4 mentioned that GRAP standards are important for ensuring that financial transactions are in line with the requirements of these standards and that the AGSA can present an opinion on the financial status of SASSA. To illustrate, for revenue and debtors, Respondent P4 indicated that policies and processes are linked to the PFMA (1 of 1999) and National Treasury regulations on how to make provisions for debtors that do not pay. In addition, Respondent P4 indicated that provisions are made to write off the bad debt of debtors, for which correct processes must be followed. In that case, GRAP standards provide true and accurate revenue and debtor's information, which is disclosed in the annual financial statements to enable the end users to make informed decisions.

Respondent P5 stated that employees should implement GRAP standards to pay the correct supplier the correct amount. Equally important, proper reconciliation of the creditors is key to avoid double payments and to know how much is owed to suppliers. According to

Respondent P5 this assists in knowing how many creditors SASSA has. However, in cash accounting, the creditor is only recognised when they are paid.

iii. GRAP standards governance

Respondents P2, P3 and P4 mentioned that there are policies, procedures and processes to assist the employees in the Financial Accounting Department with implementing GRAP standards. However, Respondent P5 was not certain whether policies, procedures and processes have been developed.

Respondent P2 explained that the internal policies, procedures and processes are useful to implement GRAP standards for the preparation of annual financial statements. According to Respondent P2, generally, it means to regulate the financial transactions for reporting purposes, but operational policies do not necessarily stipulate the implementation of GRAP standards. Furthermore, Respondent P2 mentioned that although there are some policies that align with GRAP standards, there are others that do not; for example, the petty cash policy does not align with GRAP standards, whereas the property, plant and equipment (PPE) policy does align with GRAP standards.

Respondent P3 mentioned that the PPE policy specifically assisted or guided SASSA on how to report on work in process for building and maintaining pay points for the beneficiaries while the human resource policies and procedures ensure that suitably qualified candidates are appointed. In addition, Respondent P3 indicated that study support is provided to employees to ensure that appointed employees improve or maintain their knowledge base. In fact, the reporting structure is such that less experienced and less qualified employees report to more qualified and skilled employees, thus ensuring mentorship, guidance and transfer of skills. Clearly, according to Respondent P3 the policies are there, but the respondents are not sure that they are being implemented well due to political appointments.

Respondent P4 noted that there are some policies, procedures and processes in the Revenue and Debt Unit that have been useful. For example, GRAP 19 is implemented to prepare debt provisions and disclose bad debts. However, according to Respondent P4 there are no policies and procedures for the Financial Accounting Department to implement GRAP standards. As a result, employees struggle.

Respondent P3 and Respondent P5 remarked that workshops were conducted for Financial Accounting Department employees on the policies, procedures and processes for the implementation of GRAP standards. However, Respondent P2 and Respondent P4 indicated that no workshops were conducted.

Respondent P2 emphasised the lack of understanding or deficiency in management regarding the importance of implementing GRAP standards; therefore, there is no appreciation for the implementation of GRAP standards. Although workshops are conducted by National Treasury, no workshops are conducted internally by the Accounting Unit. According to Respondent P3 scarcity of skills is the main reason for workshops not being conducted.

Respondent P4 mentioned that only the Debt Management and Revenue Unit conducts workshops annually around July to all senior managers and managers, including regions. The workshops are conducted by a senior manager and manager from Head Office. Furthermore, Respondent P4 mentioned that during August every year, training is conducted to all employees on the policy and procedures of the Oracle financial system. However, due to the high employee turnover, training was only conducted to managers during 2017. According to Respondent P4 no formal workshops are conducted on GRAP 19 but mostly on the internal policies and procedures.

According to Respondent P3 the workshops conducted on the policies, procedures, and processes were useful. As a result, GRAP standards reviews are now conducted on a continuous basis, including the business process and standard operating procedures to ensure that relevant risks are addressed and resources are utilised effectively. According to Respondent P3 over the years, workshops have ensured consistency within all units, thus strengthening internal controls and improving the effective use of resources.

Respondent P4 commented that it is a challenge that one training session or workshop is provided by an external service provider. Respondent P4 emphasised that employees struggle to understand how to implement GRAP standards because of the migration from the cash to the accrual basis of accounting; therefore, continuous training is critical for employees to realise the benefit thereof.

Respondent P5 explained that only to those employees who understand GRAP standards and have an accounting background find the workshops useful. In addition, Respondent P5 indicated that employees without accounting knowledge do not implement all the financial transactions, procedures and processes correctly; for instance, audit findings were identified, especially from Supply Chain Management. These audit findings indicate that some employees do not understand the importance of implementing GRAP standards.

iv. Competency and skills level of employees to implement GRAP standards

Respondent P3 regarded employees in the Financial Accounting Department as competent and skilled to implement GRAP standards, while Respondent P4 and Respondent P5 viewed employees as semi-competent and skilled. Respondent P5 emphasised that this view is informed mostly by the audit findings from the AGSA. Respondent P2 considered employees as competent and skilled for Head Office while incompetent and unskilled for regions, which is a serious concern. Most financial transactions are from regions, and Head Office only consolidates all the regional financial transactions. According to Respondent P3 GRAP standards theory is good on policies, but it is a challenge for implementation.

In summary, most respondents provided detailed responses to the interview questions as per the themes and sub-themes on Objective 1. Respondent P1 is knowledgeable about the importance and procedures to be followed for organisational structure and risks of not structuring the organisation correctly and timeously. Respondent P1 mentioned that risks negatively affected the organisation in achieving its objective like SASSA not able to implement GRAP standards. Most respondents know and understand the importance of GRAP standards in SASSA. Most respondents know that there is GRAP standards governance in place. Various views were provided by most respondents on the competency and skills level of employees to implement GRAP standards.

6.2.1.2 Objective 2: Determine the challenges and benefits of implementing GRAP standards

Objective 2 sets out to determine the challenges that have been encountered while implementing GRAP standards, the potential benefits thereof, and the lessons learned, which link to Chapters 2, 3 and 4. The interview findings are based on the interview questions informed by the explanation in Chapters 2, 3, and 4, which analyse the implementation of

GRAP standards with reference to the challenges encountered. The responses are from Respondents P2, P3, P4, P5, P6 and P7.

According to Baboojee (2011:33) some countries that have and are still in the process of implementing the accrual basis of accounting practices and standards in the public sector have been confronted with challenges when moving from the cash basis of accounting to the accrual basis of accounting. Furthermore, some of these countries operate different systems at different levels of government, which makes it difficult to generalise the state of accounting. The result is that the benefits of implementing the accrual basis of accounting practices and standards are not always realised in the public sector.

The respondents' responses indicated whether SASSA encountered challenges with the implementation of GRAP standards, the type of challenges experienced, and how they affected the benefits of implementing GRAP standards.

Challenges

Ezzamel *et al.* (cited in Christensen, 2007) "observed important implementation challenges and unforeseen complexity when the public sector migrated to the accrual basis of accounting". Respondents P2, P3, P4 and P5 affirmed that Financial Accounting Department employees have encountered challenges with the implementation of GRAP standards.

Anthoo (2015:10) mentions the following challenges: a lack of skill in accounting functions; difficulty in retaining skilled employees; tertiary institutions focusing their teaching on private sector accounting; overreliance on consultants; and difficulty in implementing the standards. In addition to the challenges mentioned by Anthoo, Respondents P2, P3, P4 and P5 noted that Financial Accounting Department employees encountered the following challenges while implementing GRAP standards:

- (a) Political interference forces employees not to follow the processes correctly.
- (b) Executive management does not understand the importance of implementing GRAP standards.
- (c) Lack of GRAP standards and accounting knowledge, skill and understanding; hence, misallocations of financial transactions.

- (d) GRAP standards are not built into SASSA policies. For instance, ICT contracts do not cater for licences that expire. It must be treated as a prepayment, but ICT contradicts the accounting treatment of that ICT licence. This affects the reporting in terms of GRAP standards implementation.
- (e) Other employees (end users) bypassing GRAP standards.
- (f) GRAP standards may be implemented wrongly as there has been no formal training.
- (g) Employees do not know when other GRAP standards have been amended.
- (h) The Oracle financial system does not support GRAP standards.
- (i) Many accounting or finance degrees and diplomas of higher education institutions do not include GRAP standards in their teaching and learning; therefore, the principle of GRAP standards is only introduced to junior employees when they start working.
- (j) Some GRAP standards and public sector reporting requirements remain complex and impractical to implement. For example, GRAP 104: Financial instruments for commitments of the disclosure.
- (k) Information system capacities occasionally limit the ability to ensure that everyday processes enable adherence to and compliance with GRAP standards principles.
- (l) National Treasury gives instruction in terms of financial reporting that are not implementable. It is 'cast in stone' for all public entities regardless of their different sizes.

i. Skills audit

Respondent P6 indicated that the Financial Accounting Department encountered challenges while implementing skill audit recommendations, which included the human factor, namely, resisting the skills audit because employees fear to lose their jobs. Respondent P6 recommended that a communication strategy should be developed to communicate the skills audit process and, as a result, avoid all uncertainties from the employees.

ii. Competency and skills level of employees

Respondents P2, P3 and P4 regarded Financial System Unit employees as semi-competent and skilled to assist employees in the Financial Accounting Department with Oracle financial system accounting challenges encountered, while Respondent P5 was not aware. Respondent P2's reason is that the system is not an enabler and a solution for the implementation of GRAP standards. The Financial System Unit employees want end users to comply with the Oracle financial system but not with the GRAP standards implementation. Furthermore, Respondent P2 said that normally, employees in the Financial System Unit have information technology knowledge and are knowledgeable on solving Oracle financial system challenges. However, they do not have accounting knowledge. Respondent P2 added that there is no innovation by the Financial System Unit employees regarding the best way to use the Oracle financial system for the implementation of GRAP standards; therefore, knowledge of both the system and accounting is critical.

Respondent P3 mentioned that employees in the Financial System Unit are not from enterprise resource planning (ERP) environments and their experience is mainly in government systems such as BAS and LOGIS. Although the system controllers are trained, they have not worked in an accounting environment, which poses a challenge. As a result, it becomes difficult for system controllers to assist properly when challenges are encountered. The other challenge according to Respondent P3 is that there is a reliance on Oracle consultants, while the Financial System Unit is supposed to play a coordinating role between the Financial Accounting Department and Oracle consultants. Accordingly, the Oracle consultants are more knowledgeable than the system controllers, which pose a risk when the Oracle consultants leave SASSA.

Respondents P2, P3, P4, P5 and P7 indicated that the Financial System Unit's response times to resolve financial accounting challenges reported by the Financial Accounting Department vary depending on the nature of the challenge. There are system-related and technical challenges. According to Respondent P2 some system-related or technical challenges are referred to the Financial System Unit to be resolved. System controllers take an unacceptable period to address challenges because the system does not process the uncompleted 'hanging' financial transactions, which affects accurate reporting. Respondent P2 indicated that the period taken by system controllers to address the challenges varies depending on the nature

of the challenge and the severity thereof; therefore, challenges are rated differently based on their impact and importance on financial reporting and preparing annual financial statements.

Respondent P2 explained that normal, setup or configuration challenges are rated as low-level priorities. These challenges take one to two weeks to be resolved. According to Respondent P2 this is due to a lack of understanding of the impact of the challenges on financial transactions and service delivery. More complex challenges take longer than two weeks to be resolved as they are referred to Oracle consultants for a solution. Subsequently, there is too much customisation within the Oracle financial system, which results in system challenges being escalated to the Oracle system technical team for assistance.

Respondent P2 recommended that the financial controllers should be in different units within the Financial Accounting Department to be able to clear 'hanging' financial transactions. Currently, the system controllers are in the Financial System Unit. Respondent P3 indicated that the response from system controllers together with Oracle consultants is quicker especially at year end because the Financial Accounting Department focuses on GRAP standards whereas during the year they focus completely on compliance. Respondent P4 mentioned that depending on the type of a query it could take one to five days to be resolved. According to Respondent P5 some system-related or technical challenges are referred to Oracle to be resolved.

According to Respondent P7 challenges can be resolved within minutes or days depending on the nature of the challenge. It follows that for all operational queries, a call should be logged for the Financial System Unit to view the queries. Respondent P7 indicated that all queries within the requesting unit are resolved by the Financial System Unit. As far as technical queries are concerned, Respondent P7 said that Oracle consultants are used because there is a contract in place to support and maintain the system. The use of consultants is informed by the fact that the Financial System Unit does not have the capacity to absorb such skills in SASSA. Respondent P7 recommended that for security reasons, the Financial System Unit should not transact or change the setup of the system, which creates a conflict of interest and affects the segregation of duties.

iii. Training offered

The training challenges were mentioned in Section 2.5.2 as international implementation challenges and risks experienced on the accrual basis of accounting in the public sector. Keelan (2001) demonstrates that a conducive working environment is significant for training existing and new financial employees with the intention of addressing inadequate accounting skills and the lack of understanding of the accrual-based information. Furthermore, employees who are trained understand the importance of implementing the policies, processes and procedures for implementing GRAP standards successfully in the public sector. Introducing user-friendly financial systems and skilled employees is the core of successfully implementing the accrual basis of accounting practices and standards in the public sector.

Respondents P2, P4, P5 and P7 mentioned challenges encountered by the Financial System Unit while offering Oracle financial system training in the Financial Accounting Department, while Respondent P3 did not mention any challenges. The challenges mentioned by Respondents P2, P4, P5 and P7 are summarised as follows:

- (a) Employees attend the training, but do not take the training seriously. Furthermore, the employees do not upskill themselves or practise on the system after training. For example, training was provided to export to Excel (General Ledger wand), but employees do not practise or familiarise themselves with how it is exported.
- (b) No training provided on GRAP standards or when the Oracle financial system was upgraded.
- (c) The training is not designed specifically for Financial Accounting Unit's needs.
- (d) Many calls are logged by system controllers because of a lack of knowledge.
- (e) Lack of understanding of accounting and system processes. Employees do not understand the impact of financial transactions and how they relate to the implementation of GRAP standards.
- (f) Some executive managers do not understand why the Financial System Unit exists.

- (g) There are more financial modules in the Oracle financial system, but there are not enough employees in the Financial System Unit to assist end users with challenges encountered.
- (h) Lack of capacity, for example, not having the right people appointed with the correct qualifications. Globally, resources with both accounting and financial system skills are scarce. Private companies offer people high salaries whereas SASSA is not able to recruit or retain people.
- (i) There are no proper training facilities and old computers are used for training purposes.
- (j) Financial Accounting Unit employees do not understand their role.
- (k) Lack of succession and retention planning.

iv. Usage of the Oracle financial system

Anthoo (2015:10) demonstrated the following challenges encountered by the South African public sector: The South African national and provincial accounting systems are based on a cash basis and have not been established for the accrual basis of accounting; accruals disclosure is done outside the system; various systems are used across municipalities; and there is no standard chart of accounts.

In terms of the challenges encountered by Financial Accounting Department employees when using the Oracle financial system to implement GRAP standards, Respondent P5 and Respondent P7 mentioned the most challenges. Respondent P2 and Respondent P4 mentioned fewer and Respondent P3 did not mention any challenges because of not being aware of them. Respondent P3 further said that if the Oracle financial system is used appropriately, it can be the solution to GRAP standards implementation. The challenges as mentioned by Respondents P2, P4, P5 and P7 are summarised as follows:

- (a) There are many exceptions encountered in the accounts payable module when closing the account payable monthly, which delays closing the accounts payable transaction monthly.
- (b) No immediate technical response that relates to accounts payable transactions.

- (c) More Oracle consultants do the work of the Financial System Unit. As a result, there is more dependency on them to assist with the Oracle financial system challenges encountered; for example, changing banking details on the Oracle financial system.
- (d) Changes are made to the accounts payable module, especially regarding suppliers, without the knowledge of the Accounts Payable Unit.
- (e) The Oracle financial system was not implemented correctly at the initial stage. The implementation tried to match the configuration of the previous system (BAS), which was designed more for the cash basis of accounting.
- (f) A lack of accrual accounting knowledge and understanding by all employees. Competency is the major skill for implementing GRAP standards, especially for Supply Chain Management employees. Accounting qualifications play a major role in addressing the lack of understanding of financial transactions, such as trial balance. Both the competency and accounting qualifications are critical skills for implementing GRAP standards.
- (g) Resistance to change from a cash basis of accounting to accrual basis of accounting.
- (h) Lack of executive and management support because they do not know the importance of the change.
- (i) Availability of resources (people and finances) to be able to implement the Oracle financial system in all regions.
- (j) Lack of appropriate ICT infrastructure – for connectivity purposes in Head Office and regions – to be able to connect globally with other users of the system.
- (k) There is no accounting person (accountant) in the Financial System Unit to correctly interpret, understand and implement the accounting knowledge and ensure that it is aligned with GRAP standards and the Oracle financial system. Also, to assist end users with accounting- and system-related challenges. Therefore, it is a recommendation that accountants be appointed to the Financial System Unit.

Respondent P7 indicated that Oracle response times to resolve financial accounting challenges reported by the Financial System Unit varies depending on how the challenges are prioritised. The priority ranking according to Respondent P7 is between Priority 1 and Priority 2. Respondent P7 explained that if an issue is security-related (vulnerability of information), it is prioritised as Priority 1, which is resolved in less than 24 hours. Other than that, it takes more than 24 hours. Priority 2 challenges take two days or weeks to be resolved and involve investigations.

Moreover, Respondent P7 indicated that there is a licence agreement that outlines the rights of use: there is a detailed agreement regarding the kind of support based on the kind of licence procured. Respondent P7 said that SASSA gets premium support on both the infrastructure and its implementation because SASSA uses Oracle server as well as the implementation. A dedicated person from Oracle is allocated to SASSA to check if the infrastructure and the implementation thereof are working correctly.

All respondents, namely, Respondent P2, P3, P4 and P5 believed that besides the challenges as mentioned above, the implementation of GRAP standards is beneficial to SASSA. Most respondents believe that the benefits are achievable if all the fundamental issues are addressed, including reassessing the structure of the Financial Accounting Department; employing competent and skilled people; developing internal policies, procedures and processes; and conducting workshops and training to support the implementation GRAP standards.

The benefits derived are summarised as follows:

- (a) Assist in implementing policies that are in line with GRAP standards; for example, cost centres do not follow the correct processes – GRAP standards assist in correcting the cost centres.
- (b) Designed to improve accountability within SASSA for service delivery.
- (c) GRAP standards are report-writing standards that are specific and measurable for preparation and compliance with annual financial statements.
- (d) SASSA is able to prepare annual financial statements and compare the current and previous financial transactions because they understand GRAP standards.

- (e) GRAP standards enable public sector entities to recognise valuable assets that would have otherwise not met the recognition criteria if the Accounting Unit implemented widely used standards such as IFRS.
- (f) GRAP standards ensure that expenditure and liabilities of SASSA are better reflected, which enables better decision-making. This might have been limited if SASSA implemented a cash basis accounting framework.
- (g) Many GRAP standard principles are in line with renowned international financial reporting standards, such as IFRS and IPSAS, which ensures effective use by relevant stakeholders.

In summary, most respondents provided a detailed response to the interview questions as per the themes and sub-themes for objective 2. The research findings as mentioned by respondents on objective 2 mentioned that there are multiple challenges encountered while implementing GRAP standards. The multiple challenges ranges from skills audit not conducted, competency and skills levels of employees and training offered. All respondents believed that besides the challenges mentioned above, the implementation of GRAP standards is beneficial to SASSA. The respondents believe that this could be achieved if all listed challenges could be addressed.

6.2.1.3 Objective 3: Determine the suitability of financial systems

The purpose of Objective 3 was to determine whether the financial systems are appropriate for implementing GRAP standards, which links to the explanation in Chapter 3 and Chapter 4. The interview findings were based on the interview questions informed by the explanation in Chapters 3 and 4, which analyse the appropriateness of the financial systems for implementing GRAP standards.

Keelan (2001) insists on a compliant and sound accounting system platform to ease the implementation of the accrual basis of accounting practices and standards in the public sector. In addition, Arshad *et al.* (2013:294) declare that “the public sector in South Africa needs skilled financial people, new information systems, recording assets in the system, and a change in the mindsets of officials”. Based on the aforementioned, reporting on the accrual basis of accounting practices and standards in the public sector requires an accurate and complete set of financial transactions stated by departments. The intention of section 38 of

the PFMA (1 of 1999) is to increase the availability of the financial information to correctly manage the use of resources, and to perform the related financial management functions, but depended on having the accrual information available and supported by a suitable information system (Treasury Regulations, 2005).

i. Knowledge and understanding of the information system

Respondent P2 was aware that SASSA uses an Oracle financial system, which is a resource planning system, to manage financial information. The system is customised and builds a report according to SASSA operations. According to Respondent P2 the information system reflects the operations and history of decision-making based on available financial data. Additionally, the Oracle financial system is a system of input, processing and output. Generally, an Oracle financial system according to Respondent P2 is flexible and suitable for any organisation's operations and any accounting framework.

Respondent P3 indicated that it is an enabler and solution provider based on integrated information, which has been captured on the system. The system has replaced manual intervention. According to Respondent P4 the information systems are key for collecting, processing, transacting and distributing financial data. For instance, capturing of debt, implementing a receipt where there has been a payment, charging interest, and transferring information to the general ledger. As a result, the information system according to Respondent P4 assists to transact and account for everything and record all financial transactions. Thus, according to Respondent P5's knowledge, the information system is important as it assists employees to communicate or exchange information easily and effectively. In other words, according to Respondent P7 it is a platform with the ability to make an informed decision regarding the financial transactions incurred.

Respondents P2, P3, P4, P5 and P7 indicated that Oracle is an integrated global ERP system that enables management to make informed decisions. According to Respondent P2 the system ensures planning and compliance with local and global policies and reporting frameworks. For instance, managing infrastructure plan building space, building leases, and tracking and ensuring leave management compliance. This information according to Respondents P2, P3, P4 P5 and P7 enables management to make informed decisions to achieve its operations. Importantly, it is more than a database system: it manages the information in the system as well.

Respondent P4 stated that Oracle collects and processes transactions to the sub-ledger and the trial balance. Moreover, it avails the reports and audit trail for financial transactions processed. The system according to Respondent P4 is output driven, but the challenge is the age analysis on payroll because the reports that must be submitted to the AGSA must be reliable and evidence based. Respondent P4 said in fact, it enables management to make decisions.

Respondent P5's understanding is that Oracle is an ERP system that functions as a tool to assist in implementing GRAP standards, which result in correcting financial reporting. Equally important, it is an integrated system that consolidates or links human resources, supply chain management, and different financial modules, unlike the previous financial system. Respondent P7 mentioned that the Oracle financial system is built on reporting frameworks such as IFRS and also GRAP standards, which are used globally.

ii. Importance of implementing the Oracle financial system

Respondents P2, P3, P4, P5 and P7 were asked about the importance of implementing Oracle in the Financial Accounting Department. Respondent P2 and Respondent P5 remarked that it is important as it assists with the implementation of the accrual basis of accounting for reporting purposes and supports the Financial Accounting and all other departments. The flexibility of the system results in planning and financial reporting ability. For example, SASSA has an online leave implementation, which has an impact on the annual financial statements.

According to Respondent P3 the Oracle financial system assists with accurate payment to suppliers, date-tracking, real-time transactions and reporting on performance information. Respondent P4 mentioned that the Oracle financial system complies with and complements the financial policies and procedures. To illustrate, all debtors more than 30 days are charged interest as per the policy.

According to Respondent P7 the system generates, accumulates and provides outstanding leave days and outstanding leases for the period, and automates payment thereof. Therefore, financial reporting becomes accurate to eliminate human error. The system according to Respondent P7 can integrate easily with another reporting system to prepare financial statements that are compliant with GRAP standards.

Respondents P7 highlighted that the financial system enables SASSA to plan the utilisation of resources (people, policy, and finances) and can provide SASSA's financial performance/position. It is therefore important for the Financial Accounting Department to implement the Oracle financial system as this department's role is to 'account' for the finance as utilised by SASSA for fairly reported annual financial statements on resources utilised properly.

iii. Oracle financial system governance

Respondent P5 and Respondent P7 revealed that there are policies, procedures, processes and user manuals available to govern Financial Accounting Department employees to use the Oracle financial system. However, Respondent P2 and Respondent P4 did not think that there are policies, procedures, processes and user manuals, and Respondent P3 was not certain. Respondent P2 considered the policies, procedures, processes and user manuals as more system-driven, which is online. According to Respondent P2 training has not been evaluated yet and, in most cases, training sessions are done on a trial-and-error basis.

Respondent P4 mentioned that the Business Support Centre (BSC) shifted its responsibility. BSC is supposed to be a middle agent between the end users and Oracle consultants. Respondent P4 added that only the Revenue and Debt Unit had policies, procedures, processes, and manuals. Hence, it obtained a clean report from the AGSA on all the reconciliations of the nine regions as the employees have the user manual developed and they were also trained.

Respondent P3 said that, in fact, there is no system controller for the Accounting Unit. The unit relies on Oracle consultants and not the expert employee from the Financial System Unit. Furthermore, Respondent P3 mentioned that a clear role must be defined for the system controllers. It must be explained to employees to avoid using the Oracle consultants too often. Additionally, according to Respondent P3 the Accounting Unit does not have an updated user manual that is aligned with GRAP standards. Respondent P3 recommended that the system controllers should be senior managers because they know all the financial policies with respect to the changes made. In fact, according to Respondent P3 the Financial Accounting Department must take ownership of implementing any changes that are informed from the National Treasury, GRAP standards or relevant prescripts. They must check if all changes made in the system have been done correctly before implementation to avoid incorrect financial reporting.

According to Respondent P5 the policies, procedures, processes and user manuals are useful because they assist Financial Accounting Department employees with using the Oracle financial system effectively to achieve its intentions. Respondent P7 said that the material is accessible, although it is available as online material. However, the policies, procedures, processes and user manuals are still useful to the employees as they can refresh their knowledge and understanding as well as enrol in online training. Respondent P5 added that employees also have an opportunity to review and provide input to the material so that it is relevant and useful for newly appointed employees.

Respondent P7 highlighted that the training material to support the Oracle financial system governance is restricted because passwords are needed to access the training material. The usage of the Oracle financial system material is very low for the end users. Respondent P7 further indicated that Head Office together with the Financial System Unit provide training to all employees within the regions as classroom- or boardroom-based training is preferred.

iv. Suitability of Oracle financial system for the implementation of GRAP standards

According to Respondent P2 the Oracle financial system is useful to Financial Accounting Department employees in the implementation of GRAP standards because it introduced paperless processes. A report is, however, printed for management information. Furthermore, Respondent P2 indicated that the system is consistent with the financial transactions from its initial stage to when the supplier is paid. The system boosts turnaround time for financial transactions and financial reporting, increases accuracy, and validates financial information. Respondent P2 added that it integrates with other departments that influence financial transactions, such as the leave process, which is reported in the annual financial statements because incorrect leave calculation will have an impact on the annual financial statements.

Respondent P3 mentioned that the Oracle financial system is a useful and reliable system, but users must use all its functionality to the fullest because the system accommodates the GRAP standards implementation. Importantly, users must not depend on Oracle consultants for system usage. According to Respondent P3 the business process must inform the Oracle financial system operation. Generally, according to Respondent P3 the system is mostly used by junior employees while senior managers are not concerned with how the system

functions. Respondent P3 mentioned the importance of senior managers knowing what they want the system to produce to make their lives easier.

Respondent P4 explained that GRAP 19 is implemented to the provisions, the journal is processed on the system, and then reversed in the new financial year to process the actual write-offs. Respondent P4 noted that the annual financial statements are prepared correctly. According to Respondent P4 the system and GRAP standards guide the cost centres; for instance, regarding the importance of signing the goods received voucher. Therefore, they understand GRAP standards, which assist with understanding the mistakes cost centres make.

Respondent P7 emphasised that the migration from the cash to the accrual basis of accounting created anxiety and resistance. In addition, Respondent P7 mentioned that in the beginning, employees struggled to understand the accrual basis of accounting. Subsequently, the change management and training provided to the employees assisted with the implementation of GRAP standards. In fact, according to Respondent P7 the system is compliant with GRAP standards and slightly helpful for financial transactions to be accounted for properly, which is important for change management.

Respondents P2, P3, P4, P5 and P7 believe Oracle financial system is an appropriate financial system for the implementation of GRAP standards. Respondent P7 indicated that ERP systems are built on GAAP. For example, GRAP and IFRS are recognised as tools for assisting end users to make decisions. According to Respondent P7 the system further assists to plan and provide a financial report as per the applicable accounting system. Respondent P5 regarded Oracle as appropriate, but only if it is understood and implemented correctly.

In summary, most respondents provided a detailed response to the interview questions as per the themes and sub-themes for objective 3. Most respondents know and understand the importance of information system especially Oracle as an ERP financial system to enable and provide solutions based on integrated information. Some respondents revealed that there is Oracle financial system governance in place for the Oracle financial system to support the implementation of GRAP standards. Even though some respondents indicated that there are some challenges encountered in implementing Oracle financial system modules. All respondents believe Oracle financial system is an appropriate financial system for the implementation of GRAP standards, but only if it is understood and implemented correctly.

6.2.1.4 Objective 4: Determine SASSA's capacity

Objective 4 was set to determine whether SASSA has adequate capacity for implementing GRAP standards, which links to the explanation in Chapter 4. The interview findings were based on the interview questions informed by the explanation in Chapter 4, which analysed the capacity available to implement GRAP standards. The responses from Respondents P2, P3, P4, P5 and P6 relate to SASSA's capacity to implement GRAP standards.

Anthoo (2015:10) notes the following: “public entities are at different levels of maturity; a lack of capacity; a significant change in the process and capabilities; and insufficient guidance and support”. It is critical that the lack of capacity is addressed to ensure that GRAP standards are implemented successfully considering the different levels of maturity of public entities.

Skills audit

i. Knowledge and importance of conducting a skills audit

Respondent P2 and Respondent P6 indicated that a skills audit is important to identify skills gaps and job responsibilities. Equally important, Respondent P3 mentioned that a skills audit identifies a person's competency, improves deliverables, allows restructuring and reviewing of the roles, and increases employee retention. Respondent P3 mentioned that it is important to note that some employees resign because of boredom in their work roles and feeling misplaced in their positions. Respondent P3 added that a skills audit helps the employer to focus on the right training and improve the deliverables of the performance indicators.

According to Respondent P4 a skills audit assists with identifying relevant people in the right posts. A skill audit further helps to prepare training to enhance employees' skills where there are skills gaps. Therefore, according to Respondent P4 it assists in identifying employees and transferring employees where their skills are most needed.

Respondent P6 mentioned that a skills audit allows the job description to define the competency per post and not the individual. A person appointed to a position, therefore, adheres to the minimum requirements of that position. Respondent P6 furthermore said that when appointing a new employee, a need analysis is conducted that measures the competency of the person versus the competency of the position. The skills gap according

to Respondent P6 is then identified, which provides a roadmap for the individual to be trained to match the competency of the position. Therefore, a skills audit identifies the competency and skills needed for a post.

The reasons identified by the Respondent P6 for conducting a skills audit in the Financial Accounting Department are as follows:

- (a) The need to have a person who suits the competency of the position.
- (b) The employee can be trained in the skills gap identified.
- (c) A skills audit is conducted after the person has been appointed.
- (d) Competency comprises knowledge, skills and attributes. When a position is advertised, the applicant needs to have the minimum qualifications for the position. Although their knowledge and behaviour can be assessed during the interview, the necessary skills a person requires cannot always be measured.
- (e) Behavioural competency is measured and not necessarily the skills.

Respondents P2, P3, P4, P5 and P6 were unaware of any skills audit conducted by the Financial Accounting Department, as a result, they were unable to indicate the financial year the skills audit was conducted.

ii. Outcomes of the skills audit conducted

Respondents P2, P3 and P5 indicated that they were informed about the outcome of the skills audit conducted in the Financial Accounting Department, whereas Respondent P4 was uncertain. Respondent P6 mentioned the following outcomes of the skills audit conducted by the Financial Accounting Department:

- (a) Identify the skills needed for the organisation.
- (b) After a skills audit, identify a development plan to best fit the position. The respondent emphasised that it is not an alternative placement of the employee, which can lead to labour dispute/unrest. Instead, the employee was appointed to a specific post for the advertised position. An indication is that alternative placement must be done through the concern of the employee.

- (c) Correct placement is critical during the recruitment process to avoid labour disputes.

iii. Importance of implementing skills audit recommendations

Respondent P2 mentioned that it is important to implement the skills audit recommendations in the Financial Accounting Department in order to allocate employees to the right positions based on their knowledge and skills of GRAP standards. Since there is no retention plan and succession policy, the Financial Accounting Department could lose their current skilled employees.

Respondent P2 indicated that the employees are a risk to SASSA because of their lack of understanding of the implementation of GRAP standards. For instance, employees do not understand the basic principles of GRAP standards, such as the importance of signing the goods received voucher and its impact on the financials. This according to Respondent P2 is mostly informed by not having the right accounting qualifications and skills to do the job.

According to Respondent P3 it is critical for employees to attend training to address all supply chain challenges in order to avoid audit qualification and ensure compliance with GRAP standards. Respondent P3 emphasised that SASSA must have policies in place and ensure that employees are placed in correct posts. Respondent P3 added that for SASSA to adhere to and comply with all GRAP standards and all relevant prescripts, an employee must be appointed who will research and analyse GRAP standards and update all Finance employees on changes made.

Respondent P4 mentioned that employees need to attend training to enhance their skills where there are skill gaps. Identified employees must be transferred to where their skills are most needed. Respondent P4 emphasised that employees must be empowered by retraining to improve productivity in units.

According to Respondent P6 the importance is indicated as addressing the skills gaps identified in the Financial Accounting Department or accounting background; focusing on the lack of the accounting or GRAP standards knowledge; and filling the skill gap by moving employees to the right position. Respondent P6 could not comment on the skills audit

conducted in the Financial Accounting Department, the financial year, and total cost incurred because no skills gap was reported by the Financial Accounting Department.

According to Respondent P4 the disadvantage of not conducting a skills audit is that people are placed in the wrong positions or placed in critical positions without the necessary skills. For instance, people with no accounting skills are placed in positions in which they must prepare annual financial statements, which increases the risk of being qualified by the AGSA. Respondent P4 said that in that case, it puts pressure on those few employees who have the correct skills, which affects leadership, monitoring, direction, and quality checking. As a result, it negatively affects the subordinates to perform their tasks productively. Furthermore, according to Respondent P4 the morale of employees is affected because of a lack of understanding by management.

Respondent P5 indicated political interference and lack of planning as the disadvantages of not conducting a skills audit. To illustrate political interference: according to Respondent P5, ANC veterans are deployed and appointed in some posts while they lack the skills for the job.

Training offered

i. Importance, awareness and usefulness of training offered

Respondent P2 indicated that the importance of the Financial System Unit offering Oracle financial system training to Financial Accounting employees is that the training assists employees to utilise the system effectively and to understand the processes and system performance. Importantly, for useful training, according to Respondent P2 accountants need to be appointed to the Financial System Unit, to assist end users to understand the impact of system requests.

According to Respondent P3 changing mindsets, improving controls, saving costs by automating manual processes, and improving financial reporting are critical. Respondent P3 emphasised that all amounts/balances should come from one source and not from Excel spreadsheets. This will assist all financial modules within the Oracle financial system because the training is done mostly by the Financial System Unit.

Although the departments and business units have training plans in place, Respondent P4 indicated there is no training plan for the Financial System Unit. Training depends on queries raised by the end users and clarity on the implementation of the policies and procedures on the system. Importantly, Respondent P4 highlighted that the Financial System Unit should support the implementation of policies and procedures. This will assist employees in the Financial Accounting Department to know whether a challenge is a system challenge or an accounting challenge. In addition, Respondent P5 mentioned that it assists employees to utilise the system effectively.

Respondent P7 stated that due to changes to SASSA policies and processes, enhancement of the system due to regulatory publications [South African Revenue Service (SARS), Treasury Regulations and GRAP standards], and new employees training and knowledge-sharing are necessary to keep employees updated of developments. According to Respondent P7 training is informed by changes from various sources and the impact on its utilisation.

According to Respondent P7 the challenge is that only a few employees have both accounting and system knowledge. It can be expensive to acquire the required skills. Furthermore, Respondent P7 indicated that these resources are scarce and expensive to maintain. For this reason, private companies offer skilled resources high salaries, which make it difficult for SASSA to acquire these resources.

Respondent P7 recommended that the managers from various departments or business units with the support of the Financial System Unit should provide training to employees because they know their areas and GRAP standards processes better. In addition, new employees can do online training and engage with various departments or business units on the training required and the type of calls logged. According to Respondent P7 this will inform the required training and how it must be conducted. Importantly, the Financial Accounting Department and not necessarily the Financial System Unit must take ownership of the training to be provided to employees.

Respondent P2 and Respondent P3 were aware of the training offered on GRAP standards to the employees in the Financial Accounting Department, while Respondent P4 and Respondent P5 were not aware of the training offered. Respondent P3 emphasised that the training is conducted by an outside company and not the Financial Accounting Department.

Respondent P5 highlighted that no formal training is provided to employees unless it is on their personal development plan.

Although Respondent P5 and Respondent P6 indicated that the Financial System Unit does offer Oracle financial system training to Financial Accounting Department employees, Respondents P2, P3 and P4 said no. According to Respondent P6 when the Oracle financial system was adopted, the initial training was generally conducted per region. Only five or six people were trained per region because of a limited number of people being available. Respondent P6 indicated that reports on the impact on the training were not provided and the statistics were provided only for record purposes.

Respondent P6 further indicated that the training was divided into two parts. The Training Unit facilitated generic training needs identified by executive management and individual training needs identified by the employees. The generic training is strategically aligned with realising the strategic objectives of SASSA and is identified annually. Therefore, according to Respondent P6 financial accounting or GRAP standards training has never been identified as a priority since the establishment of SASSA.

Respondent P6 mentioned that the other part of training is the performance development plan (PDP) training, which is aligned with performance agreements between an employee and a supervisor. It follows that financial accounting training will depend on the need from a supervisor and an employee, which is highlighted in the PDP. According to Respondent P6 if there is an individual or Financial Accounting Department training request, it is facilitated and coordinated by the department concerned and not by the Training Unit. Respondent P6 indicated that the training statistics are sent by the department concerned and the Training Unit will only monitor the training. According to Respondent P6 the focus of employee training programme was more on core programmes such as grants management and not finance programmes because finance plays a support role in SASSA. Furthermore, Respondent P6 mentioned that there is a budget allocated to train all grants management employees.

Admittedly, Respondent P2 indicated that some employees are not appointed at the positions which match with their knowledge, skill, experience and qualification and this creates a challenge to understand the principles of GRAP standards. Respondent P3 emphasised that training offered by the Financial System Unit is per module and is mainly for supply chain

management, accounts payables, payroll, and management accounting units. However, it is uncertain whether the Financial Accounting Department is aware of the operational impact training has on the financial systems. According to Respondent P3 in fact, the Financial Accounting Department only focuses on system training at year end to prepare for the annual financial statements. In addition, Respondent P4 mentioned that there is no scheduled training plan from the Financial System Unit. If training that does take place, it is informed by requests and system queries from the Financial Accounting Department.

Respondent P6 was not aware of the training service providers' views on the understanding of GRAP standards by employees in the Financial Accounting Department and the total costs incurred for offering training on GRAP standards, but indicated that training was only done during the financial year 2010/2011. Respondent P6 highlighted that only Oracle financial system training was conducted and not generic training.

According to Respondent P2 the training was useful because of its good standards, but employees were a challenge because they could not cope with the standard of the training provided by the service provider. The training was useful, but the target audience was wrong because of a lack of knowledge and skills in accounting and incorrect placement of employees. Truly, according to Respondent P2 the training was aimed at employees with an understanding of accounting and the implementation of the accrual basis of accounting.

In the same way, Respondent P3 indicated that the training was useful even though it was conducted by an outside company and not the Financial Accounting Department, but the implementation was tricky. Respondent P3 further said that, in fact, one cannot see the usefulness of the training because SASSA's financials are customised by National Treasury. Respondent P3 added that, generally, the CFO does not do a presentation to all employees within the *Branch: Finance* on how to prepare the annual financial statements and its outcome.

Respondent P5's explained that the training offered by the Financial Unit on the Oracle financial system to the Financial Accounting Department employees was not useful for the implementation of GRAP standards, because it was presented online. Employees prefer classroom training to be able to engage with trainers. Respondent P5 added that the Financial System Unit have developed steps that should be followed during online training, but employees prefer classroom training. Respondent P6 said that training was initially

conducted when the Oracle financial system was implemented and later during the 2010/2011 financial year. According to Respondent P6 the impact analysis was never completed on the usefulness of the training conducted.

ii. Views on training offered

Respondents P2, P3, P4 and P5 were unsatisfied with the number of training offered on GRAP standards. Respondent P2's main reason was that no training was offered because the planned training sessions for the previous two years were cancelled due to the attitude of employees who attended. Respondent P2 indicated the views of the Financial Accounting Department employees on the quality of the training offered on GRAP standards were not good. In addition, Respondent P2 mentioned that there was a very negative attitude from employees who were trained because of a lack of knowledge and skills in accounting. Respondent P2 further said that the employee's view is that training was about something that employees do not implement in the workplace, which is incorrect because they were implementing GRAP standards.

According to Respondent P3 the training was good, and the training covered the understanding of the financial reporting changes and the interpretation of GRAP standards, especially on assets. Respondent P2 and Respondent P5 were satisfied with the quality of the Oracle financial system training offered by the Financial System Unit to the Financial Accounting Department employees. However, Respondent P3 was not satisfied. Respondent P3 could not remember any GRAP standards training offered by the BSC. Moreover, GRAP standards are still a grey area for BSC. Respondent P3 mentioned that for the output to be positive, the BSC should have a system controller who is knowledgeable in accounting and systems.

Respondent P4 indicated that employees included their GRAP standards training needs in their PDPs, but due to budget constraints, the training pertinent to GRAP standards did not take place. According to Respondent P4 this made it difficult to yield a return on investment made on Financial Accounting Department employees for GRAP standards training.

In summary, most respondents provided a detailed response to the interview questions as per the themes and sub-themes on objective 4. Most respondents know the importance of conducting skills audits and provided reasons thereof and provided the reasons and disadvantages thereof. It was clear from most respondents that they were unaware of any skills audit conducted by the Financial Accounting Department. Interesting is that most respondents indicated that they were informed about the outcome of the skills audit conducted. Most respondents were aware of the importance of training but there were different views on the usefulness of the training offered. Most respondents were unsatisfied with the number of training offered on GRAP standards and provided various reasons.

6.2.1.5 General or additional comments

Respondent P1 made additional comments regarding organisational structure development. Respondents P2, P3, P4, P5, P6 and P7 commented about the implementation of GRAP standards.

i. Organisational structure development

Respondent P1's general comments were that there were no negative audit findings regarding how the Financial Accounting Department was structured to implement GRAP standards. According to Respondent P1 the negative audit findings were that more employees had to be appointed to implement GRAP standards. Distortion will be realised if people do not match the qualifications and specialised skills required for specific position. Respondent P1 recommended that a skills audit must be conducted prior to people being appointed to match employees' skills to the position in the Financial Accounting Department structure.

ii. The implementation of GRAP standards

Respondent P2 mentioned that the challenge regarding implementing GRAP standards is that some executive managers, who are mandated to implement the strategic objectives of SASSA and lead and manage employees, do not have the relevant qualifications. However, challenges are similar across all entities. According to Respondent P2 GRAP standards are not in place to respond to service delivery issues and do not measure performance

information. Respondent P2 indicated that recommended GRAP standards will assist all entities regarding service delivery.

Respondent P2 further indicated that SCOPA, for instance, focuses more on compliance with GRAP standards but not on service delivery. SASSA received a qualified audit report from the AGSA in the previous years for fraud committed to the value of R7 million. According to Respondent P2 this was the result of weak internal controls, and the value was reported in the annual financial statements. Respondent P2 highlighted that SCOPA does not ask the relevant questions about the implementation of GRAP standards on fraud money spent. Respondent P2 added that there are not even global standards that evaluate performance.

According to Respondent P2 and P4 the challenge is that the budget is compiled on a cash basis of accounting while the Financial Accounting Department prepares their financial statements on the accrual basis of accounting. Hence, there is a challenge with the rollover of unspent funds. According to Respondent P4 and Respondent P5 it is important that the accrual basis of accounting is implemented even to budget management because in accrual accounting the transactions are recognised immediately when the order is issued and it consumes the budget allocated for that item.

Respondent P5 indicated that this will address the issue of commitments, which mostly affect the budget. Furthermore, Respondent P5 emphasised the need to develop GRAP standards that relate to commitments to clearly understand its meaning and treatment of commitments. Respondent P4 recommended that the Oracle system must be configured to accommodate accrual accounting for budget management. In contradiction, Respondent P7 indicated that Oracle financial system can implement accrual budget management using the single or multiple year systems or capability.

According to Respondent P2 the focus is only on the interpretation of GRAP standards. Respondent P2 added that the Financial Accounting Department should continue interpreting GRAP standards on a yearly basis to avoid the interpretation only being attended to when the annual financial statements are prepared.

According to Respondent P3 it is critical to do a skills audit. Respondent P3 added that fear of rank plays a major role because unqualified employees are appointed to Finance Branch positions. Furthermore, Respondent P3 mentioned that some employees have an accounting

qualification, but the challenge is to implement and understand GRAP standards. Therefore, according to Respondent P3 the right qualifications and skills are critical.

A general comment from Respondent P4 and Respondent P5 is that higher education institutions teach the implementation of accrual accounting but when people are appointed, they are not able to implement what they have been taught at colleges and universities because the government implements the cash basis of accounting. Respondent P4 stated that the government must relook the current school of governance in place. Currently, although public entities and departments employees attend the same accounting course, Respondent P4 mentioned that public entities and departments implement different types of accounting, such as the cash basis of accounting and accrual basis of accounting.

According to Respondent P5 the mandate of SASSA must firstly be reviewed before a structure is developed. The challenge according to Respondent P5 is that SASSA has already placed people incorrectly in posts. Although the Financial Accounting Department structure is adequate, Respondent P5 suggests the review of the appointments made. In fact, according to Respondent P5 most employees are from the Department of Social Development and they have been placed incorrectly in posts. Respondent P5 indicated that employees fear losing their jobs because of the skills audit. Therefore, it is critical according to Respondent P5 for management to explain the objectives, advantages and disadvantages of the skills audit properly.

Respondent P5 highlighted that although recruitment is advertised correctly to recruit the right people for the job, the challenge is that due to political interference, the requirements are not adhered to when people are appointed. Human resource policy implementation is not fairly implemented at all and depends on the status of an individual. For example, a chief director has to have an honours degree, but the person appointed in the post does not have that required degree.

According to Respondent P5 relevant qualifications and required skills assist employees with doing their work well. Respondent P5 emphasised that SASSA needs people who know government processes and the accrual basis of accounting. However, most employees in Financial Accounting Department posts came from the Department of Social Development, hence they only know government processes and not the accrual basis of accounting.

The other challenge mentioned by Respondent P5 is that government officials do not have knowledge of GRAP standards. Respondent P5 indicated that GRAP standards are not really helping in measuring the mandate of SASSA. In addition, Respondent P5 highlighted that there are many instructions or prescripts from National Treasury that do not agree or align with GRAP standards. As a result, employees in public entities are confused. For example, a circular or guidance from National Treasury stated that if SASSA gets any kind of service from any government department, it must be considered as a claim. However, according to Respondent P5 a claim according to the National Treasury is a sundry payment.

Respondent P5 highlighted that GRAP standards will be useless if not implemented correctly and decision makers need to be made aware of the importance of GRAP standards. GRAP standards training is key to all employees within the Finance Branch to understand the GRAP standard's importance and implication if not implemented.

According to Respondent P6 training is currently a priority, mostly in grants management, and there is a budget available for core employees to be trained. Furthermore, Respondent P6 indicated that the Finance, Human Resource, and Supply Chain Management Units are support structures that need to adhere to and comply with legislation and other prescripts. According to Respondent P6 the weakness is that the training needs of support units are escalated as a high priority based on the audit report from AGSA, whereas the internal control weaknesses are identified on GRAP standards.

Respondent P7 recommended that clarity must be provided on the role and function of the Financial System Unit. Respondent P7 highlighted that due to the high demand and competition for system specialists in the market, very high salaries are paid, which necessitates a review of salary structures. Respondent P7 added that designations further create a challenge as public salaries are still based on Department of Public Service and Administration salary scales. In addition, Respondent P7 mentioned that the private sector is not as interested in assigning special job titles as the government is, but rather to employ specialists and pay them market-related salaries. Respondent P7 recommend that to reduce the reliance on consultants, a plan should be put in place to retain interns with the right qualifications. Respondent P7 further recommends that a board should be in place to address the structuring of salaries.

In conclusion, the general comments made by respondents emphasise on detailed responses provided by most respondents to the interview questions as per the themes and sub-themes on objective 1 to 4. More emphasis was on the importance and procedures to be followed for organisational structure and risks of not structuring the organisation correctly and timeously. Various views were provided by most respondents on the competency and skills level of employees to implement GRAP standards. There is an indication that there are multiple challenges encountered by SASSA on the implementation of GRAP standards. The recommendation and emphasise is that these challenges need to be addressed for GRAP standards implementation in the public sector.

6.3 ANALYSIS OF THE INTERVIEW FINDINGS

Smith (cited by Lehmann *et al.*, 2019:4) describes thematic analysis as “an interpretative approach to qualitative research based on categorising data into particular themes, with the aim of grasping the complexity of meanings of the phenomenon under study”. Smith’s description was supported by Braun and Clarke (Cited by Lehmann *et al.*, 2019:2) – the thematic analysis can “facilitate the description and categorisation of the data as a basis for further interpretations and theoretical developments”. According to Braun and Clarke (cited by Lehmann *et al.*, 2019:4), “there are several variants to thematic analysis, such as inductive, deductive or semantic approaches. One of the main benefits of using thematic analysis is that it is a highly flexible framework within which to work”.

The thematical analysis was conducted by implementing the inductive approach to the predetermined themes as mentioned in Section 5.5.1 for the purpose of in-depth analysis. For simplicity and flexibility in the analysis, the four themes relevant to the interview questions were further categorised into sub-themes linking them to the research objectives as mentioned in Chapter 1. The main purpose is to determine whether the research objectives have been addressed. For simplicity and flexibility in the analysis, the interview responses based on the categorised interview questions were consolidated as per the study objectives.

Section 5.9 explained that Atlas.ti was used to analyse the interview responses. According to Contreras (2015:3) this software facilitates the qualitative analysis of research data, which makes the analysis process organised, transparent, integrated and grounded in evidence. “Atlas.ti facilitates the triangulation of research data generated through multiple methods of data collection, such as semi-structured interviews, observations, and literature reviews”

(Contreras, 2015). Importantly, “Atlas.ti facilitates the triangulation of research data generated through multiple methods of data collection, such as semi-structured interviews, observations, and literature reviews” (Contreras, 2015). Further, a triangulation of the literature review, interview findings and observation of SASSA annual reports was performed based on the themes identified from the interview responses, and a clear pattern has evolved that there are challenges encountered by SASSA for implementing GRAP standards.

According to Charmaz (cited by Bhattacharyya *et al.*, 2018:7), there are different levels of codes used. Some codes were selected because of their significance and the overarching research questions. The codes emerged through an inductive process of collapsing codes into categorical themes and analysis of the relationships between codes. In this study, Atlas.ti assisted in aggregate qualitative data by creating codes associated with similar responses. The ‘free coding’ method was used to create additional codes that align with the interview questions as the data is analysed. This is helpful when identifying new themes or groups of data that are emerging through the analysis process. The interview responses were read in detail and associated with the correctly created codes. Similar responses were grouped together to identify similar trends or themes, which assisted in writing up the actual analysis. The quotations were linked to the created codes on the interview responses. Therefore, the researcher was able to identify themes and common trends in data that has been generated.

6.3.1 Objective 1: Analyse the implementation of the GRAP standards

Objective 1 was formulated to analyse the implementation of GRAP standards, which link to Chapters 2, 3 and 4. The analysis of Objective 1 reflected on both the Financial Accounting Department structure and GRAP standards implementation.

6.3.1.1 Organisational structure development

The analysis was distilled using the interview findings from Respondent P1. Section 5.8 explained that the selected Respondent P1 is a representative of the Human Resource Department who specialises in organisational structure development within SASSA and the functions are centralised in Head Office. This reflects the importance of the selected respondent because of his seniority, skills, immense knowledge and years of experience needed to provide rich information for in-depth analysis.

An organisation's strategy determines how the organisational structure must be developed to ensure that the organisational strategy is realised. Grant (2013:147) highlights that strategy implementation encompasses the entire design of an organisation. Based on this definition, the organisational structure therefore follows the organisational strategy. The organisational strategy informs the required human resources by developing an organisational structure to realise the mission, vision, values, strategic goals and objectives, and performance indicators of the organisation.

According to Thompson *et al.* (2010:394) the structure of an organisation depends on the firm's size, complexity and strategy. Although the organisational structure can be changed, the changes are informed by various factors affecting the organisation; for example, the organisation's growth and strategy change. Furthermore, Cascio and Aguinis (2011:6) indicate that although many factors drive organisational structural change, none is considered more important than another. This implies that management needs to prioritise factors that require organisational change, such as implementing GRAP standards to adhere to and comply with National Treasury instructions or directives.

Respondent P1's knowledge about the importance of having an organisational structure was explained comprehensively, which emphasises the importance of setting a strategy. Thereafter, a structure is developed, which explains how to achieve the strategy and how the structure aligns with the strategic plan. Respondent P1 explained that the structure depicts and outlines the different human resources required for human resource planning to achieve the objectives, which are aligned to the strategy and the delegation of authority. Consequently, the structure outlines the lines of authority and the patterns of communication.

According to Respondent P1 the structure outlines the aim of the various units within a department as well as the number of departments required. In addition, the structure outlines the salary levels of the individual posts together with the number of posts within a specific unit. According to Respondent P1 SASSA has a formal structure with formal communication channels. As far as the location of decisions is concerned, Respondent P1 mentioned that the structure shows the location of the decision centres within the organisation.

Respondent P1 is knowledgeable and understands the important factors that lead to organisational restructuring, such as strategy, work processes, economic environment, merging of departments and legal mandate. Respondent P1 indicated that the restructuring

of an organisation is mostly informed by any of these factors or a combination thereof. The structure reflects the organisation's intent and purpose and assists in implementing GRAP standards.

As far as changes made to the strategy, Respondent P1 emphasised that a review of the strategy is needed. It should be conducted during the MTEF period to determine the alignment of the current structure with the strategy. Regarding the changes made to the work processes, Respondent P1 highlighted that restructuring SASSA was critical because the work process needed to be changed. Respondent P1 indicated that previously, SASSA's mandate has only been grants administration. Now it must comply with and implement its full mandate, which relates to comprehensive social security management and includes payment of grants, which was outsourced previously. Importantly, if the employees as per the organogram are still aligned, then the mandate followed becomes compelling. SASSA is therefore obliged to restructure and check the relevancy of the current structure. In addition, Respondent P1 stated that the remit of the Financial Accounting and Information Technology Departments change because of the comprehensive implementation of the SASSA mandate. As a result, SASSA changes how it deals with all its clients.

According to Respondent P1 the economic environment in which SASSA is operating is changing because the budget plays an import part, which results in downsizing in terms of the number of available different departments within SASSA. The downsizing of the number of available different departments informs the reprioritisation of the budget allocation to various departments to implement SASSA's mandate. Thus, according to Respondent P1 it is critical to determine the levels needed to perform the comprehensive mandate of SASSA. As far as merging the different departments and legal mandate, Respondent P1 demonstrated that all social cluster departments need to be under one department depending on parliamentary mandate or directive. Respondent P1 further mentioned that Parliament plays an important role in terms of how the entities are structured because of the mandate that must be aligned with the strategy. It also plays an important role in how SASSA is restructured to achieve its intended strategic objective.

Unfortunately, Respondent P1 was not aware of any structural changes that have been made in the Financial Accounting Department since SASSA has been established up to the financial year 2017/2018. As a result, no reasons could be provided for the structural changes

in the Financial Accounting Department and the benefits thereof. In this case, the initial structuring of the Financial Accounting Department covered all units needed to be able to achieve the set strategic objective of the Financial Accounting Department.

6.3.1.2 The implementation of GRAP standards

The analysis is based on findings from Respondents P2, P3, P4 and P5. Most respondents understand what GRAP refers to, as well as its intention and purpose. In addition, they know who use GRAP, and what it does in terms of the financial activities of SASSA. According to most respondents GRAP was established by ASB in line with PFMA (1 of 1999) to ensure consistent and comparable financial reporting across all spheres of government. However, according to Respondent P3 GRAP is currently only implemented by municipalities and some government entities. It is a revolving and progressive process that is modified as and when necessary.

However, according to Respondents P2, P3, P4 and P5, there are challenges to GRAP standards implementation. These include limited knowledge, which is only gained from work experience and self-reading of the applicable standards. Arshad *et al.* (2013:294) declare that “it is possible that a lack of appropriate knowledge and understanding of IPSAS may reduce employees’ ability to understand the potential benefits of implementing IPSAS when preparing and presenting financial statements”.

Importantly, most respondents mentioned that the requirements of GRAP standards are not incorporated into the Financial Accounting Department’s processes and policies to ensure compliance. All respondents highlighted the importance of Financial Accounting Department employees implementing GRAP standards. The emphasis from all respondents is on preparing accurate and credible annual financial statements that can be compared with the statements of other public entities that implement GRAP standards. Therefore, most respondent emphasised that adhering to and complying with GRAP standards circumvent the audit findings and negative audit opinion from the AGSA. Most respondents indicate that GRAP standards assist with public sector uniformity when preparing annual financial statements.

Most respondents mentioned that policies, procedures, and processes have been developed to assist their employees with implementing GRAP standards. However, most respondents

indicated that only a few workshops have been conducted by the external service provider or National Treasury, and none by the Accounting Unit. The workshops strengthened internal controls to improve the effective use of resources. According to most respondents the workshops further assisted those employees who do not have an accounting background to easily understand the changes in the recording and reporting of financial transactions. The challenges mentioned by most respondents are that there is high employee turnover and that skills are scarce.

Respondents P2, P3, P4 and P5 are knowledgeable about the availability of policies, procedures, and processes. They imply that they do understand the importance and usefulness thereof. However, according to the respondents there are some policies, procedures and processes that do not align with GRAP standards. There were different thoughts regarding the competency and skills of employees in the Financial Accounting Department to implement GRAP standards. Most respondents think that employees are semi-competent and skilled. The implication is that some employees do not have an accounting background to effectively implement GRAP standards. Hence, the internal control weakness as highlighted by the AGSA. In terms of the report from AGSA (2014) a great number of critical posts in Finance are not filled, which results in a lack of competent employees.

In summary, the analysis on objective 1 reflects the knowledge and understanding of Respondent P1 on the important factors that lead to organisational restructuring which are critical because it depicts and outlines the different human resources required for human resource planning to achieve the objectives, which are aligned to the strategy and the delegation of authority. One of the key activities is to first conduct need assessment and resources. This ensures proper alignment of all resources for the implementation of GRAP standards. The type of organisation structure chosen is critical because it determines the communication channel followed for decision-making. It is critical to know the intention and purpose of GRAP for the proper implementation of its standards in the public sector. The important activity is to establish GRAP standards governance structures to plan and address all matters relating to GRAP standards implementation in the public sector.

6.3.2 Objective 2: Determine the challenges and benefits of implementing GRAP standards

Objective 2 was formulated to determine the challenges that have been encountered while implementing GRAP standards, as well as the potential benefits thereof and the lessons learned, which links to the explanation in Chapters 2, 3, and 4. The in-depth analysis of Objective 2 includes interview responses received from Respondents P2, P3, P4, P5, P6 and P7.

Ofeogbu (2014:111) notes that some of the challenges concern the accounting system, available accounting skills, understanding and interpretation of the accounting standards, and the public officer's attitude. The challenges encountered by SASSA for the financial year 2011/2012 to 2015/2016 as reflected in the audit report issued by the AGSA reflect there is a lack of GRAP standards knowledge, skills and experience from *Branch: Finance* employees.

According to most respondents, the challenges encountered include implementing the skills audit recommendations in the Financial Accounting Department; improving the competency and skills level of the Financial System Unit employees by offering Oracle financial system training; and helping employees in the Financial Accounting Department with Oracle financial system accounting challenges encountered. Most respondents added that the competence and skills level of Financial System Unit employees differ. As a result, their response rate to resolve financial accounting challenges reported by the Financial Accounting Department varies. Oracle's response rate for resolving financial accounting system challenges reported by the Financial System Unit also varies.

Most respondents think that employees in the Financial Accounting Department do experience challenges when implementing GRAP standards. Although some respondents mentioned more or fewer benefits, the benefits mentioned were similar. Therefore, most respondents are aware and knowledgeable about the challenges encountered and the lessons for improvement. The respondents who mentioned too few challenges reflected that they might not know and understand GRAP standards.

Consequently, it is clear that some respondents understand the challenges, whereas other respondents do not know and understand the importance of implementing GRAP standards. Some of the similar challenges mentioned include: resistance and reluctance to conduct a skills audit due to a fear of losing their jobs; lack of financial accounting and Oracle financial system knowledge; limited training on GRAP standards and the Oracle financial system; lack of capacity in the Financial System Unit, therefore more usage of the Oracle consultants; too much customisation of the Oracle financial system, which results in the system being perceived as complex; and lack of capable ICT infrastructure for connectivity. These challenges are a concern and need to be addressed to ensure the implementation of GRAP standards with the hope of realising the potential benefits thereof.

Most respondents had different thoughts regarding the competency and skills of employees in the Financial System Unit. System-related or technical challenges are referred to Oracle to be resolved. Most respondents mentioned that the perceived response rate ranged from minutes, hours to days depending on the nature of the challenge or type of calls. Most respondents added that Oracle consultants are used for technical queries because there is a contract in place to support and maintain the Oracle financial system.

Most respondents highlighted the risk of not timeously responding and resolving the hold financial transactions on the Oracle financial system affect the accurate financial reporting for service delivery. Furthermore, most respondents indicated that too much customisation of the Oracle financial system resulted in issues being escalated to the Oracle technical team for assistance. Most respondents mentioned that the use of the Oracle consultants informed the response rate, which ranged from minutes, hours, days, to weeks depending on the nature of the challenge or type of calls made. Respondent P7 added that security-related calls (vulnerability of information) are prioritised as Priority 1 calls. Furthermore, Respondent P7 mentioned that Oracle consultants prioritise Priority 1 calls and work until they are resolved, while the other priorities are investigated first before being resolved.

Respondent P7 indicated that there is a licence agreement that outlines the rights of use and a detailed agreement on the kind of support to be provided. Respondent P7 mentioned that SASSA gets premium support on both the system infrastructure and the implementation. According to Respondent P7 there is a dedicated person from Oracle to check if the system infrastructure and the implementation thereof are working correctly.

Respondents P2, P3, P4 and P5 believed that besides the challenges encountered, the implementation of GRAP standards is beneficial to SASSA. They believe that it is achievable if all the fundamental issues are addressed, such as restructuring the Financial Accounting Department, employing competent and skilled people, developing internal policies, procedures and processes and workshops, and conducting training to support the implementation GRAP standards.

In summary, the analysis on objective 2 reflects that there were multiple challenges encountered ranging from skills audit not conducted, competency and skills levels of employees and training offered. It is important for other government departments and public entities that intend to implement GRAP standards to regularly inform employees about the intention and time to conduct skills audits and provide employees with feedback on the outcome of the skills audit. Also, it is critical to determine if adequate capacity is available for implementing GRAP standards considering the different levels of maturity of government departments and public entities. Skills audit and choosing the type of training needed for employees are key aspects of understanding and interpreting GRAP standards implementation. The type of people or service providers to conduct the workshops and training eliminates both the challenges encountered on quality and the number of workshops and training on the GRAP standards and ERP financial system for GRAP standards implementation.

6.3.3 Objective 3: Determine the suitability of financial systems

The purpose of Objective 3 was to determine whether the financial systems are appropriate for implementing GRAP standards, which links to the explanation in Chapter 3 and 4. The in-depth analysis includes responses received from Respondents P2, P3, P4, P5, and P7.

Keelan (2001) emphasises that a relevant accounting system platform is critical to ease the implementation of the accrual basis of accounting practices and standards in the public sector. The intention of section 38 of the PFMA (1 of 1999) is to increase the availability of the financial information to correctly manage the use of resources, and to perform the related financial management functions, but this will depend on having the accrual information available and supported by a suitable information system (Treasury Regulations, 2005).

Keelan (2001) remarks that “skilled employees and implementing new practices for managers are all splendid, but lacking the overhauling and upgrading of the system, the project to implement the accrual basis of accounting will not be successful”. More importantly, the necessity of introducing user-friendly financial systems is the core of the successful implementation of the accrual basis of accounting practices and standards in the public sector.

Undoubtedly, most respondents are knowledgeable about the importance of the information system. They know that the information system ensures that appropriate data is collected from the various sources and processed for output. They fully support that implementing GRAP standards requires a reliable information system to accumulate and analyse data used for optimal financial planning and forecasting decisions.

Generally, most respondents know and understand that the Oracle financial system is an ERP system that has been customised to suit SASSA’s financial needs. In addition, most respondents understand that the Oracle financial system is used as a tool to record and account all financial transactions on the accrual basis of accounting, thus it assists in reporting correctly according to GRAP standards. Furthermore, most respondents added that the Oracle financial system is an enabler and solution provider based on integrated information, which has been captured on a system. Most respondents indicated that the system has replaced manual intervention.

Importantly, most respondents mentioned that it is more than a database system: it manages the information in the system as well. Furthermore, most respondents indicated that the Oracle financial system is built on reporting frameworks such as the IFRS and GRAP standards, which are used globally. They mentioned that Oracle financial system is output driven. According to most respondents the financial reports that must be submitted to the AGSA must be reliable and evidence based. In fact, according to most respondents the Oracle financial system enables management to make informed decisions.

According to most respondents the importance of implementing the Oracle financial system in the Financial Accounting Department is that it has different financial modules for the different functions, which then posts all the financial transactions to the general ledger module, which is key to financial accounting. Therefore, most respondents mentioned that employees are more efficient, deliver in less time, and there are neither redundant tasks nor

data duplication. Most respondents indicated that collaboration is better across SASSA, the operation is more controlled, and the cost is reduced. In addition, they highlighted that the Oracle financial system further eliminates human error. Most respondents indicated that the system can integrate easily with other reporting systems to prepare financial statements that are compliant with GRAP standards. Most respondents mentioned that the Oracle financial system enables SASSA to plan the use of resources (people, policy, and finances) and can provide a financial performance/position of the organisation.

There were different views about the availability of the policies, procedures, processes and user manuals available to govern the Oracle financial system usage in the Financial Accounting Department. The different views reflect that some respondents do understand its importance and usefulness, while other respondents do not. However, there are challenges such as the policies, procedures, processes and user manuals that have not been evaluated yet and, in most cases, training sessions are done on a trial-and-error basis.

Most respondents think that the Oracle financial system is useful in the implementation of GRAP standards in the Financial Accounting Department. They explained Oracle's usefulness in detail such as an ERP financial system with various system models available to support the implementation of GRAP standards and user-friendly financial system which results in easier capturing and accurate reporting of all financial and non-financial transactions incurred for the year. Most respondents think that the Oracle financial system is an appropriate financial system for implementing GRAP standards. Most respondents know and understand the importance of implementing the Oracle financial system correctly, which also implies that they do understand its usefulness. Arshad *et al.* (2013:294) declare that "the public sector in South Africa needs skilled financial people, new information systems, recording assets in the system, and a change in the mindsets of officials".

In summary, the analysis of objective 3 reflects the knowledge and understanding of most respondents on the importance and usefulness of the information system in an organisation. It is important for other government departments and public entities that intend to implement GRAP standards to consider implementing an ERP financial system like Oracle. The ERP financial system is output driven system that integrates easily with other reporting systems to prepare financial statements that are compliant with GRAP standards, enable and provide reliable evidence solutions based on integrated information to accumulate and analyse data

to be used by management for optimal financial planning and forecasting informed decisions. It is important to establish governance structures for the ERP financial system to support the implementation of GRAP standards before the ERP financial system is implemented. The rationale is to ensure that no or few challenges are encountered during the implementation of GRAP standards. ERP financial system like Oracle are recommended and regarded as an appropriate financial system for the implementation of GRAP standards, but only if it is understood and implemented correctly.

6.3.4 Objective 4: Determine SASSA's capacity

Objective 4 was set to determine whether SASSA has adequate capacity for implementing GRAP standards, which links to the explanation in Chapter 4. The analysis emphasised the capacity available to implement GRAP standards. The in-depth analysis includes responses received from Respondents P2, P3, P4, P5 and P6.

Anthoo (2015:10) notes the following: “public entities are at different levels of maturity; a lack of capacity; a significant change in the process and capabilities; and insufficient guidance and support”. It is critical that the lack of capacity is addressed considering the different levels of maturity of public entities.

6.3.4.1 Skills audit

Undoubtedly, most respondents are aware and knowledgeable about the importance of conducting a skills audit. Furthermore, it was elaborated that it is important for SASSA to determine the skill level of its employees by assessing individuals by testing knowledge, competency and implementation. More importantly, most respondents know that a skills audit assists in determining competency, skills gap and job responsibilities, and identifying experts, challenges and training needs of employees.

Most respondents indicated that a skills audit measures and records competency and skills for both the individual and the group; therefore, it determines the knowledge, competency and skills the department has and requires. Thus, according to most respondents a skills audit ensures that appropriate people are appointed in relevant posts, which improves the deliverables of performance indicators. According to most respondents some employees resign because of boredom in their work roles and feeling misplaced in their positions. Most

respondents mentioned that a skills audit can help SASSA to focus on providing the right training to suit the competency of the position, identifying qualifications, testing knowledge and behaviour, and measuring the necessary skills person a requires for a position.

Although some respondents are aware of the skills audit conducted by the Financial Accounting Department, most of them are not aware. Those respondents who are aware indicated that the skills audit was only conducted in the financial years 2008/2009 and 2011/2012. Hence, the Financial Accounting Department does not conduct a skills audit when necessary to determine the skill level of its employees. Thus, most respondents think that the training needs of the Financial Accounting Department employees are not determined to upskill the current employees and determine the relevant people to be placed in the right vacant posts to improve the deliverables of the performance indicators.

Respondent P6 indicated that even if a skills audit is conducted, employees are not even informed about its outcome, recommendations, the financial year, and the total costs incurred. Therefore, it seems as if the skills audit is not taken seriously. According to Respondent P6 the managers need to identify a development plan to best fit the position, which must be communicated thoroughly to Financial Accounting Department employees. Respondent P6 emphasised that it must be explained that it is not an alternative placement, which can lead to a labour dispute/unrest because the employee was appointed to a specific post for the advertised position, hence appointed. An indication is that alternative placement must be done through the concern of the employee.

Most respondents indicated the importance of implementing recommendations from a skills audit is to assist in conducting training that is specific to the employee's remit; to monitor whether the training assists employees in their daily activities; and to address the potential loss of current skilled employees since there is no retention plan and succession policy.

According to Respondent P4 and Respondent P5 the disadvantages of not conducting a skills audit are a lack of planning, political interference and wrong placement of employees. The two Respondents P4 and P5 mentioned that people are placed in the wrong positions or placed in critical positions without the necessary skills. In addition, Respondent P4 and Respondent P5 highlighted that it puts pressure on those few employees who have the correct skills, which affects leadership, monitoring, direction, and quality checking. As a result, the two Respondents P4 and P5 indicated that it negatively affects the subordinates to perform

their tasks productively. Furthermore, the two Respondents P4 and P5 mentioned that the morale of employees is affected because of a lack of understanding by management.

6.3.4.2 Training offered on GRAP standards and Oracle financial system

Keelan (2001) demonstrates that a conducive working environment is significant for training existing and new financial employees with the intention of addressing inadequate accounting skills and a lack of understanding of the accrual-based information. Arshad *et al.* (2013:294) declare that the public sector in South Africa needs skilled financial people and new information systems. More importantly, the necessity of skilled employees is the core of the successful implementation of the accrual basis of accounting practices and standards in the public sector.

Most respondents are aware of the training offered on GRAP standards and the Oracle financial system. According to most respondents the training offered by a service provider was mostly covered by the personal development plan of the employees. Most respondents added that the training offered on GRAP standards was useful for the accrual principle in terms of timing and recognition. It covered all the recording of transactions as well as reporting aspects required by GRAP standards. Furthermore, most respondents added that there was a substantial improvement in the performance by the province and the unit, which was measured by improvement in the quality of the audit performance.

Respondent P2 and Respondent P3 mentioned that there were some challenges to realise the usefulness of the training. Respondent P2 highlighted that these included employees not coping with the standard of the training provided by the service provider, which was due to a lack of knowledge and skills in accounting, and because they were placed incorrectly. According to Respondent P3 SASSA's financials are customised by National Treasury. The format/reporting is complex: SASSA's operation is not changing and financial reporting is not flexible. Respondent P3 further added that generally, the CFO does not do a presentation to all employees within the *Branch: Finance* on how to prepare the annual financial statements and its outcome.

Due to the challenges mentioned above, most respondents were not satisfied with the training offered to implement GRAP standards. Respondent P2 emphasised that no training was offered because the planned training sessions for the previous two years were cancelled due

to the attitude of employees who attended. The views of most respondents on the quality of the training offered are that the training assisted with the daily performance of the work and gave a better understanding of GRAP standards. Though most acknowledged and appreciated the training, the feeling was that the training was insufficient based on the number of years implementing the cash basis of accounting and the transition to GRAP standards. Respondent P2 emphasised that but the training must be current with changes in the reporting and the interpretation of GRAP standards, especially on assets.

According to Respondent P6 the views of the training service providers on the understanding of GRAP standards by employees in the Financial Accounting Department were not provided. The total cost incurred for offering training according to Respondent P6 was not known, but it was indicated that training was only done during the financial year 2010/2011. According to Respondent P6 only Oracle financial system training was conducted and not generic training.

Generally, most respondents are aware and knowledgeable about the importance of the Financial System Unit offering Oracle financial system training. It is further important according to most respondents to manage the system and render advice and support; to know how financial transactions are generated behind the system in terms of credit and debit; and to offer regular training for the Accounting Unit as they are the last point in the ERP process. Most respondents mentioned that every financial transaction ends up in the general ledger, which then informs the annual financial statements. Therefore, there is a need to understand all the financial modules that affect the annual financial statements.

According to Respondent P7 the changes made to SASSA policies and processes, the enhancement of the system due to regulatory publications (SARS, Treasury Regulations and GRAP standards), as well as new employees necessitate training and knowledge-sharing to keep employees updated of developments. In addition, Respondent P7 indicated that the Financial System Unit plays a monitoring role in the effective use of the system and must proactively take corrective measures where challenges are encountered and assist employees to use the system effectively. New employees according to Respondent P7 can do online training and engage with various departments or business units on the training required and the type of calls logged in respect of challenges encountered on the Oracle financial system

implementation. Respondent P7 indicated that this informs the required training and how it must be conducted.

Respondent P7 highlighted that clarity and clear understanding is provided by Oracle financial system specialists, especially for system enhancements or on new system implementations. Furthermore, according to Respondent P7 the system training was conducted in line with the predetermined needs of SASSA based on the skills level, with the use of the Oracle consultants. Respondent P7 indicated that the system training was useful for ensuring the rollout and implementation of the system and the transition from the old financial systems to the new financial system.

Most respondents from the Financial Accounting Department had contradicting views on the satisfaction of the quality of the training offered on the Oracle financial system. Most respondents mentioned that the quality of training was not good enough to enable employees to support the implementation of GRAP standards. In addition, most respondent recommended that employees must be provided with an opportunity to rate the training offered to address weaknesses.

Some challenges were identified by most respondents, such as no scheduled training plan and a limited number of employees available to attend the scheduled training. This according to most respondents creates challenges for offering quality Oracle financial system training, which results in more system calls being logged. According to Respondent P5 the training was not useful because it is online. Respondent P5 mentioned that employees prefer classroom training to be able to engage with the trainers. According to Respondent P5 steps have been developed by the Financial System Unit that should be followed during online training, but employees prefer classroom training. According to Respondent P6 training was, in fact, initially conducted when the Oracle financial system was implemented and later during the 2010/2011 financial year. The impact analysis according to Respondent P6 was never completed on the usefulness of the training conducted.

According to Respondent P7 the challenge is that only a few employees have both accounting and system knowledge. Respondent P7 mentioned that it can be expensive to acquire the required skills. Furthermore, according to Respondent P7 these resources are scarce and expensive to maintain. For this reason, private companies offer them high salaries and it is hence not easy for SASSA to acquire these resources. Respondent P4 mentioned

that employees included the training needs in their PDP, but the training offered did not yield a return on investment due to budget constraints.

In summary, the analysis on objective 4 reflects the knowledge and understanding of most respondents on the importance and usefulness of conducting skills audit in an organisation especially regarding the implementation of GRAP standards. It is important for other government departments and public entities that intend to implement GRAP standards to regularly inform employees about the intention and time to conduct skills audits and provide employees with feedback on the outcome of the skills audit. Also, it is critical to determine if adequate capacity is available for implementing GRAP standards considering the different levels of maturity of government departments and public entities. Skill audit and choosing the type of training needed for employees are key aspects of understanding and interpreting GRAP standards implementation. The type of people or service providers to conduct the workshops and training eliminates both the challenges encountered on quality and the number of workshops and training on the GRAP standards and ERP financial system for GRAP standards implementation.

6.4 GENERAL OR ADDITIONAL COMMENTS

The general comments from respondents were mostly on the challenges encountered by SASSA to implement GRAP standards. Some respondents proposed recommendations to address the challenges encountered by SASSA. Respondent P1 felt that the Financial Accounting Department structure is fine, but needs people who know both the government processes and the accrual basis of accounting. The Respondent P2 mentioned that the challenges encountered by SASSA on the implementation of GRAP standards are similar to all public entities. The challenge mentioned by Respondent P2 is that some executive managers do not have the relevant qualifications to implement the strategic objectives of SASSA. Service delivery and performance information are not measured because of non-availability of GRAP standards, which is a global challenge.

Respondent P2 indicated that oversight bodies such as SCOPA do not emphasise the importance of service delivery and do not ask relevant questions about how the money is spent. They focus more on compliance with and interpretation of GRAP standards. In addition, Respondent P2 indicated that the Financial Accounting Department focuses annually on GRAP standards interpretation when preparing the annual financial statements.

Moreover, Respondents P2, P4, P5 and P7 emphasised that the budget is not prepared on the accrual basis of accounting while the Financial Accounting Department prepares the annual financial statements on the accrual basis of accounting. Hence, there is a challenge with the rollover of unspent funds.

Respondent P3 indicated that fear of the rank plays a major role because unqualified employees are appointed to Finance Branch positions because they did not meet recruitment criteria as per Human Resource policies. Furthermore, some employees have an accounting qualification, but struggle to implement and understand GRAP standards. According to Respondent P4 and Respondent P5 this is because government implements the cash basis of accounting while higher education institutions teach accrual accounting.

According to Respondent P5 employees from the Department of Social Development were placed in Financial Accounting Department posts while they do not have the GRAP standards skills, knowledge, experience and accounting qualifications. Further, Respondent P5 mentioned non-adherence by some managers to implement the recruitment requirements from Human Resources, even though the advertisements for recruitment are structured correctly to recruit the right people for the job. For example, a chief director must have an honours degree but the person appointed in the post does not have that required degree. Moreover, Respondent P5 highlighted that decision makers need to be made aware of the importance of GRAP standards, otherwise GRAP standards is useless if not implemented correctly.

Respondent P5 emphasised that the challenge is that government officials do not have knowledge of GRAP standards. In the same way, GRAP standards do not assist in measuring the mandate of SASSA. In addition, Respondent P5 indicated that there are many instructions or prescripts from National Treasury that do not align with GRAP standards. As a result, employees in public entities are confused. For example, a circular or guidance from National Treasury stated that if SASSA gets any kind of service from any government department, it must be considered as a claim. However, according to Respondent P5 a claim according to the National Treasury is a sundry payment.

According to Respondent P6 SASSA's training priorities were mostly focused on core functions, which were fully budgeted for. Training for the Finance, Human Resources, and Supply Chain Management departments were not considered because they are support

structures. Moreover, according to Respondent P6 training on the support structures was only prioritised when it was raised as an audit finding.

Respondent P7 mentioned that a position's name is not critical to the private sector, but they pay employees market-related salaries, which is not the case in government. The challenges mentioned above by various respondents inform the recommendations to be made to the public sector in Chapter 7. The recommendations highlighted the high-level key activities to be completed to implement appropriate accounting standards, such as GRAP standards, in South Africa.

In conclusion, the critical analysis of the interview findings reflects that all respondents provided rich information for in-depth analysis. Their seniority, skills, immense knowledge and years of experience helped to identify themes and sub-themes. The analysis indicates that SASSA encountered challenges while implementing GRAP standards. The implication of these challenges is a possibility for SASSA not to realise the potential benefits of GRAP standards such as enhancing transparency and accountability, sound asset and liability management, the public sector delivery programme performance and financial reporting in the public sector as discussed in Chapter 2 section 2.2.4 and Chapter 3 section 3.2.3.1.

6.5 SUMMARY

Chapter 6 described the qualitative research findings derived from the interviews. The interview questions were informed by the explanation of the literature review and theoretical foundation in Chapters 2 and 3 and SASSA's AGSA report in Chapter 4. The qualitative research findings and analysis related to the research objectives mentioned in Chapter 1 focusing on GRAP standards implementation in SASSA. The chapter highlighted the limitations and challenges encountered during the research. The study was not affected negatively because the required information was collected. The chapter concluded with a summary. The next chapter concludes the thesis.

CHAPTER 7: SUMMARY, CONCLUSION AND RECOMMENDATIONS

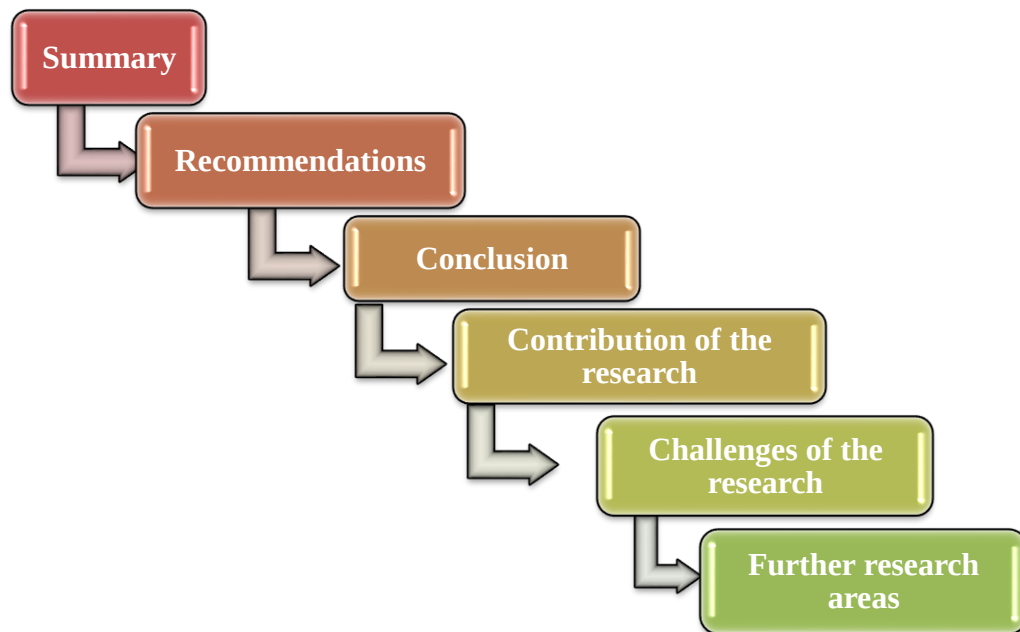
7.1 INTRODUCTION

Chapter 6 described the qualitative research findings derived from the interviews. The interview questions were informed by the explanation of the literature review and the theoretical foundation in Chapters 2 and 3, and SASSA's AGSA report in Chapter 4. The qualitative research findings and analysis related to the research objectives mentioned in Chapter 1, which focused on the implementation of GRAP standards.

This chapter presents a summary of the conclusions to the thesis. A summary discussion of each chapter is provided, recommendations and the conclusion derived from the research findings are given, the contribution of this research is explained, challenges of the research are highlighted, and recommendations for further research areas are provided. This discussion clearly indicates that the interview questions have been answered adequately. The chapter concludes with a summary.

Figure 7.1 illustrates the flow of this chapter, including the summary, recommendations, conclusion, shortcomings of the research and contribution of this research, as well as further research areas.

Figure 7.1: Illustration of Chapter 7



Source (Own Research, 2019)

7.2 SUMMARY

7.2.1 Introduction and orientation

Chapter 1 provided the background to the research area, which included explaining the implementation of GRAP standards in SASSA. The importance of the legislative and accounting policy frameworks governing the development of accounting standards was discussed. The literature review of the research area emphasised the importance of evaluating the relevant literature on the topic of the accrual basis of accounting framework and the annual reports issued by AGSA. The motivation of the topic actuality was detailed, which highlighted the existing knowledge gap. The problem statement and the objectives of the study were provided. The research methodology approach was provided.

7.2.2 Literature review and theoretical foundation

Chapter 2 firstly started with an introduction that linked to the discussion in Chapter 1. Thereafter, the literature review and theoretical foundation were explained. Chapter 2 compared the different bases of accounting regarding their implementation in the public sector. The comparison provided an important base as well as the underlying theory, which

were linked to the objectives of the research mentioned in Chapter 1. Chapter 2 provided the basis for the discussion and interview questions that would follow in Chapter 3, Chapter 4 and Chapter 5. The accrual basis of accounting practices and standards in the public sector were discussed in detail.

Secondly, the chapter evaluated the significance of the implementation of the accrual basis of accounting practices and standards in the public sector. Chapter 2 provided an overview of the potential benefits of GRAP standards implementation in the public sector, especially public entities. Thereafter, contradicting opinions made by various researchers were illuminated, emphasising that even though the implementation is important, challenges are being encountered.

Thirdly, Chapter 2 explained the implementation of the conceptual NPM framework of the accrual basis of accounting framework in the public sector. The NPM concept is embedded in the importance of the accrual basis of accounting framework in the public sector. However, there are doubts regarding NPM's effectiveness because of failures in the private sector.

Fourthly, the implementation of the accrual basis of accounting practices and standards in the public sector was discussed. The discussion covered international accounting standards, implementation challenges, risks experienced internationally and in other African countries, and lessons learned.

Overall, this chapter finalised the literature review and theoretical foundation discussion by explaining the status of the implementation of the IPSAS accrual basis of accounting framework. Specific reference was made to GRAP standards in the South African public sector, and the challenges as well as risks encountered during implementation. Moreover, the status was linked to the objectives of the research mentioned in Chapter 1.

7.2.3 Legislative and accounting policy frameworks in the public sector

Chapter 3 started with an introduction that linked to the discussion in Chapter 2. Chapter 3 was an extension of Chapter 2 and provided background on the context of accounting practices and standards in the public sector. The chapter explained the relevant public sector legislative and accounting policy frameworks for developing and setting international and

South African accounting standards to implement the accrual basis of accounting in the public sector.

The factors in the accounting systems and practices implemented were grouped as PESC factors. Their important remits were mentioned, notwithstanding the local environmental factors affected by the development of the accounting system and practices. The discussion included the contribution of PESC factors to the implementation in the public sector.

The chapter described the international and South African legislative and accounting policy frameworks for preparing public sector annual financial statements. It was clear that international and South African frameworks are interrelated where the implementation of the accrual basis of accounting is concerned. An overview was provided of how the ASB informs the development of the appropriate national accounting standards in the public sector, such as GRAP standards in South Africa. Additionally, the chapter described the process followed in developing the IPSAS, together with its potential benefits, challenges and risks. Moreover, the differences between IPSAS and IFRS and their pertinence to the public sector were emphasised. Chapter 3 summarised all the imperatives regarding the legislative and accounting policy frameworks in the public sector.

7.2.4 South African Social Security Agency

The objective of Chapter 4 was to analyse the accounting environment in SASSA where GRAP standards were implemented. The chapter explained why SASSA was selected as a case study. It further provided background to SASSA regarding its strategic overview, which included key performance information and planning concepts such as its legislative mandate, vision, mission, values, and structure. The focus in terms of the SASSA structure was on the *Branch: Finance* because one of its core functions is to ensure that GRAP standards are implemented. This is linked to Objective 4 of the study, which is to determine whether SASSA Financial Accounting Department employees have the necessary knowledge, skills and experience to implement GRAP standards.

The performance information was described, which provided the SASSA accounting environment in relation to the research objectives mentioned in Chapter 1. It focused on service delivery programmes with specific emphasis on the *Sub-programme: Financial Management* for the financial years from 2011/2012 to 2015/2016. The chapter described

SASSA process for preparing its annual financial statements, internal control, and corporate management in the implementation of GRAP standards. The AGSA report reflected the implementation of GRAP standards from the financial years 2011/2012 to 2015/2016. The reflection supports the conclusions and recommendations to be made in Chapter 7.

7.2.5 Research design

Chapter 5 discussed the logical flow of the research design identified for the study. Qualitative research was described as an appropriate research methodology. The discussion included its purpose and intentions in relation to research findings for the study. The chapter further explained that the method of research was qualitative and purposeful, and was regarded as a preferred technique.

The ontology and epistemology, research approach, and literature review were explained. The ontology of GRAP standards referred to the reality or the environment in which the participants operate. The epistemological concern is with the knowledge of SASSA Finance employees regarding the GRAP standards implementation.

The data collection instruments, including the interviews, were discussed. Furthermore, the chapter discussed the development of the interview guide; the process to develop the relevant interview questions; the structure of the interview; interview schedules; consent form; interview data collection; and feedback from the respondents. The chapter confirmed the importance of the method for reliably validating the pilot questionnaire and interviews, as well as the importance of ethical considerations for the participants.

The chapter explained how the research process would affect all participants, the selection criteria of the target respondents, and the tool of assessment. The target population included individuals with senior positions within SASSA and who have the required background in accounting, the financial system, training and organisational development to enable them responding to the interview questions. Thereafter, a semi-structured interview was conducted. The form of the interview was more qualitative in nature, which could be increased in both depth and breadth. Overall, this chapter concluded by discussing the analysis process for interview findings.

7.2.6 Research findings and analysis

The chapter started with an introduction that linked to Chapters 2, 3 and 4, which informed the interview questions. The qualitative research findings derived from the interviews were described. The interview questions were informed by the literature review and foundation in Chapters 2 and 3 and the SASSA AGSA report in Chapter 4. The qualitative research findings and analysis related to the research objectives mentioned in Chapter 1, which focused on the GRAP standards implementation.

7.3 RECOMMENDATIONS

Recommendations are made as per the objectives mentioned in Chapter 1 to the external and internal stakeholders. The recommendations are informed by the interview findings derived from the challenges encountered by Financial Accounting Department employees during the implementation of GRAP standards in SASSA. The recommendations are specifically limited to SASSA but to all government departments and public entities that implement or intend implementing GRAP standards.

7.3.1 Objective 1: To analyse the implementation of GRAP standards

This section proposes recommendations regarding Objective 1: To analyse the implementation of GRAP standards, which links to the discussions in Chapter 2, Chapter 3 and Chapter 4. The following recommendations are suggested for GRAP standards implementation:

7.3.1.1 Financial Accounting Department structure

The government departments or public entities implementing or intending to implement GRAP standards should review or check its mandate before developing the Financial Accounting Department structure. The government departments or public entities should recruit qualified people in the relevant posts based on their financial accounting knowledge and skills applicable to GRAP standards implementation.

7.3.1.2 Implementation of GRAP standards

GRAP requirements should be incorporated into the Financial Accounting Department's business processes and policies. The Financial Accounting Unit within government

departments or public entities implementing or intending to implement GRAP standards should conduct more internal GRAP standards workshops for the following reasons: to emphasise the importance of GRAP standards and the implementation thereof or deficiency in management; to strengthen internal controls; and to improve the effective use of resources. As a result, the internal control weaknesses identified by the AGSA will be reduced.

Current policies, procedures and processes should be reviewed. If none is in place, it should be developed to align with GRAP standards to make financial reporting simpler and to avoid unnecessary audit findings. All prospective Financial Accounting Department employees should have an accounting background and be skilled in implementing GRAP standards effectively. The problems identified must be addressed.

7.3.2 Objective 2: Determine the challenges and benefits of implementing GRAP standards

This section proposes recommendations regarding Objective 2: To determine the challenges encountered, potential benefits and lessons learned in implementing GRAP standards, which links to the discussions in Chapter 2, Chapter 3 and Chapter 4. The following recommendations are suggested to address the challenges encountered:

7.3.2.1 SASSA executive management

The current political interference and deployment of unskilled people should be eliminated. Employers should be encouraged to follow the recruitment processes correctly.

7.3.2.2 Financial Accounting Department

(a) Communication strategy

The Financial Accounting Department should develop a communication strategy. If one is available, it should be enhanced to communicate important issues to employees, such as the skills audit process. A communication strategy addresses employees' fear of losing their jobs. All amendments made to GRAP standards should be communicated regularly to employees to comply with GRAP standards. This reduces unnecessary audit findings. The impact of the GRAP standards applicable to the public entities should be explained during quarterly finance meetings to all Financial Accounting Department employees.

Constant communication helps GRAP standards only being attended to when preparing annual financial statements. The CFO should continuously make strategic presentations to all employees within the Financial Accounting Department to impart knowledge regarding how annual financial statements are prepared and the impact of not complying with GRAP standards

(b) Development of retention plan and succession policy

The Financial Accounting Department should encourage the Human Resource Unit to develop a retention plan and succession policy. Once both the plan and policy have been developed, the Human Resource Unit (with the assistance of the Financial Accounting Department) should communicate the details to all employees, which will alleviate the potential loss of current skilled employees.

(c) Recruitment process

To reduce the use of Oracle consultants, people with an accounting background and who come from an ERP environment should be recruited in the Financial Accounting Department and Financial System Unit. This ensures that the experienced, skilled, knowledgeable and qualified are appointed to the right positions. This ensures easier understanding and interpretation of the GRAP standards for implementation in the public sector. For all government departments or public entities to comply with all GRAP standards and relevant prescripts, a researcher should be appointed to do research, analyse findings and provide updates to all Financial Accounting Department employees on all changes made to GRAP standards. A financial controller should be appointed in the Financial Accounting Unit to clear hanging financial transactions.

(d) Oracle financial system

System controllers should be located at the Financial System Unit. The Oracle financial system module should not be customised unnecessarily to reduce complexity for the end users. End users should adhere to and comply with GRAP standards to avoid bypassing them.

7.3.2.3 Information Communication Technology Branch

The recommendations to the Information Communication Technology branch are informed by Objective 3, which focused on determining the suitability of financial systems and whether they are appropriate for implementing GRAP standards as mentioned by most respondents in Chapter 6 section 6.3.3. The ICT infrastructure should be enhanced for connectivity purposes. The ICT Branch should develop controls to ensure that the Oracle financial system supports GRAP standards implementation for daily capturing of financial transactions. Financial System Unit employees should respond to and resolve financial accounting challenges reported by the Financial Accounting Department employees. The general manager of BSC should communicate regularly with Financial System Unit employees about the risk and impact of not responding and resolving financial transaction challenges timeously. Financial System Unit employees should not transact or change the setup of the system for security reasons because it creates a conflict of interest and segregation of duties.

7.3.2.4 Higher education institutions

The recommendations to higher education institutions are informed by Objective 2, which focused on determining the challenges encountered while implementing GRAP standards, as well as the potential benefits thereof and the lessons learned as mentioned by most respondents in Chapter 6, Section 6.3.2. Higher education institutions should include GRAP standards in the public sector as one of the aspects of teaching financial accounting, which will provide a clear understanding, importance and impact of GRAP standards. This will enable prospective employees to implement GRAP standards at the workplace.

7.3.2.5 National Treasury

The recommendations to National Treasury are informed by the training challenges encountered as mentioned by most respondents in Chapter 6, Section 6.3.4, which focused on responding to determining whether SASSA has adequate capacity for implementing

GRAP standards and also Section 6.3.4.2, which focused on the training offered on GRAP standards and Oracle financial system.

National Treasury should develop GRAP standards budget guidelines and directives for preparing the budget on the accrual basis of accounting to address the disjunction between the budget and financial reporting process. For example, this addresses unspent funds, which result in the request to roll over unspent funds. A continuous GRAP standards training for all public entities is critical for employees to be able to understand and interpret the GRAP standards implementation in the public sector. It is critical to have a separate training for public entities and government departments based on the type of accounting basis used. As the sizes of public entities differ, it is critical that some of the financial reporting requirements and templates flexible and be included in GRAP standards, such as commitments for the purpose of uniformity when preparing annual financial statements. This makes the consolidation easier and reporting on GRAP standards implementation in the public sector.

7.3.2.6 *Accounting Standards Board*

The ASB should develop GRAP standards for public sector budget management that are linked to commitments and contracts. The Oracle financial system is capable of supporting accrual budget management using the single or multiple year systems or capability. This ensures assisting employees with understanding GRAP standards, their meaning and treatment. Performance information should be specific and measurable for funds spent on service delivery.

7.3.3 *Objective 3: Determine the suitability of financial systems*

This section proposes recommendations regarding Objective 3: To determine whether the financial systems implemented are appropriate for GRAP standards implementation, which links to the discussion in Chapter 3 and Chapter 4. The recommendations are suggested to ensure that the financial systems are suitable to support the implementation of GRAP standards.

SASSA should be receptive to the influence of the information system to benefit from new technologies. The Oracle financial system should be enhanced continuously to address

problems such as non-evaluation of policies, procedures, processes and user manuals, and to address human interventions in relation to developing output financial reports for GRAP standards disclosure notes. The BSC should implement its original remit, namely, to support the end users. The BSC should further function as a facilitator between end users and consultants.

7.3.4 Objective 4: Determine SASSA's capacity

This section proposes recommendations regarding Objective 4: To determine whether SASSA's capacity is adequate for implementing GRAP standards, which links to the discussion in Chapter 4. The following recommendations are suggested to address the capacity challenges encountered by SASSA:

7.3.4.1 Skills audit

A skills audit should be conducted prior to recruiting people. The purpose is to determine the skills levels of Financial Accounting Department employees and to match those skills with the positions in the Financial Accounting Department structure and with the individuals who perform the functions. Where employees have already been appointed, SASSA should determine their skills level. Employees should be informed about the skills audit outcome, recommendations, the financial year, and total costs incurred. Financial Accounting Department managers need to create development plans specific to positions, which should be communicated clearly to employees. To avoid labour dispute/unrest, managers should explain that the development plan is not an alternative placement, which can only be done through the concern of the employee.

In order to improve their performance deliverable indicators, the Financial Accounting Department should determine employees' specific training needs in terms of their remits, financial accounting skills, and the Oracle financial system. Current employees should be upskilled and the relevant people should be placed in vacant posts. There should be an improvement in terms of lack of planning, political interference and wrong placement of employees. This will address the pressure on those few people with the required financial accounting and Oracle knowledge, skills and experience. It will further boost the morale of employees affected by a lack of understanding by management.

7.3.4.2 Training offered on GRAP standards and Oracle financial system to the employees in the Financial Accounting Department

Refresher and continuous training pertinent to both GRAP standards and the Oracle financial system should be conducted annually for employees in the Financial Accounting Department and Financial System Unit. The rationale is to address the lack of knowledge and understand the importance of implementing GRAP standards. Further, training will clarify how Oracle operates to reduce the time spent on resolving challenges reported by employees. In addition, GRAP standards and Oracle training will address the problems identified, such as frequency and quality of training offered.

A service level agreement should be in place between the service providers and SASSA regarding the GRAP standards and Oracle training. This should include a request to prepare a comprehensive report regarding how Financial Accounting Department and Financial System Unit employees understand GRAP standards. Financial Accounting Department employees should be given an opportunity to rate the training offered to address the weakness of future training. To keep employees updated regarding developments, Oracle training should include enhancements made to Oracle due to regulatory publications (SARS, National Treasury, and GRAP).

To reduce the number of Oracle calls logged by employees, there should be a scheduled training plan. The plan should include offering quality Oracle financial system training on the proper use of the system. Current training options such as classroom training and online training must continue.

The salary scales of the Financial System Unit employees should be reviewed to ensure that salaries are market-related, which will assist in retaining employees with scarce knowledge, skills and experience in accounting and the Oracle financial system.

7.3.5 Overall

The proposed recommendations derived from Section 7.3 will assist the ASB to review the current GRAP standards and develop new standards. These could, for example, include GRAP standards for budgets and commitments for the public sector. These new standards must be specific and measurable.

National Treasury is expected to train and retrain the CFOs of public entities continuously on GRAP standards; review and amend the current accounting guidelines and directives on GRAP standards; and develop financial reporting templates according to the different sizes of public entities. The expectation is that the number of adverse audit findings will decrease. Other countries are expected to learn from the challenges encountered and use these as a base to enhance and implement GRAP standards effectively and efficiently in the public sector.

7.4 CONCLUSION FROM THE RESEARCH

The conclusions are drawn mainly from similar challenges identified in the qualitative research findings on the implementation of GRAP standards in SASSA. The main conclusions of the research as per each objective mentioned in Chapter 1 are as follows:

7.4.1 Objective 1: Analyse the implementation of the GRAP standards

This section offers a conclusion to Objective 1: To analyse the implementation of the GRAP standards, which links to Chapter 2, Chapter 3 and Chapter 4.

7.4.1.1 *Organisational structure development*

In terms of the National Treasury (2010:14) “once an institution has an appropriate budget programme structure in place, it should only change in response to a specific expansion or contraction in the institution’s mandate and preferably not in response to changes in priorities or organisational structure”.

The important factors that lead to the restructuring of an organisation are strategy, work processes, economic environment, merging of departments, and legal mandate. The initial structuring of the Financial Accounting Department in SASSA covered all the units needed to be able to achieve its set strategic objective. Therefore, there was no need to make any structural changes to the Financial Accounting Department.

7.4.1.2 *Implementation of GRAP standards*

Most respondents in the Financial Accounting Department are acquainted with the availability of policies, procedures and processes and they understand the importance and effectiveness thereof. However, the few GRAP standards workshops have been conducted

by an external service provider or National Treasury and not by the Accounting Unit. SASSA needs people who know government processes and the IPSAS accrual basis of accounting, such as GRAP standards.

The challenge is that the GRAP standards requirements are not incorporated into the Financial Accounting Department's business processes and policies. In addition, employee turnover is high and the required skills are scarce. Most respondents thought that employees appointed in the Financial Accounting Department are semi-competent and skilled. Arshad *et al.* (2013:294) declare that "it is possible that a lack of appropriate knowledge and understanding of IPSAS may reduce employees' ability to understand the potential benefits of implementing IPSAS when preparing and presenting financial statements".

All respondents in the Financial Accounting Department believed that the implementation of GRAP standards are beneficial to SASSA. However, it is critical for other managers to be aware of the negative impact of not implementing these standards correctly which will depict the weak internal control as highlighted by AGSA in Chapter 4.

7.4.2 Objective 2: Determine the challenges and benefits of implementing GRAP standards

This section offers a conclusion to Objective 2: To determine the challenges encountered in implementing GRAP standards, as well as the potential benefits and lessons learned, which link to Chapter 2, Chapter 3 and Chapter 4.

Most respondents thought that employees in the Financial Accounting Department do encounter challenges when implementing GRAP standards. The challenges include implementing the skills audit recommendations in the Financial Accounting Department; receiving training from Financial System Unit employees due to their competency and skills level for offering Oracle financial system training; and getting assistance from employees in the Financial Accounting Department with Oracle accounting challenges.

According to Anthoo (2015:10), the South African public sector encounters four challenges: systems, skills, internal control environment, and audit. He demonstrates the following challenges under systems: The South African national and provincial accounting systems are based on a cash basis and have not been established for the accrual basis of accounting;

accruals disclosure is done outside the system; various systems are used across municipalities; and there is no standard chart of accounts.

The response rates for resolving financial accounting challenges encountered by the Financial Accounting Department varied based on the Financial System Unit employees' competency and skill level. The response rate from Oracle consultants to respond to and resolve financial accounting challenges reported by the Financial System Unit also varied. Respondents had different thoughts regarding the competency and skills of employees in the Financial System Unit, which varied depending on the nature of the problem or type of call made regarding financial system challenges. In addition, Oracle consultants were used to resolve financial accounting challenges reported by the Financial System Unit. The response rate of Oracle consultants also varied depending on the nature of the problem or type of call made regarding financial system challenges. Arshad *et al.* (2013:294) emphasise that to realise the potential benefits of the accrual basis of accounting, skilled employees are critically required in respect of understanding, properly interpreting and implementing all international accounting practices and standards. Importantly, SASSA can only realise the potential benefits of GRAP standards if all challenges are addressed.

7.4.3 Objective 3: Determine the suitability of financial systems

This section offers a conclusion to Objective 3: To determine whether the financial systems implemented are appropriate for GRAP implementation, which links to Chapter 3 and Chapter 4.

Undoubtedly, most respondents understand the significance of the information system. Importantly, implementing GRAP standards requires a reliable information system, such as the Oracle financial system, to accumulate and analyse data that can be used for optimal financial planning and forecasting decisions. Generally, most respondents understand that Oracle financial system is an ERP system that has been customised to suit SASSA's financial needs. Oracle is used as a tool for recording and accounting all financial transactions that implements GRAP standards. According to Arshad *et al.* (2013:293) the public sector in South Africa needs new information systems, assets to be recorded in the system, and a change in the mindsets of officials.

The Oracle financial system is built on financial reporting frameworks such as the IFRS and GRAP standards, which are used globally. Oracle is output driven; therefore, the reports enable management to make financially informed decisions. There are different modules for different functions, which post all the financial transactions timeously to the general ledger module and date-track them, which is key to financial accounting. Oracle integrates easily with other financial reporting systems such as CaseWare to prepare GRAP-compliant annual financial statements and that provide the financial performance/position of SASSA. According to Boolaky (2004:9) the objective of an appropriate financial system is to increase transparency in financial reports by developing appropriate accounting standards.

The introduction of user-friendly financial systems and skilled employees is the core of the successful implementation of the accrual basis of accounting practices and standards in the public sector. There were different views about the availability of the policies, procedures, processes and user manuals to govern the use of Oracle financial system in the Financial Accounting Department. Some problems were identified regarding the online Oracle financial system training and the material provided. This resulted in lack of commitment from employees to attend the scheduled online Oracle financial system training. Some of the trained employees indicated that the online Oracle financial system was not useful for the implementation of GRAP standards. However, it does not preclude the fact that Oracle financial system is an appropriate financial system that is effective for implementing GRAP standards.

7.4.4 Objective 4: Determine SASSA's capacity

This section offers a conclusion to Objective 4: To determine whether SASSA has adequate capacity to implement GRAP, which links to the discussion in Chapter 4. Anthoo (2015:10) notes the following: public entities are at different levels of maturity, and there is a lack of capacity, a significant change in the process and capabilities, and insufficient guidance and support.

7.4.4.1 Skills audit

Undoubtedly, most respondents understand that a skills audit determines the skill level of employees and job responsibilities. A skills audit assesses individuals by testing knowledge, competency and implementation, which in turn identifies experts, problems and training

needs of employees. It further addresses the potential loss of current skilled employees and places appropriate people in relevant posts; therefore, an audit improves the deliverables of performance indicators.

Some employees resign because they are bored in their roles or have been misplaced in their positions. The skills audit in the Financial Accounting Department was conducted in the financial years 2008/2009 and 2011/2012. Therefore, the Human Resource Unit is not requested to conduct a skills audit when necessary to determine the skill level of Financial Accounting Department employees. Furthermore, if a skill audit is conducted, employees are not even informed about its outcome, recommendations, the financial year and total costs incurred. It is regrettable that there is no retention plan and succession policy.

7.4.4.2 Training offered on GRAP standards and Oracle financial system to the employees in the Financial Accounting Department

Most respondents were aware that an external service provider offered GRAP standards and Oracle financial system training during the financial year 2010/2011, but the cost incurred was not known. The training offered on GRAP standards was useful for the accrual principle; therefore, the quality of the audit performance of the regional offices in all nine provinces and the Debt and Revenue Unit in Head Office improved. The views of the training service providers on the understanding of GRAP standards by employees in the Financial Accounting Department were not provided.

However, there were some challenges to realising the usefulness of the GRAP standards and Oracle financial system training offered. Due to these challenges, most respondents were not satisfied with the amount and quality of the training offered. Moreover, SASSA's training priorities focused mostly on core functions, which were fully budgeted for. No consideration was made for the Finance, Human Resource and Supply Chain Management departments because they are considered as support structures. Equally important, training on the support structures was only prioritised when it was raised as an audit finding.

The challenge is therefore that only a few Financial System Unit employees have both accounting and financial system knowledge. It can be expensive to acquire the required skills. A position's title is not critical to the private sector, but they pay employees market-related salaries, which is not the case in SASSA. Private companies offer skilled people with

accounting and financial systems high salaries; hence, it is not easy for SASSA to acquire people with accounting and financial systems knowledge, skills and experience. The GRAP standards and Oracle financial systems training offered did not yield a return on investment due to budget constraints, even though employees included training in their PDPs. These problems need to be addressed to realise the potential benefits of implementing GRAP standards.

7.4.5 Overall

A connection was observed between the interview responses received and Chapters 2, 3 and 4, which discussed the literature review and theoretical foundation, especially relating to challenges encountered. The research findings illuminated that the challenges encountered by SASSA are similar to those encountered by other countries implementing IPSAS in the public sector. The GRAP standards implementation challenges were identified from both internal and external stakeholders.

The internal stakeholder challenges were mostly derived from Financial Accounting Department employees who are critical to implement GRAP standards. Employees do not have the relevant skills, financial accounting, and financial system knowledge and experience. Further challenges included incorrect recruitment and placement of employees and lack of training on GRAP standards and Oracle.

External stakeholder challenges included those from higher education institutions, ASB and National Treasury. Higher education institutions do not teach the implementation of GRAP standards in the public sector. ASB has not developed GRAP standards for public sector budget management that are linked to the commitments and contracts. The disjuncture between the budget and financial reporting process contributed to the challenges of the rollover of unspent funds.

It is important for SASSA and other public entities implementing GRAP standards or IPSAS to take note of these internal and external stakeholder challenges. These entities should develop internal control measures to curtail the recurrence of challenges mentioned by respondents. As a result of the challenges encountered by SASSA, it could be distilled that SASSA did not consider them as a learning curve or were not aware of the challenges before implementing GRAP standards. It is further crucial for public entities to appoint personnel

who have the appropriate public sector skills, knowledge and experience in accounting standards and accounting systems. These appointments will enable public entities to realise the potential benefits of those standards.

The research questions have been answered adequately using interview as one of the data collections instruments. The targeted respondents seniority in SASSA; their involvement in decision-making; their level of skills; immense knowledge and years of experience (ranging from two to five years); and a required background in financial accounting; the financial system; training; and organisational development contributed immensely to answering the research questions which are aligned to the objectives of the study as mentioned in Chapter 1 and interview questions themes and sub-themes as identified and mentioned in Chapter 5. Most respondents provided detail responses to the interview questions because they clearly understood the policies, processes, procedures and manuals and provided rich information for in-depth analysis. The selected respondents were representative of the Financial Accounting Department, Human Resource Department and Information Communication System Department and saw the big picture as opposed to simply knowing the tasks required for the job.

Importantly, the potential benefits of GRAP have not been realised in SASSA due to the challenges that they encountered. According to Anthoo (2015:10), the South African public sector encounters four challenges: systems, skills, internal control environment, and audit. This confirms Wynne (2008:117) who emphasises that, “it is becoming increasingly clear that the claimed benefits of the accrual basis of accounting are not being realised in practice”. It is therefore important, as emphasised by Arshad *et al.* (2013:294), that to realise the potential benefits of the accrual basis of accounting, skilled employees are critically required in respect of understanding and properly interpreting and implementing all international accounting practices and standards.

Based on the implementation accounting standards challenges in the public sector mentioned by various researchers, it is critical for government departments or public entities that intend to implement GRAP standards to consider and treat these challenges with caution or as a learning curve to implement the accrual basis of accounting practices and standards in the public sector. Government departments or public entities should use these as a base to enhance and implement GRAP standards effectively and efficiently in the public sector.

Furthermore, it is recommended that the government departments and public entities should follow the generic strategic GRAP standards implementation guideline developed for use by external and internal stakeholders. Their focus should be on all internal stakeholder's activities in the GRAP standards implementation guideline as discussed in section 7.5 below and Annexure H.

7.5 CONTRIBUTION OF THE RESEARCH

The researcher acquired knowledge through the research approach, which provided feedback from the thematic interview analysis. The potential benefits of implementing GRAP standards were not realised by SASSA due to the challenges encountered. As a result, there was no validation of the theories regarding the potential benefits of the accrual basis of accounting frameworks influenced by IPSAS such as the GRAP standards, which are suitable and specific to public entities as identified by some researchers such as De Vos (2009), Solomons (2012) and Vilakazi (2012). SASSA's challenges accentuate the existing knowledge gap for realising the potential benefits of the GRAP standards under the accrual basis of accounting framework influenced by IPSAS in public entities, which reflects the significance of the study in South Africa.

Based on the research findings, a generic strategic GRAP standards implementation guideline was developed for use by external and internal stakeholders (see Appendix H). The higher education institutions, ASB, National Treasury and External Auditors were identified as external stakeholders, while all relevant branches/business units/departments/directorates and internal auditors were identified as internal stakeholders. It was noted that the government departments and public entities are structured differently based on the size of their operation, which informs how they function, hence different name conversions were mentioned under internal stakeholders. The remits of the external and internal stakeholders as discussed in Chapter 4 are critical because they are interrelated to oversee GRAP standards implementation and support the implementation of GRAP standards.

The generic strategic GRAP standards implementation guideline was based on the study findings in Chapter 6, which highlighted that SASSA encountered challenges during its implementation of the GRAP standards. The generic guideline details significant activities to be completed, provides holistic solutions and serves as a checklist that is specific and suitable to all spheres of government departments. These include public entities and other

African and international countries that implement or intend to implement GRAP standards influenced by IPSAS and realise the potential benefits of the GRAP standards. It is critical that the generic strategic GRAP standards implementation listed activities in the guideline are included in the annual performance plan and operational plan of the affected branches/business units/departments/directorates to inform the resources required such as the budget.

The intention and purpose of the guideline activities are to particularly address the recurring challenges encountered in the implementation of GRAP standards such as the problem of unskilled accounting employees, which resulted in a lack of understanding and wrong interpretation of GRAP standards for implementation. Furthermore, the guideline will ensure the development of intensive pragmatic and measurable internal control measures, seamless business processes, GRAP standards and financial system policies, procedures, user manuals and directives. The guideline will also establish and streamline systems specific and suitable to all spheres of government departments, including public entities and other African and international countries that implement or intend to implement GRAP standards influenced by IPSAS.

The study provided the factors that contribute negatively to realising the potential benefits of the GRAP standards suitable and specific to all spheres of government departments inclusive of public entities, new GRAP standards suggested and enhancement of teaching and learning at higher education institutions in GRAP standards for the public sector. Moreover, all relevant heads of branches/business units/departments/directorates in all spheres of government departments inclusive of the public entities implementing or intending to implement GRAP standards must note that addressing the challenges encountered by SASSA and considering the new information identified would probably result in realising the potential benefits of GRAP standards.

7.6 CHALLENGES OF THE RESEARCH

The responses received from the interview questions were not edited by the respondents before being submitted. Grammar was checked on all uploaded transcribed interview responses using Microsoft Word™ Grammarly implementation. The purpose was to do quality checking and not to change responses. Due the unavailability of the target respondents, the researcher had to reschedule interview dates.

From this experience, the suggestion is that the first and third quarters are not the best time to attempt a public sector study since most people are preparing annual financial statements, conducting middle and end of the year audits, and preparing annual performance plans for the following financial year. Despite the challenges encountered, the study can still be relied upon based on the measures undertaken to ensure the objectivity, reliability and validity of the results as outlined in this chapter.

7.7 FURTHER RESEARCH AREAS

This study identified challenges that hindered SASSA from realising the potential benefits of implementing GRAP standards. The study identified that the few GRAP standards workshops offered were conducted by an external service provider or National Treasury and not by the Accounting Unit. Moreover, the lack of knowledge on government processes and the GRAP standards may be the cause of concern and should be the focus of further research.

A possible avenue for future research is doing a comparative study between all Schedule 3A public entities according to the different sizes of their operations to determine the potential benefits of GRAP standards. The emphasis is to compare all Schedule 3A public entities to establish whether the challenges encountered in SASSA are similar across different Schedule 3A public entities that implement GRAP standards.

Furthermore, research is needed to determine the number of CFOs and managers in Financial Accounting Departments who have accounting qualifications, knowledge, skills and experience to implement GRAP standards. This will assist in determining their skill level and ensure that they are placed in correct positions for the implementation of GRAP standards.

Additionally, there is a need for future research to determine the ICT infrastructure and the suitability of the financial systems to support the implementation of the GRAP standards. Another area of potential research might be related to the reasons for the high turnover of employees and the quality of the training offered on GRAP standards and financial systems that support the implementation of the GRAP standards.

Finally, a wide variety of research approaches and techniques should be combined for an in-depth research response that could not be captured through interviews. Using a combination

of qualitative and quantitative research methodology includes techniques such as participant observation and views by the auditors to analyse in-depth issues related to the potential benefits of GRAP standards. The findings of this research may serve as a starting point for many future research projects.

7.8 SUMMARY

The chapter concluded the thesis by highlighting the summary discussion of each chapter and presenting the research results including the recommendations and its conclusion, shortcomings of the research, conversation of the contribution of this research and recommendations for further research areas. The indication is that the interview questions have been answered adequately using interview as one of the data collections instruments.

The observation from the research findings is that the potential benefits of implementing GRAP standards such as enhancing transparency and accountability, sound asset and liability management, the public sector delivery programme performance and financial reporting in the public sector as discussed in Chapter 2, Section 2.2.4 and Chapter 3, Section 3.2.3.1 were not realised due to the challenges encountered. It is critical to note that the challenges encountered by SASSA are mostly due to employees not having the relevant financial accounting and Oracle skills, knowledge and experience. Despite the challenges mentioned, Oracle is appropriate for implementing GRAP standards in SASSA. Oracle is an ERP system that includes various modules to support and enable employees to implement GRAP standards. No major challenges were identified on Oracle.

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APPENDIX A: CONSENT FORM

Dear Prospective Participant

Part I: Identification of the research topic

An evaluation of the implementation of GRAP in the South African Social Security Agency (SASSA).

Part II: Introduction of the researcher and definition of the structure of the interview

My name is Thulaganyo Mothusi and I am doing research under the supervision of Professor Danie Schutte of North-West University (NWU), Potchefstroom, towards a Doctor of Philosophy in accountancy. I would like to invite you to participate in a study.

The aim of the study is to evaluate the implementation of GRAP standards in SASSA. Recommendations will be made to guide SASSA management to know the important factors to be considered to realise the potential benefits of GRAP standards implementation suitable, specific and measurable.

You were selected to participate in this study as an employee of SASSA, because of your seniority in SASSA and are involved in decision-making, level of skills, immense knowledge and years of experience and a required background in financial accounting, financial system, training, and organisational development. The Chief Financial Officer granted permission for the study to be conducted. The General Manager, Senior Managers in the Financial Accounting Department and the Senior Manager Training, Senior Manager Financial Systems and Senior Manager Organisational Development at Head Office will be approached to participate in the study, which minimises the possibility that anyone could be identified.

Part III: The elaboration of the interview guide and consent forms

Your role in the study involves responding to the interview questions which relate to the topic explained earlier. The interview questions range from a minimum of ten to maximum of 45 in total and expected the duration of participation is no more than 60 minutes. Some

of the items might be viewed as duplications, but the similarity is due to the theoretical and conceptual overlap between constructs and will be dealt with in a scientific way.

Participating in this study is voluntary and you are under no obligation to consent to participation. If you do decide to take part, you will be given this information sheet to keep for future reference. You are free to withdraw at any time and without giving a reason. As the project involves the submission of non-identifiable material, it will not be possible to withdraw once they have responded to the interview questions. There is no penalty or loss of benefit for non-participation.

You will not benefit directly from your participation in the research. You will receive no payment or reward, financial or otherwise. The results of the research will, however, be of scientific and practical value in understanding the factors that contribute negatively to realise the potential benefits of GRAP standards suitable and specific to public entities and better ways to address the challenges encountered.

There are no foreseeable physical or psychological risks involved in participation. You will be mildly inconvenienced by the time it takes to respond to the interview questions (Between 10 to 60 minutes). If you would like to discuss the research and your reactions to the questions, you are welcome to do so after the session.

Any information that is obtained in connection with this study and that can be identified with you will remain confidential and will be disclosed only with your permission. Confidentiality is however not a concern in this research as the interview questions will be answered anonymously and individual identifiers will not be requested. The data will be destroyed on completion of the study.

The data collected will be used to write research reports, which include but may not be limited to journal articles, conference presentations, and dissertations. Your privacy and that of the SASSA will, however, be protected and no identifiable information will be included in such reports.

Hard and soft copies of your answers will be stored for future research or academic purposes including scientific publications in accredited journals. Soft copies will be stored on a password-protected computer.

This study has received written approval from the Work Well Research Unit for Economic and Management Sciences, North-West University; project number EMS 15/05/27-01/01 01/06/2015. If you would like to be informed of the final research findings, please contact Thulaganyo Mothusi on 0836351447 or Mothusithuli@gmail.com. The findings will be accessible later in 2020. Should you require any further information or want to contact the researcher about any aspect of this study, please contact me at Mothusithuli@gmail.com.

Should you have concerns about the way in which the research has been conducted, you may contact the Work Well Research Unit for Economic and Management Sciences of the North-West University, Private Bag X6001, Potchefstroom, South Africa, (018) 299-1111/2222.

CONSENT: I understand the procedures described above. My questions have been answered to my satisfaction, and I agree to participate in this study.

Kindly note that you will not be required to sign this declaration, but that you will be indicating your consent by agreeing to be interviewed. (A signed copy is not required, as this may identify you, and this research is done in such a way that you cannot be identified after participating in this study.)

Thank you for taking the time to read this information sheet and for considering participation in this study.

APPENDIX B: INTERVIEW QUESTIONS: ORGANISATIONAL STRUCTURE

Section A: General information

Position level	
Unit	
Gender	
Race	
Educational qualification/s	
Number of years with SASSA	

Section B: Instructions

This questionnaire investigates the potential benefits of implementing GRAP standards in SASSA. Please answer the following in terms of the reality in your organisation. Please be as candid as possible; remember, all responses will remain strictly anonymous.

The interview questions comprise one sub-section:

- **Sub-section 1:** Financial Accounting Department structure (Head Office only).

Sub-section 1: Organisational structure

1.1 Why is it important to have a proper organisational structure?

1.2 What important factors lead to the restructuring of an organisation?

1.3 Have any structural been changes made to the Financial Accounting Department?

Yes	
No	
Not certain	

1.4 If your response to Question 1.3 was yes, please explain why structural changes were made to Financial Accounting Department.

1.5 Which units did the Financial Accounting Department restructure in the following financial years?

Financial Year	Units
2011/2012	
2012/2013	
2013/2014	
2014/2015	
2015/2016	

1.6 How did the structural changes benefit the Financial Accounting Department in terms of GRAP standards?

APPENDIX C: INTERVIEW QUESTIONS: FINANCIAL ACCOUNTING DEPARTMENT

Section A: General information

Position level	
Unit	
Gender	
Race	
Educational qualification/s	
Number of years with SASSA	

Section B: Instructions

This questionnaire investigates the potential benefits of implementing GRAP standards in SASSA. Please answer the following in terms of the reality in your organisation. Please be as candid as possible; remember, all responses will remain strictly anonymous.

The interview questions comprise the following four sub-sections:

- **Sub-section 1:** Implementation of GRAP standards.
- **Sub-section 2:** Financial system used.
- **Sub-section 3:** Training offered.
- **Sub-section 4:** Skills audit conducted.

Sub-section 1: Implementation of GRAP standards

1.1 What do you know about GRAP?

1.2 Why is it important for Financial Accounting Department employees to implement GRAP standards?

- 1.3 Has the Financial Accounting Department developed any policies, procedures and processes to assist employees with implementing GRAP standards?

Yes	
No	
Not certain	

- 1.4 If your response to Question 1.3 was yes, briefly explain how useful these guidelines are to ensure that Financial Accounting Department employees implement GRAP standards.

- 1.5 Have there been any workshops for Financial Accounting Department employees regarding the policies, procedures and processes for implementing GRAP standards?

Yes	
No	
Not certain	

- 1.6 If your response to Question 1.5 was yes, briefly explain how useful the workshops are to ensure that Financial Accounting Department employees implement GRAP standards.

- 1.7 How would you assess the competence and skills of employees in the Financial Accounting Department when implementing GRAP standards?

Competent and skilled	
Semi-competent and skilled	
Incompetent and unskilled	
Not aware	

- 1.8 Do you think that it is beneficial for the Financial Accounting Department to implement GRAP standards in SASSA?

Yes	
No	
Not certain	

1.9 If your response to Question 1.8 was yes, please mention the benefits encountered.

1.10 Did Financial Accounting Department employees experience any challenges while implementing GRAP standards?

Yes	
No	
Not certain	

1.11 If your response to Question 1.10 was yes, please mention the challenges experienced.

Sub-section 2: Financial system used

2.1 Why is the information system important?

2.2 What do you know and understand about the Oracle financial system?

2.3 Why is it important for the Financial Account Department to implement the Oracle financial system?

2.4 Are there policies, procedures, processes and user manuals available to govern Financial Accounting Department employees in the use of the Oracle financial system?

Yes	
No	
Not certain	

2.5 If your response to Question 2.4 was yes, how useful is the Oracle financial system documentation to Financial Accounting Department employees implementing GRAP standards?

2.6 Briefly explain whether Financial Accounting Department employees found the Oracle financial system useful when implementing GRAP standards.

- 2.7 How would you assess the competence and skills of employees in the Financial System Unit when assisting Financial Accounting Department employees with Oracle?

Competent and skilled	
Semi-competent and skilled	
Incompetent and unskilled	
Not aware	

- 2.8 How long does it take for the Financial Systems Unit to respond to and resolve financial accounting challenges reported by Financial Accounting Department employees?
- 2.9 Which Oracle financial system challenges do Financial Accounting Department employees encounter when implementing GRAP standards?
- 2.10 Why is it important for the Financial Systems Unit to offer Oracle financial system training to Financial Accounting Department employees?
- 2.11 Which challenges do Financial Systems Unit employees encounter when they present Oracle financial system training to the Financial Accounting Department?
- 2.12 Do you think that the Oracle financial system is an appropriate financial system for implementing GRAP standards?

Yes	
No	
Not certain	

Sub-section 3: Training offered

- 3.1 Are you aware of any GRAP standards training offered to Financial Accounting Department employees?

Yes	
No	
Not certain	

- 3.2 If your response to Question 3.1 was yes, how useful was the GRAP standards training?

- 3.3 Are you satisfied with the amount of training offered on GRAP standards?

Yes	
No	
Not certain	

- 3.4 What were the views of Financial Accounting Department employees regarding the quality of the training offered on GRAP standards?

- 3.5 Does the Financial Systems Unit offer Oracle financial system training to Financial Accounting Department employees to implement GRAP standards?

Yes	
No	
Not certain	

- 3.6 If your response to Question 3.5 was yes, briefly explain the usefulness of the training.

- 3.7 Are you satisfied with the quality of Oracle financial system training offered to Financial Accounting Department employees?

Yes	
No	

Not certain	

3.8 What was the return on investment of the training offered?

Sub-section 4: Skills audit conducted

4.1 Why are skills audit so important?

4.2 Did the Financial Accounting Department conduct a skills audit?

Yes	
No	
Not certain	

4.3 If your response to Question 4.2 was yes, in which financial year did the Financial Accounting Department conduct a skills audit?

2011/2012	
2012/2013	
2013/2014	
2014/2015	
2015/2016	

4.4 Were you informed about the outcome of the skills audit?

Yes	
No	
Not certain	

4.5 Why is it important for the Financial Accounting Department to implement the skills audit recommendations?

4.6 What are the downfalls of not conducting a skills audit?

General Comments

APPENDIX D: INTERVIEW QUESTIONS: ORACLE FINANCIAL SYSTEM

Financial System Unit

Section A: General information

Position level	
Unit	
Gender	
Race	
Educational qualification/s	
Number of years with SASSA	

Section B: Instructions

This questionnaire investigates the potential benefits of implementing GRAP standards in SASSA. Please answer the following in terms of the reality in your organisation. Please be as candid as possible; remember, all responses will remain strictly anonymous.

The interview questions comprise one sub-section:

- **Sub-section 1:** Financial system.

Sub-section 1: Oracle financial system

1. What do you know about the information system?
2. What do you know and understand about the Oracle financial system?
3. Why is it important for the Financial Accounting Department to implement the Oracle financial system?

4. Are there policies, procedures, processes and user manuals that govern the Financial Accounting Department employees when using the Oracle financial system?

Yes	
No	
Not certain	

5. If your response to Question 4 was yes, how useful is the Oracle financial system documentation to Financial Accounting Department employees implementing GRAP standards?
6. Briefly explain whether Financial Accounting Department employees find the Oracle financial system useful when implementing GRAP standards.
7. How long does it take for the Financial Systems Unit to respond to and resolve financial accounting challenges reported by Financial Accounting Department employees?
8. Which Oracle financial system challenges do Financial Accounting Department employees encounter when implementing GRAP?
9. How long does it take for Oracle to respond to and resolve financial accounting challenges reported by the Financial Systems Unit?
10. Why is it important for the Financial Systems Unit to offer Oracle financial system training to Financial Accounting Department employees?
11. Which challenges were experienced by the Financial Systems Unit when presenting training to the Financial Accounting Department?
12. Do you think that Oracle is an appropriate financial system for implementing GRAP standards?

Yes	
No	
Not certain	

APPENDIX E: INTERVIEW QUESTIONS: TRAINING

Interview Questions: Training

Section A: General information

Position level	
Unit	
Gender	
Race	
Educational qualification/s	
Number of years with SASSA	

Section B: Instructions

This questionnaire investigates the potential benefits of implementing GRAP standards in SASSA. Please answer the following in terms of the reality in your organisation. Please be as candid as possible; remember, all responses will remain strictly anonymous.

The interview questions comprise two sub-sections:

- **Section 1:** Training.
- **Section 2:** Skills audit.

Section 1: Training

1.1 Are you aware that the Financial Systems Unit offered GRAP standards and implementation training to Financial Accounting Department employees?

Yes	
No	
Not certain	

1.2 If your response to Question 1.1 was yes, was the training useful?

- 1.3 Are you satisfied with the quality of Oracle financial system training offered by the Financial Systems Unit regarding the implementation of GRAP standards?

Yes	
No	
Not certain	

- 1.4 How useful did Financial Accounting Department employees find the GRAP standards training?
- 1.5 What are the views of the Financial Accounting Department employees about the quality of GRAP standards training offered?
- 1.6 What are the views of the training service providers about the understanding that Financial Accounting Department employees have about implementing GRAP standards?
- 1.7 What was the total cost incurred by the Financial Accounting Department to offer training on GRAP standards in the following financial years?

2011/2012	
2012/2013	
2013/2014	
2014/2015	
2015/2016	

- 1.8 What was the return on investment for the training offered?

Section 2: Skills audit

- 2.1 Why are skills audits so important?

2.2 Are you aware of any skills audits conducted by the Financial Accounting Department?

Yes	
No	
Not certain	

2.3 If your response to Question 2.2 was yes, in which financial years did the skills audits take place?

2011/2012	
2012/2013	
2013/2014	
2014/2015	
2015/2016	

2.4 Please mention reasons why the Financial Accounting Department would conduct a skills audit.

2.5 What are the downfalls of not conducting a skills audit?

2.6 Please mention the outcomes of the skills audit conducted by the Financial Accounting Department.

2.7 Why is it important for the Financial Accounting Department to implement the skills audit recommendations?

2.8 Which recommendations were made to the Financial Accounting Department after the skills audit?

2.9 In which financial years were the skills audit recommendations made to the Financial Accounting Department?

2011/2012	
2012/2013	
2013/2014	
2014/2015	
2015/2016	

2.10 What challenges were encountered when the Financial Account Department implemented the skills audit recommendations?

2.11 What was the total cost incurred for conducting a skills audit in the Financial Accounting Department in the following financial years?

2011/2012	
2012/2013	
2013/2014	
2014/2015	
2015/2016	

General comments

APPENDIX F: CONSOLIDATED INTERVIEW QUESTIONS

The interview questions comprise the following four sub-sections:

- **Sub-section 1:** Financial Accounting Department structure (Head Office only).
- **Sub-section 2:** GRAP standards implementation.
- **Sub-section 3:** Financial system.
- **Sub-section 4:** Training offered.
- **Sub-section 5:** Skills audit conducted.

The above-mentioned sub-sections are linked to the objectives of the study as mentioned in Chapter 1:

- **Sub-section 1** is linked to Objective 1 of the study, namely, to analyse the implementation GRAP standards (Chapters 2, 3 and 4).
- **Sub-section 2** is linked to Objective 2 of the study, namely, to determine the challenges encountered in implementing the GRAP standards, and the potential benefits and lessons learned (Chapters 2, 3 and 4).
- **Sub-section 3** is linked to Objective 3, namely, to determine whether the financial systems implemented are appropriate for the GRAP standards implementation (Chapters 3 and 4).
- **Sub-sections 4 and 5** are linked to Objective 4, namely, to determine if SASSA's capacity is adequate for implementing GRAP standards (Chapter 4).

Objective 1: Analyse the implementation of the GRAP standards

Question 1 Why is it important to have a proper organisational structure?

Question 2 What important factors lead to the restructuring of an organisation?

Question 3 Have any structural changes been made to the Financial Accounting Department?

Question 4 If your response to Question 3 was yes, please explain why structural changes were made in the Financial Accounting Department.

- Question 5* Which units did the Financial Accounting Department restructure for the following financial years: 2011/2012; 2012/13; 2013/2014; 2014/2015 and 2015/2016?
- Question 6* How did the structural changes benefit the Financial Accounting Department in terms of the implementation of GRAP standards?
- Question 7* What do you know about GRAP?
- Question 8* Why is it important for Financial Accounting Department employees to implement GRAP standards?
- Question 9* Has the Financial Accounting Department developed any policies, procedures and processes to assist employees with implementing GRAP standards?
- Question 10* If your response to Question 9 was yes, briefly explain how useful these guidelines are to ensure that Financial Accounting Department employees implement GRAP standards.
- Question 11* Have there been any workshops for Financial Accounting Department employees regarding the policies, procedures and processes for implementing GRAP standards?
- Question 12* If your response to Question 11 was yes, briefly explain how useful the workshops are to ensure that Financial Accounting Department employees implement GRAP standards.
- Question 13* How would you assess the competence and skills of employees in the Financial Accounting Department when implementing GRAP standards? Competent and skilled; Semi-competent and skilled; Incompetent and unskilled; Not aware.
- Question 14* Do you think that it is beneficial for the Financial Accounting Department to implement GRAP standards in SASSA?

Question 15 If your response to Question 14 was yes, please mention the benefits of implementing GRAP standards.

Objective 2: Determine the challenges and benefits of implementing GRAP standards

Question 1 Did Financial Accounting Department employees experience any challenges while implementing GRAP standards?

Question 2 If your response to Question 1 was yes, please mention the challenges encountered.

Question 3 Which challenges were encountered when the Financial Accounting Department implemented the skills audit recommendations?

Question 4 How would you assess the competence and skills of employees in the Financial Systems Unit when assisting Financial Accounting Department employees with Oracle? Competent and skilled; Semi-competent and skilled; Incompetent and unskilled; Not aware.

Question 5 How long does it take for the Financial Systems Unit to respond to and resolve financial accounting challenges reported by Financial Accounting Department employees?

Question 6 Which challenges do Financial Systems Unit employees encounter when they present Oracle financial system training to the Financial Accounting Department?

Question 7 Which Oracle financial system challenges do Financial Accounting Department employees encounter when implementing GRAP standards?

Question 8 How long does it take for Oracle to respond to and resolve financial accounting challenges reported by the Financial Systems Unit?

Objective 3: Determine the suitability of financial systems

Question 1 What do you know about the information system?

Question 2 What do you know and understand about the Oracle financial system?

- Question 3* Why is it important for the Financial Accounting Department to implement the Oracle financial system?
- Question 4* Are there policies, procedures, processes and user manuals that govern Financial Accounting Department employees when using the Oracle financial system?
- Question 5* If your response to Question 4 was yes, how useful is the Oracle financial system documentation to Financial Accounting Department employees implementing GRAP standards?
- Question 6* Briefly explain whether Financial Accounting Department employees found the Oracle financial system useful when implementing GRAP standards.
- Question 7* Do you think that Oracle is an appropriate financial system for implementing GRAP standards?

Objective 4: Determine SASSA's capacity

- Question 1* Why are skills audits so important?
- Question 2* Please mention reasons why the Financial Accounting Department would conduct a skills audit.
- Question 3* Are you aware of any skills audit conducted by the Financial Accounting Department?
- Question 4* If your response to Question 3 was yes, in which financial years did the skills audits take place: 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016?
- Question 5* Where you informed about the outcome of the skills audit conducted in the Financial Accounting Department?
- Question 6* Please mention the outcomes of the skills audit conducted by the Financial Accounting Department.

- Question 7* Why is it important for the Financial Accounting Department to implement the skills audit recommendations?
- Question 8* Which recommendations were made to the Financial Accounting Department after the skills audit?
- Question 9* In which financial year was skills audit recommendations made to the Financial Accounting Department?
- Question 10* What was the total cost incurred for conducting a skills audit in the Financial Accounting Department for the following financial years? 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016.
- Question 11* What are the downfalls of not conducting a skills audit?
- Question 12* Are you aware of any GRAP standards training offered to Financial Accounting Department employees?
- Question 13* If your response to Question 12 was yes, how useful was the GRAP standards training?
- Question 14* Are you satisfied with the amount of training offered on GRAP standards?
- Question 15* What were the views of the Financial Accounting Department employees on the quality of the training offered on GRAP standards?
- Question 16* What were the views of the training service providers on the understanding of GRAP standards by employees in the Financial Accounting Department?
- Question 17* What was the total cost incurred by the Financial Accounting Department for offering training on GRAP standards in the following financial years? 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016.
- Question 18* Why is it important that the Financial System Unit offers Oracle financial system training to Financial Accounting Department employees?
- Question 19* Does the Financial Systems Unit offer GRAP standards and implementation training to Financial Accounting Department employees?

Question 20 If your response to Question 19 was yes, how useful was the training?

Question 21 Are you satisfied with the quality of Oracle financial system training offered by the Financial Systems Unit regarding the implementation of GRAP standards?

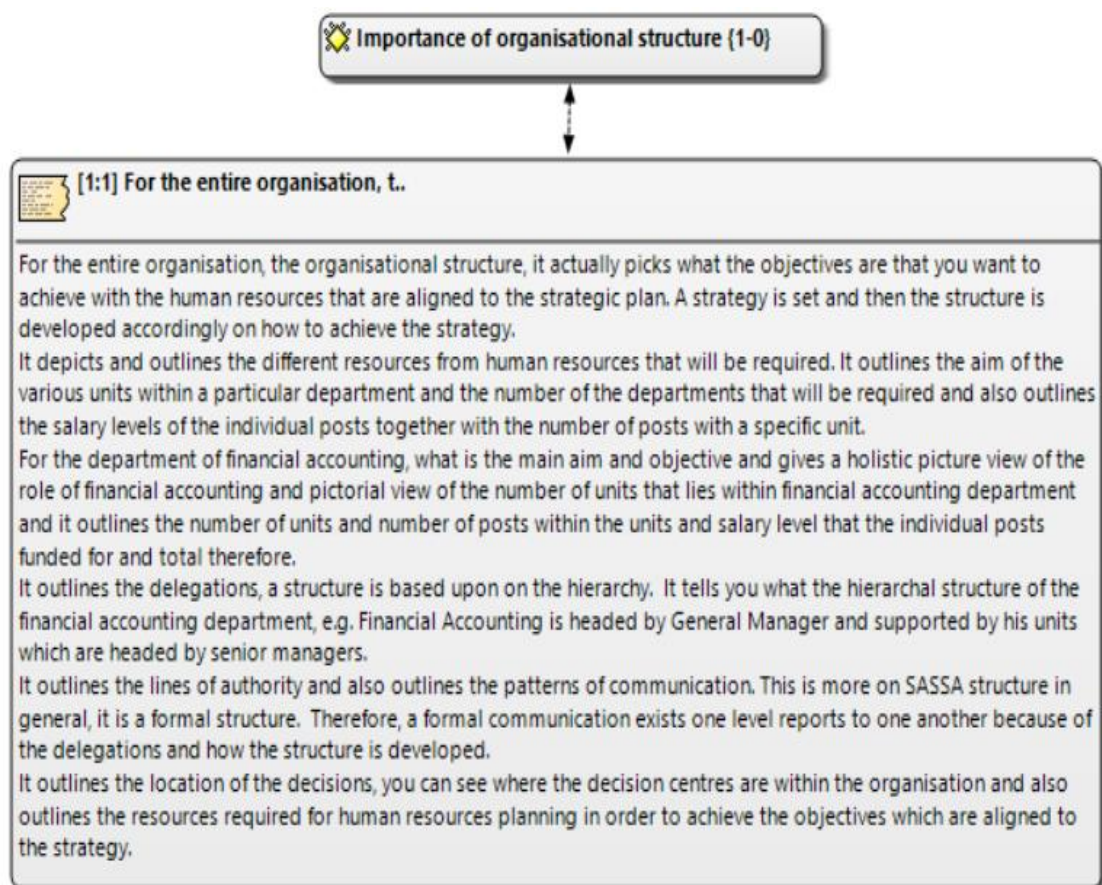
Question 22 What was the return on investment for the training offered?

General or additional comments

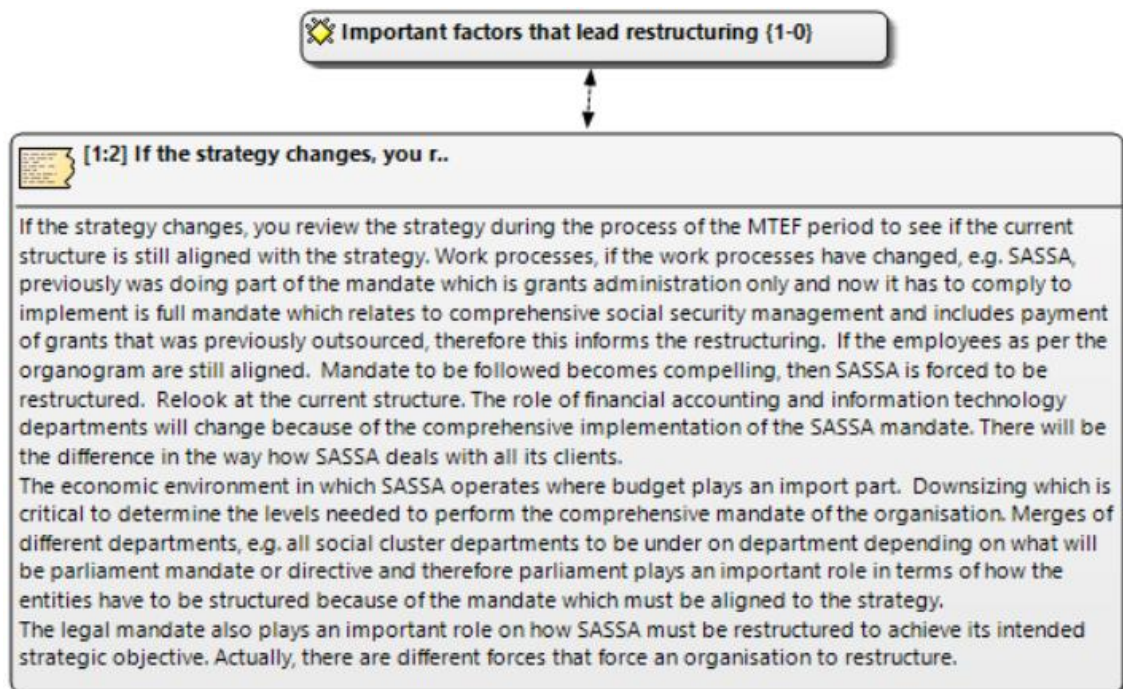
APPENDIX G: CONSOLIDATED NETWORKS ON INTERVIEW RESPONSES

Objective 1: Analyse the implementation of GRAP standards; linked to Chapters 2, 3 and 4

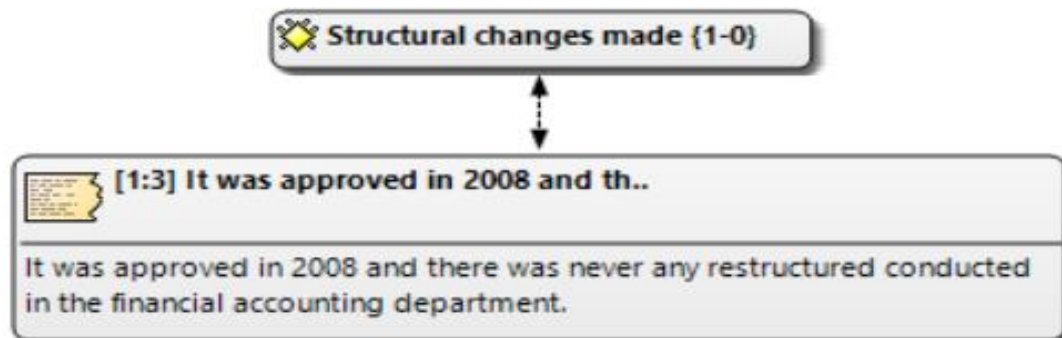
Question 1 Why is it important to have a proper organisational structure?



Question 2 What important factors lead to the restructuring of an organisation?



Question 3 Have any structural changes been made to the Financial Accounting Department?



Question 4 *If your response to Question 3 was yes, please explain why structural changes were made in the Financial Accounting Department.*

 Explanation of structural changes made {1-0}
↕
 [1:8] N/A N/A

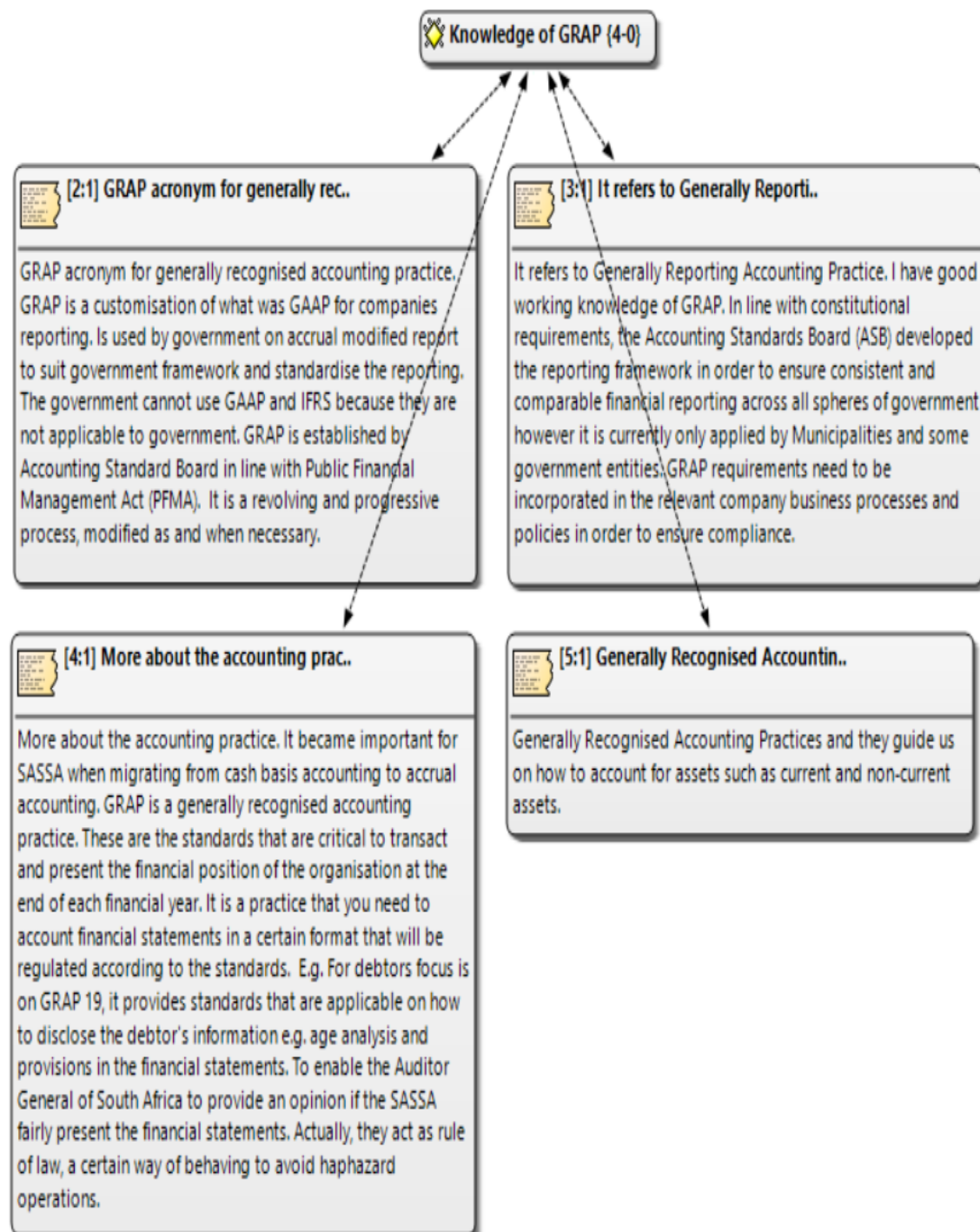
Question 5 *Which units did the Financial Accounting Department restructure for the following financial years: 2011/2012; 2012/13; 2013/2014; 2014/2015 and 2015/2016?*

 Units restructured {1-0}
↕
 [1:5] There were not restructuring d.. There were not restructuring done since the establishment of SASSA up to date.

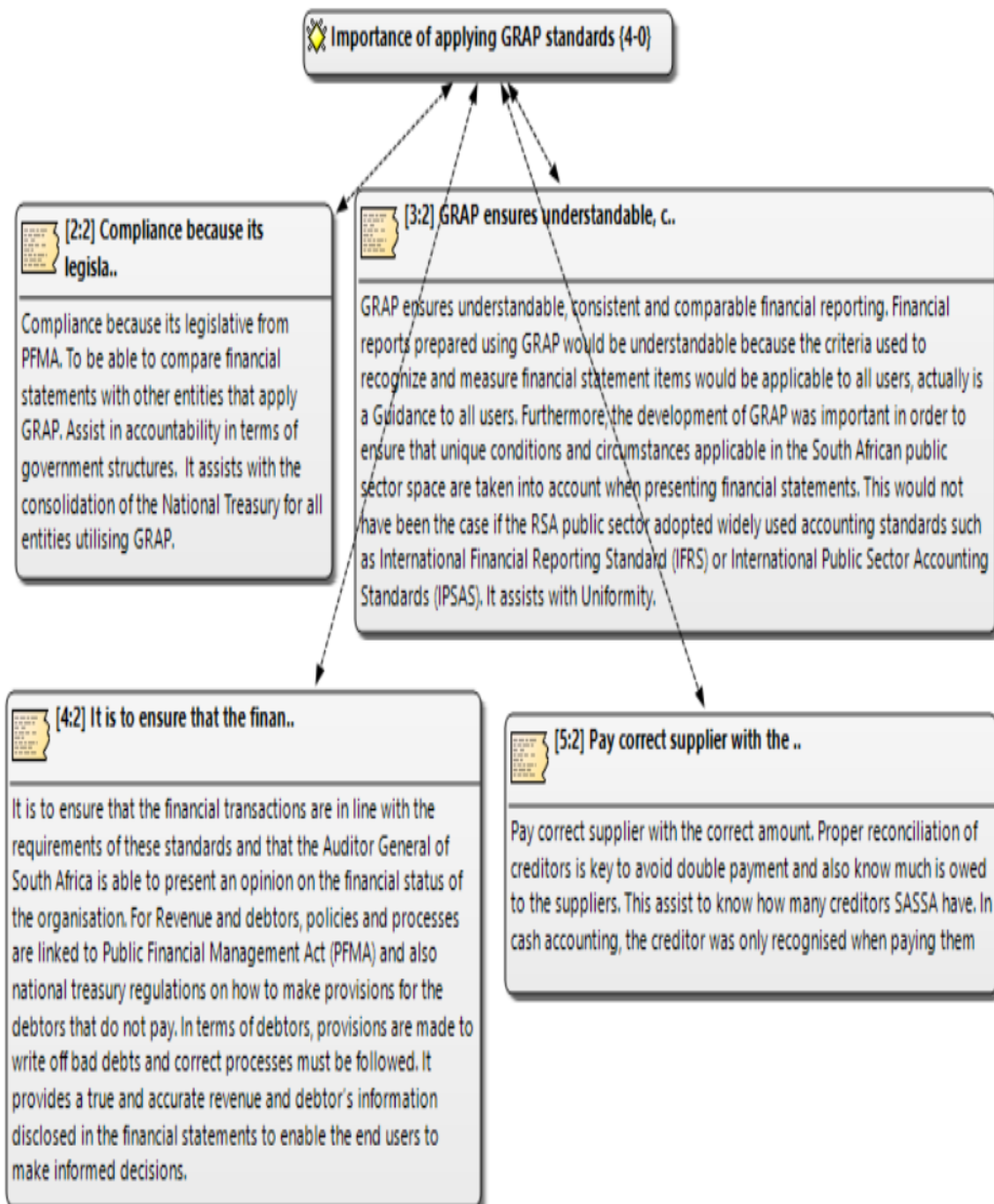
Question 6 *How did the structural changes benefit the Financial Accounting Department in terms of the implementation of GRAP standards?*

 Benefits of structural changes {1-0}
↕
 [1:6] The restructuring of financial.. The restructuring of financial accounting department will be beneficial because it will be aligned with the strategy and also it outline the objectives, aims and core or key results areas. It is a means to achieve the strategy and set targets. It outlines the key skills and resources required to meet that particular objective.

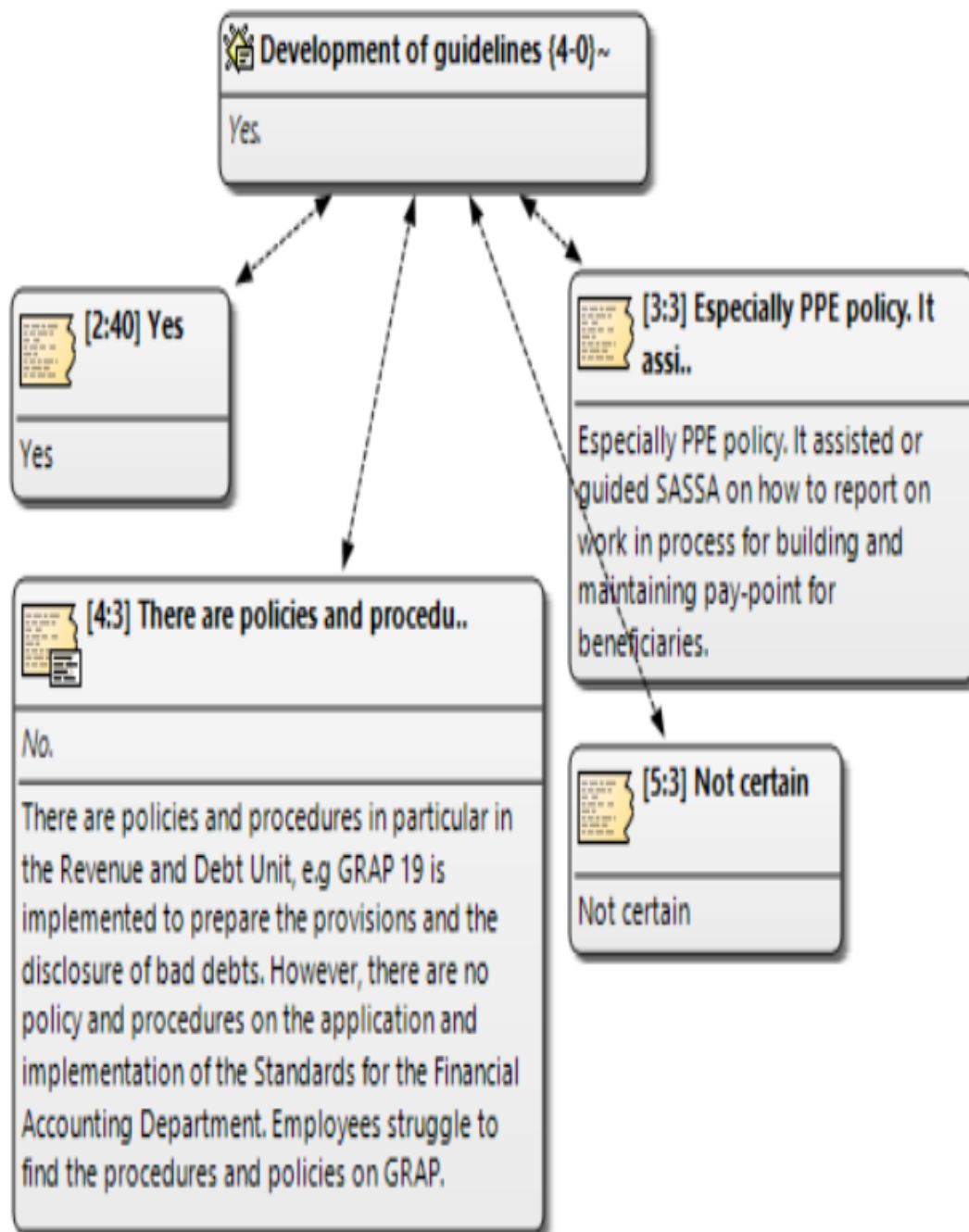
Question 7 What do you know about GRAP?



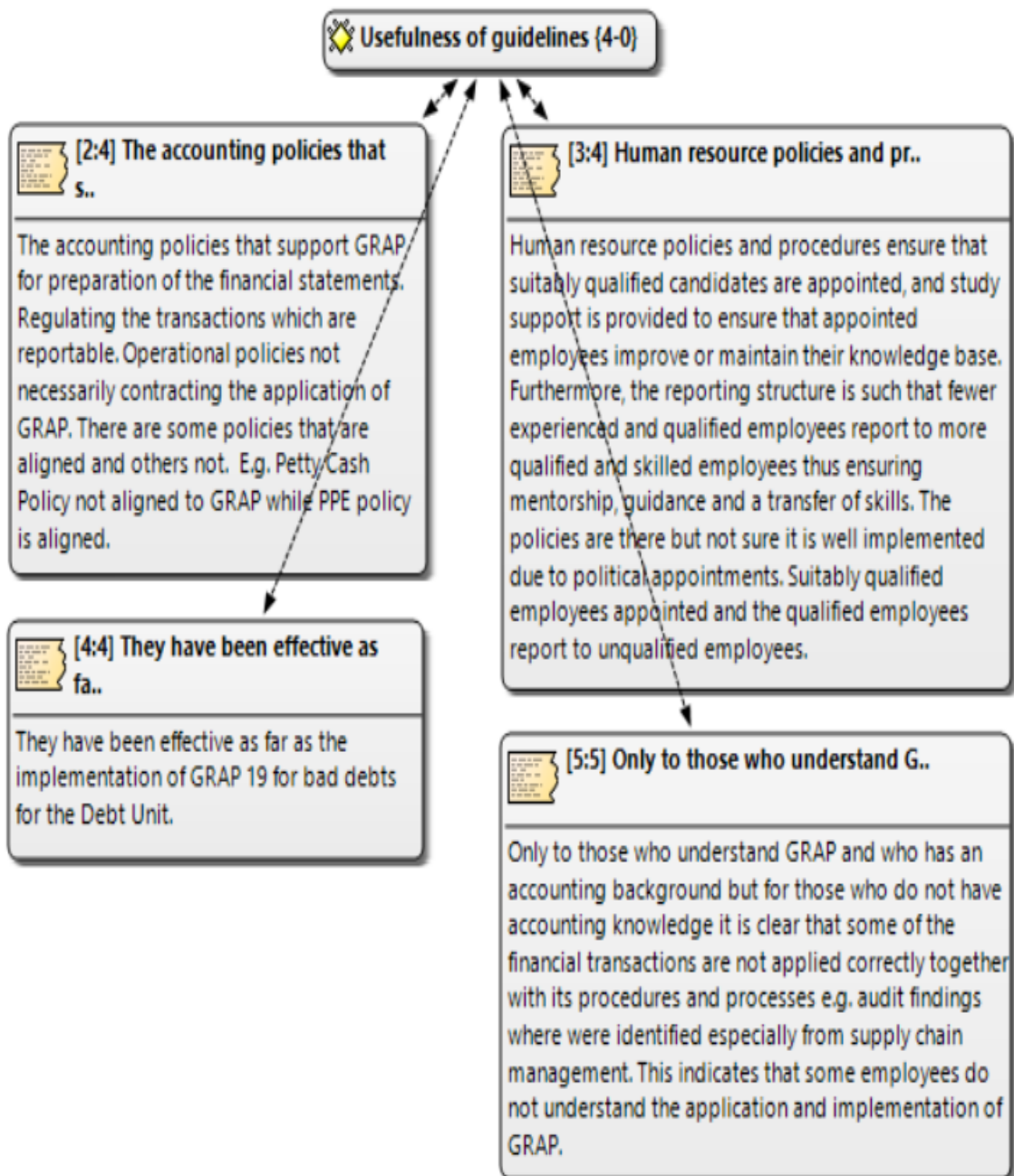
Question 8 Why is it important for Financial Accounting Department employees to implement GRAP standards?



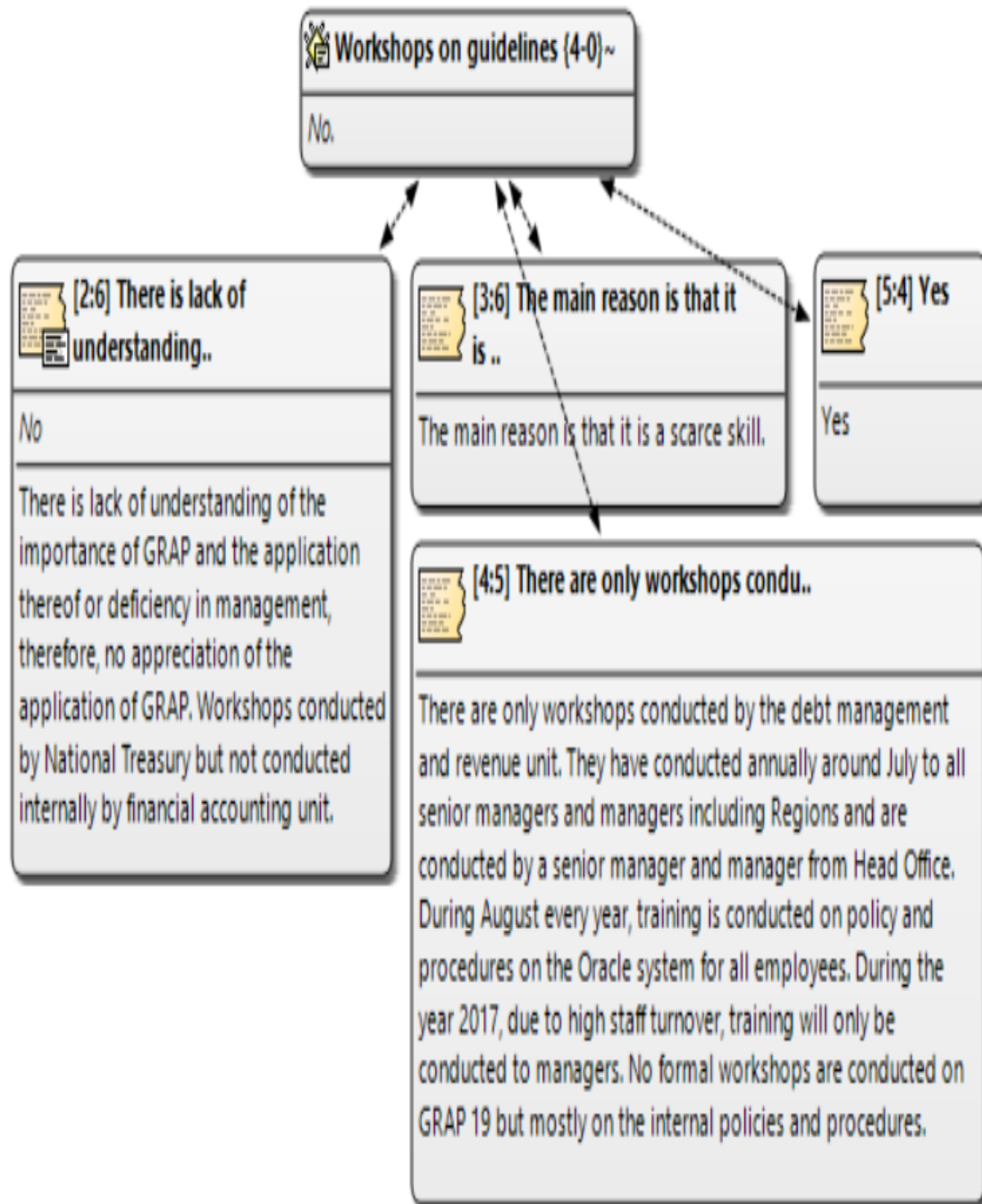
Question 9 Has the Financial Accounting Department developed any policies, procedures and processes to assist employees with implementing GRAP standards?



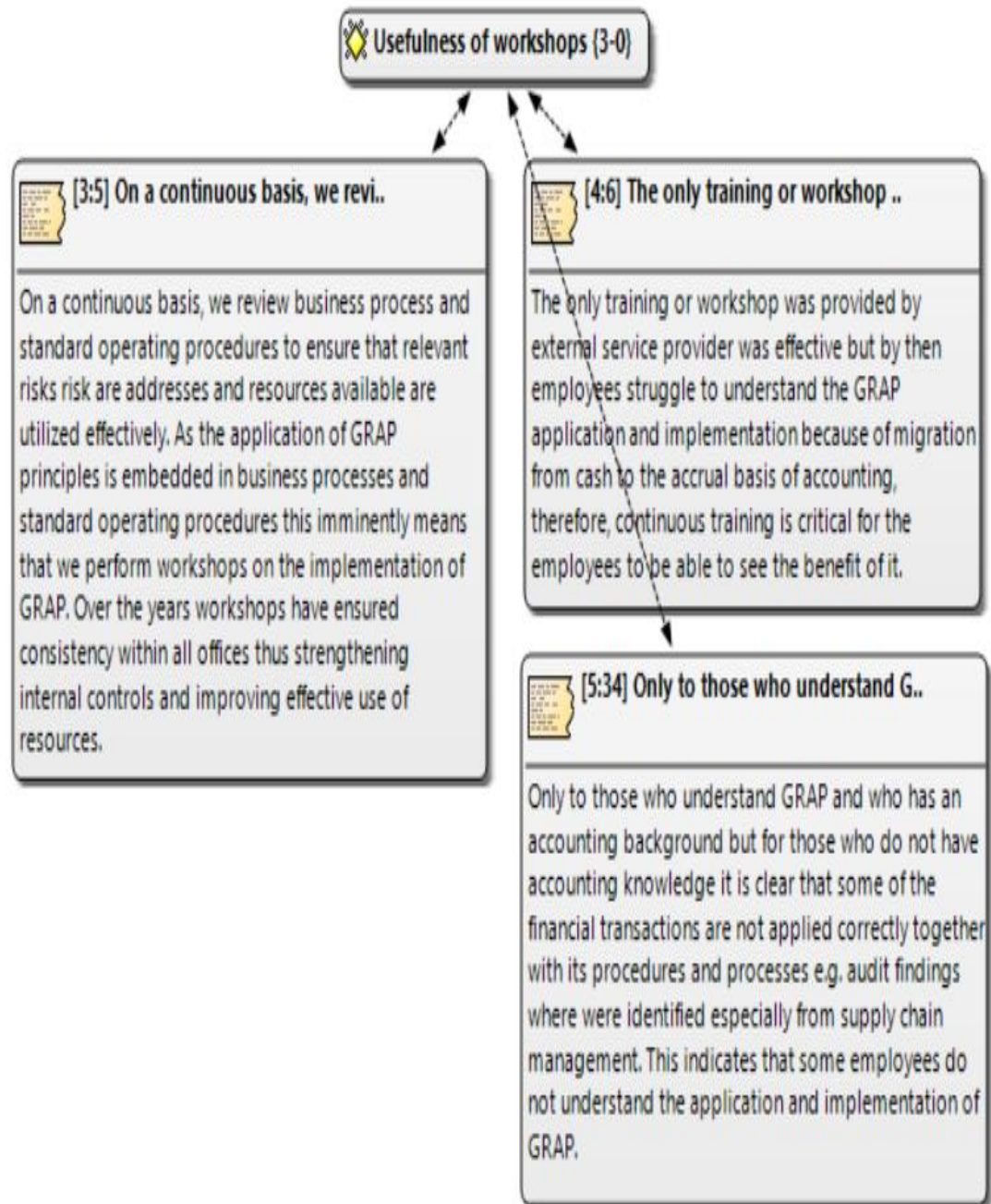
Question 10 If your response to Question 9 was yes, briefly explain how useful these guidelines are to ensure that Financial Accounting Department employees implement GRAP standards.



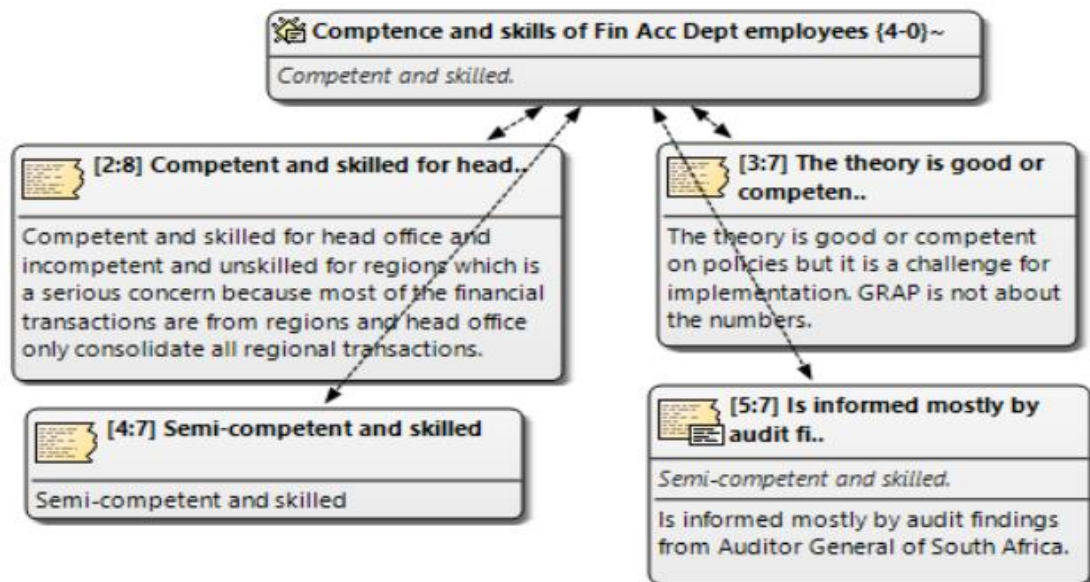
Question 11 Have there been any workshops for Financial Accounting Department employees regarding the policies, procedures and processes for implementing GRAP standards?



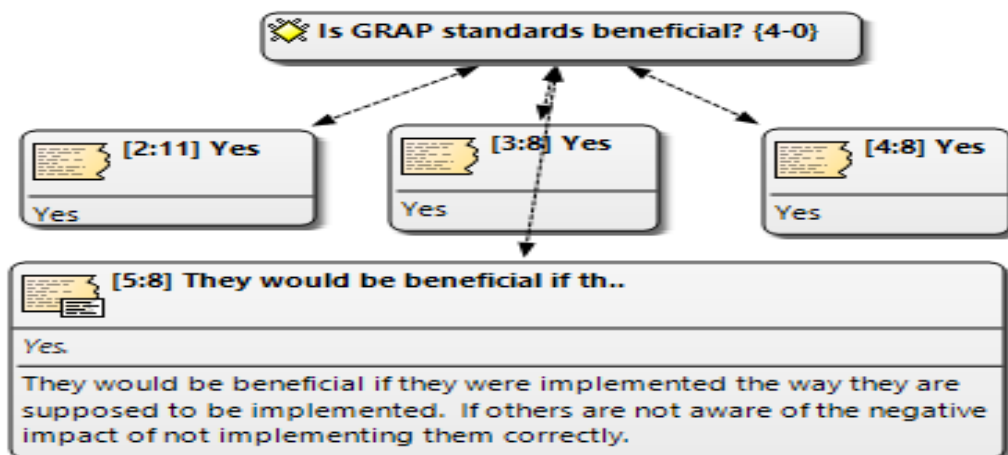
Question 12 If your response to Question 11 was yes, briefly explain how useful the workshops are to ensure that Financial Accounting Department employees implement GRAP standards.



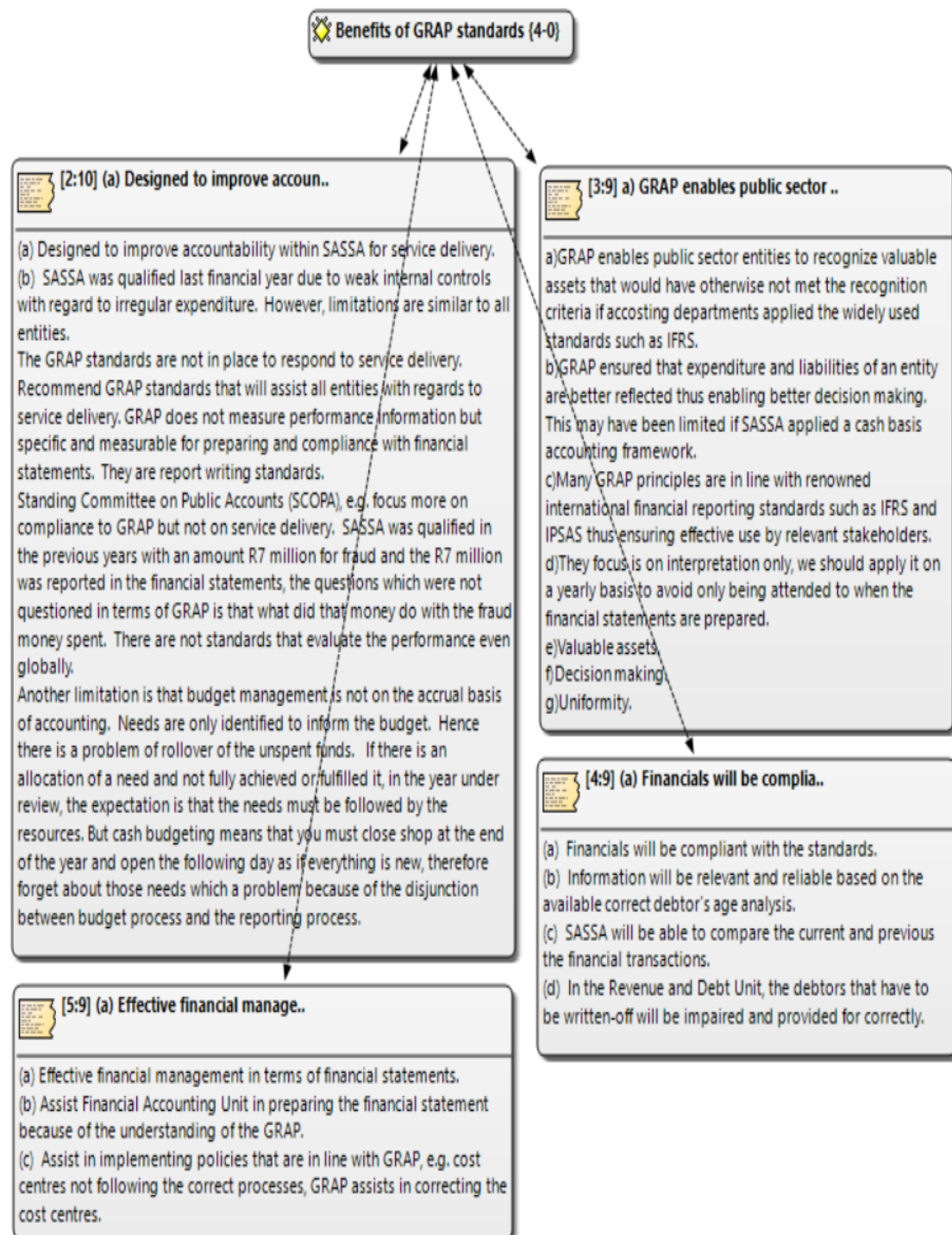
Question 13 How would you assess the competence and skills of employees in the Financial Accounting Department when implementing GRAP standards?
Competent and skilled; Semi-competent and skilled; Incompetent and unskilled; Not aware.



Question 14 Do you think that it is beneficial for the Financial Accounting Department to implement GRAP standards in SASSA?

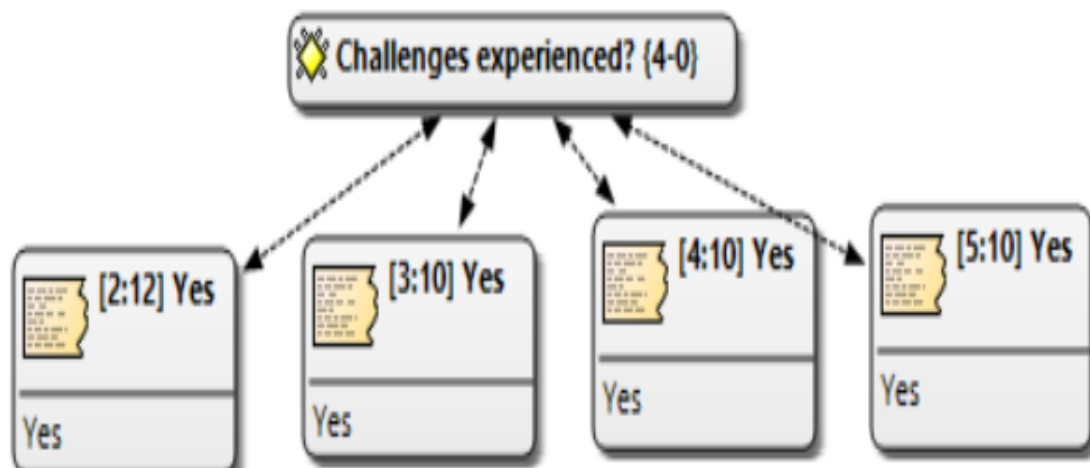


Question 15 If your response to Question 14 was yes, please mention the benefits.

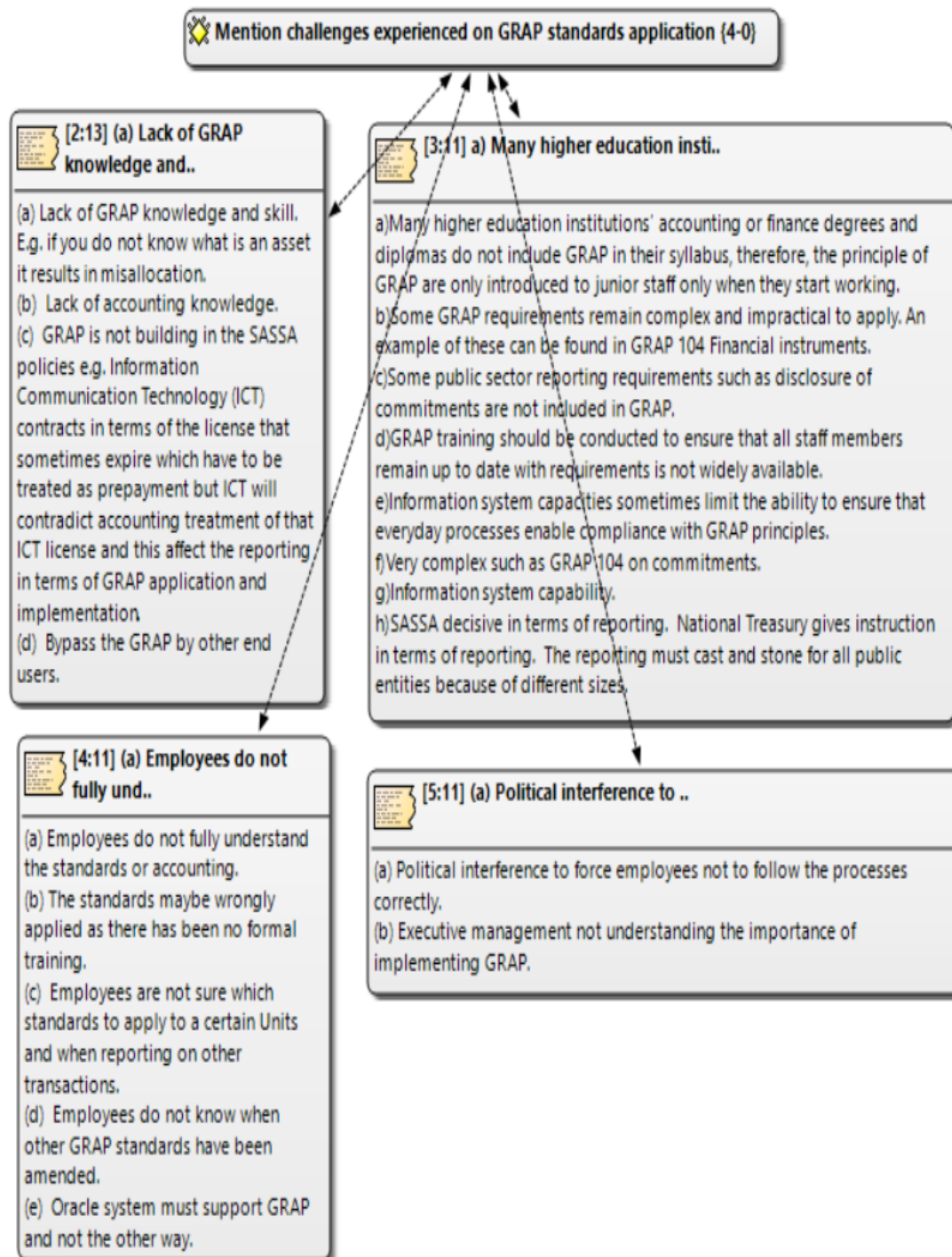


Objective 2: Determine the challenges and benefits of implementing GRAP standards; linked to Chapters 2, 3 and 4

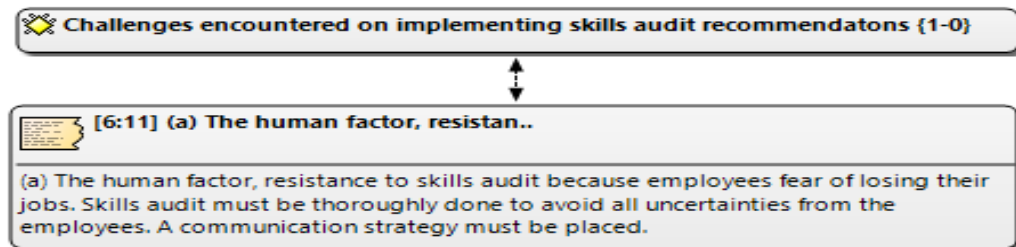
Question 1 Did Financial Accounting Department employees experience any challenges while implementing GRAP standards?



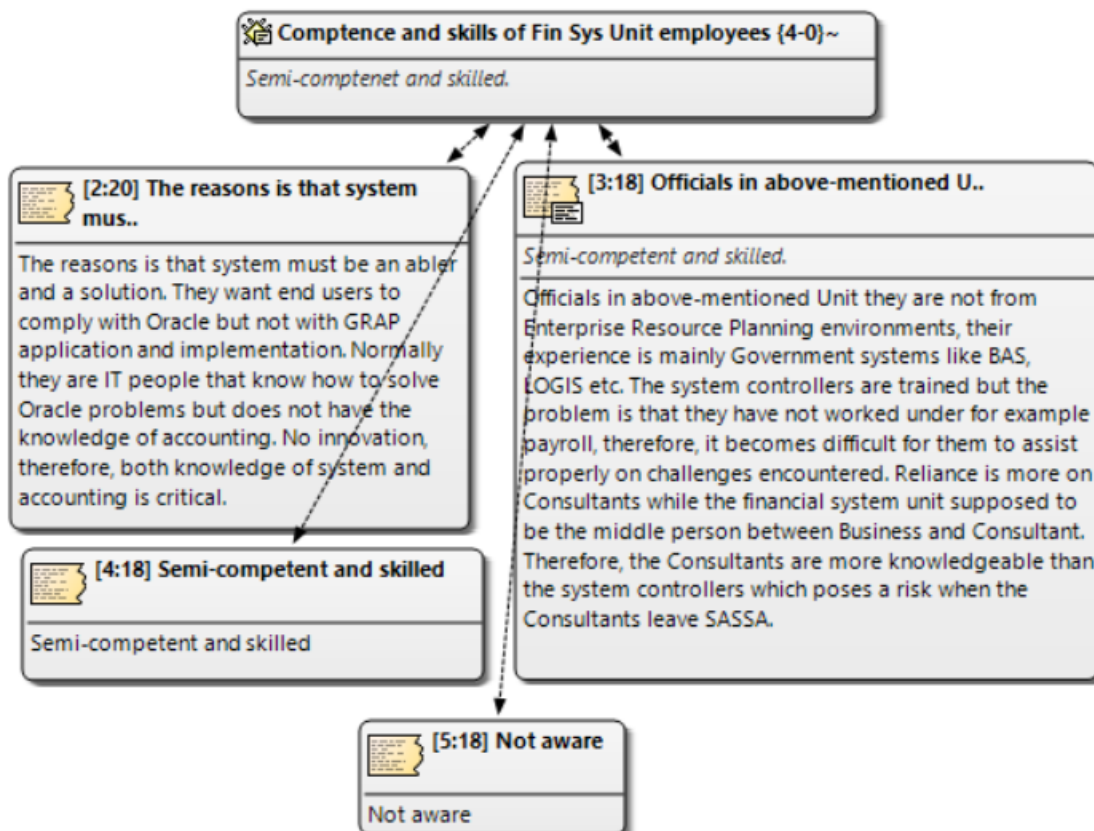
Question 2 If your response to Question 1 was yes, please mention the challenges experienced.



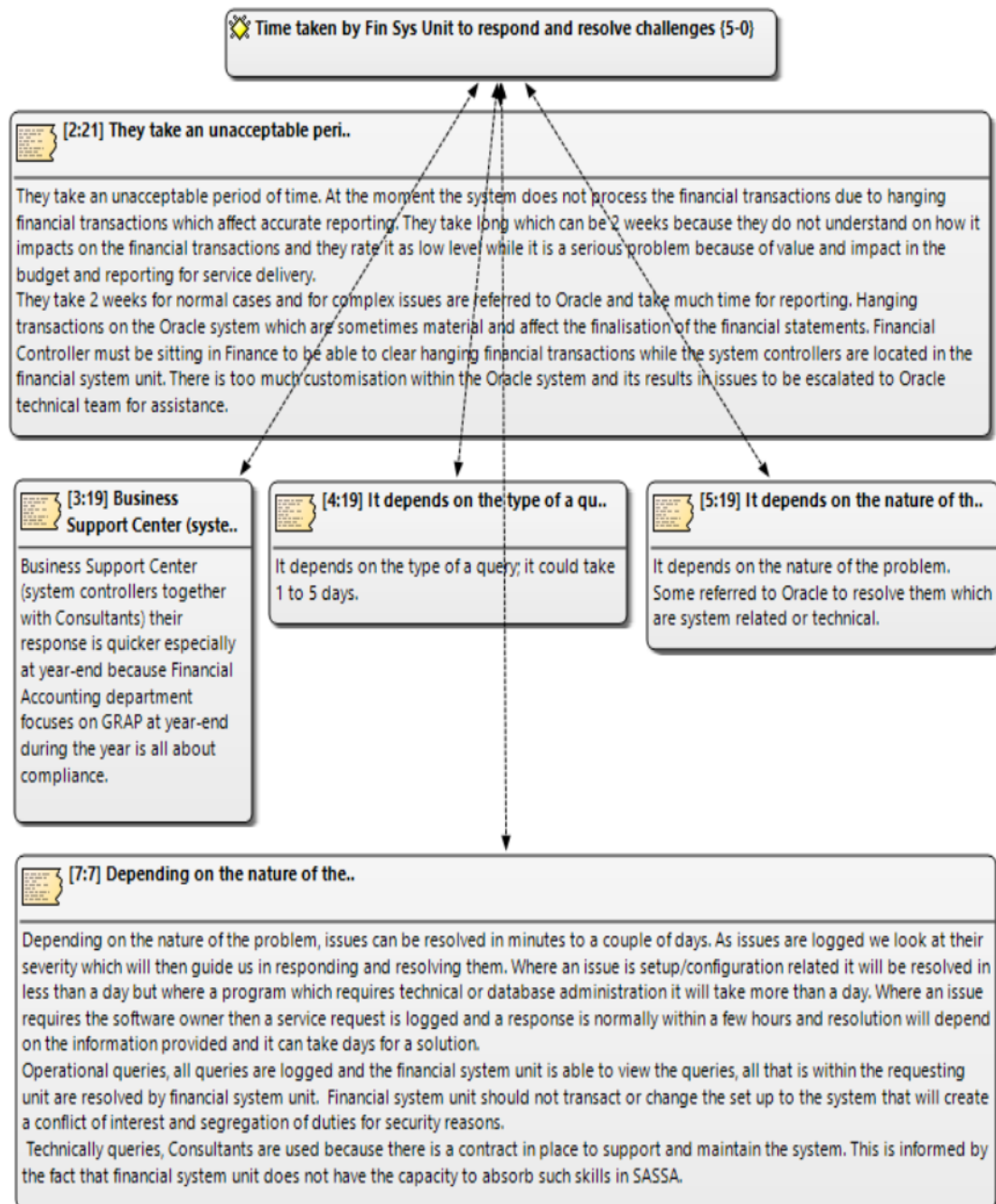
Question 3 Which challenges were encountered when the Financial Account Department implemented the skills audit recommendations?



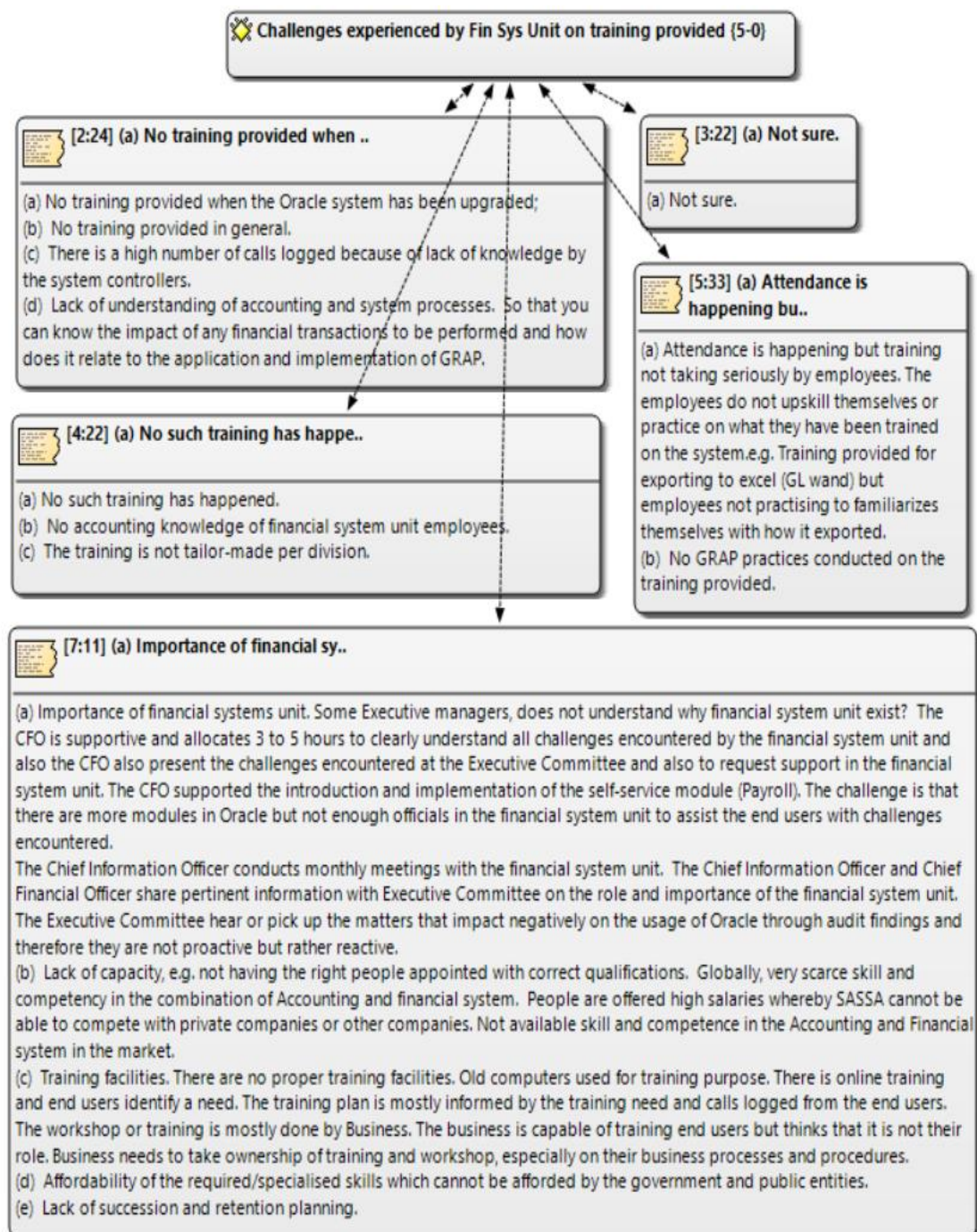
Question 4 How would you assess the competence and skills of employees in the Financial System Unit when assisting Financial Accounting Department employees with Oracle? Competent and skilled; Semi-competent and skilled; Incompetent and unskilled; Not aware.



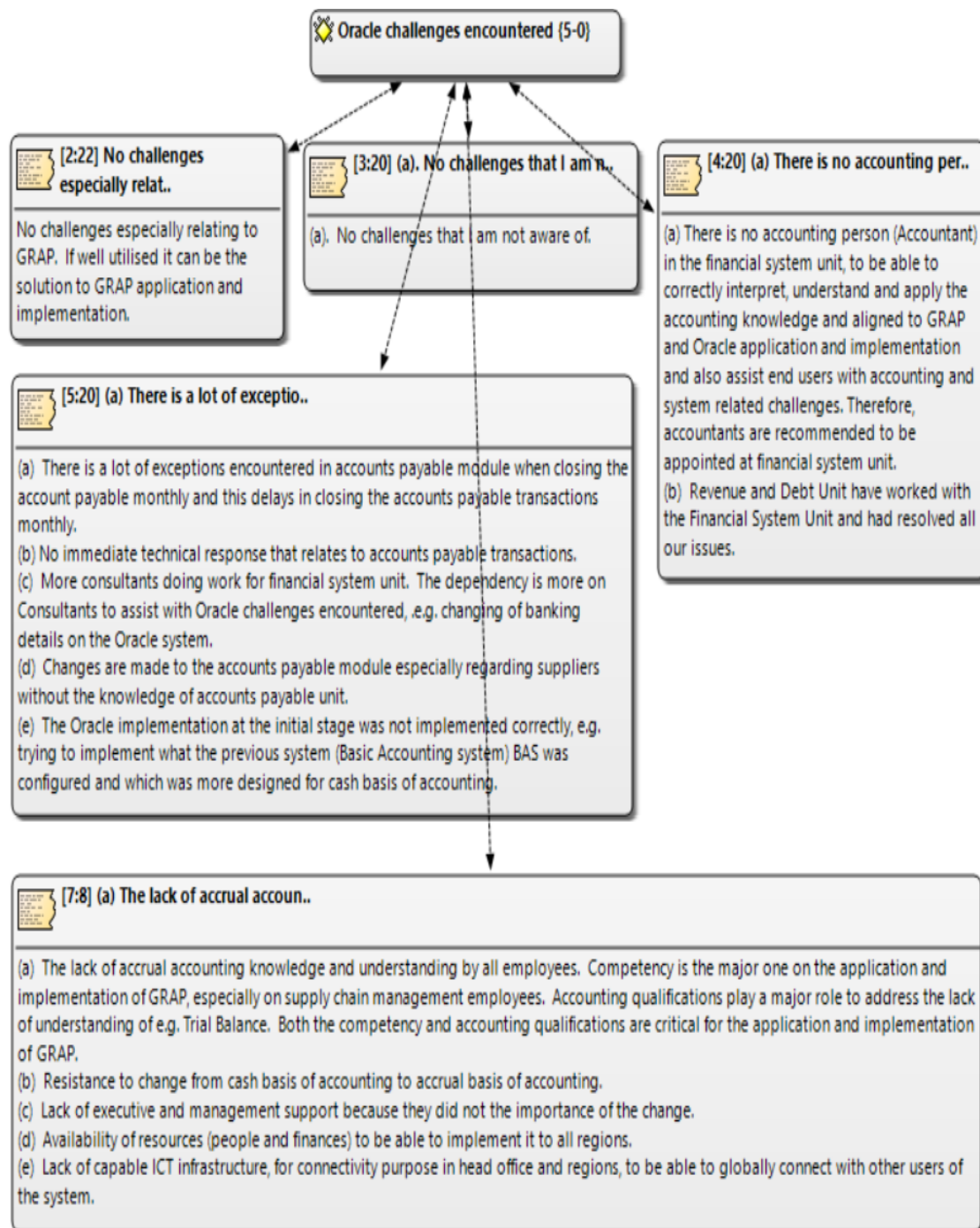
Question 5 How long does it take for the Financial Systems Unit to respond to and resolve financial accounting challenges reported by Financial Accounting Department employees?



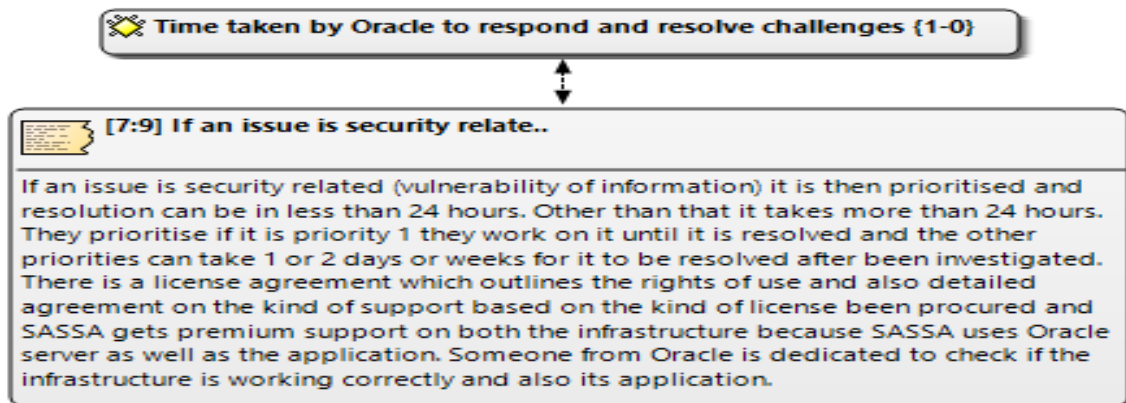
Question 6 Which challenges were experienced by the Financial Systems Unit when presenting training to the Financial Accounting Department employees?



Question 7 Which Oracle financial system challenges do Financial Accounting Department employees encounter when implementing GRAP standards?

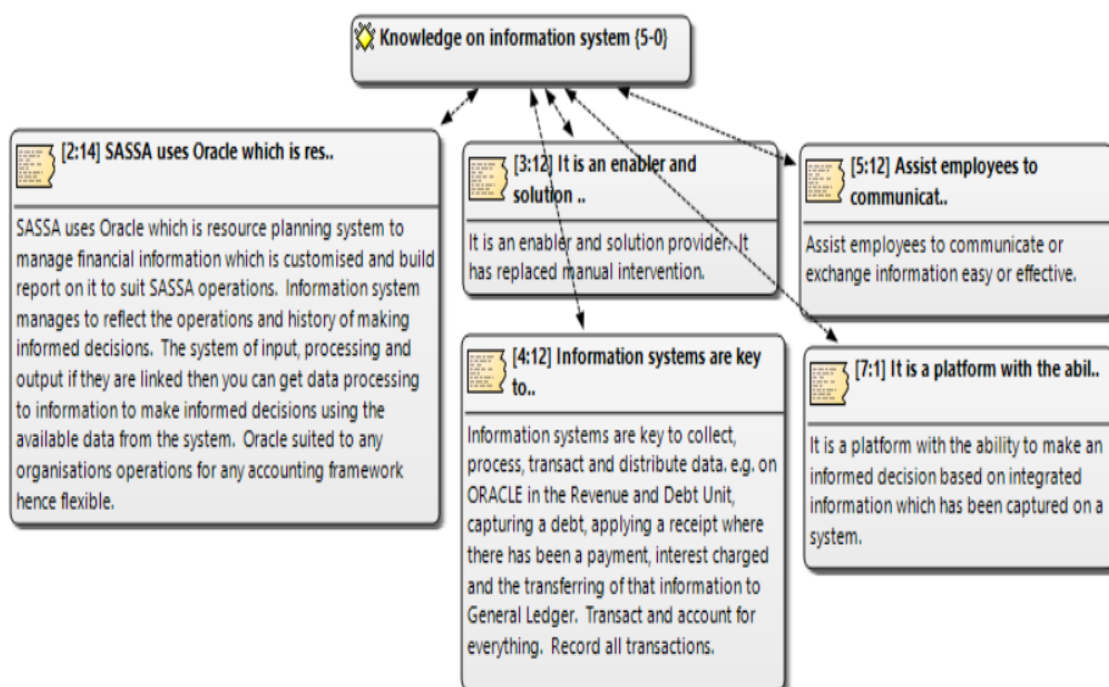


Question 8 How long does it take for Oracle to respond to and resolve financial accounting challenges reported by the Financial Systems Unit?

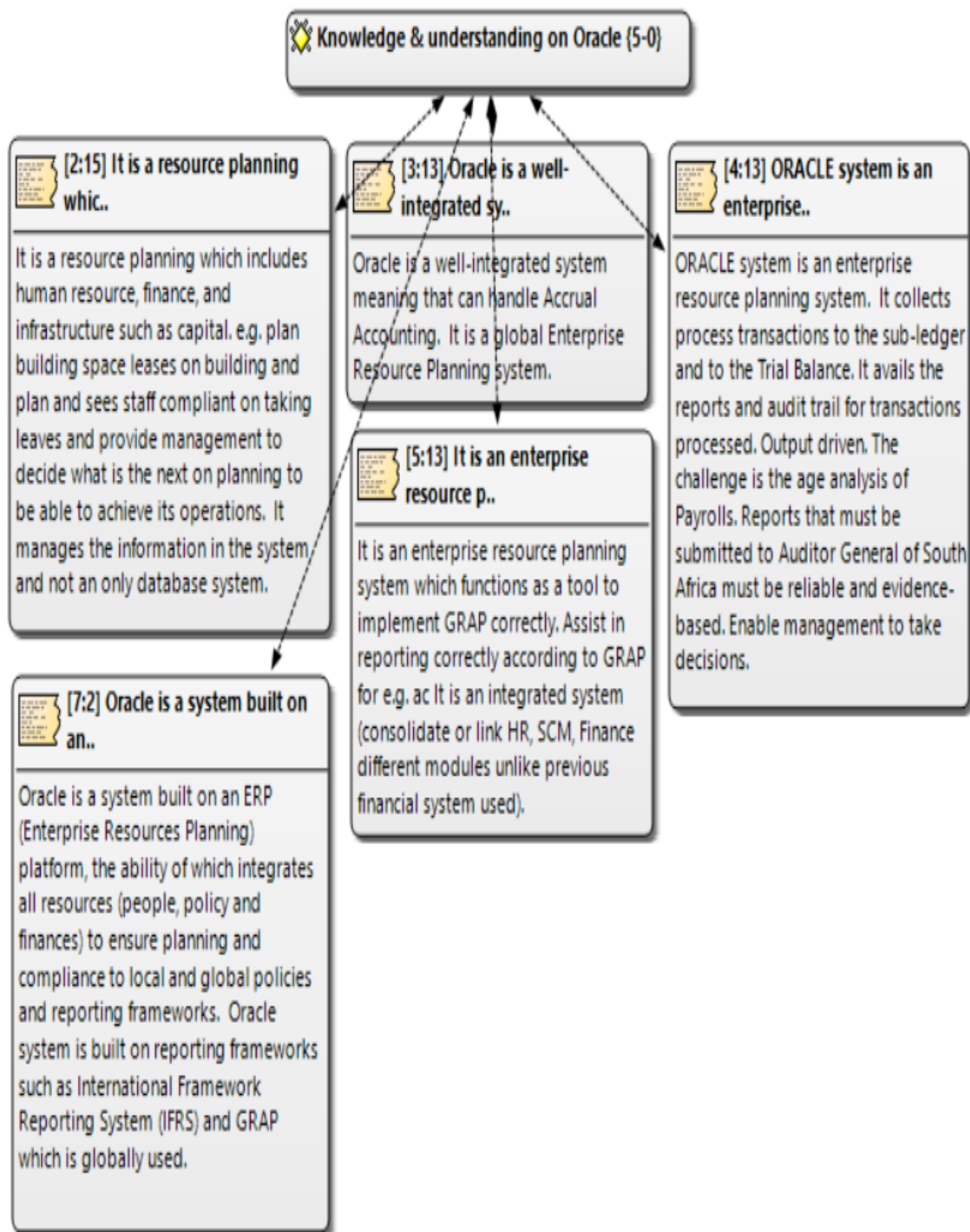


Objective 3: Determine the suitability of financial systems; linked to Chapters 3 and 4

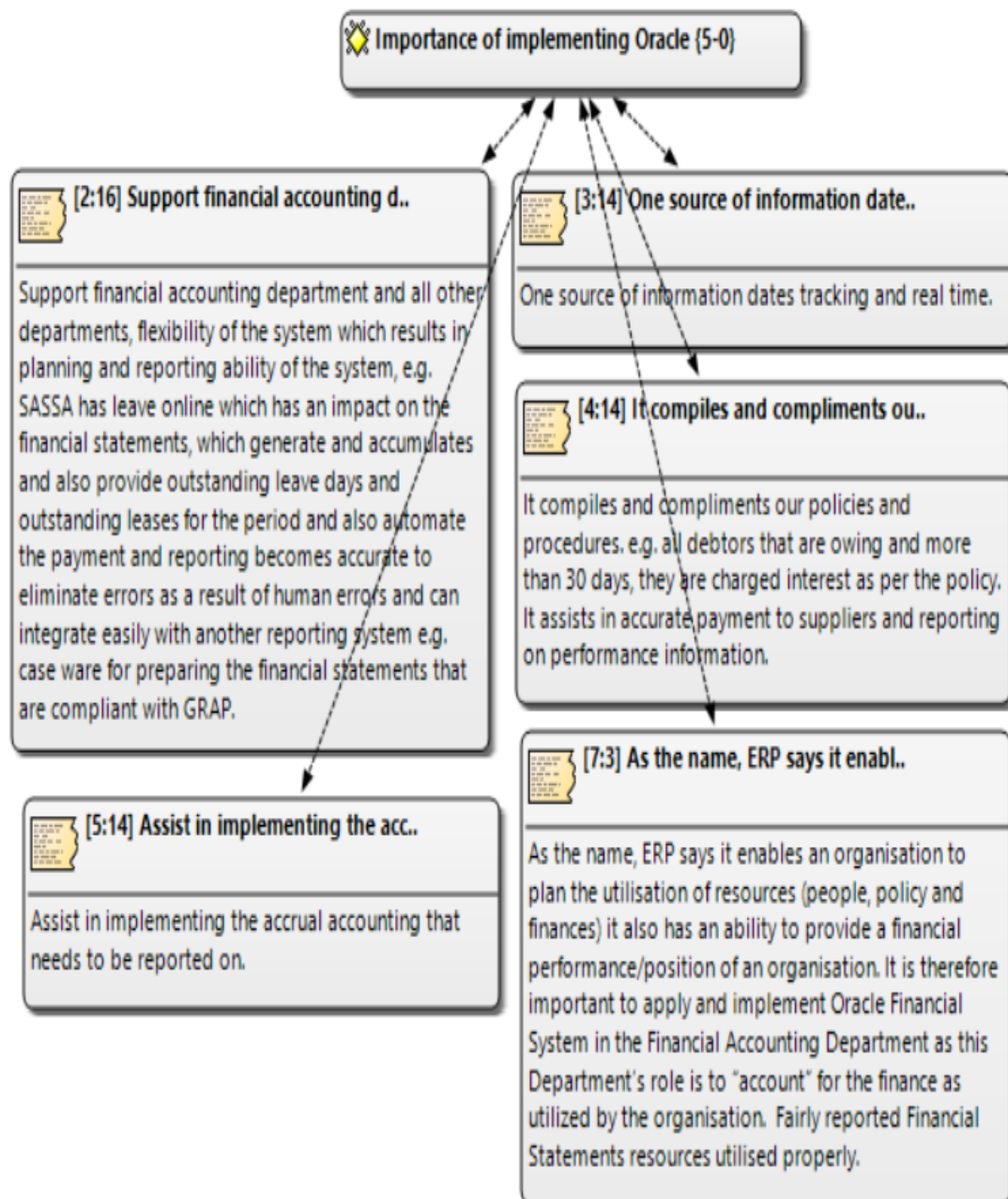
Question 1 What do you know about the information system?



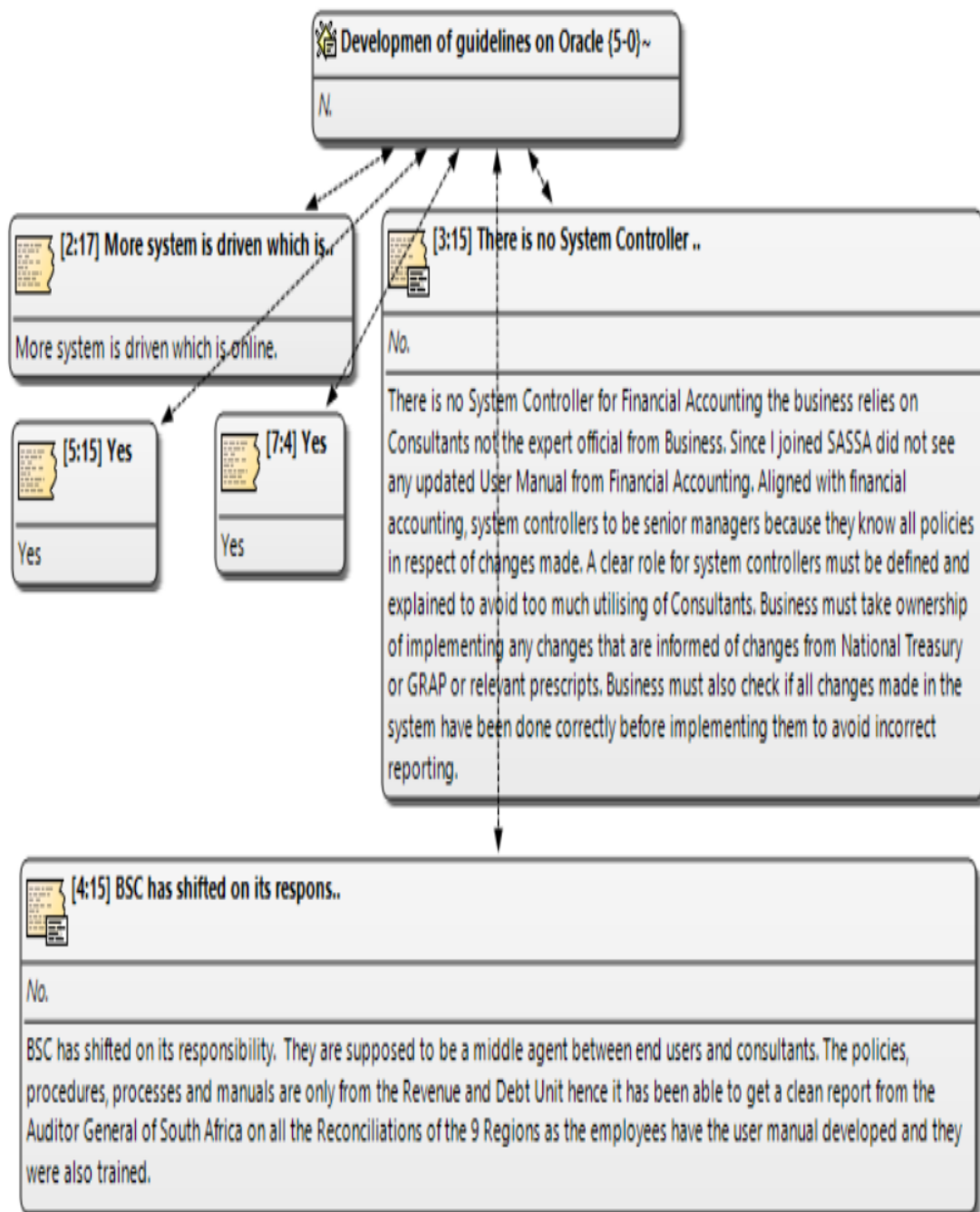
Question 2 What do you know and understand about the Oracle financial system?



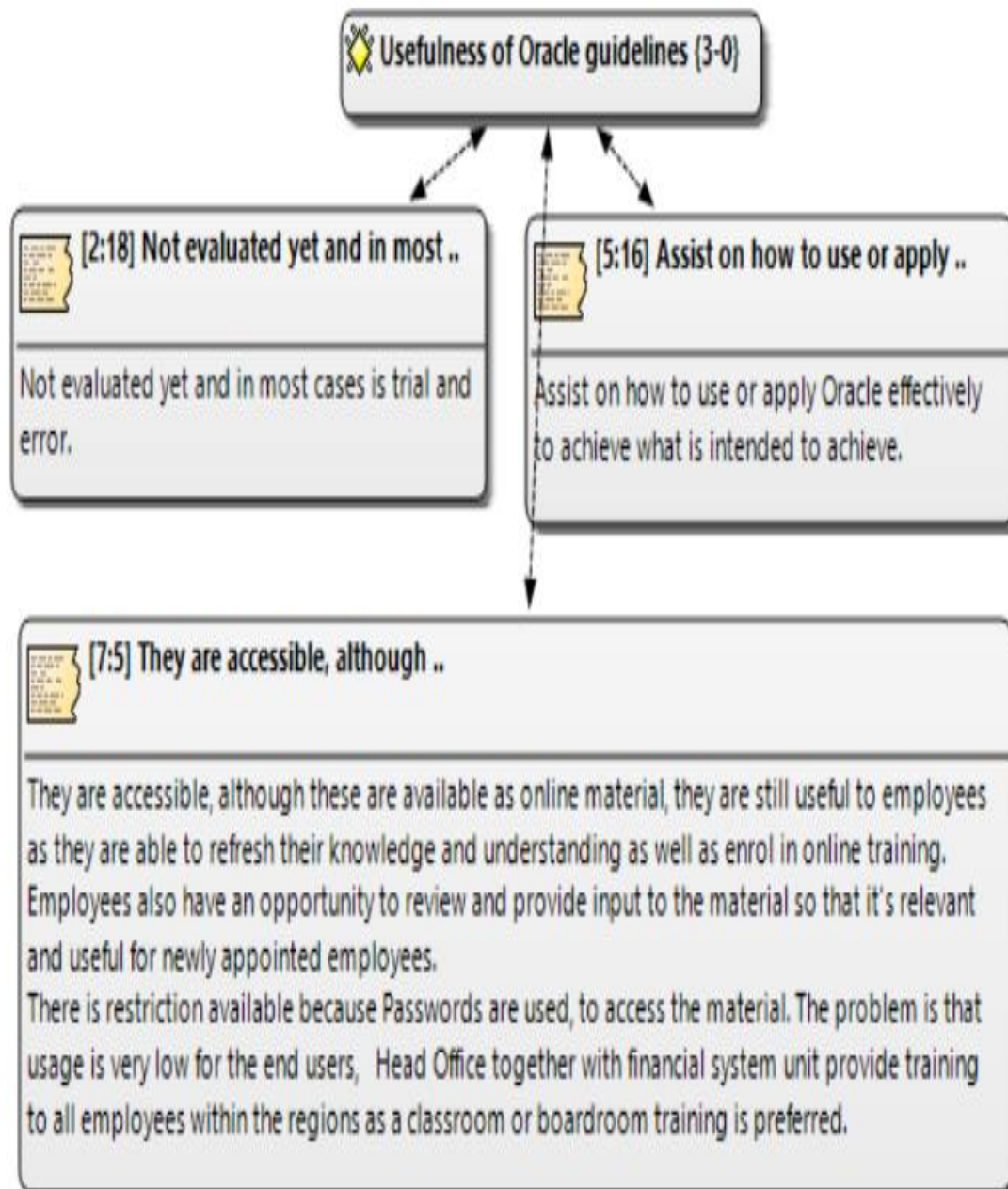
Question 3 Why is it important for the Financial Accounting Department to implement the Oracle financial system?



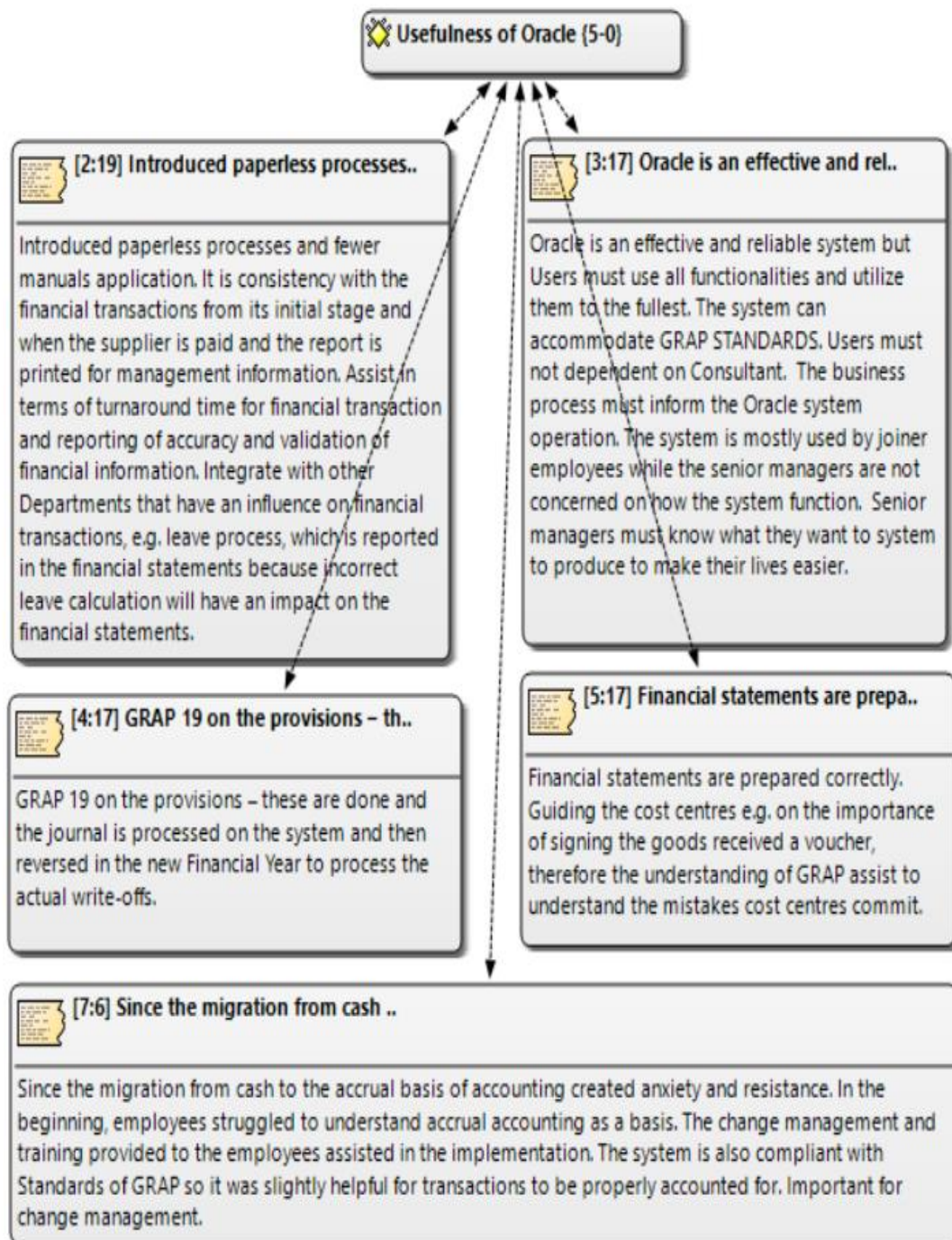
Question 4 Are there policies, procedures, processes and user manuals that govern Financial Accounting Department employees when using the Oracle financial system?



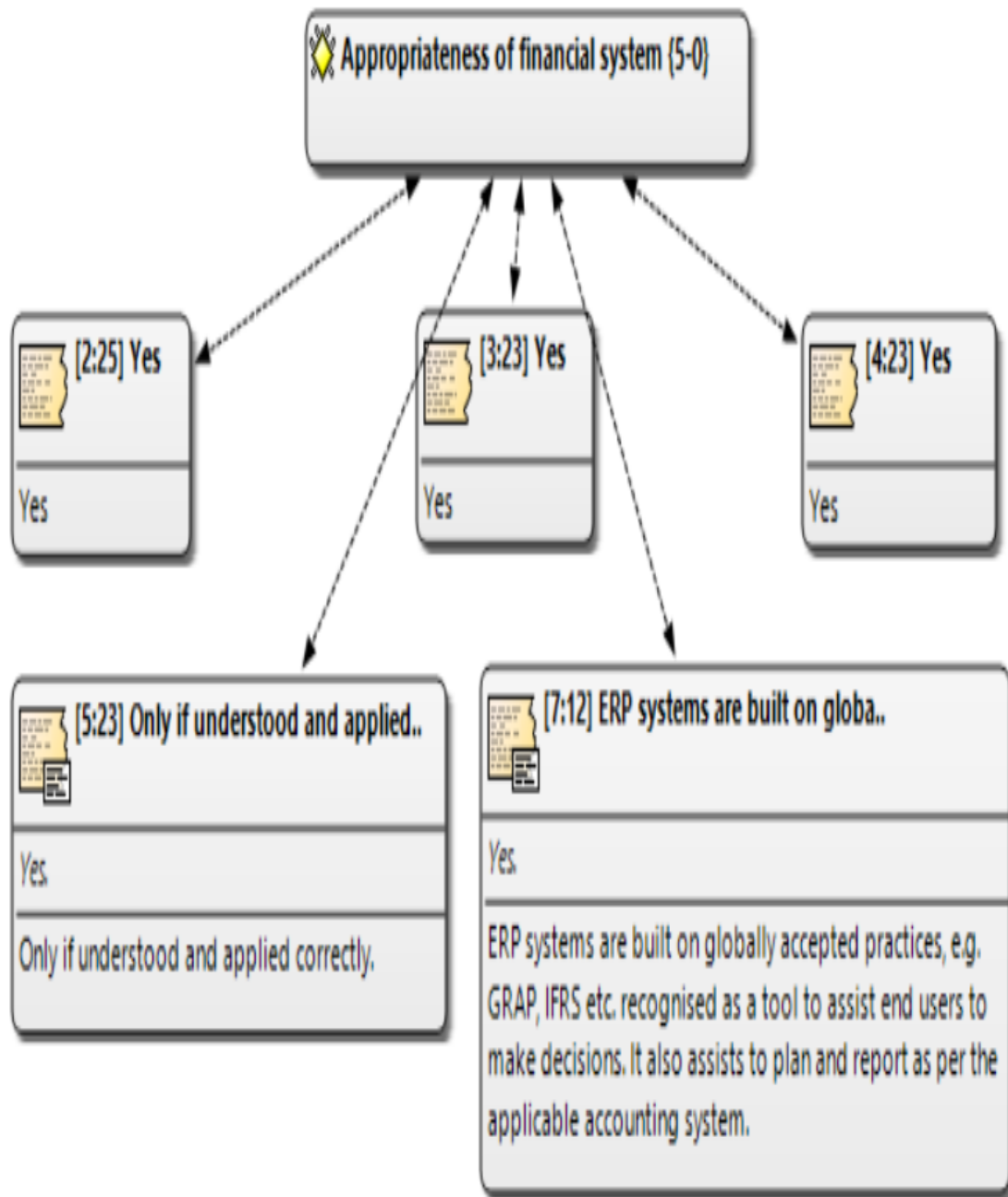
Question 5 If your response to Question 4 was yes, how useful is the Oracle financial system documentation to Financial Accounting Department employees implementing GRAP standards?



Question 6 Briefly explain whether Financial Accounting Department employees found the Oracle financial system useful when implementing GRAP standards.

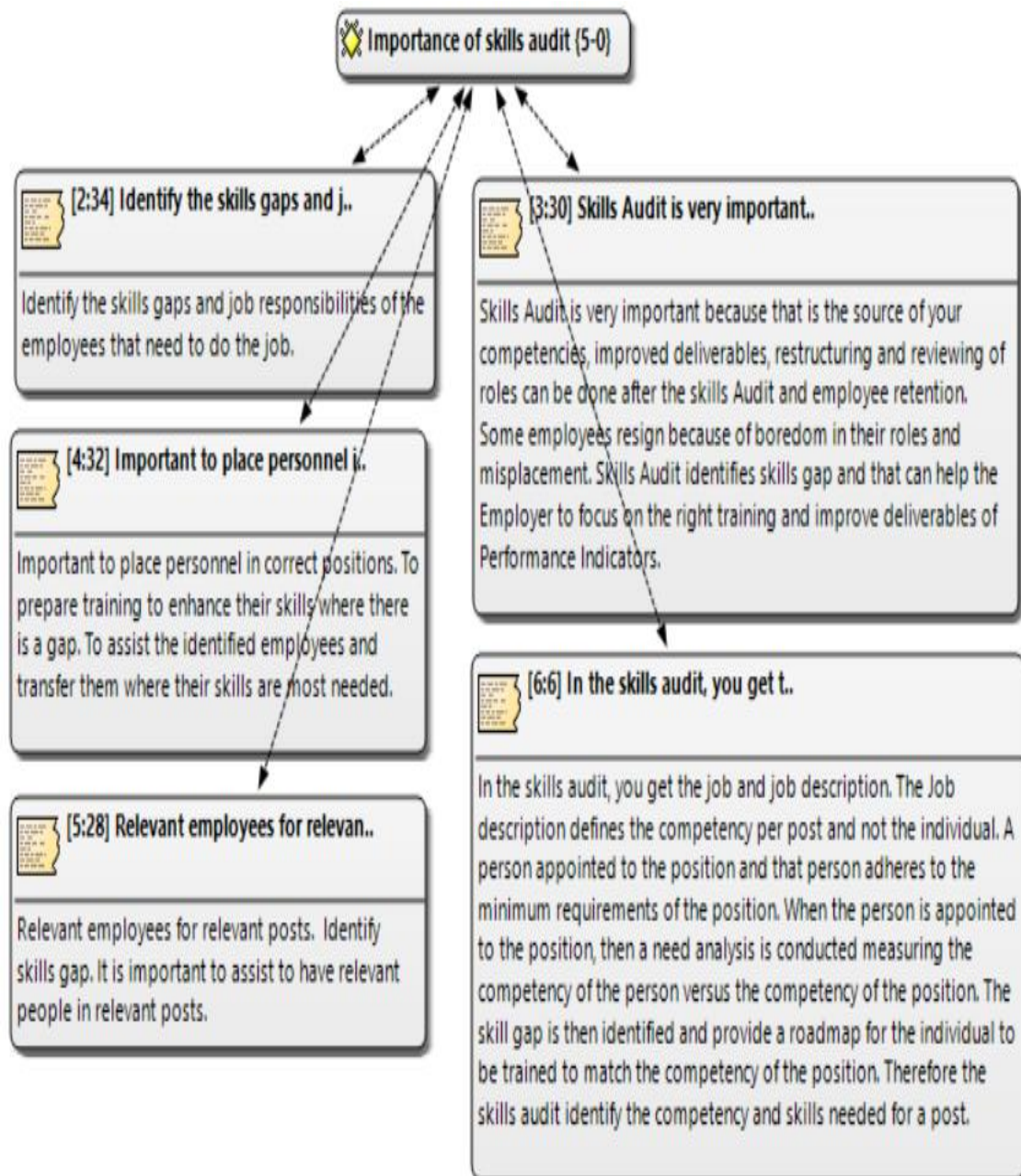


Question 7 Do you think that Oracle is an appropriate financial system for implementing GRAP standards?



Objective 4: Determine SASSA's capacity; linked to Chapter 4

Question 1 Why are skills audits so important?



Question 2 Please mention reasons why the Financial Accounting Department would conduct a skills audit.

Reasons for skills audit conducted {1-0}

[6:8] (a) You want the person to sui..

(a) You want the person to suit the competency of the position.
 (b) The employee can be trained on the skills gap identified.
 (c) A skills audit is conducted after the person has been appointed.
 (d) Competency is made of knowledge, skills and attributes. In an advertised position you need to have minimum qualification for the position and then during the interview, you might test the knowledge and behaviour but you cannot always measure the necessary skills person requires which is needed for a position.
 (e) You measure behavioural competency not necessarily the skills.
 Competency assessment must be done before a person is appointed. Competency is only done for certain levels which are from senior managers upwards only. Competency assessment identifies the needs of the post.

Question 3 Are you aware of any skills audit conducted by the Financial Accounting Department?

Awareness of skills audit conducted {5-0}

[2:35] No
No

[3:31] 2017/2018 CFO requested Job de..
No.
2017/2018 CFO requested Job descriptions of all Senior Managers in Finance but no mention of qualifications.

[4:33] No
No

[5:29] No
No

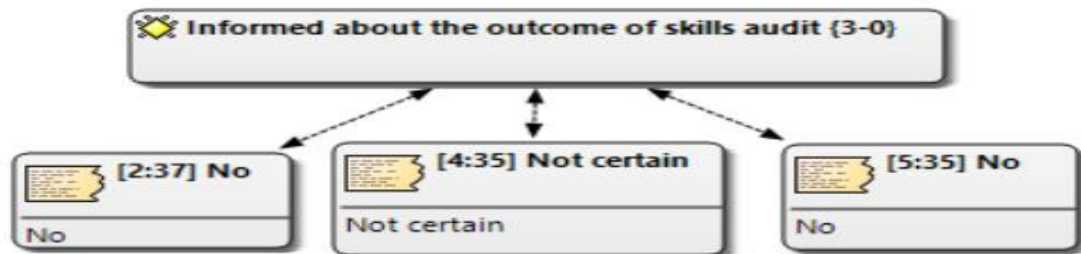
[6:7] No
No

Question 4 If your response to Question 3 was yes, in which financial years did the skills audits take place: 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016?

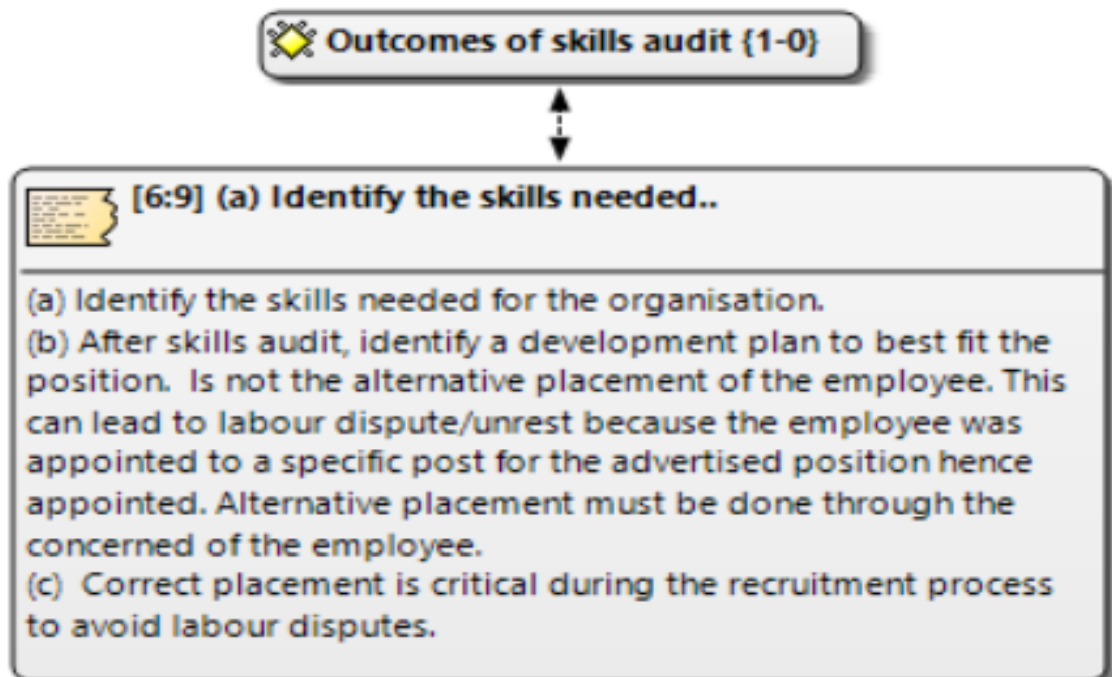
Financial years skills audit conducted {1-0}

[2:41] N/A
N/A

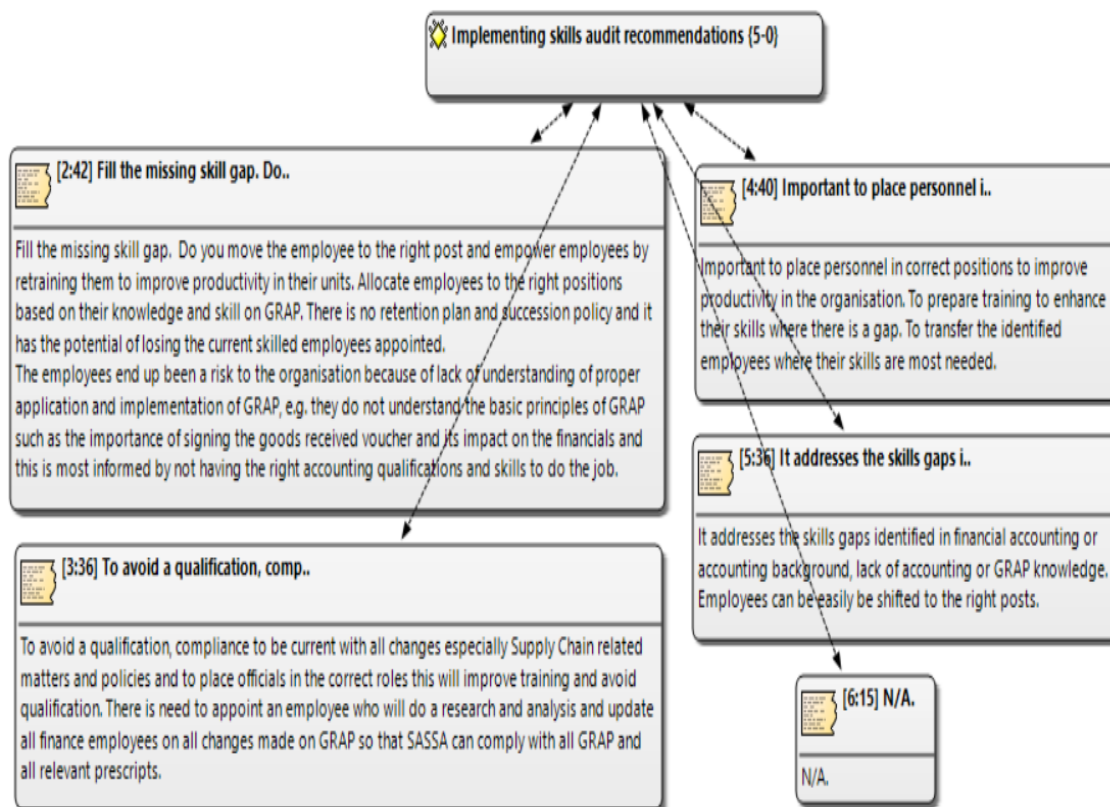
Question 5 Where you informed about the outcome of the skills audit conducted in the Financial Accounting Department?



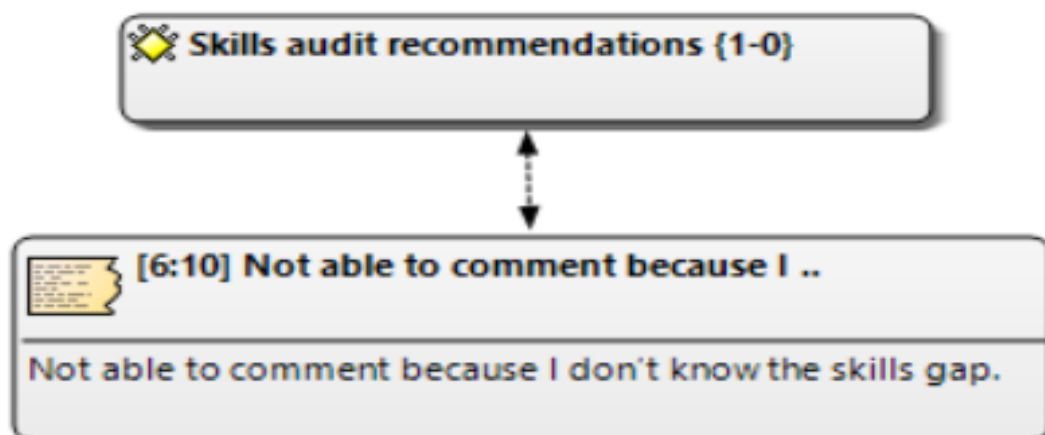
Question 6 Please mention the outcomes of the skills audit conducted by the Financial Accounting Department.



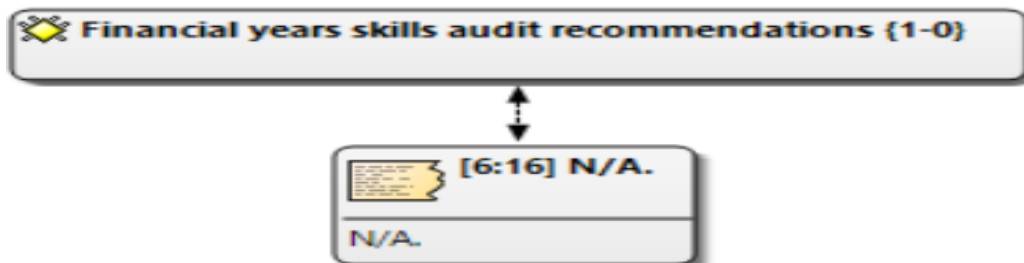
Question 7 Why is it important for the Financial Accounting Department to implement the skills audit recommendations?



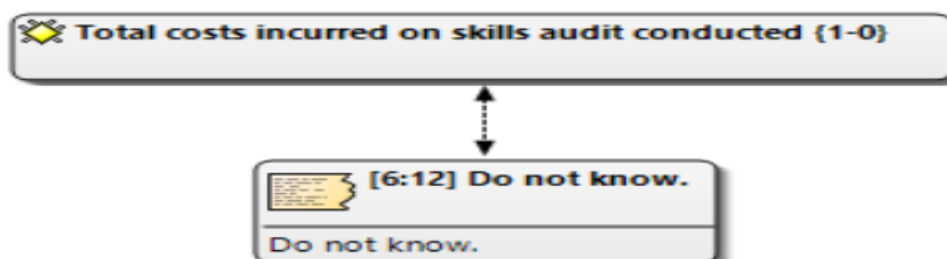
Question 8 Which recommendations were made to the Financial Accounting Department after the skills audit?



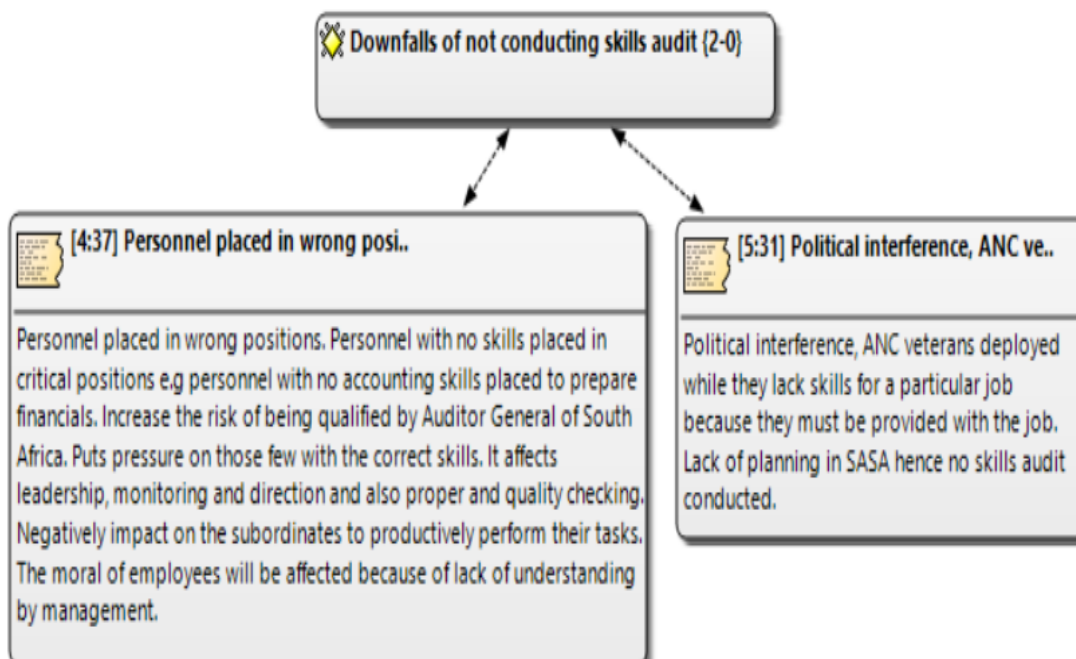
Question 9 In which financial year was skills audit recommendations made to the Financial Accounting Department?



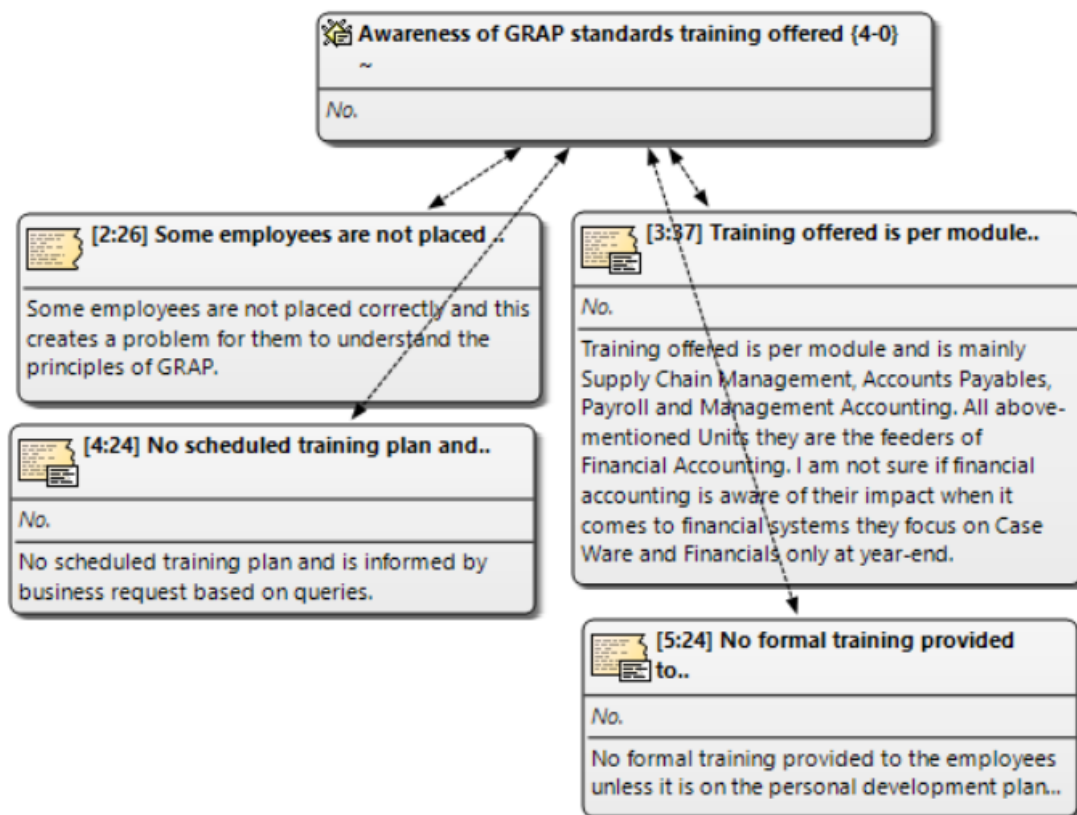
Question 10 What was the total cost incurred for conducting a skills audit in the Financial Accounting Department for the following financial years? 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016.



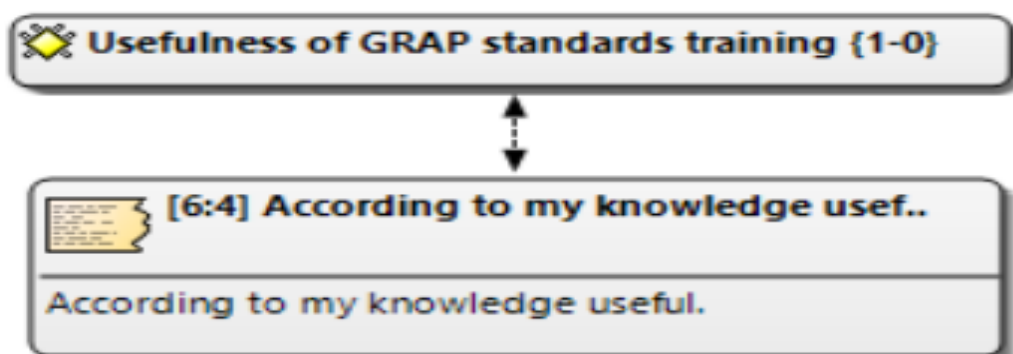
Question 11 What are the downfalls of not conducting a skills audit?



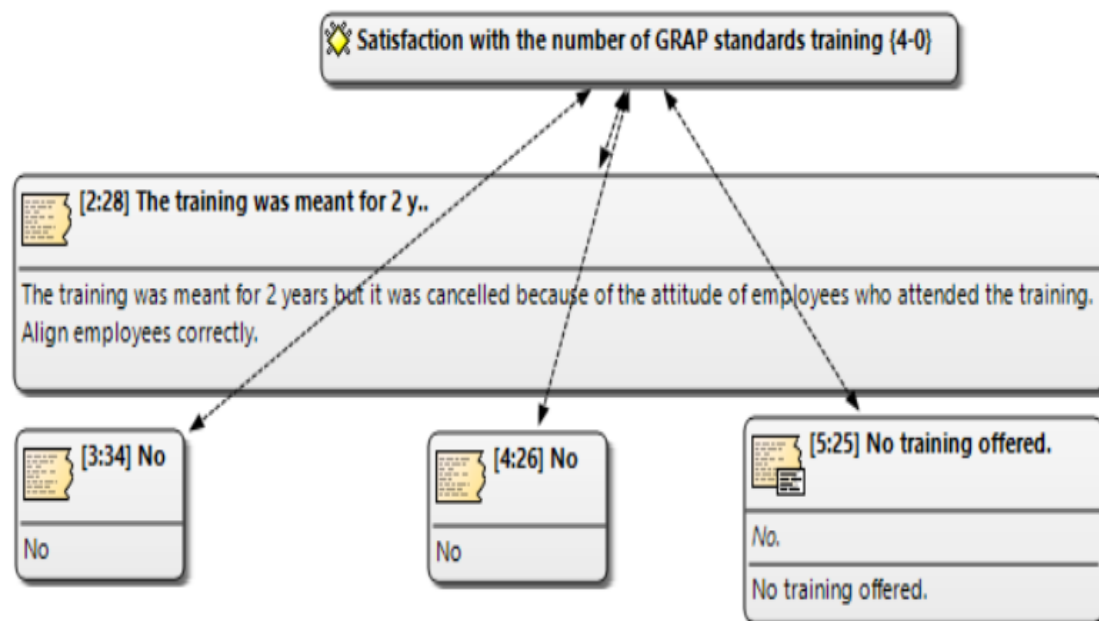
Question 12 Are you aware of any GRAP standards training offered to Financial Accounting Department employees?



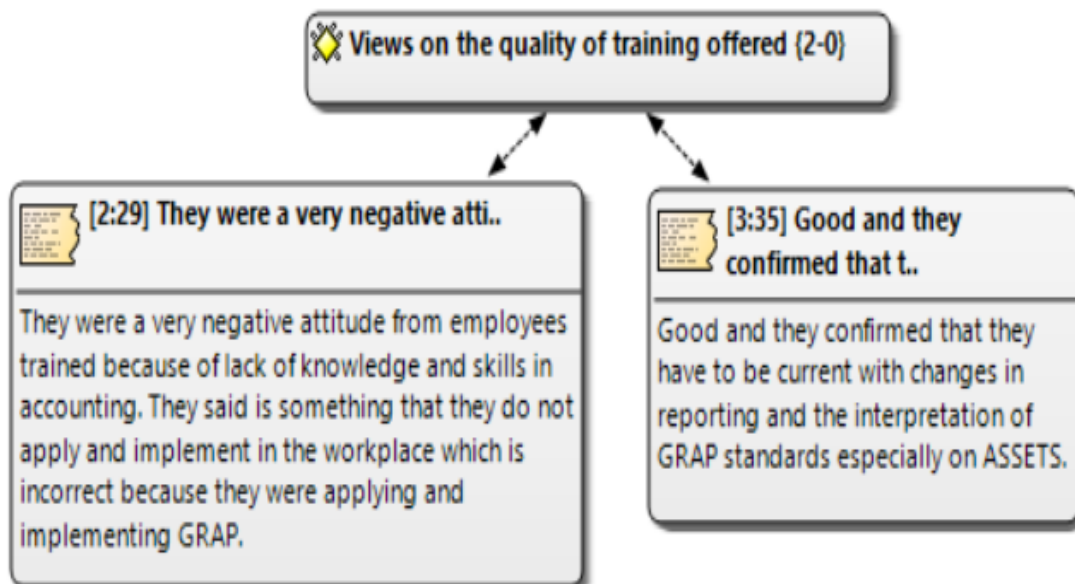
Question 13 If your response to Question 12 was yes, how useful was the GRAP standards training?



Question 14 Are you satisfied with the number of training offered on GRAP standards?

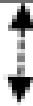


Question 15 What were the views of the Financial Accounting Department employees on the quality of the training offered on GRAP standards?



Question 16 What were the views of the training service providers on the understanding of GRAP standards by employees in the Financial Accounting Department?

 **Views of training service providers {1-0}**



	[6:14] N/A.
N/A.	

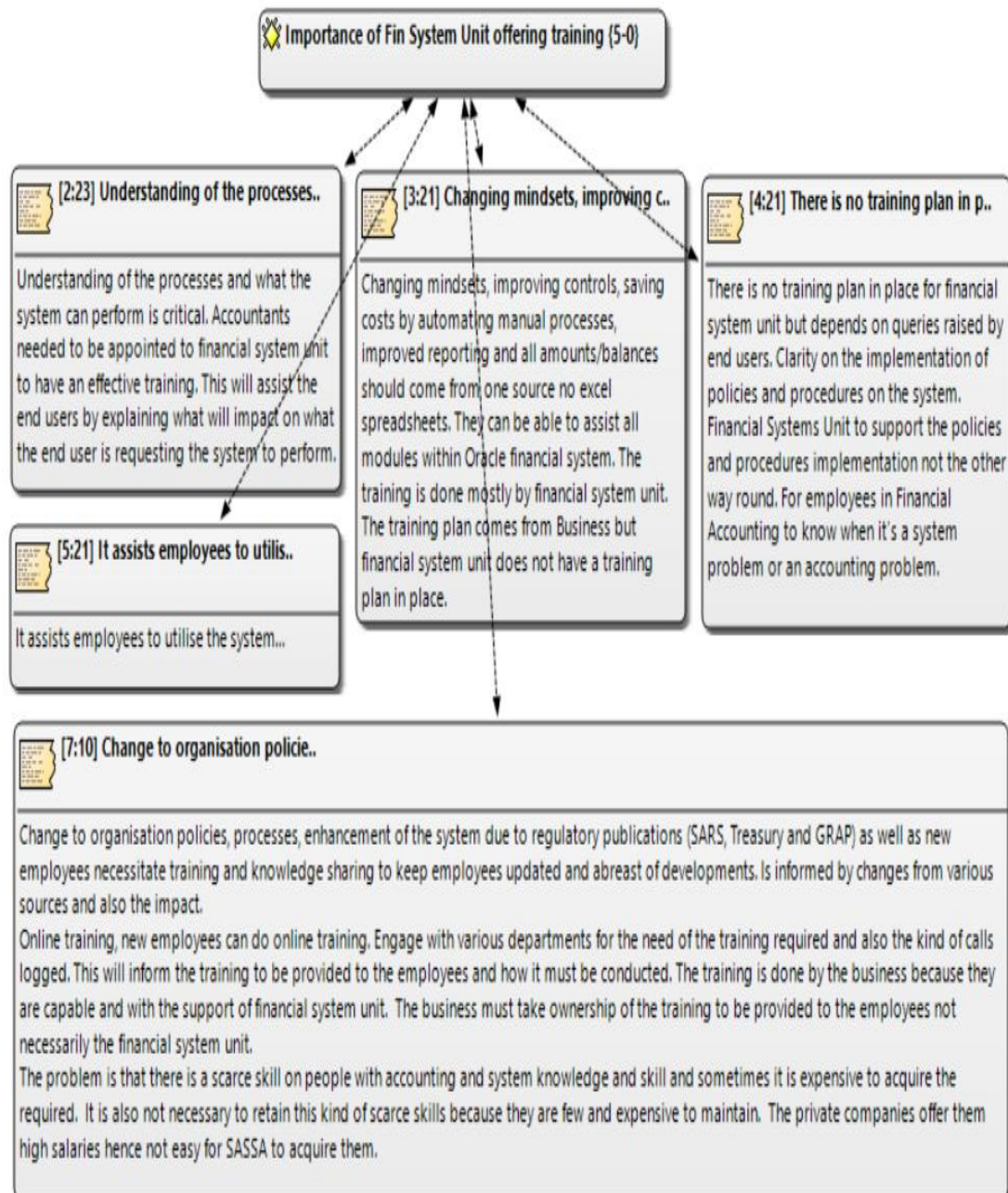
Question 17 What was the total cost incurred by the Financial Accounting Department for offering training on GRAP standards in the following financial years? 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016.

 **Total costs incurred for offering GRAP standards training {1-0}**

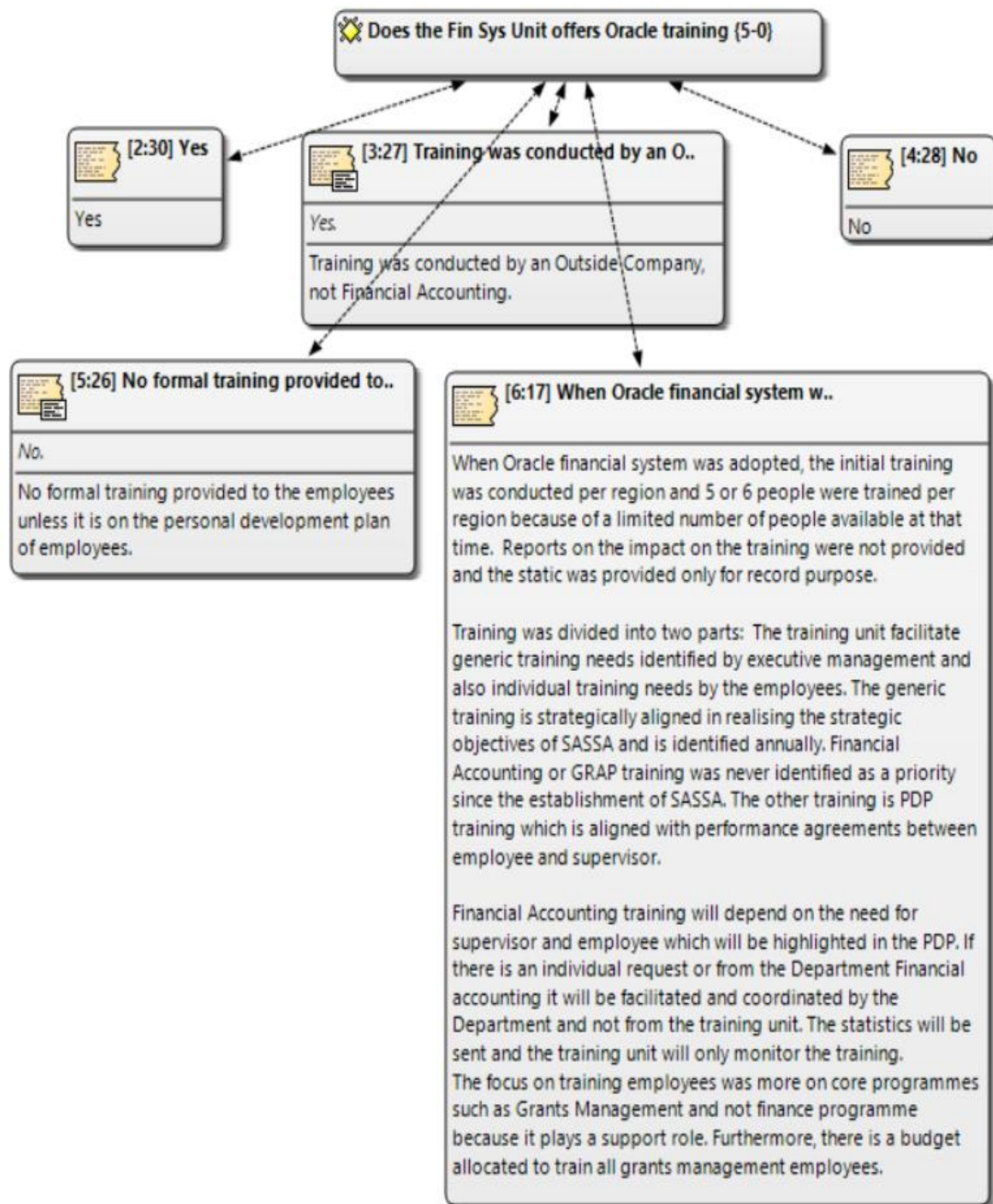


	[6:5] It was only done during the fi..
It was only done during the financial year 2010/2011 and only Oracle System training was conducted not for generic training.	

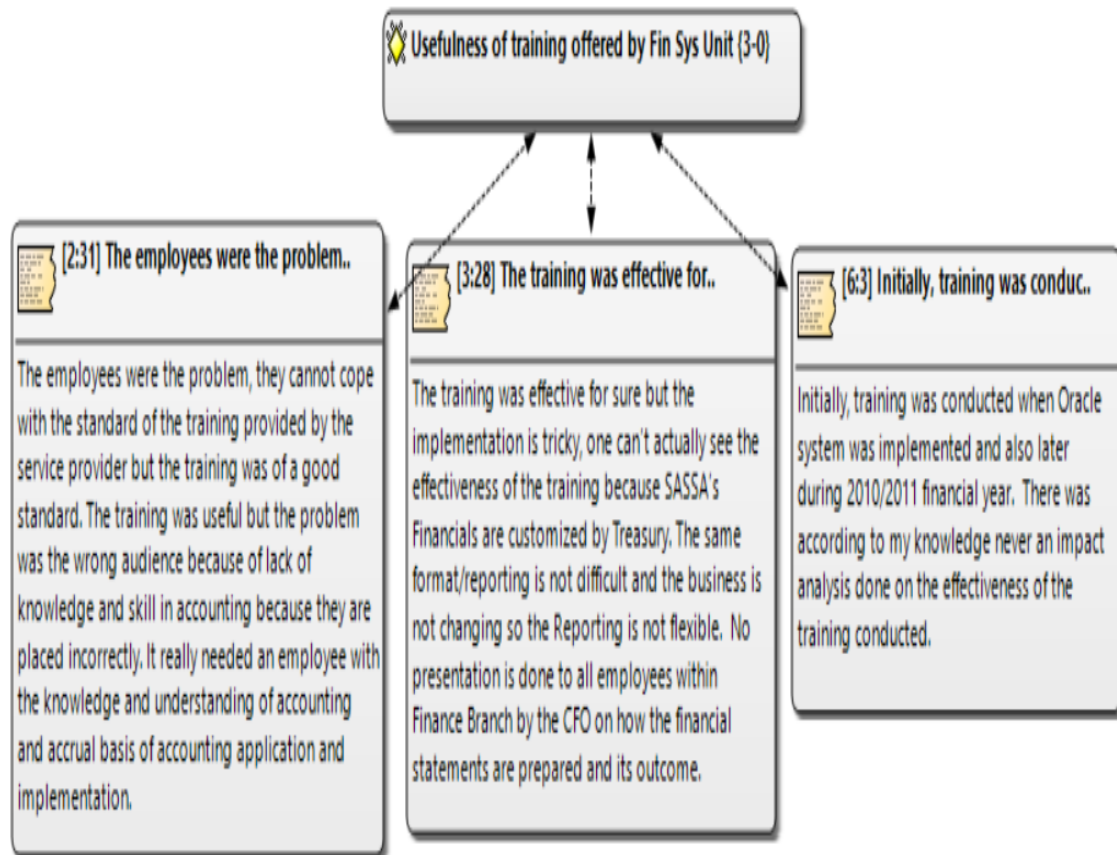
Question 18 Why is it important that the Financial System Unit offers Oracle financial system training to Financial Accounting Department employees?



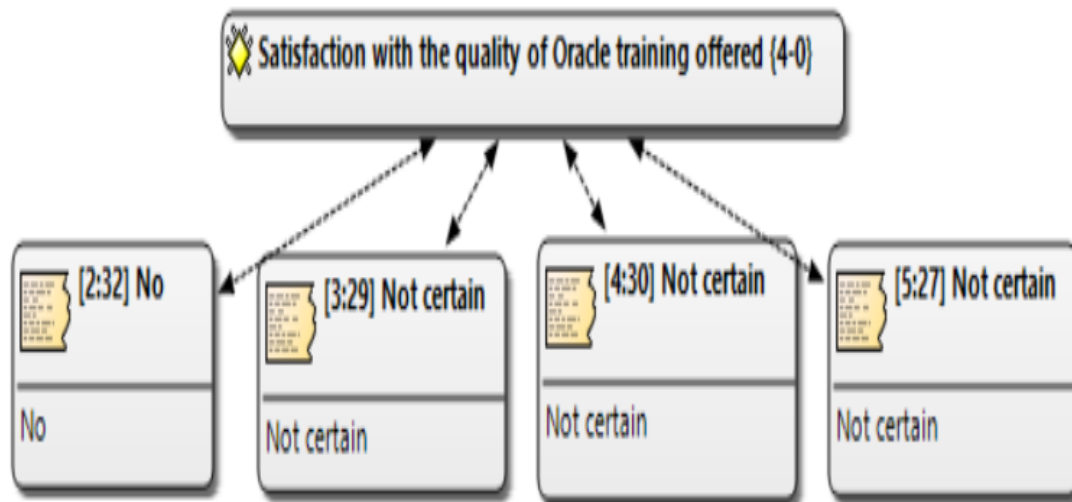
Question 19 Does the Financial Systems Unit offer GRAP standards and implementation training to Financial Accounting Department employees?



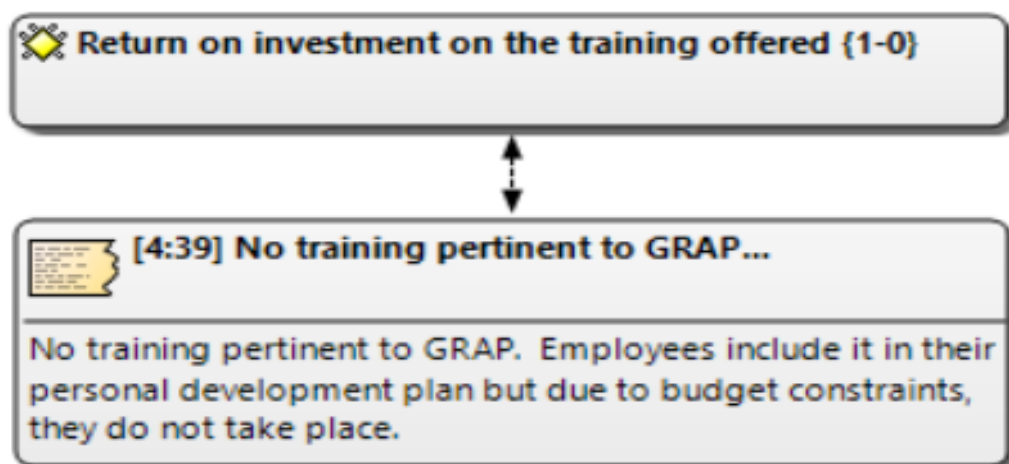
Question 20 If your response to Question 19 was yes, how useful was the training?



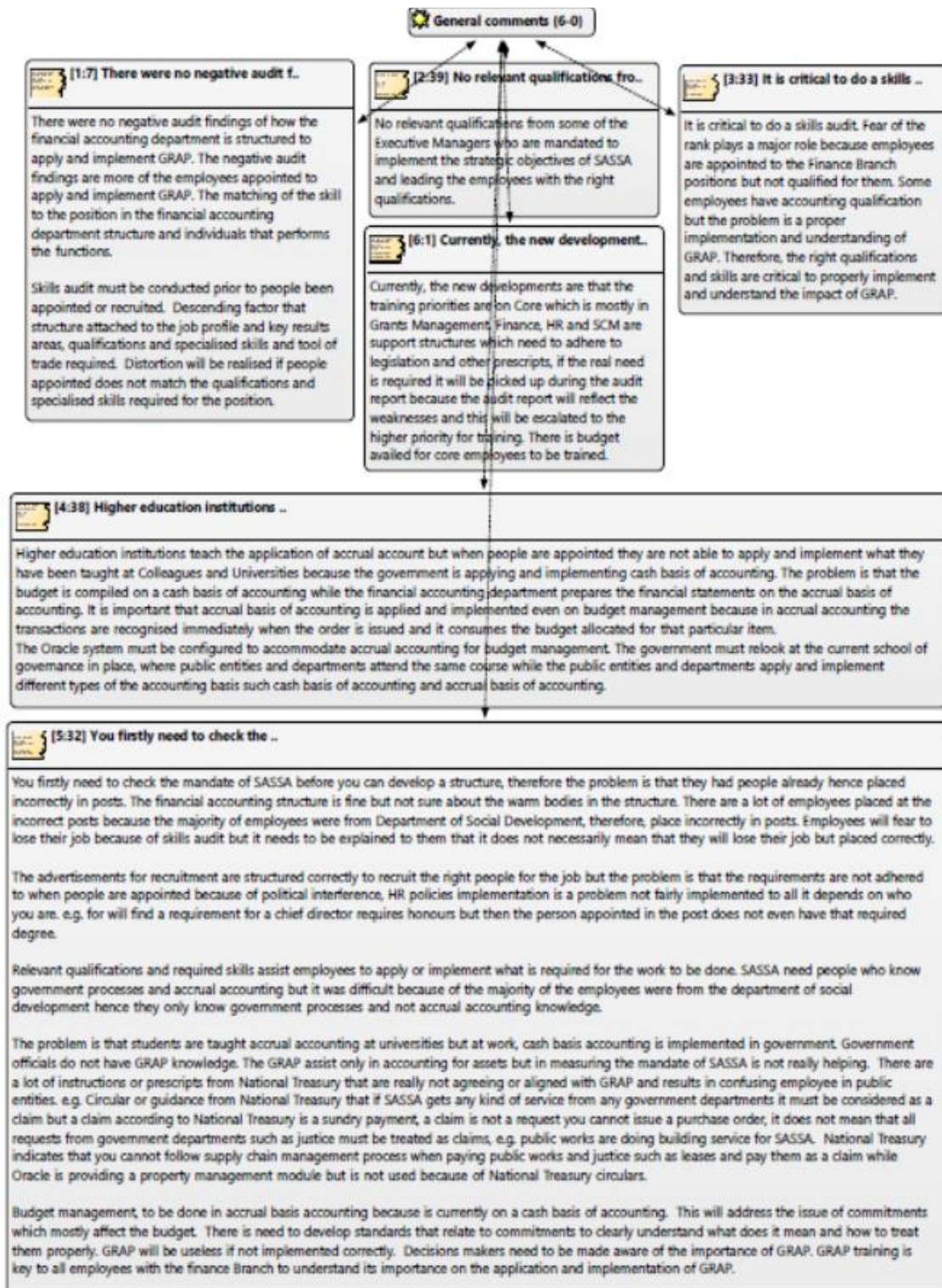
Question 21 Are you satisfied with the quality of Oracle financial system training offered by the Financial Systems Unit regarding the implementation of GRAP standards?



Question 22 What was the return on investment for the training offered?



General or additional comments



APPENDIX H: GENERIC STRATEGIC GRAP STANDARDS IMPLEMENTATION GUIDELINE

1. OBJECTIVE

The objective of the generic strategic GRAP standards implementation guideline is to provide high-level holistic solutions to all spheres of government departments inclusive of the public entities, and other African and international countries that implement or intend to implement GRAP standards influenced by IPSAS and comply with and adhere to statutory laws and regulations. The intention and purpose of the generic strategic GRAP standards implementation guideline are to particularly address the recurring challenges encountered on implementing GRAP standards such as a problem of unskilled accounting employees which resulted in lack of understanding and wrong interpretation of GRAP standards for implementation, ensure the development or intensive pragmatic and measurable internal control measures, seamless business processes, GRAP standards, and financial system policies, procedures, user manuals, and guidelines as well as establish and streamline systems for all spheres of government departments inclusive of the public entities, and other African and international countries that implement or intend to implement GRAP standards. The ultimate target is to realise the potential benefits of GRAP standards implementation as mentioned by other academics.

The first table highlights the identified key external and internal stakeholders for GRAP standards implementation in the public sector. It is noted that the government departments and public entities are structured differently based on the size of their operation which informs how they function, hence different names conversion are mentioned under internal stakeholders. The second and third table provides a high level of activities and the frequency or timelines to be followed and performed by the identified key external and internal stakeholders.

All users of the generic strategic GRAP standards implementation guideline within the government departments and public entities should follow and use these high-level activities. The use of the high-level activities serves as a base for the users of the guideline to further develop internal other pragmatic, suitable, measurable activities and internal control measures relevant to their government department or public entity operations. The high-level activities together with further developed internal other activities should be used as a

checklist for the implementation of the GRAP standards with the expectation of non-recurrence of the GRAP standards implementation challenges and reducing the number of adverse audit findings.

2. STAKEHOLDERS

STAKEHOLDER	INTERNAL	EXTERNAL
Higher Education Institutions		✓
ASB		✓
National Treasury		✓
External Auditors		✓
Relevant Heads of Branches/Business Units /Departments/Directorates	✓	
Internal Auditors	✓	

EXTERNAL STAKEHOLDERS

Activity	Responsibility	Frequency/Timeline
Teach GRAP standards specifically for the public sector.	Higher Education Institutions	Annually
Develop specific and measurable GRAP standards for performance management and budget management including commitments and contracts.	ASB	Once off process
Develop GRAP standards guidelines and directives	National Treasury	Once off process
Develop flexible and specific GRAP standards reporting templates to accommodate all the spheres of government including the public entities with different operation sizes for uniformity	National Treasury	Once off process
Facilitate and conduct proactive/user-friendly GRAP standards training guidelines and directives for all spheres of government including the public entities.	National Treasury	First and fourth quarter
Regular engagement with the National Treasury and all the spheres of government including the public entities on GRAP standards implementation.	External Auditors	Quarterly
Audit the GRAP standards financial accounting and financial system policies, business processes, procedures, user	External Auditors	Annually

Activity	Responsibility	Frequency/Timeline
manuals as well as internal control measures and their adherence and compliance.		
Prepare and present GRAP standards audit reports with recommendations to all governance structures.	External Auditors	Annually

INTERNAL STAKEHOLDERS

Activity	Responsibility	Frequency/Timeline
Needs assessment and resources		
Develop a document (Needs Analysis, Business Case, etc) that will detail the problem statement (manual processes, lack of compliance or integration, real-time reporting), the solution and resources (financial, people and technology) requirements.	Relevant Heads of Branches/Business Units /Departments/Directorates	Once off process
Identify the Enterprise Resource Planning (ERP) financial system appropriate for GRAP standards implementation.	Relevant Heads of Branches/Business Units /Departments/Directorates	Once off process
Establishment of governance structures		
Develop governance structures terms of reference.	CFO and CIO	Once off process
Appoint Steering Committee members.	Accounting Officer/CEO	Once off process
Appoint Operational Committee members	CFO and CIO	Once off process
Prepare and present the strategic GRAP standards project implementation plan progress report.	Chairs of Steering and Operational Committee	Monthly and quarterly
Focus and act on what is important		
Establish a Branch/Business Unit/Department/Directorate that will ensure the implementation of GRAP standards and their training needs.	Accounting Officer/CEO	Once off process
Develop an annual performance plan and operation plan that supports the GRAP standards generic strategic implementation guidelines and detailed activities	Relevant Heads of Branches/Business Units /Departments/Directorates	Annually

Activity	Responsibility	Frequency/Timeline
including timelines of GRAP standards implementation.		
Review all relevant Branches/Business Units /Departments/Directorates structure and identify the skills gap for the implementation of GRAP standards.	Relevant Heads of Branches/Business Units /Departments/Directorates	Once off every after three years
Identify and develop GRAP standards and ERP financial system modules training and development plan for all relevant Branches/Business Units /Departments/Directorates employees with clear timelines.	Relevant Heads of Branches/Business Units /Departments/Directorates	Annually
Review and enhance current GRAP standards and ERP financial system and develop non-existing GRAP standards financial accounting and financial system policies, business processes, procedures, and user manuals.	Relevant Heads of Branches/Business Units /Departments/Directorates	Annually
Develop GRAP standards training guides and user manuals which are integrated and aligned to ERP financial system modules, policies and business processes	Relevant Heads of Branches/Business Units /Departments/Directorates	Annually
Train all affected Branches/Business Units /Departments/Directorates employees on ERP financial system modules.	Financial System Unit.	Monthly and quarterly
Appoint service providers to conduct GRAP standards training on all affected Branches/Business Units /Departments/Directorates employees.	Relevant Heads of Branches/Business Units /Departments/Directorates	Once off process
Development and signed service level agreement with service providers on GRAP standards and ERP financial system module training before the training commences.	Relevant Heads of Branches/Business Units /Departments/Directorates	Annually
Continuous strategic presentation to all employees on GRAP standards implementation and on how annual financial statements are prepared as	CFO	Quarterly

Activity	Responsibility	Frequency/Timeline
well explain the impact of not complying with GRAP standards.		
Facilitate conducting the skills audit and job evaluation process on all affected Branches/Business Units /Departments/Directorates employees and inform employees concerned about its outcome and recommendations.	Human Resource Department	Once off process every after 3 years
Develop the retention and succession plan if not existing.	Human Resource Department	Once off process
Advertise vacant funded posts on all affected Branches/Business Units /Departments/Directorates and recruit competent people with a combination of financial accounting and ERP financial systems.	Human Resource Department	Once off process when requested
Ensure that the appointed interview panel members for advertised vacant funded posts on all affected Branches/Business Units /Departments/Directorates are knowledgeable, skilled, and experienced in financial accounting and ERP financial systems and include technical assessment tests for all candidates.	Human Resource Department	Once off process when requested
Develop a detailed month end cut off dates, quarterly and year-end financial statements close process which will include activities such as reconciliation of all control accounts to the general ledger and creditors accounts with creditors' statements.	Financial Accounting Department	Annually
Ensure implementation and alignment of the ERP financial system with GRAP standards for adherence and compliance.	Financial System Unit	Monthly
Evaluation and monitoring actions		
Coordinate financial accounting and financial system month end cut off dates and quarterly as well as year-end financial statements close process meetings.	CFO	Monthly

Activity	Responsibility	Frequency/Timeline
Overall rating on the effectiveness of GRAP standards and financial system module training conducted.	CFO	Quarterly
Evaluate Steering and Operational Committee GRAP standards implementation plan progress reports.	Internal Auditors	Monthly and quarterly
Audit the GRAP standards financial accounting and financial system policies, business processes, procedures, user manuals as well as internal control measures and their adherence and compliance.	Internal Auditors	Monthly and quarterly
Monthly and quarterly prepare and present GRAP standards implementation audit reports with a recommendation to all governance structures.	Internal Auditors	Monthly and quarterly
Implement consequence management for non-adherence to and compliance with GRAP standards financial accounting and financial system policies, business processes, procedures, user manuals as well as internal control measures.	Accounting Officer/CEO/ Relevant Heads of Branches/Business Units /Departments/Directorates	Monthly and quarterly

List of Acronyms:

ASB – Accounting Standard Board

CEO – Chief Executive Officer

CFO – Chief Financial Officer

CIO – Chief Information Officer