

The impact of Accrual Accounting implementation on quality of financial information in public entities: A case of The South African Social Security Agency, North West Regional Office

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DECLARATION

I, Trevor Tshegofatso Maotoe, declare that the mini-dissertation titled “**Impact of the implementation of accrual accounting on the quality of financial information in the public sector: A case of the South African Social Security Agency, North West Regional Office**”, hereby submitted to the North-West University for the degree of Master of Business Administration (MBA), has not previously been submitted by me for a degree at this or any other institution. I further declare that this is my own work in design and execution and that all materials contained herein, have been duly acknowledged by means of complete references.

Signature

Date

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ABSTRACT

Purpose of the study

The purpose of this study was to establish the impact of accrual accounting on the quality of financial information within the public sector. The focus of the study was the South African Social Security Agency, North West Province, South Africa responsible for administrative functions of the social assistance grants. The Agency is an extension of the Department of Social Development in the Republic.

Problem statement

Upon its inception, the Agency was classified as a Schedule 3A entity and consistent with legislation, required to report its financial affairs and prepare financial statements under the Generally Recognised Accounting Practice framework of accrual basis. The legislative requirement was therefore contravened for two consecutive financial years post-inception of the Agency. This was not in accordance with Section 55(1)(b) of the Public Financial Management Act, requiring migration from the legacy modified cash basis to accrual basis of financial accounting reporting. Non-compliance to the financial accounting framework result in financial statements not being credible and qualitative.

Research methods

A quantitative research approach was used in conducting the study, a close-ended questionnaire used to collect data. Qualitative and quantitative approaches to enquiry differ extremely in terms of data analysis, with the latter requiring reducing a phenomena to numerical values for purposes of statistical analysis and the former relying more on data collection through naturalistic verbal reports. The Statistical Package for the Social Sciences (SPSS) was used to analyse quantitative data Cronbach's alpha for reliability coefficient.

Results

The results revealed that accrual accounting was developed to ensure continuous enhancement of completeness and qualitative financial information. Poor financial

resources management, compromised accountability and improper financial reporting had, over time, been prevalent within the public service. Accrual accounting, however, ensures comprehensiveness of reporting of financial statements, ensuring accountability and completeness of information disclosed thereof, thus signifying its edge over reporting of cash basis.

In addition, accrual accounting in the public sector has the potential to assist governments to finance and meet their cash requirements, allow users of primary financial statements to ease review of financial information, criticize and make informed decisions as well as present opportunities for such governments to evaluate their efficiency ability in delivery of services. The study revealed there is justifiable assurance to institutions in the public sector on the credibility of financial information in adopting accrual basis of financial information reporting framework.

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LIST OF ABBREVIATIONS AND ACRONYMS

- ASB: Accounting Standards Board
- AGSA: Auditor General South Africa
- SASSA: South African Social Security Agency
- GRAP: Generally Recognised Accounting Practice
- GAAP: Generally Accepted Accounting Practice
- IFRS: International Financial Reporting Standards
- PFMA: Public Finance Management Act, 1999 of South Africa
- NT: National Treasury
- SAICA: South African Institute of Chartered Accountants
- Financial year: A financial reporting period within twelve months
- IPSAS: International Public Sector Accounting Standards
- IPSASB: International Public Sector Accounting Standards Board
- IAS: International Accounting Standards
- IASB: International Accounting Standards Board
- SASSA Act: South African Social Security Act no. 9 of 2004
- Soc Assist Act: Social Assistance Act no. 13 of 2004

CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.1 Introduction

The study seeks to establish the impact of the implementation of accrual accounting on the quality of financial information in the public sector: the relevance of accrual accounting reporting basis within the public sector. In particular, it explores its impact on financial statements inputs and information, its appropriateness in comparison to cash basis of reporting and its impact to improve the quality of financial management and reporting within the sector.

Organisations across the world undergo transformation with the primary objective of expanding their market share and enhancing operational efficiency. According to Kaul (1997), organisational and system reforms dominated fundamental public sector management due to managerial innovativeness attributed to efforts towards improving the efficiency of service delivery, responsiveness in operations and sector flexibility.

The South African legislation requires all Schedule 3 (Republic of South Africa, 1999) public entities to prepare their annual financial statements in accordance with standards of Generally Recognised Accounting Practice under the accrual basis of financial reporting. Cash basis of accounting disregards recognition of earned revenue and importance of recording within the correct accounting period thus, reporting transaction only when actual cash is received (Deaconu, Nistor, & Filip, 2011). However, Brusca, Caperchione, Cohen, & Rossi (2015) are of the view that cash accounting contributes to increased control of public funds within core budget-linked public administration, satisfying its information needs in relation to fiscal management and budgetary controls. The authors further highlight transition as a costly activity involving financial system reforms and human resources development.

De Sousa, de Vasconcelos, Caneca, & Niyama (2012) argue that historically, there has been rigid public sector resistance across the world to adopt accrual basis of reporting, with competition of differences from accountants and economists of different sectors. Schrooten (undated) supports the former argument and maintains accrual accounting is more business/profit making institutions-oriented thus, its usefulness is questionable within the public sector hence, the need for the development of more public sector customised accrual accounting.

(ACCA, 2004) provide a motivation for its benefits. According to the authors, the International Public Standards Accounting Board makes provision for this basis of reporting, however, it is not limited to its advantages but has the potential to assist governments to finance and meet their cash requirements, allow users of primary financial statements the ease to review financial information, criticise and make informed decisions as well as present opportunities for such governments to evaluate their efficiency in the delivery of services. (ACCA, 2004) further state that accrual accounting has an advantage over cash-based accounting because of its ability to provide comprehensive information critical for managerial decision-making as well as its usefulness on management performance comparability over years, not dependent solely on actual cash movement (receipts and payments) as opposed to cash basis.

The following elements contained in the annual report post-transition to accrual basis of accounting reporting is worth noting with regard to the credibility of financial information presented in the 2009/2010 financial year: 1.) Evaluation of Financial Statements: the Audit Committee noted with concern, late submission of the AFS to the Auditor, resulting from adoption of the new basis of financial reporting and introduction of a compatible financial system; 2.) the Agency, as a result of changes to its Accounting policy, prepared its AFS for the first time in accordance with Standards of the Generally Recognised Accounting Standards, effective 1st April 2009; 3.) that the Office of the Chief Financial Officer is responsible for provision of financial and management accounting services, including but not limited to ensuring integrated budget planning, expenditure monitoring services and ensuring development and implementation of a comprehensive set of financial control mechanisms to facilitate accountability,

compliance and reporting; 4.) there were no adequate accounts and sub-modules to general ledger reconciliations by management, resulting in inadequate controls; 5.) there was evident insufficient accounting knowledge to apply standards of GRAP by officials responsible for financial reporting; and 6.) the Auditor could not express an opinion on Annual Financial Statements on the basis of insufficient appropriate audit evidence and significance of other matters raised, thus issuing a disclaimer of opinion as indicated below.

In line with the Public Finance Management Act No. 1 of 1999, the Minister of Finance must establish a board by regulation to be known as the Accounting Standards Board. The Accounting Standard Board is responsible for development and maintenance of financial reporting standards that lead to proficient performance in the public sector. Furthermore, in terms of Section 89 of PFMA, the Board should carry out the following responsibilities as a juristic person: set standards of Generally Recognised Accounting Practice as required by section 216(1)(a) of the Constitution on preparation and presentation of annual financial statements.

According to Day (2008), accrual accounting is the method through which revenues are recorded when earned, and expenses recorded when incurred, as opposed to a cash basis method of accounting that measures revenue when cash is received and expenses when they are paid. This contrasts with the cash-accounting basis under which revenue and expenditure are recognised when cash is received and paid respectively (Khan, 2009).

In terms of the Public Finance Management Act no 1 of 1999, one of the key responsibilities of each department, trading entity or constitutional institutions' Accounting Officer, is to ensure it has and maintains effective, efficient and transparent systems of financial and risk management and internal control (Republic of South Africa, 1999). Accounting information is critical for maximising performance/efficiency and its decision-making value within an organisation (Pina, Torres, & Yetano, 2009). PFMA forms the basis for ensuring prudent management of departments of human resources, trading entities and institutions are entrusted with particularly with financial management.

1.2 Background of the study

The South African Social Security Agency (SASSA) was established in terms of the SASSA Act, 2004 as a juristic person being a subject of the Public Finance Management Act no. 1 of 1999 with primary responsibility to administer payments of social assistance grants to eligible beneficiaries (South African Government Online, 2004). In terms of Section 11(1)(a) of the SASSA Act, the Agency is on or before the date determined by the Minister, expected to issue an annual report, a set of audited annual financial statements (Republic of South Africa, 1999) as well as estimates for the preceding financial period. A total of 14, 057, 365 recipients of social grants were registered on the Agency's Social Pensions System by 31st March 2010 nationally. The North West Regional Office accounted for 1, 075, 430 grants recipients of this total (SASSA Annual Report 2009/2010, 2010). The Agency issued an annual report for the financial year 2009/2010 ended 31st March 2010, inclusive of audited annual financial statements and an audit report issued by the Office of the Auditor General of South Africa.

Directive 12 on “the selection of an appropriate reporting framework by public entities”, provides that a public entity should, initially, test if it meets requirements of its paragraph 11 relating to being a) a financial institution as defined by the Financial Services Board Act, Act no. 97 of 1990, b) a public trading entity on capital markets, and c) an entity whose operations are commercial in nature with insignificant portion of its funding acquired through government grants. The Accounting Standards Board recommends an Accounting Standard on first-time adoption of accrual accounting basis as issued by the International Public Sector Accounting Standards (Accounting Standards Board, 2014).

In response to the above requirement, a project to migrate from cash basis of accounting to accrual basis was introduced in during the 2007/2008 financial year by the South African Social Security Agency nationally. A comprehensive project with activities ranging from appointment of a professional project management team, service provider (introduction of an accrual accounting compatible financial system), drawing of a system description process, identification of key human resources development areas (primary and end users) to implementation (piloting to full system implementation), management and monitoring activities post full implementation. Critical to the project's success, were

the following issues: 1) change management process; 2.) ensuring accurate migration of personnel, assets and financial data from Basic Accounting System to the ORACLE ERP system (accrual accounting compatible system); and 3.) training and development of key users on the new financial system and accrual accounting concepts. Successful implementation of accrual accounting basis within the public sector has a number of aspects (functions of a successful implementation process) attributable to its success, ranging from Management and Political support to Internal Information Technology Capability (Ouda, 2004).

The following serves as a basis to argue that there are contrasting views on the suitability of this basis of reporting within institutions in the public sector. It seems irrelevant or outdated to have discussions or questions as to whether it will be appropriate to adopt accrual reporting basis in institutions in the public sector, particularly in countries where adoption has already penetrated the public sector systems.

1.3 Problem statement

SASSA is a schedule 3A Public Entity as classified by Public Finance Management Act no. 1 of 1999 (Republic of South Africa, 1999). Section 89 of this Act provides that public trading and other entities compile their Annual Financial Statements in accordance with Standards of Generally Recognised Accounting Practice issued by the Accounting Standards Board. The Accounting Standards Board is established by the Minister of Finance in terms of Section 81 of PFMA, charged with the responsibility to develop and maintain public sector relevant reporting standards, leading to proficient performance and encouraging good corporate governance.

At its inception in 2006, SASSA presented its 2006/2007 Annual Financial Statements on modified cash accounting basis contrary to what the prescriptions of PFMA since a proper accounting reporting framework for public entities is accrual basis of accounting. The effectiveness and efficiency of an alternative reporting system, in this instance accrual accounting, had not been evaluated. Three financial years in succession from its inception, SASSA had not adopted accrual accounting, in order to evaluate the benefits and efficiency of the reporting basis with regard to enhancing financial reporting. The

Agency presented its Annual Financial Statements under the former basis for the said financial year and the preceding period, 2007/2008. In terms of the 2007/2008 Annual report issued by SASSA to Parliament, incorporating the set of related Annual Financial Statements, and a request to deviate from preparing financial statements in accordance with Standards of Generally Recognised Accounting Practice was made and approval granted thereof. The approval was referred to as deviation from Section 55 (1) (b) of PFMA, which provides that the Accounting Authority for a public entity must prepare financial statements for each financial year in accordance with generally accepted accounting practice, unless the Accounting Standards Board approves the application of generally recognised accounting practice for that public entity.

Deviation from compliance to a reporting framework prescribed by PFMA had to be continuously justified through sound arguments until such a period the Agency had managed to fully transit into accrual accounting basis of reporting. Subsequently, the Agency migrated into accrual basis of accounting from cash basis, ensuring consistency with financial reporting regulatory requirements.

According to Hughes and Minovski (2004), the accrual basis of financial reporting refers to a system of recognition of financial transactions when a related event occurs and not when there is actually movement of cash (inflow/outflow). Exclusion of transactions in the AFS during a specific reporting period results in a requirement to measure its impact or influence in fairness of presentation or managerial decision-making. Commonly, this is referred to as materiality, implying a threshold above which misstated financial statements information is considered to have an impact on decision-making by users (Sadler, Hamel, Van Staden, & Smit, 1992). SASSA, therefore, was susceptible to exclusion of material financial information from AFS (relevance) due to the cash-based recognition criteria.

Reporting using accrual basis accounting requires extensive information that is not maintained by government departments previously as a result of the cash accounting basis of reporting (Solomon, 2012). There is, therefore, the need to conduct extensive research on managing transition of such magnitude within any organisation as such research will assist in determining the readiness of the institution.

ASB argues that one of the biggest challenges, once accrual accounting has been adopted, is to identify and appropriately classify assets under an entity's control, together with their initial measurement (Accounting Standards Board, 2014). Under cash basis of accounting, the Agency classified or expensed all assets regardless of the acquisition method, thus categorising them as Statement of Financial Performance expenditure items. Thus, the focus of this study was to evaluate the effectiveness and efficiency of the accrual accounting system on the quality of financial information in SASSA.

1.4 Research questions

1.4.1 Primary research questions

The main research question asked in the study was: What is the impact of accrual accounting system on the effectiveness and efficiency of the quality of financial information in SASSA?

The subsidiary research questions were:

- ✓ Is accrual accounting basis of reporting suitable for public sector institutions?
- ✓ What are the differences between cash basis and accrual basis of accounting?
- ✓ What is the level of understanding of concepts of accrual accounting among employees?
- ✓ What steps were undertaken by the Agency to ensure proper implementation of accrual accounting system?
- ✓ What control measures were put in place to ensure data integrity and accuracy upon migration?
- ✓ What impact has the introduction of accrual account had in the preparation of financial statements? and
- ✓ What is the influence of accrual accounting reporting on managerial decision-making?

1.5 Objectives of the study

The main objective of the study was to establish the impact of accrual accounting reporting basis on the quality of financial information within the Public Sector (SASSA).

The specific objectives of the study were to:

- ✓ Establish suitability of accrual accounting basis of reporting in the public sector;
- ✓ Examine differences between cash and accrual basis of financial accounting concepts;
- ✓ Establish understanding of accrual accounting concept among employees;
- ✓ Examine the step-by-step approach towards implementation of accrual accounting;
- ✓ Examine controls implemented to ensure financial information integrity and accuracy;
- ✓ Assess the impact of accrual accounting on the quality of financial reporting; and
- ✓ Examine the influence of Accrual Accounting basis of reporting on managerial decision making.

1.6 Definition of concepts

- Accrual accounting is the basis of financial accounting on which transactions are recognised in the set of financial statements when an event occurs and not as a result of actual cash movement.
- Cash basis of accounting is the basis of financial accounting on which transactions are recognised in the set of financial statements only when there is actual inflow or outflow of cash.
- Accounting standards refers to the set of rules and principles developed to provide guidance in recording and reporting of financial transactions and related events.

Annual Financial Statements refers to a set of financial transactions consolidated into a report to provide an overall performance of an entity financially or reflecting allocation and use of financial resources relating to a specific period.

1.7 Literature review

Cash basis of accounting is considered not to be complicated, particularly in the compilation of financial statements and presentation thereof. However, due to the fact that it has been in use in the Public Sector over decades, it is advisable for it to be retained as a reporting basis. Pertinence of business-like accrual accounting in the public sector has been questioned within the academic community, with a number of professional accountants having reservations to the adoption of accrual-based accounting in the public sector (Adhikari and Garseth-Nesbakk 2016). According to Solomon (2012), there is need for extensive research on how to manage transition of this magnitude within any organisation, as it assists in determining its readiness.

Despite such transition, there is need to question the usefulness of accrual accounting in non-profit oriented organisations. However, not all GRAP standards are required nor relevant to financial reporting in SASSA, with standards on effects of changes in Foreign Exchange (GRAP 4) and Agriculture (GRAP 27) being exemplary. It is further emphasised that accrual accounting-related technical uncertainties and excessive implementation costs (amount of resources and expertise) are other factors cautioned on adoption, despite support by setters of international accounting and auditing standards.

However, affirmation of the importance accrual accounting has been made on the proposition that it enhances transparency of public sector obligations and contingent liabilities resulting from the implementation of austerity measures towards the stabilisation of markets (Adhikari, Kuruppu, & Matilal, 2013). Accrual accounting basis presents fair and useful financial information to key users in that it does not only recognise cash movement but also its expected future inflow (collection)/outflow (obligation) (Voster *et al.*, 2008).

A number of international studies have revealed that adoption of accrual accounting basis across the public sector continues to exclude budgetary systems (budget preparations and execution reporting), focusing mainly on the control and performance of government agencies (Paulsson, 2006). The argument in this regard seems to be advocating for reporting and integrating of budgetary systems into accrual accounting basis, thus in

support of its supremacy over cash-based reporting. Groot and Budding (2008) are of the view that replacing traditional cash-based reporting by accrual basis is primarily aimed at achieving transparency and accountability within the public services.

Migrating from cash accounting basis to accrual accounting would see a more business-like approach in managing public sector financial resources, ensuring, at least, an outcomes-driven sector (Hyndman & Conolly, 2011). Blondal (2003) argues that such reform will ensure that managers within the public sector are held accountable for costs associated to services. Compared to the cash basis system of accounting, accrual basis of accounting assists governments in measuring efficiency in spending tax payers' money since it is a more performance and time lines based system of reporting (Van Der Hoek, 2005). From the foregoing, it is evident that accrual accounting would resuscitate the trust of users of financial statements and tax payers through its ability to ensure managerial accountability and transparent reporting, thus ensuring organisational efficiency.

More specifically, information about the full costs of government services can be crucial when considering alternative service delivery options, including outsourcing, cost recovery and international benchmarking (e.g., comparing the costs of health or education services). In some circumstances, specialised management costing systems can be used to determine the costs of programmes and products; however, such systems would also utilise accrual-based data from the main accounting system (Khan, 2009).

Only accrual accounting allows for the capturing of full costs, thereby supporting effective and efficient decision-making by managers. In short, when managers are given flexibility to manage their own resources (inputs), they need to have the necessary information to perform this task. Adoption of accruals is, therefore, an inherent part of these wide reforms (Blondal, 2003). The aim of accounting reforms is to hold managers responsible for outcomes and or outputs while increasing controls on inputs. In this context, it is expected that managers should be responsible for all costs associated with the outcomes and / or outputs produced, not just immediate cash outlays (Pina, Torres, & Yetano, 2009).

1.8 Scope of the study

The study focused on the South African Social Security Agency (SASSA) responsible for the administration of social security services (payment of grants) to beneficiaries. Its support chief directorate, (Finance Unit), situated in Mafikeng, North West Province, South Africa, is responsible for administration of assets, liabilities, revenue and expenditure. The study thus, focused on the Finance Unit, comprising Financial Accounting, Management Accounting and Supply Chain Management subunits. Officials in other Branches of the Agency not operationally responsible for financial systems, were also considered for the study as they are indirectly impacted by adoption of accrual accounting in the Agency.

1.9 Research methodology

According to Hwang & Min (2013), research methodology is a logical and systematic search for new and useful information on a particular topic. Mouton (2001) states that research methodology is a meticulous and precise effecting of the design utilising tools and approaches in collecting data. According to (Lopes, 2015), origins of a research method is a formulated theory, emerging from literature review, and it derives in a mathematical model, in interpretive or critical systemization form.

A quantitative approach to enquiry was used in conducting the study. However, a mixed method (qualitative and quantitative data collection methods) can also be adopted by a researcher (Alghamdi, 2015). According to Mackenzie & Knipe (2006), methodology is a collection methods or rules through which a particular piece of research is undertaken and the principles, theories and values that underpin a particular approach to research. In this study, methodology refers to methods, procedures and approaches used to analyse and draw conclusions on a logical relationship of facts and perspectives.

1.9.1 Research design

According to Babbie & Babbie (2005), research design is a process that focuses on the researcher's perspective or purpose of a specific study and involves decisions set in respect of a specific population, the primary purpose of the research as well as a precise

research method. Qualitative and quantitative research approaches provide guidance to the research design. According to (Kothari, 2004), quantitative research is based on measurement of quantity or amount while qualitative research focuses on qualitative occurrences.

Qualitative research incorporates positivism practices and is supported by its advocates to be the sole way to conduct an informative research. On the contrary, advocates of quantitative research argue that it offers meticulous measurement and can be experimented, therefore, mathematically and scientifically justifiable (Saunders & Bezzina, 2015). The definitions indicated above were used by the researcher measure the quantity of responses. A quantitative research approach was, therefore, considered appropriate for the study.

1.9.2 Population of the study

According to (Huysamen, 1994), population refers to a group of people available for purposes of observation, having a common element against which a research hypothesis can be determined. (Kothari, 2004), on his part, considers population as a collection of human beings or objects of shared character or philosophy, which is central to the researcher's interest on a specified problem statement, further informing recommendations and conclusions. One hundred (100) public service officials attached to the South African Social Security Agency, North West Regional Office, Mafikeng, were selected for the study. Officials were chosen based on their accessibility, availability and the fact that they were the main custodians of systems related to operations.

1.9.3 Sampling technique

According to (Kothari, 2004), consideration of time and cost factors result in selecting a few respondents/items when field studies are undertaken. Such selection (sample) and the selection process (sampling technique), should, as far as possible, be a representative of the entire population. Shreejesh, Mohapatra, & Anusree (2014) state that sampling can be referred to as a subject of a population or be defined as a smaller number of items from which conclusions drawn represent characters of the entire population.

The sample can either be probability or non-probability on a representative basis (Kothari, 2004). Probability sampling technique (random selection) was used in the study. According to Walliman (2011), probability sampling enables the researcher to provide the most reliable representation of the population, whereby both elements and their combinations equally have a chance to be selected while non-probability sampling is based on non-random means of selection.

Technique or choice is mainly dependent on the nature of research, accessibility to information and the extent to which it is available as well as cost implications. In addition, census is defined as counting the entire population elements and using them to define characteristics of a population (Blaikie, 2009).

1.9.4 Method of data collection

There are two main types of data namely; primary and secondary data. Primary data is collected for the first time either in person, telephonically or through a structured questionnaire and is considered to be original in character while secondary data is one already collected by someone else, having been subjected to a statistical process (Kothari, 2004). The author further states that it is through observation or direct communication that one is able to gather data particularly in survey and descriptive research, such as questionnaires, distributor audits and in-depth interviews as appropriate methods.

Open-ended and unstructured interviewing are data collection techniques that can be used in combination and are commonly associated with qualitative or quantitative research. There is a strong argument that all human subject research is actually qualitative, however, the researcher decides taking into account the position of the research technique (Payne & Payne, 2004). Self-administered questionnaires are used in a group or individual settings, such as a postal sample survey, and has the capability of ensuring unbiased and independent views of respondents, particularly in the absence of the interviewer (Alasuutari, Bickman & Brannen, 2008).

In order to achieve the objectives of this study, a questionnaire was randomly distributed to management and staff of the South African Social Security Agency across the regional

office, including the four district offices. The most relevant level of measurement used in the study, is the one that ranked attributes, which could either be nominal or ordinal. A nominal scale is a system that classifies subjects, individuals or other entities by placing them in mutually exclusive categories, while ordinal scale can be explained in terms of its values and represents the rank and order of subjects with respect to the variable being assessed (Babbie E. , the Practice of Social Research, 2001).

1.10 Data analysis and discussion of results

Data analysis involves subjecting relationships or differences in support or in conflict of the original or new hypothesis to statistical tests for significance, thus deducing validity data that can lead to drawing conclusions (Kothari, 2004). Different statistical tools, including but not limited to the Statistical Package for the Social Sciences (SPSS), SAS, e-view were used to analyse data. Statistics, in research, is a tool used by researchers to analyse data analysis and draw conclusions (Kothari, 2004).

1.10.1 Reliability and validity

According to (Golafshani, 2003), reliability refers to the extent of consistency over time, of results and accurate representation of the total population under study. A research instrument is considered reliable if it reproduce similar results under the same methodology. Lewis (2009) states that reliability refers to whether a particular research technique will yield similar outcomes if applied repeatedly to the same object. A measuring instrument is considered reliable if through a measuring process, it reproduces an outcome (Shreejesh, Mohapatra, & Anusree, 2014).

According to Shreejesh, Mohapatra, & Anusree (2014), validity of measurement is the ability of a measuring instrument or scale to measure what it is intended to measure. The concepts of internal, construct, external and statistical conclusion validity are commonly used by quantitative researchers to assess truthfulness of their findings (Lewis, 2009).

1.10.2 Ethical considerations

Throughout study, observation of ethical principles, namely; honesty, objectivity, integrity, carefulness, openness, respect for intellectual property, confidentiality and responsible publication are essential (Gajjar, 2013). High ethical standards and norms in establishing public trust, observing values that are essential to collaborative work were upheld in the study, thus building public support towards the research work avoiding errors in collating and interpreting data.

The researcher tried not to impinge on the sensibilities and rights of other people.

1.11 Outline of the study

The study focuses on the South African Social Security Agency, North West Regional Office, South Africa.

1.11.1 Structure of the study

The study is structured as follows:

- Chapter one: Introduction

The introduction provides an overview of the study, the aim and objectives and the problem statement.

- Chapter two: Literature review

The chapter focuses on the theoretical framework that informed the study and an overview of different studies and sources on the topic under investigation such as books, internet sources, journals and newspaper articles, among others.

- Chapter three: Research design and methodology

The chapter focuses on the methodology used in conducting the study. It provides information on the research methods considered for the study, materials, scientific tools and techniques relevant for the study.

- Chapter four: Data analysis and discussion of results

This chapter provides a summary of respondents' characteristics, analysis and interpretation of data, guided by the research problems and hypothesis discussed in this chapter.

- Chapter five: Discussion, recommendations and conclusions

The chapter provides a summary of the study, the findings, recommendations, conclusions drawn from the study, limitations of the study and areas for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on the concept of accrual accounting and its suitability as an accounting method in the public sector. It also provides an outline of accrual accounting through its definition and related concepts. The chapter further provides the historical basis upon which accrual accounting was adopted as a basis of financial reporting in the public sector, benefits associated with the reporting basis and factors advanced by other intellectuals against its adoption in the public sector. The South African Social Security Agency is classified by the Constitution of the Republic of South Africa (1996) as a schedule three public entity (Republic of South Africa, 1999). Public institutions or entities are required to adopt accrual accounting as a basis of reporting, governed by the Generally Recognised Accounting Practice.

The South African Social Security Agency (SASSA) was established as an Agency to the National Department of Social Development in 2006. It was established by legislation as a schedule 3 institution with a mandate to provide comprehensive social security services to the South African public as well as creation of an enabling environment for sustainable development. Its legislative mandate is informed by but not limited to the following acts: the Constitution of the Republic of South Africa, 1996 (Act no. 108 of 1996), which provides that everyone has the right to social security, including appropriate social assistance and giving full responsibility to the state to ensure realisation of these rights; the Social Assistance Act, 2004 (Act no. 13 of 2004), which provides for rendering of social transfers to qualifying individuals; the South African Social Assistance Act, 2004 (Act no. 24 of 2004), which provides for establishment of the South African Social Security Agency as an Agency responsible for management and administration of social transfers and payment of social security grants; and the Public Finance Management Act, 1999 (Act no. 1 of 1999), which provides for the regulation of financial management of national and provincial departments in ensuring effective and

efficient management of resources in revenue, expenditure, assets and liabilities (www.sassa.gov.za).

Upon its inception, the South African Social Security Agency was a component of the National Department of Social Development, responsible for administration and management of social security services. Financial accounting reporting structures was, therefore, not varied as the same set of financial statements compiled, incorporating inputs from all Directorates under modified cash basis of financial reporting. Established as a schedule three institution in 1996, SASSA was then expected to compile its financial statements, observing compliance with provisions of accrual accounting basis of financial reporting, under the Generally Recognised Accounting Practice. The establishment resulted into a lengthy process to transit from one set of accounting reporting basis (modified cash basis) to another set of reporting basis (accrual accounting basis). A transition process towards accrual accounting reporting basis was in full swing as early as 2008 with full migration by the end of 2009. The Agency is currently in full swing, reporting under the latter accounting basis and in its seventh year of full operation and reporting under a similar accounting basis.

The Accounting Standards Board is a body established by the Minister of Finance in accordance with Section 19 of the Public Finance Management Act. The Board is responsible for setting standards of the Generally Recognised Accounting Practice for entities in the public sector, in line with Section 216 (1) (a) of the South African Constitution. The Accounting Standards Board, therefore, prescribes the framework for the preparation and presentation of financial statements to public service entities in South Africa. The GRAP standards providing guidance on the treatment of various financial statements components are, therefore, designed and adopted by this Body.

2.2 The South African Social Security Agency (SASSA)

The South African Social Security Agency (SASSA), established in 2007, has its vision, mission and values entrenched in its strategic objective as follows:

Vision: A leader in the delivery of social security services.

Mission: To administer quality customer-centric social security services to eligible and potential beneficiaries.

Values: Transparency, equity, integrity, confidentiality and customer-centered approach.

It is responsible for the provision of social security services and transfers, which among others, includes application by qualifying citizens and pay-outs on Child Support Grants, Old Age Grants, Disability Grants, War Veterans Grants, Grants-In-Aid, Foster Care Grants, Care Dependency Grants and Social Relief of Distress Grants (www.sassa.gov.za).

2.3 The concept of accrual accounting

Accrual accounting is a basis of accounting under which financial transactions, other events and conditions are recognised when they occur (and not only when cash or its equivalent is received or paid). Thus, transactions, other events or conditions are recorded in accounting records and recognised in the financial statements of the periods for which they relate. The elements recognised under accrual accounting are assets, liabilities, net assets, revenue and expenses (<http://www.asb.co.za>).

Kober, Lee, & Ng (2010) state that in recent years, there has been an increase of private sector reporting methodology than in public service institutions. This is an indication of major changes in relation to public sector governance, structuring, functioning and accountability. It is critical that one understands the historical basis upon which accrual accounting was introduced, which are factors that also influenced introduction of this form of reporting basis in the private sector.

Analysis of the comparative usefulness of accrual basis of reporting against the cash basis of reporting (public sector institutions based reporting) has not been conducted on a full scale (Van Der Hoek, 2005). A considerable number of countries have moved to accrual accounting reporting basis regime in the public sector based on International Financial Reporting Standards and the International Public Sector Accounting Standards (Kober *et al.*, 2010). According to Van Der Hoek (2005), the International Organisation of

Supreme Audit Institutions (INTOSAI) discerns in its 1995 Accounting Standards Framework four financial reporting systems, of which accrual accounting forms part as follows:

1. Full cash accounting;
2. Modified cash accounting;
3. Modified accrual accounting; and
4. Full accrual accounting.

According to Hughes and Minovski (2004), accrual basis of financial reporting refers to a system of recognition of financial transactions when a related event occurs and not when there is actually movement of cash (inflow/outflow). In this regard, matching transactions and events to their relevant periods and recognising them in relevant financial statements is critical. Lande and Rocher (2011) concur with the above definition and add that accrual accounting reporting basis recognises events as they occur and not when cash is actually disbursed or received, including long-term commitments and provisions in the form of retirement benefits. Thus, proper application of accrual accounting concept reporting and compliance to related standards can assist greatly in ensuring non-exclusion of material transactions from financial statements that may influence decisions of primary and secondary users of information.

In addition, accrual accounting basis provides information on all resources in the control of the organisation, cost of providing or receiving services and all additional information useful to users of information and decision-makers in determining the extent to which an organisation is operating efficiently and economically (Cortés, 2004). Salinas (2002) argues that accrual accounting assists in bringing stability to public sector financial management systems, an indication that it encourages transparency and accountability.

Jones and Pendlebury (2000) state that accrual accounting is accruing of revenues and related costs (i.e. they are recognised when earned or incurred by an organisation), the two should be matched (matching concept) thus, justifying as far as possible, their relationship, reflecting such in the profit and loss account with the appropriate period. It

is the concept that assumes justified relationship between revenue and cost elements should there be any noticeable inconsistency to the prudence concept. The authors further emphasise that recognition in accrual accounting of revenues and costs items is earlier compared to cash basis of accounting. Evident distinction between the two reporting systems is how income and capital are calculated and the accruing of revenue/receipts and payments. In support of this statement, Riahi-Belkaoui (2004) (cited in Garseth-Nesbakk (2010), argues that accrual accounting is generally assumed to be superior to other accounting methods, due to its methodology in calculating profit measures and its predictive approach in the calculation of future profits and cash flows. Other public sector institutions have adopted the modified accrual accounting system of reporting. This basis allows for accruing of revenues when earned and payments made only at the end of the financial year, which further reduces maintenance of accounts (payables/creditors or individual accounts). Among others, one key benefit of accrual accounting is the provision of measurement for items under revenue and expenses/related costs earned and incurred compared to cash accounting that only provides measurement of inflows and outflows (actual cash only).

2.4 Differentiating between cash basis and accrual basis of financial accounting

According to Guthrie (1998), cash basis of accounting only provides for specified cash or appropriation presented in parliament to be reported. It is a basis of reporting in the form of received cash payments when there is actual exchange. In reporting, cash basis of accounting presents a comparison of budgeted cash spent to cash actually allocated. In determining the distinction, Lapsley *et al.* (2009) argue that contrary to the cash basis of reporting, accrual basis makes provision for prudent and complete reporting, recording transactions as an event occurs and not only on the inflow or outflow of cash activities. Arnaboldi and Lapsley (2007) agree with the above views and maintain accrual accounting reporting basis came in as a substitute of the cash basis of reporting, ensuring that revenues and costs are matched to their relevant periods, thus providing a proper status of organisational financial performance.

GRAP standard on presentation of annual financial statements provides that fair presentation of financial information should be done in a manner that caters for information relevancy to its objective and period, level of its reliability, comparability to previous periods and its easiness to be understood by users (<http://www.asb.co.za>). Salleh *et al.* (2014) argue that historical data on payments and receipts is well covered on financial statements prepared under accrual basis of accounting compared to cash basis of accounting. Chan (2003), on his part, states that accrual accounting reflects obligations by an entity to disburse cash in future (provisions and contingent liabilities) as well as cash anticipated as collections in future (accounts receivables account).

There is a great degree of complexity between cash basis and accrual accounting in the public sector, particularly with regard to presentation of information on financial statements, classification of transactions/events and related period, contents (Lande *et al.*, 2011). The authors further argue that cash basis of accounting does not reflect and provide a prudent or fair position of an organisation due to presentation principles. Transactions without cash movement are excluded from any form of cash basis of reporting, thus are not part of the reporting/not recognised. Aidoo-Buameh (2014) is of the view that cash basis of accounting misrepresents information, distorts the Public Sector Financial Management Systems and is also a basis vulnerable to abuse and embezzlement of funds.

Jones and Pundlebury (2001) posit that accrual accounting requires an event/transaction to be recognised in the accounting records of an organisation when it takes place not necessarily when cash is received. On the other hand, public sector accounting systems, which are mainly on cash to modified cash basis, only recognise a transaction upon actual cash inflow or outflow contrary to accrual reporting basis. Sousa *et al.* (2013) state that a need to increase the levels of transparency and accountability through financial reporting within the Public Sector cannot be addressed on the cash basis of accounting as opposed to accrual basis of reporting. Moeinadin (2014) asserts that the view of financial accounting boards is that critical accruals quality is to transfer cash flow determination over time so that its figure can measure prudently and reliably, organisational activities, further referring to accrual basis as a responsible system of accounting, focusing mainly

on economic activities and events occurring for effect recognition than actual cash inflow or outflow.

Cort s (2004) states that recognition of assets is broadened when reporting under accrual basis thus, determining the extent to which events and transactions are to be recorded and reported in financial statements. This is not the case compared to reporting under cash or modified cash basis, as certain events and transactions critical for reporting, are left outside. Cash basis of reporting, can, therefore, misinform or misdirect decision-making with regard to economic matters. Deaconu, Nistor and Filip (2006) support the above position and maintain accrual basis of accounting recognises revenue and expenditure when they are earned and incurred respectively compared to cash basis, which recognises only the effect of actual cash movement.

Accrual accounting simply accounts for cash received and paid. Technical and complicated transactions, namely; estimations of depreciation in assets, adjusting transactions, provision for doubtful debts, adjustment of accruals and provisions accounting (Accounting Technicians Scheme of West Africa, 2013). There are still a few concerns with regard to accrual accounting in terms of its relevance, even in the private sector, due to its highly subjective and uncertain judgements required on implementation (Sousa *et al.*, 2013). A number of judgements and adjustments during transition to accrual accounting by SASSA had to be executed and had to often be redone due to concerns raised by the Audit standards.

Blondal (2003) cited in Monterio and Gomes (2012), brings in another dimension on accrual budgeting by contending that certain governments still record or update budgets movement when there is cash movement (cash basis) and not necessarily when a cash outflow event emerges (accrual basis) while others recognise committing to a legal consensus that would result in future outflows, referred to as obligation basis. (IFAC, 2012) states that the impact of equity/net assets financing decisions is highlighted through accrual accounting thus, influencing government to extend its financial decision period compared to cash basis, whereby, a decision in general, is taken within a shorter period of time.

2.5 Perceptions towards adoption of accrual accounting basis of accounting in the public sector

Several countries across the world have opted to prepare public sector financial statements on accrual accounting basis, in an attempt to improve financial information contained therein. Essentially, there has also been an attempt to observe and enforce accountability for distributed resources, monitor cash flows properly and measure levels of performance against consumed financial resources (Monteiro and Gomes, 2012). Such approach ensures prudent reporting of public sector institutional financial position and performance.

According to Carlin (2005), the concept of accrual accounting reporting basis in the public sector over the past decade can be labelled as peripatetic. It seems irrelevant or outdated to have discussions or questions as to whether it will be appropriate to adopt accrual reporting basis in public sector institutions, particularly in countries where adoption has already penetrated the public sector. It is evident that certain countries moved with speed in ensuring that deliberations on implementing the reporting system or not do not result in a futile exercise. Contrary to the former statement, Kober *et al.* (2010) argue that historically, there has been rigid resistance by public sectors across the world to adopt accrual accounting reporting, with competition of differences from accountants and economists of the different sectors.

Buamech (2014) concurs with the above position and maintains resistance to implement accrual accounting basis, regardless of rules laid down by government, continues (for example, Ghana). Thus, governments have had diverse interpretations and positions with regard to adoption of accrual accounting. However, Christensen (2004) views the situation from a different dimension, and questions why adoption characterised by resistance in challenges with regard to implementation and adoption of accrual accounting system, are faced with infrastructural deficiencies, geographical spread and volumes as well as type of customers serviced by institutions in the public sector. Arguably, there is need to discuss the importance and benefits of the system, probably by engaging stakeholders who have a good mastery of the system, in order to provide reasonable criticisms with regard to the legacy of reporting systems within the public

sector and their disadvantages thereof. Accrual accounting basis of reporting is not entirely a new phenomenon in the public sector as discussions to adopt the method dates as far back as the early 1980s. However, a number of institutions in the public sector in the world continue to provide reports using the cash basis system of accounting (Lapsley *et al.*, 2009).

A significant manifestation of the self-evident nature of the public sector's need to adopt accrual accounting is found in a report on governmental financial reporting, published by the International Federation of Accountants. The Report clearly outlines public sector benefits and limitations; however, such (the latter) are never reported on issuing financial statements. The Malaysian Government, through its New Economic Model, recommended adoption of accrual accounting to ensure prudence of reported financial data and reliable measurement of financial position and performance (Salleh *et al.*, 2014).

The NEM further puts emphasis on how the reporting basis would effectively complement budget compliance/fiscal discipline, which would then lead to sound economic policy decisions. Referring to cash basis of accounting as a traditional system, Salvatore and Del Gesso (2013) argue that its integration to accrual basis of accounting in Italy was mainly informed by ensuring local governments attain rational economic decisions. It is worldwide acknowledged through qualitative or theoretical demonstration that the supremacy of accrual accounting is in providing a transparent, clear and pertinent method of reporting regarding financial/non-financial performance of public institutions (Deaconu, Nistor and Filip, 2006).

Since the 1990s, the move has been towards and, ultimately, adopting accrual accounting basis of reporting by governments. Accrual accounting reporting has, as one of its principles, the "matching concept", prescribing matching of revenues and expenses to their appropriate periods, which, due to challenges in the statement, are, at times, not attainable. This may be due to the extensive skills transfer processes that need to be implemented on both accounting principles and system processing as obviously new financial reporting systems were also introduced Christensen (2004). Blöndal (2003) holds a similar view and maintains absolute complexity of accrual reporting has led to resistance towards adoption and implementation from a number of legislature.

In Germany, it was evident around the 1980s that there were disparities in reporting financial transactions, resulting in problematic comparing of financial information, which called for extensive but gradual reforms. Defining uniform public sector accounting reporting standards was a priority on debates and processes were initiated to develop such Harms (2004). Lande *et al.* (2011) state that in adopting accrual accounting system, one needs to take into account, public sector administrative culture and barriers; it may bring and retard progress, thus a paradigm shift in organisational philosophy needs to take place. Accrual accounting system has extensive reporting requirements in nature. This is due to the build-up process to the end of the month and year-end financial statements process.

According to Lande *et al.* (2011), cash basis of reporting is mainly in use across the public sector, thus posing questions to reliability and completeness of financial reports. Jones and Pundlebury (1991) cited in Christiaens and Rommel (1998), highlight a number of defects in adopting accrual accounting basis within the public sector. The authors indicate among others, lack of interest or resistance in adapting to reforms by public servants. Fundamentals of accrual accounting have proved difficulties in reconciling public sector accounting practices due to contextual concerns.

According to Robinson (1998), advancing benefits of accrual accounting systems, a number of governments, including Australia and New Zealand, moved some of their agencies to accrual accounting reporting, with others placing their budget-dependent agencies on accrual accounting as well. The system provides best measures and determinants of sustainability and inter-generational equity implications of fiscal policy. The suitability of accrual accounting system, in any public sector institution, is determined through timed cost-benefit analysis, theoretical and practical analysis (de Sousa, de Vasconcelos and Niyama 2013). Several authors propose adoption and implementation of this system of accounting in the public sector. What, however, is lacking from their position, is the effect which the system will have post-implementation on the public sector reporting (Lapsley *et al.*, 2009). Thus, the persistent move towards adoption by government is more of an action to succumb to pressures of showing effectiveness and efficiencies in carrying out its responsibilities. However, its relevance on non-revenue

generating public sector institutions and the capacity in the form of skills required for ensuring compliance may leave a lot to be desired.

Given the nature of transacting within the public sector, adoption of accrual accounting has raised concerns on difficulties attributable to the nature of assets held, historical accounting practices as well as public sector regulations and policies Robinson (1998). The Finland Government Accounting Board (FGAB) rejected implementation of accrual accounting based on IPSAS issued by IPSAB, citing too much orientation of their framework towards private sector reporting. The FGAB argued these standards are the result of the International Accounting Standards issued by the International Accounting Standards Board concerned with fair presentation of balance sheet, which is of interest to investors, thus not suitable for services-based sector, in this case, the public sector (Oulavirta, 2014). However, the author advises that the Swiss and Swedish governments welcomed implementation and compliance to IPSAB standards under the premise that it will be more efficient to utilise knowledge of the Board thus, improving inter and national comparability of financial information.

Several studies conducted are reflective of a trend that adoption of accrual accounting reporting is likely to grow gradually across countries, especially in the public sector. Furthermore, the IFAC PSC International Federation of Accountants Public Sector Committee is directly or indirectly in support of the move across such countries. The Swedish government moved for adoption of the reporting basis in the late 1980s with only agencies in the central government being part of the reform (Paulsson, 2006).

Contrary to the private sector, where institutions are considered to be inclined towards generating revenues, and comparing such revenues to costs, institutions in the public sector are more inclined towards spending; they generate taxes and carry out their mandate through spending on annual plans, such as infrastructural development. However, accrual basis of accounting assists in measuring efficiency in spending tax payers' money by government since it is more performance and time lines based system of reporting (Van Der Hoek, 2005).

Freeman and Shoulders (1999) cited in Salleh, Rozainun and Abu-Barker (2014) suggest there is a fast growing establishment of public entities by various governments, which adoption of accrual accounting will best suit, assisting as a reporting tool on reliable performance measurement, financial information on institutional operations outcomes and good fiscal governance.

Christensen (2002) contends that since 1990, governments across Europe moved swiftly towards accrual accounting, including general governments. Elimination of cash basis of accounting debates date as far back as 1828, as such debates were met with huge rejection and remained a tradition within the public sector. A rapid change of moving over to accrual accounting over the years, is likely to attract research interest, particularly because the transition would remain a challenge. The main question would then be what convinced governments to the fact that private sector-based systems would be suitable in the public sector for reporting purposes as such systems were deemed irrelevant over a prolonged period?

Christiaens *et al.* (1998) argue that accrual accounting basis of reporting will be suitable in public sector profit-oriented entities than service-driven ones, even though it may be scientifically difficult to prove. It is factual that accrual accounting reporting principles are not in harmony with public sector-based accounting principles, making design of reforms even more difficult. Van Der Hoek (2005) argues that traditional government reporting systems did not add value to reporting, therefore, questioning the effectiveness and efficiency of such systems thus, the need to transform to accrual basis of accounting. One of the tools to measure if government is in a position to sustain the financing of its activities, settle liabilities and commitments, further allowing management to realise the importance of optimal use of resources depreciating in value, is through accrual accounting (International Federation of Accountants, 2002).

Cortès (2004) presents another element relating to suitability of the accrual accounting system in the public sector on treatment of assets and proposes possible solutions to this problematic area. With regard to the second dimension on suitability of accrual accounting in the public sector, Salvatore and Gesso (2013) state that the relevance of transiting from traditional accounting systems is problematic, considering its limited

effects to the outcomes compared to what obtains in the private sector. Falkman and Tagesson (2008) concur with the above view and maintain there is generally over 50% non-compliance to accrual accounting standards in municipalities in Sweden post-implementation and under-reporting of deviations from such standards.

Figure 2.1: Survey Conducted by Price Waterhouse Coopers in 2013 on total number of countries reporting under various basis of accounting (showing growing importance of accrual accounting within the public sector) (Schrooten, undated)



2.6 Step-by-step approach towards implementation of accrual accounting

2.6.1 Project management

Change management is one aspect that management of any organisation undergoing a process of transition, should focus on thus, it is a critical part of the different steps and activities of a project. It is further conceded that organisational change management is directly linked to operational results. According to Robbins, Judge, Odendaal and Roodt (2009), organisations are comprised of a number of interdependent systems, and change on one has a ripple effect on the other, for instance changes to technological processes will ultimately have a ripple effect on organisational structure.

Talent management is a holistic human capital management approach, thus critical towards ensuring improved productivity. Dessler, Barkhuizen, Bezuidenhout, De Braine, Du Plessis, Nel, Stanz, Schultz and Van Der Walt (2011) state that talent management is, in a sense, the responsibility of employers and through training and development, provides for matching of organisational needs with qualified individuals. The authors combine talent management with career management, and believe it enables employees to better understand and develop their career skills, using them most effectively within the organisation.

According to Hyndman and Conolly (2011), inadequacy in accounting skills within the public sector in the United Kingdom, during 2008 and 2009, hindered the implementation of time-based accrual accounting, citing fewer qualified accountants and career employees within departments as reasons. Robbins *et al.* (2009) also recommend Lewins' three step model on unfreezing status quo, movement to the new status and refreezing the new change to make it permanent. This model can also be recommended to address training and development deficiencies attributed to knowledge of accrual accounting by officials.

According to Lande *et al.* (2011), a redefinition of accounting framework is critical in ensuring mapping of processes to the new framework of reporting. The authors further indicate that this has to be combined with a need by an organisation to test technical and human resources. Falkman and Tagesson (2008) argue that redefinition of financial responsibilities and developing and coordinating accounting models through issuing of white papers, accounting guidelines and instructions, are key in initial steps of implementation of accrual accounting in the public sector.

A number of accounting issues referred to as "essential condition for success" must be agreed to prior implementation of accounting, particularly on recognition and measurement of tax revenues, assets and their related depreciation methods, among others. (ACCA, 2004). According to Deaconu, Nistor, & Filip (undated), scandals and failures resulting from use of accrual accounting, to a certain extent,

bears testimony to why a number of governments have doubt as to its capability within the public sector to guarantee sound financial management and reporting.

Cohen *et al.* (2007) posit that insufficient training and development of officials, limited or unavailability of technical skills/understanding, inadequate or non-capacitated enabling tools as well as limited or no support at all from professional firms are primary obstacles to the smooth implementation of accrual accounting systems in the public sector. Thus, post-implementation challenges were mainly characterised by lack of technical ability to understand applicable GRAP provisions in processing financial transactions.

It is imperative for adoption of accrual accounting to be preceded by extensive research, involvement of academia, including analysis of advantages and disadvantages of such reform (Monterio and Gomes, 2012). Hyndman and Conolly (2011) agree with the above view and maintain drivers of the transition within an organisation should, have at least, the following competencies: extensive public sector finance experience; be at seniority level; and very technical in matters surrounding financial accounting and systems.

Hughes and Minovski (2004) argue that IFAC proposes a step-by-step approach towards implementation of accrual basis of accounting standards, migrating from cash-based approached as follows:

- 1.) Identification of all cash-generating (revenues) and non-cash generating state. Ensure that processes are in place to assist in migrating from cash basis towards accrual accounting basis;
- 2.) Ensure that these entities are in compliance with applicable prescribed accounting standards; and
- 3.) Prepare a cash receipts and payments statement, taking into account, all outstanding transactions, including third party receipts, which must be audited and reported within six months of the end of the previous reporting period.

Issues to be addressed on resolving to adopt accrual accounting reporting basis range from determining valuation methods for assets as well as deciding on who is to be entrusted with setting of the accrual accounting standards. Development of public sector-based accrual reporting standards are only geared towards financial accounting and not budgeting, which will remain cash-based (Blöndal, 2003).

(IFAC, 2002) further supports the above stance in that, migration or implementation of accrual accounting requires as one of the key initial steps, recognition of assets and liabilities in full or that is, non-current and current. Alternatively, this can be done through taking into account, first, non-current and then all assets that are readily identifiable or measurable thus, deferring the process of recognising other over financial years.

It is critical to perform a cost/benefit analysis post each implementation step to determine whether there is still a need or not to move to the next one. Garseth-Nesbakk (2010) further advocates clarification and outlining of the main objectives informing a decision to migrate to a new reporting basis. Thus, the process is central to obtaining certainty that migrating to a different accounting solution would guarantee efficiency in the utilisation of resources.

A well-defined and sophisticated accounting system supports issuing of sound financial statements as part of planning for adoption of a new reporting framework. Its sophisticated features are properly defined accounting equation, a detailed standard chart of accounts, sound and defined double entry system as well capability to translate into organisational policies and financial regulations applicable to accounting standards (in this case, GRAP Standards) (Chan, 2008).

2.7 Determining technical and other aspects surrounding the implementation of accrual accounting in the public sector

According to Garseth-Nesbakk (2010), continuous debates towards adoption of accrual accounting in totality within the public sector symbolise complexity and difficulties allied to its construction. The author argues that contrary to disclosure within the private sector, there are some elements which necessarily carries similar interpretation with different terminology such as disclosing appropriation account items in the statement of financial performance as those representing revenues. Another example provided by the author is on liability model, which states that unutilised appropriations in procurement of non-current assets are to be disclosed as liabilities. In the current situation, such are surrendered towards the National Revenue Fund.

Carnegie and West (2003) criticise implementation and adoption of accrual accounting in the public sector, how it fits with specific reference to recognition and valuation of certain assets, for example, heritage assets. Technical accounting makes provision for recognition of public sector resources as assets are now at the helm, with an element of misclassification. It causes an accounting fiction to classify or revalue at a market value, resources that will never attract any economic benefit in the form of sale of such resources now or in future (for example, libraries and museums). GRAP 103 on Heritage Assets, however, makes provision for recognition of such assets in the Annual Financial Statements for reporting purposes. It defines heritage as assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations (<http://www.asb.co.za>). Such measures address the above concern regarding recognition of heritage assets by public service institutions.

Hyndman and Conolly (2011) argue that it is a challenge to embed accrual accounting principles into management accounting and financial reporting systems in the Ireland Republic. SASSA is also experiencing a similar challenge in embedding accrual accounting concepts to grants-related debtors, which could mainly be attributed to measurability of such transactions. During transaction periods by SASSA, it is evident that the bulk of work relates to ensuring adjustment of General Ledger account balances in line with GRAP standards and involvement of technical and knowledgeable individuals. Among others, technical aspects of transition to accrual accounting includes but not

limited to the following: assets revaluation to determine fair carrying values in line with applicable accounting standards; assets impairment to give a fair reflection of physical depreciation and obsolescence; and recognition of revenue and expenditure transaction in line with accrual principles (Deaconu *et al.*, 2006).

2.8 Accrual accounting systems management reforms in the public sector

In Indonesia, post President Suhartos' regime, the government issued an instruction on the basis of an adopted constitutional provision for all central and local government institutions to report financially under cash to accrual basis of accounting system (Haru, An and Kahar, 2013). Public sector management reforms, as introduced by the Commonwealth government in the 1980s, with its focus being adoption of accrual accounting basis of reporting, was intended to enhance efficiency, effectiveness and accountability in the sector. Development of accounting standards in pursuit and support of the above reforms then followed. It is, however, critical to take note that fundamental changes are required to address specific public sector circumstances (Barton, 2005).

Broadbent and Guthrie (cited in Christiaens and Rommel, 1998), agree with Barton (2005) that across many countries, there has been radical financial and managerial accounting reforms. These radical reforms necessitated a move from the traditional cash basis of accounting reporting to an accrual accounting concept, formerly adopted by profit-oriented entities. The move was expected to increase financial and reporting transparency as well as accountability in the public sector, matching costs to services delivered. Experimental studies by Christiaens *et al.* (1998) revealed that accounting reforms in the public sector, from cash basis of reporting to accrual basis of reporting, has been of a lesser success due to several factors. One of such factors is the effect of output information that exposed poor performance in the management of public sector resources. The authors argue that there is always a deliberate design of irrelevant and inefficient reforms that produce non-anticipated outcomes, raising challenges with regard to implementation. Due to its effectiveness in uprooting elements of corruption and misappropriation of funds, there is a noticeable government political unwillingness (with specific reference to GHANA) to commit to implementation of accrual accounting basis of reporting (Aidoo-Buameh, 2014).

According to Robinson (1998), the move for the adoption of accrual accounting system by profit-making organisations was viewed as expressing superiority of accrual accounting over cash basis of reporting, which then exerted enormous pressure on institutions in the public sector, resulting in some of them taking a resolution to adopt the former. Advocates of the “entrepreneurial government” paradigm argue that accrual accounting is a fundamental principle of a complete transformed public sector into a truly efficient and effective institution. On the other hand, advocates of accrual accounting to core government, do not rely on it much as a fiscal posture indicator, but rather, a system depicting high value property that serves as a managerial tool, assisting management to assess its own performance within an entity (Fox, 1995).

Arnaboldi *et al.* (2007) contend that accrual accounting reporting basis was deemed appropriate for the public sector to review its practices and structures by implementing new managerial innovation, for which accrual accounting reporting was part of pursuing principles of efficiency, effectiveness, transparency and accountability. Fiscal reforms in the European Union provided countries, particularly those that had adopted the use of the Euro, with common fiscal conduct that instils fiscal discipline, with adoption of accrual accounting in reporting as part of it (Salinas, 2002).

The move from cash basis to accrual accounting, by a number of countries, is viewed as a newly designed public sector finance agenda towards operating in a business-like approach, leading also, to a more outcomes-driven public sector (Hyndman and Conolly, 2011). Central to new public sector reforms across countries, was the need to achieve more informative, accountable, transparent and business-oriented accounting systems (Salvatore *et al.* 2013).

Jagalla, Becker and Weber (2011) support the rationale that decisions on the most relevant accounting reporting system for institutions and enterprises in the public sector has always been subjected to debates, through practical considerations and theoretical analysis. In a technical sense, accounting changes were not a success, however, it did bring about effects on organisational behaviour and culture, with greater focus on external stakeholders, performance and business-like attitude.

Countries that have adopted accrual reporting are generally at the forefront of reforms as this improves decision-making in government through enhanced information. The aim of these reforms is to hold managers accountable for costs associated with outcomes/results, reducing controls imposed on inputs (Blöndal, 2003). Reforming public sector accounting has been an issue for discussion in Germany since the early 1990s, emanating from financial management and reporting problems across different spheres of government. Among others, heated debates were dominated by transiting to output-based budgeting within the public sector. Reporting had to be reformed to include non-cash items that would provide a fair state of financial affairs matched to the relevant period. Disclosure of provisions and contingency liability serve as an example in this regard (Harms, 2004).

According to Jones *et al.* (2011), absolute complexity of accrual reporting has led to resistance to adoption and implementation from a number of legislature. There is no universal backing of adoption of accrual accounting across a number of countries, organisations such as the European Union and the International Monetary Fund, including other economic organisations in developing countries, questioning prioritisation of this cause by other states (Tiron Tudor and Mutiu, 2013). Gasreth-Nesbakk (2010) posits that this could result in a superfluous reform, migrating to accrual accounting without performing an extensive cost benefit analysis, an exercise the Norwegian government failed to perform, which is what is deemed extremely significant.

In addition, IFAC (2002) suggest political willingness and commitment determine the period of implementing and contextualising reform. The organisation further maintains depending on the size of an accounting reform, delays could result from the process of extensive planning, development of accounting policies, implementation processes and testing of new systems.

2.9 Conclusion

There are four accounting system combinations, namely; cash basis, modified cash basis, modified accrual basis and accrual basis. However, there is need for convergence of

international accounting standards that best suit migration to full accrual accounting systems by the public sector. The IFAC Report states the following as benefits of the adoption of accrual accounting reporting: financial information on resources owned or controlled by the reporting institution; costs for government within a specific institution to render services; reasonable cash flow information; and useful information to users of financial statements and decision-makers. The benefits provide a comprehensive state of financial information in the position and performance of an entity permitting sound and informed user decisions.

It is evident that there are pre-requisites to be undertaken prior adoption and implementation of accrual accounting system in the public sector as follows: firstly, extensive engagements in defining pre-implementation of accrual accounting reporting would provide reasonable assurance on the credibility (accuracy and completeness) of financial statements; secondly, a redefinition of accounting framework is critical in ensuring mapping of processes to the new framework of reporting; and thirdly, an organisation needs to test technical depth of available human resources to determine the extent to which the organisation should commit towards capacitation. Insufficient training and development of officials, limited or inadequacy of technical skills/understanding and ineffective enabling tools are primary obstacles to the smooth implementation of accrual accounting system in the public sector.

The observation is unbalanced integration of public sector traditional accounting system and accrual accounting reporting basis continues to create conflict in financial reporting. Accrual accounting seems not to be used as a management decision-making tool given its transparent approach and inclusiveness in reporting but rather, cash basis of reporting seems to have resurrected in other parts of the world.

Upon its inception, accrual reporting basis was mainly meant for the private sector and revenue-oriented publicly-owned institutions. A significant number of institutions in the public sector are non-revenue oriented and in pursuit of social objectives and also with different ways of showing accountability for resources with which they are entrusted. It is, therefore, appropriate to conclude that in financial reporting, private sector reports are prepared in such a way that they reflect on financial performance as well as maximisation

of wealth. Identified as its benefits are: accountability and more efficient control; improvement of users' decision-making process; resources economicity; efficient reporting; and good public service governance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The purpose of this study was to examine the impact of implementing accrual accounting on the quality of financial information of public entities. The chapter provides details on the research design, methods used to collect data, sampling procedures and methods used to analyse data analysis in the study.

According to Fox and Meyer (1995: 80-82), scientific examinations are guided by a methodical study of practices and principles referred to as methodology. Mouton (2001) states that research methodology is a meticulous and precise ways of effecting the design and utilisation of tools and approaches in collecting data. It has its exceptional characteristics, focusing on the research process as well as well as relevance of tools and approaches to be utilised (Mouton, 2001: 106-, 108). According to Henning, Van Rensbrg, & Smit (2004), methodology refers to a comprehensible group of methods with a “goodness of fit” to deliver data and findings that will reflect the research question and suit the purpose of the research.

A tendency of noting field activities is very prevalent in researchers who have adopted a quantitative research approach (Mouton, 2001: 106, 108). A quantitative approach to enquiry was adopted in this study in order to allow the research the opportunity to produce descriptive data. Research instruments and data collection methodologies adopted in this study are extensively discussed in this chapter.

3.2 Research design

Research design provides an outline of how the researcher intends to achieve the objectives of the study, providing sources to be utilised in the research, (Bless, Higson-Smith, & Kagee, 2006). It is academically sensible to presume that research design is a

predetermined approach towards data collection for examination or investigation of the problem statement at a particular point on the basis of the following statements:

A plan according to which data is collected towards examining a hypothesis or a problem statement most parsimoniously best defines research design (Huysamen, 1994: 9-11). In support of this statement, Mouton (2001) defines research design as a mapped approach towards execution of a research. For the purpose of this study, it is defined as a logic experiences-based observation (Fox and Meyer, 1995). Mouton (2001) recommends implementation assessment research, capable to respond to questions on adequate coverage of a target group, implementation of the intervention plan and the applicable design. He further asserts that the final product or outcome, the problem statement at hand and the logic behind conducting a study are fundamental characteristics of a research design.

3.3 Qualitative and quantitative research

Quantitative research is a methodology that relies on measurement of variables, their comparison as well as analysis. It relies also on the use of numbers, which can be analysed using descriptive or inferential statistics, therefore, regarded as most accurate (Bless, Higson-Smith, & Kagee, 2006).

According to Neuman (2011), quantitative research techniques, dictated by hard data, place more emphasis on positivist principles, using more of variables and hypothesis language. Through this approach, the research tries to ascertain or falsify a hypothesis or relationship in mind.

Quantitative measurements, which can be compared in respect of magnitudes, equal intervals and absolute zero properties, has the following different measurement scales:

- ✓ Nominal scales: Classify information in categories, which are non-comparable to each due to the fact they are qualitatively different;

- ✓ Ordinal scales: Compared to nominal scales, they are informative and of a complex nature, allow comparison of different values and consist of a single unit of measurement, being magnitude;
- ✓ Interval scales: They use scales based on a set of real numbers, arguably, the improved version of the nominal and ordinal as they introduce equal intervals or units of measurement, making comparison of variables more accurate; and
- ✓ Ratio scales: They possess all three properties of measurement, having a disadvantage of ceiling and floor effects interpreted as scales incapable of permitting adequately high and adequately low scores respectively (Bless *et al.*, 2006).

Dictated by soft data, qualitative research relies more on interpretive or critical social science principles, often characterised by generating new hypotheses and never rendered invalid due to a standard method (Neuman, 2011). In adopting a qualitative approach, a researcher studies items in their natural settings, attempting to establish a true sense or interpretation in line with views of participants. It has the ability to locate the observer across the universe, consisting of a set of interpretive material practices, capable of transforming and making the world visible (Creswell & Poth, 2013).

On the contrary, Saunders & Bezzina (2015) advocate the use of both qualitative and quantitative methods in conducting research and argue that none is universally superior, that although the former can be labour-intensive, there is lack of construct validity and no use of scientific methods, with the latter method argued to also be only useful when corroborated with the former as its subjectivity compromises accuracy. A quantitative approach was considered appropriate for this study.

3.4 Area of study

The study focused on the Regional Office of the South African Social Security Agency (SASSA), Mafikeng, North West Province, South Africa. The Regional Office is one the nine established branches across the provinces, reporting directly to the Head Office situated in Pretoria. Accrual accounting directly affects the day-to-day operations and reporting within the Finance Unit, responsible for management of assets, liabilities,

revenues and expenses of the Regional Office. During implementation of the reporting framework, officials across the Agency were, in one form or the other, affected and have experienced implications thereof.

3.5 Population of the study

3.5.1 Defining population

Huysamen (1994: 1, 3) defines population as a group of people available for purposes of observation, having common elements against which research hypotheses can refer to. One can further define population as a collection of human beings or objects of shared character or philosophy, which is central to the researcher's interest on a specified problem statement, further informing recommendations and conclusions. The population consisted of one hundred (100) officials working within the Region, directly or indirectly in contact or affected by the day-to-day operations of accrual accounting reporting framework. The rationale for choosing these officials was because of their accessibility and availability as well as the fact that they were the main custodians with regard to related operations of the different systems.

3.5.2 Sampling technique

There are two types of sampling techniques namely probability and non-probability sampling defined as defined precise population technique and judgement or non-random sampling technique not necessarily affording equal participation in the investigation respectively, (Alvi, 2016). In support (Leedy & Ormrod, 2005) provide that, probability and non-probability sampling are main two sampling categories. The sample can either be probability or non-probability on a representative basis (Kothari, 2004).

Probability sampling technique involving selecting a sample at random from a sample frame which include simple random sampling affording each unit equal probability of being included in the sample has been adopted for this study. According to (Quinlan, Zikmund, Babin, Carr, & Griffin, 2015) using probability

sampling can be claimed by the researcher be representative of the entire population.

3.6 Methods of data collection

A self administered, closed-ended and structured questionnaire was used to collect primary data from respondents. A questionnaire involves requesting the subjects to respond to a range of questions, relatively less costly to assemble and not needing much of the researcher's participation during completion (Greener, 2011).

Considered the heart of a survey, a questionnaire requires careful construction and attention needs to be given to its general form, orderly manner of sequencing questions, formulation and wording of questions to avoid probable failures (Kothari, 2004). According to Walliman (2011), a questionnaire (open or closed-ended questions) is a data collection tool suitable for collecting quantitative data, though it can also be used to collect qualitative data. Haralambos (1985) states that a questionnaire should be designed such that it is easily comprehensible for respondents. Moreover, structured questionnaires are generally considered to be simple to administer and relatively inexpensive to analyse (Kothari, 2004).

Through a written questionnaire and using a survey as a source for data management, the researcher is able to obtain information type gives perspectives of respondents generally (Plowright, 2011). Questionnaires are perceived to carry a series of assumptions due to the kind of knowledge they would want to explore and thus, their implications need to be thought through by the researcher (Greener, 2011).

3.7 Data analysis method

Analysis of data means a study of arranged material with the intention of determining inherent facts and meanings involving existing complex factors, broken-down to less complex parts for ease of interpretation (Singh, 2006). Kumar (2008) states that primarily, data analysis is aimed at summarising data collected, to provide an ultimate answer to a particular research objective and question and can also be categorised into two, namely, primary data and secondary data analyses.

There are three different types to qualitative data analysis, namely; quasi-statistical, thematic coding and grounded theory with exploratory and confirmatory types meant for quantitative data analysis (Robson, 2011). According to Kumar (2008), primary data analysis has three phases, necessitating data classification and tabulation, and laying a base for the actual analysis, certain interpretation and the evaluation phase.

The Statistical Package for the Social Sciences, commonly referred to as SPSS, is a computerised data analysis tool, mainly quantitative, considered efficient in eliminating errors and offers an opportunity to make use of more complicated and appropriate statistical techniques (Bryman & Cramer, 1994). Data editing, coding, classification and tabulation are the primary steps in data analysis with evident systematic relationships Kumar (2008).

3.8 Consistency and replicability

The extent to which results in the context of a single study are consistent is translated as internal consistency. Furthermore, consistency in measuring one thing across items or time translates through strict replications to consistency in relationships (Viswanathan, 2005). Shreejesh, Mohapatra, & Anusree (2014) state that similar results of data analysis, even when data is manipulated, depicts consistency.

The concept of consistency, in essence, is a reminder that in conducting research, unbiased coordination of activities across all resources, including human (equal treatment), unbiased behaviour and appearance, is critical in ensuring equal instructions and guidance (Devlin, 2018). Replication of an enquiry or research provides other safeguards, implying repeating and checking of a specific study to verify if outcomes or results would each time be similar. This further provides for conducting of similar research under varying conditions (Babbie, 2014).

3.9 Ethical considerations

Towsley-Cook and Young (2007) define ethics as a system or code of conduct and morals advocated by a particular individual or group. It becomes very imperative in conducting a study, to be aware of general agreements (on what is ethical and not) shared by

researchers as what is proper and improper in the conduct of scientific enquiry (Babbie, 1995).

Cozby (2001) argues that major ethical issues in research are concerned with stress and psychological harm, deception, informed consent, privacy and confidentiality. The following ethical aspects were observed during this study: 1.) the research was not intended to deceive participants; 2.) the research was conducted on the basis of informed consent of all participants; and 3.) high level of confidentiality and privacy were maintained where and when necessary.

3.10 Data analysis and discussion of results

In an efficient and cost effective manner, analysis of data is an intermediary step a researcher has to undertake, describing and explaining the existence of certain social patterns through SPSS (Babbie, 1995). SPSS or computer statistical packages, assist among others, in summarising data, presentation of appropriate graphs and tables, examination of relationship between variables and developing sophisticated analytical models.

3.11 Conclusion

This chapter focused on the research design, research methodology, sampling techniques, data collection techniques and procedure used in conducting the study. Quantitative approach, as outlined in this chapter, was adopted in this study. Data was collected from officials working with SASSA Branch, Mafikeng, North West Province, South Africa. Considered the most ideal data collection tool, a questionnaire was used to examine the impact of implementation of accrual accounting on the quality of financial information within public entities. The next chapter focuses on data analysis as interpretation of results.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

Chapter four presents the results of the statistical analysis of data collected. One hundred (100) questionnaires were randomly distributed to officials working with the South African Social Security Agency, North West Regional Office, Mafikeng. Seventy two (72) respondents completed and returned the questionnaires.

4.2 Data analysis

The Statistical Package for the Social Sciences (SPSS 24) was used for computation and analysis of data collected. SPSS is capable of reporting and presenting, with ease, analysis through common features such as tables and Output Management System (OMS). The raw data collected was populated onto Microsoft Excel software, prior uploading into the statistical software.

SECTION A: Reliability analysis

Cronbach's alpha (α) reliability coefficient, whose numerical value ranges from 0 to 1, measures the reliability (or internal consistency) of a questionnaire (or survey) consisting of Likert-type scales and items. A high value (close to 1) for Cronbach's alpha reliability coefficient indicates good internal consistency of items in the scale.

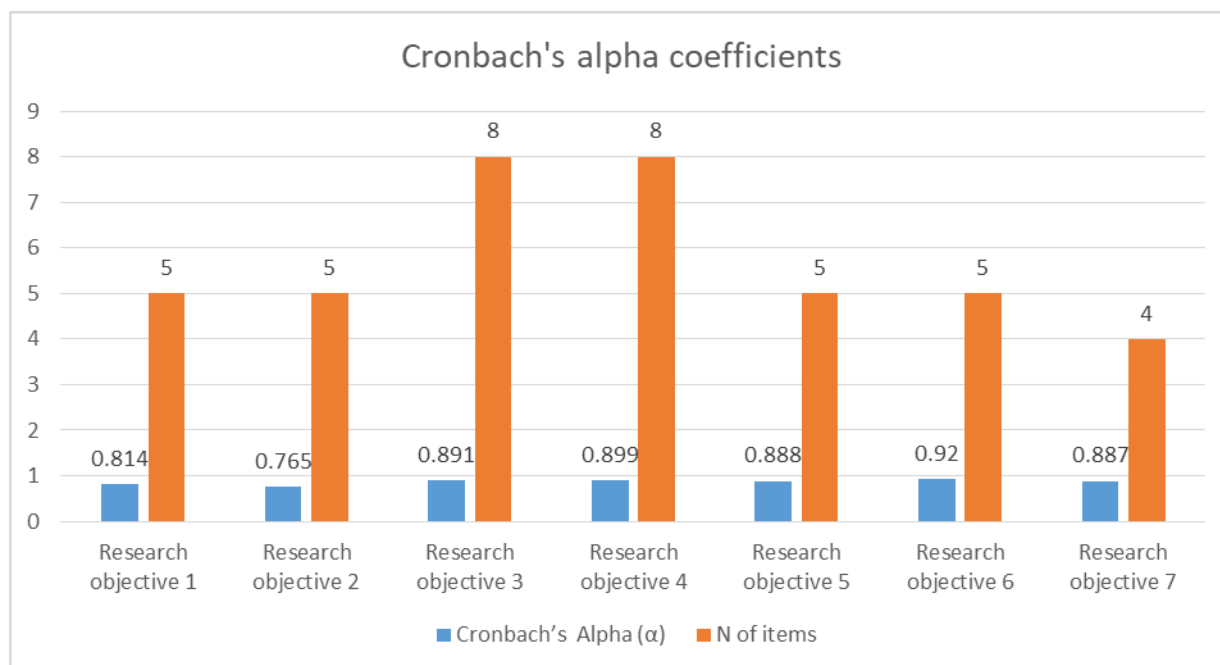
Table 4.1: Cronbach's alpha coefficients

	Cronbach's Alpha (α)	N of items
Research objective 1	0.814	5
Research objective 2	0.765	5
Research objective 3	0.891	8
Research objective 4	0.899	8
Research objective 5	0.888	5

Research objective 6	0.920	5
Research objective 7	0.887	4

The Cronbach's alpha coefficients in Table 4.1 are close to 1, an indication that respondents responded consistently to the survey items. Consistency in responding provides a reasonable assurance of reliability and objectivity of responses to survey items.

The figure below provides a graphical outlook of Table 4.1 with regard to the consistency of respondents to survey items.



SECTION B: Descriptive statistics

Part 1: Means and standard deviations

Research objective 1: Examine the suitability of accrual accounting basis of reporting in the public sector.

Table 4.2

Scale: 1 = strongly disagree, 2 = disagree, 3 = neither disagree nor agree, 4 = agree, 5 = strongly agree

Statements	N	Mean	Std. deviation
Accrual accounting basis of reporting is suitable for the public sector.	72	2.97	.993
Accrual accounting basis of reporting is suitable to the public sector over cash basis of accounting reporting.	72	3.21	1.125
Accrual accounting basis has simplified the reporting process.	72	3.33	1.187
Information on all financial statements components, namely; liabilities, revenue, assets and equity is now fully processed and managed under accrual accounting basis of reporting.	72	3.22	1.010
The general view is that the Agency should have retained application of the cash basis of accounting reporting.	71	2.92	1.239
OVERALL MEAN		3.13	

Research objective 2: Differentiating between cash basis and accrual accounting

Table 4.3

Scale: 1 = strongly disagree, 2 = disagree, 3 = neither disagree nor agree, 4 = agree, 5 = strongly agree

Statements	N	Mean	Std. deviation
Accounting concepts under cash basis, vastly differ with those under accrual basis.	72	3.31	1.057
Accounting concepts under accrual basis, are easily understandable compared to those under cash basis of accounting.	72	3.26	1.126
It would still be better for management to consider retaining cash as the basis of financial reporting.	72	2.74	1.175
There are more advantages in reporting under accrual basis of accounting compared to cash basis.	72	3.26	1.075
There is still a need to develop officials on understanding of accrual basis of accounting.	72	3.13	1.034
OVERALL MEAN		3.14	

Research objective 3: Establish understanding of accrual accounting concepts among employees

Table 4.4

Scale: 1 = strongly disagree, 2 = disagree, 3 = neither disagree nor agree, 4 = agree, 5 = strongly agree

Statements	N	Mean	Std. deviation
I clearly understood accrual accounting concepts at the inception stage,	72	3.08	1.230
I had worked on accrual accounting basis environment prior to its inception by the Agency.	72	2.72	1.091
I found it easier to adapt to accrual accounting relation concepts once it was introduced by the Agency.	72	3.08	1.172
Training provided prior implementation of accrual accounting, was sufficient to provide proper understanding of the concepts.	71	3.18	1.112
I directly engage with financial transaction on a daily basis within my area of specialisation.	71	3.34	1.068
There is a need for continuous training and development on accrual accounting concepts.	72	3.42	1.123
I understand the impact of accrual accounting principles on financial transactions.	72	3.33	1.113
I can easily relate and apply Standards of Generally Recognised Accounting Practice applicable to the Agency.	70	3.43	1.111
OVERALL MEAN		3.20	

The standard deviation in terms of the above, is not dispersed from the mean, thus responses are not scattered over a number of possible answers.

Research objective 4: Establish a step-by-step approach towards implementation of accrual accounting by SASSA

Table 4.5

Scale: 1 = strongly disagree, 2 = disagree, 3 = neither disagree nor agree, 4 = agree, 5 = strongly agree

Statements	N	Mean	Std. deviation
Adequate communication to all stakeholders, including officials, on management's intention and necessity to migrate to accrual accounting was in place.	72	3.10	.922
A project plan was designed and adopted for implementation process.	72	3.06	.854
Levels of understanding of accrual basis of accounting were assessed on officials prior training.	72	2.79	1.100
Training of all employees was conducted across all levels.	72	3.14	.983
An accrual accounting compatible financial system was introduced.	70	3.40	1.055

A support centre was established to enable the easing of call logging and to assist in resolving problematic areas at the inception stage.	72	3.49	1.007
Professional bodies were contacted or included as part of the stakeholders for advisory services on transition.	72	3.15	.883
SASSA involved all stakeholders in the process of migrating to accrual accounting, including experts in the field of Financial Accounting to assist in ensuring proper development of business processes.	72	3.17	.979
OVERALL MEAN		3.16	

Research objective 5: Examine controls implemented to ensure integrity and accuracy of financial information

Table 4.6

Scale: 1 = strongly disagree, 2 = disagree, 3 = neither disagree nor agree, 4 = agree, 5 = strongly agree

Statements	N	Mean	Std. Deviation
Transactions were traced back to the physical document to confirm validity.	72	3.36	1.011
Casting and cross casting of financial information was done to ascertain mathematical accuracy prior migration of data.	71	3.27	.878
A set of both cash-based and accrual-based financial statements were prepared and compared to identify material differences.	72	3.31	.973
Adjustments identified as a necessity, were performed on financial statements balances.	72	3.38	.895
There was significant improvement on audit outcomes based on accrual accounting prepared and audited annual financial statements.	72	3.39	.912
OVERALL MEAN		3.34	

Research objective 6: Consistent observation of impact of accrual accounting on quality of financial reporting

Table 4.7

Scale: 1 = strongly disagree, 2 = disagree, 3 = neither disagree nor agree, 4 = agree, 5 = strongly agree

Statements	N	Mean	Std. deviation
There is a general recognisable improvement on organisational performance.	72	3.25	.975
There is improvement on management and accounting for assets, liabilities, expenses and revenues of the organisation.	72	3.31	.944
There has been a significant decline on customers' complaints pertaining to financial administration within the Agency.	72	3.35	1.064
There are no persistent errors related to processing and outcomes of the payroll or salaries information post adoption of accrual accounting basis of reporting.	72	3.14	1.066
There is a noticeable improvement on outcomes of information on financial audit since adoption of accrual accounting.	72	3.38	.956
OVERALL MEAN		3.29	

Research objective 7: Influence of accrual accounting basis of reporting on decision-making with regard to management

Table 4.8

Scale: 1 = strongly disagree, 2 = disagree, 3 = neither disagree nor agree, 4 = agree, 5 = strongly agree

Statements	N	Mean	Std. deviation
Introduction of accrual accounting has improved accountability and transparency of financial management.	72	3.29	1.131
Accrual accounting influences financial decision-making processes of management.	72	3.26	1.061
Significant changes to business processes were introduced by Management.	72	3.07	1.025
Management is conversant with principles and practices of accrual accounting.	72	3.03	.993
OVERALL MEAN		3.16	

The overall means in Tables 4.2 to 4.8 above, are almost equal to 3. According to Likert scale 1, it means that respondents neither disagreed nor agreed with the statements above. All the standard deviations in Tables 4.2 to 4.8 are not closer to zero, an indication that there was some deviation of responses. Thus, some respondents slightly agreed while others slightly disagreed with the statements.

Part 2: Percentages

Research objective 1: Examine the suitability of accrual accounting basis of reporting in the public sector

Table 4.9

Statements	Strongly disagree (%)	Disagree (%)	Not sure (%)	Agree (%)	Strongly agree (%)
Accrual accounting basis of reporting is suitable for the public sector (N = 72).	11.1	12.5	48.6	23.6	4.2
Accrual accounting basis of reporting is suitable to the public sector compared to cash basis of accounting reporting (N = 72).	8.3	13.9	41.7	20.8	15.3
Accrual accounting basis of reporting has simplified the reporting process (N = 72).	9.7	13.9	25	36.1	15.3
Information on all financial statements components, namely; liabilities, revenue, assets and equity is now fully processed and managed under accrual basis of reporting (N = 72).	4.2	18.1	40.3	26.4	11.1
The general view is that the Agency should have retained application of the cash basis of accounting reporting (N = 71).	19.7	14.1	28.2	31	7
OVERALL RESPONSE (%)	10.6	14.5	36.8	27.6	10.6

In supporting its suitability, the Malaysian government planned implementation of accrual accounting in 2015, citing its capability to ensure that government financial commitments and contingent liabilities are fully disclosed, thus ensuring a fair presentation (Salleh, Aziz, & Abubakar, 2014). A higher percentage (48.6%) of respondents were not sure of the suitability of accrual accounting within the public sector. This could be an indication that not all respondents were directly involved with the day-to-day processing of financial information. However, 23.6% of respondents strongly agreed to the suitability of this reporting basis within the public sector. 4.2% of respondents indicated that though this reporting basis can be suitable for the public sector, they did not necessarily strongly agree to its introduction and implementation. This could, therefore, imply there are other factors that can necessitate additional study on its suitability.

20.80% of respondents agreed to the suitability of accrual accounting over cash basis of accounting within the public sector, 15.3% strongly agreed while 25% were indifferent.

9.7% of respondents strongly disagreed while 13.9% and disagreed on the suitability of accrual accounting basis within public entities.

9.70% and 14.90% of respondents strongly disagreed and disagreed respectively that reporting under accrual accounting basis, has not simplified the reporting process. However, 36.10% of respondents agreed while 15.30% strongly agreed to the statement. 40.30% of respondents were not sure whether all financial information was fully processed under accrual basis or not. This can further relate to the fact that not all respondents are directly involved in the day-to-day processing of financial information. While 28.20% of respondents were not sure whether the Agency should have retained the cash basis of accounting or not, 31.00% agreed that it should have been retained.

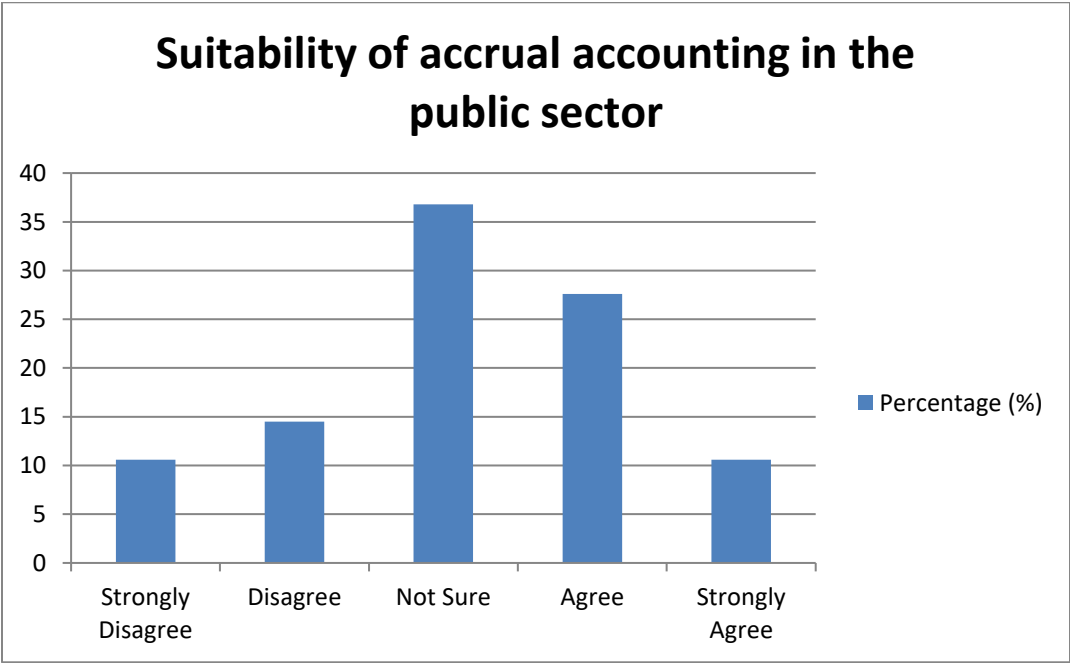


Figure 4.2: Suitability of accrual accounting in the public sector

Figure 4.2 above is a graphic representation of Table 4.9, showing results of responses of respondents with regard to objective one which sought to examine the suitability of accrual accounting within the public sector.

Research objective 2: Differentiating between cash basis and accrual accounting

Table 4.10

Statements	Strongly disagree (%)	Disagree (%)	Not sure (%)	Agree (%)	Strongly agree (%)
Accounting concepts under cash basis vastly differ from those under accrual basis (N = 72).	5.7	16.7	30.6	36.1	11.1
Accounting concepts under accrual basis are easily understandable compared to those under cash basis of accounting (N = 72).	8.3	13.9	34.7	29.2	13.9
It would still be better for management to consider retaining cash as the basis of financial reporting (N = 72).	20.8	16.7	36.1	20.8	5.6
There are more advantages in reporting under accrual basis of accounting compared to cash basis (N = 72).	6.9	13.9	37.5	29.2	12.5
There is still a need to develop officials on understanding of accrual basis of accounting (N = 72).	6.9	16.7	43.1	23.6	9.7
OVERALL RESPONSE (%)	9.7	15.6	36.4	27.8	10.6

30.60% of respondents were not able to differentiate between concepts of both reporting bases. 36.10% of officials agreed that their concepts were different. 5.70% of respondents strongly agreed while 16.70% disagree that there was a vast difference between concepts of both reporting bases. This can be a reflection of vast financial accounting knowledge and exposure among respondents. Respondents were also of the view that either retaining or introducing the new reporting basis did not bring significant changes, however, they indicated there were more advantages in introducing accrual accounting basis. While 36.40% of respondents were not sure of its significance with regard to training and development of officials on accrual accounting basis, 27.80% agreed it was significant.

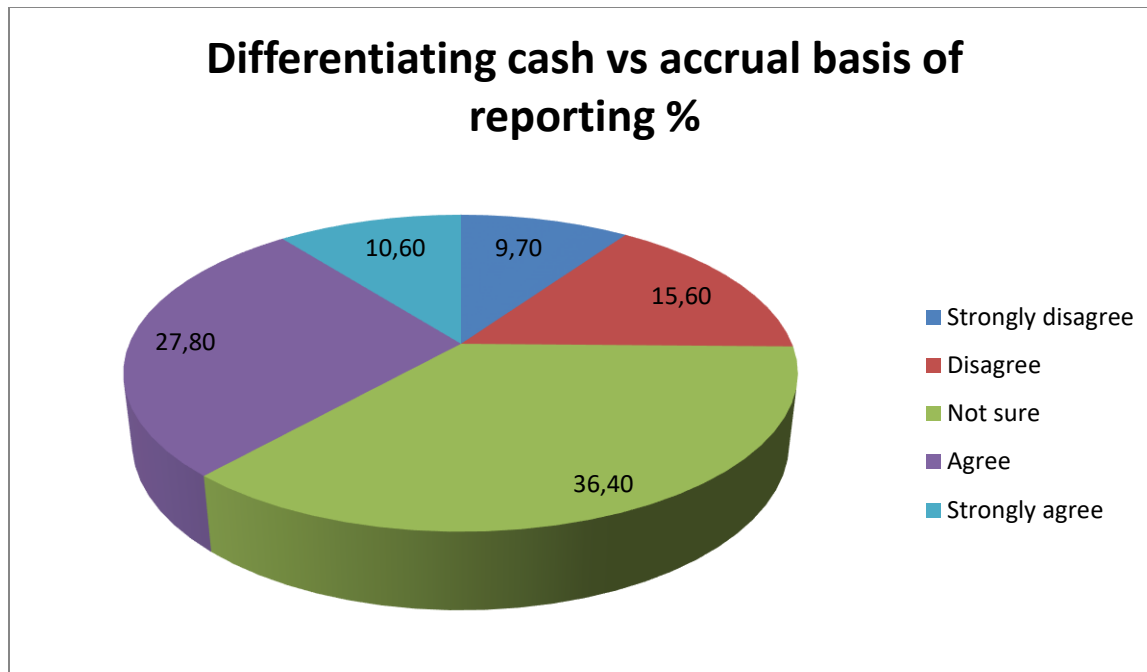


Figure 4.3: Differentiating between cash and accrual basis of reporting

Figure 4.3 presents results on knowledge of respondents with regard to the difference between cash and accrual basis of accounting. The graphic presentation further shows the percentages and the number of responses to the research objective. The results are also a representation of the extent to which respondents were conversant with principles or aspects of both the reporting frameworks. The researcher believes this could have had an influence on the objectivity and reliability of responses.

The Figure shows that 27.8% of the sampled population (72 respondents) (N), had proper understanding of the different accounting frameworks. It is significantly disturbing that a higher percentage (36.4%) of respondents did not understand the different accounting reporting frameworks, which could require improved training and development in this specific area.

Research objective 3: Establish understanding of accrual accounting concept among employees

Table 4.11

Statements	Strongly disagree (%)	Disagree (%)	Not sure (%)	Agree (%)	Strongly agree (%)
I clearly understood accrual accounting concepts at the inception stage (N = 72).	15.3	16.7	20.8	38.9	8.3
I had worked on accrual accounting basis environment prior to its inception by the Agency (N = 72).	16.7	22.2	37.5	19.4	4.2
I found it easier to adapt to accrual accounting relation concepts once it was introduced by the Agency (N = 72).	15.3	11.1	30.6	36.1	6.9
Training provided prior implementation of accrual accounting was sufficient to provide proper understanding of the concepts (N = 71).	9.9	12.7	38	28.2	11.3
I directly engage with financial transaction on a daily basis within my area of specialisation (N = 72).	7	12.7	31	38	11.3
There is a need for continuous training and development on accrual accounting concepts (N = 72).	5.6	16.7	25	36.1	16.7
I understand the impact of accrual accounting principles on financial transactions (N = 72).	6.9	18.1	20.8	43.1	11
I can easily relate and apply Standards of Generally Recognised Accounting Practice applicable to the Agency (N = 70).	8.6	11.4	20	48.6	11.4
OVERALL RESPONSE (%)	10.7	15.2	28	36.1	10.1

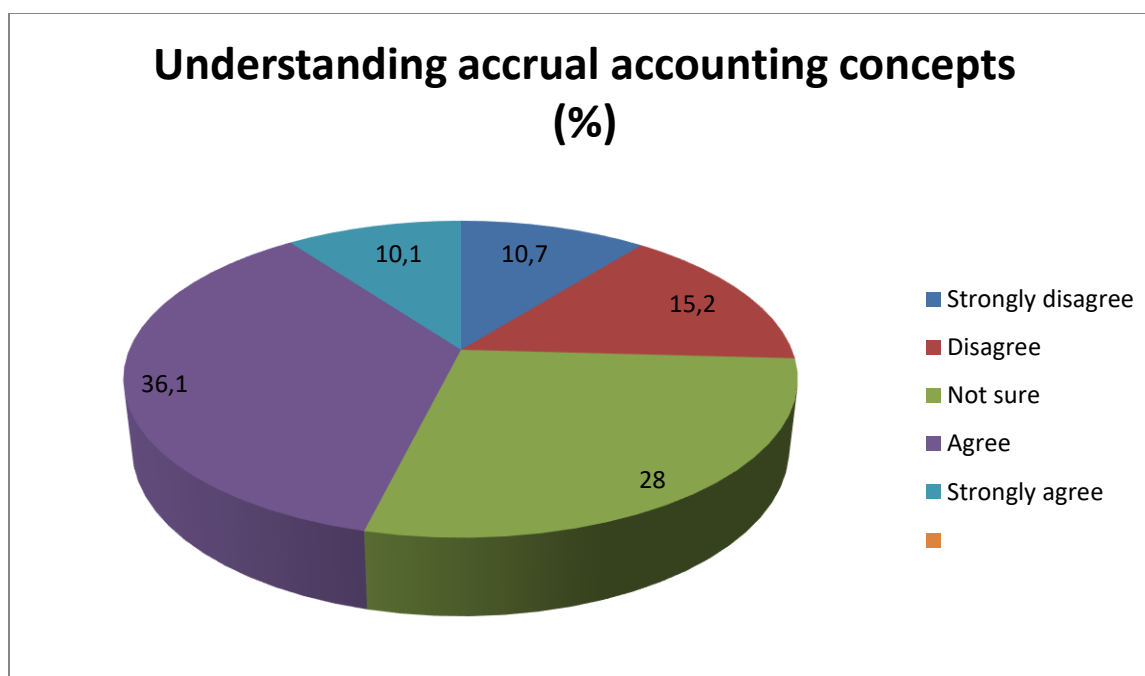


Figure 4.4: Understanding accrual accounting concepts

Figure 4.4 shows that 36.1% of respondents agreed they understood concepts related to accrual accounting. The graphic representation further shows the percentages of responses in accordance with research objective 3. Comparatively, only 10.1% of respondents strongly agreed they understood concepts related to accrual accounting. Cashing or cash collection and payment processing are transactions recognition criteria in the cash basis of accounting, compared to accrual basis that recognises transactions through recording of revenues and expenditure items (Toma, Carp, & Robu, 2015).

Research objective 4: Establish a step-by-step approach towards implementation of accrual accounting by SASSA

Table 4.12

Statements	Strongly disagree (%)	Disagree (%)	Not sure (%)	Agree (%)	Strongly agree (%)
Adequate communication to all stakeholders, including officials on management's intention and necessity to migrate to accrual accounting was in place (N = 72).	6.9	11.1	52.8	23.6	5.6

A project plan was designed and adopted for the purpose of implementation (N = 72).	5.6	13.9	52.8	25	2.8
Levels of understanding of accrual basis were assessed on officials prior training (N = 72).	18.1	15.3	38.9	25	2.8
Training of all employees was conducted across all levels (N = 72).	9.7	8.3	44.4	33.3	4.2
An accrual accounting compatible financial system was introduced (N = 70).	7.1	10	30	41.4	11.4
A support centre was established to enable the easing of call logging and assist in resolving problematic areas at the inception stage (N = 72).	4.2	11.1	30.6	40.3	13.9
Professional bodies were contacted or included as part of the stakeholders for advisory services on transition (N = 72).	4.2	13.9	50	26.4	5.6
SASSA involved all stakeholders in the process of migrating to accrual accounting, including experts in the field of Financial Accounting to assist in ensuring that proper business processes are developed (N = 72).	5.6	16.7	40.3	30.6	6.9
OVERALL RESPONSE (%)	7.7	12.5	42.5	30.7	6.7

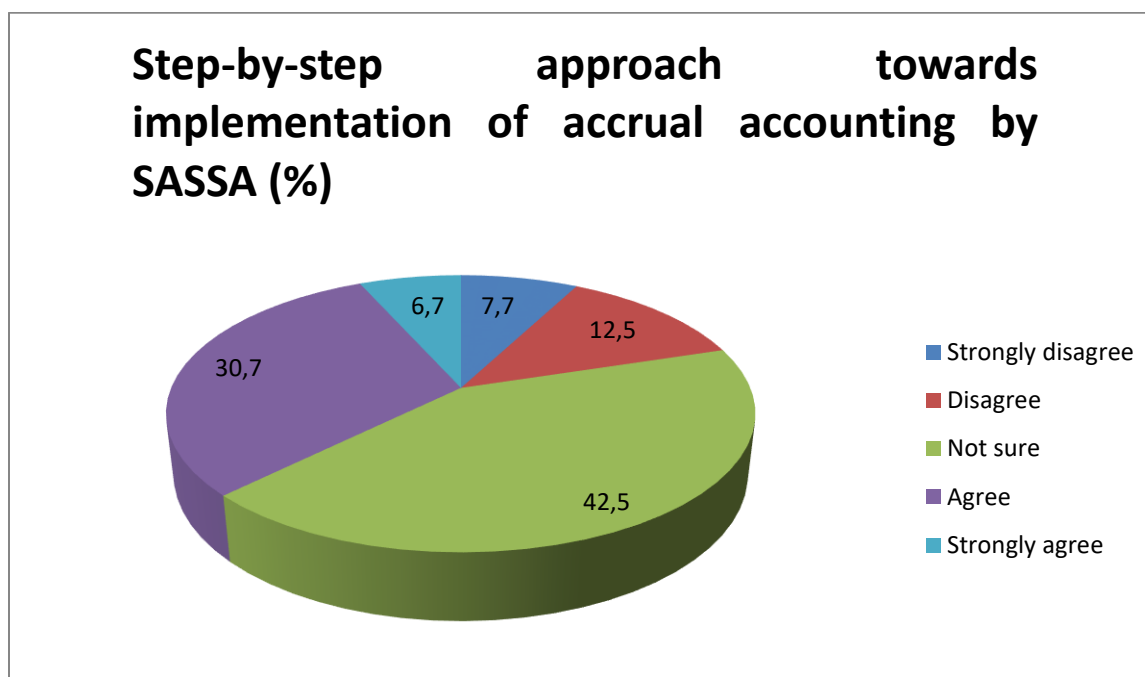


Figure 4.5: Step-by-step approach towards implementation of accrual accounting basis of reporting

Figure 4.5 shows that 30.7% of respondents indicated that the Agency implemented a step-by-step approach towards full implementation of accrual accounting reporting framework. The Figure also shows the in percentages with regard to responses to research objective 4. The objective sought to establish the extent to which change was managed with regard project management, information communication, employee readiness, professional assistance and stakeholder management aspects. According to Neilson, Krings, Aguirre, & Tipping (2004), central to sound change management, is a comprehensive strategy-based transformation plan, comprising systematic human side change, change agents engagements as well as extensive inbound and outbound communication.

Research objective 5: Examine controls implemented to ensure integrity and accuracy of financial information

Table 4.13

Statements	Strongly disagree (%)	Disagree (%)	Not sure (%)	Agree (%)	Strongly agree (%)
Transactions were traced back to the physical document to confirm validity (N = 72).	5.6	11.1	36.1	36.1	11.1
Casting and cross casting of financial information was performed to ascertain mathematical accuracy prior data migration (N = 71).	2.8	11.3	50.7	26.8	8.5
Set of both cash-based and accrual-based financial statements were prepared and compared to identify material differences (N = 72).	6.9	9.7	34.7	43.1	5.6
Adjustments identified as a necessity were performed on financial statements balances (N = 72).	4.2	9.7	36.1	44.4	5.6
There was significant improvement on audit outcomes based on accrual accounting prepared and audited annual financial statements (N = 72).	4.2	8.3	40.3	38.9	8.3
OVERALL RESPONSE (%)	4.7	10	39.6	37.9	7.8

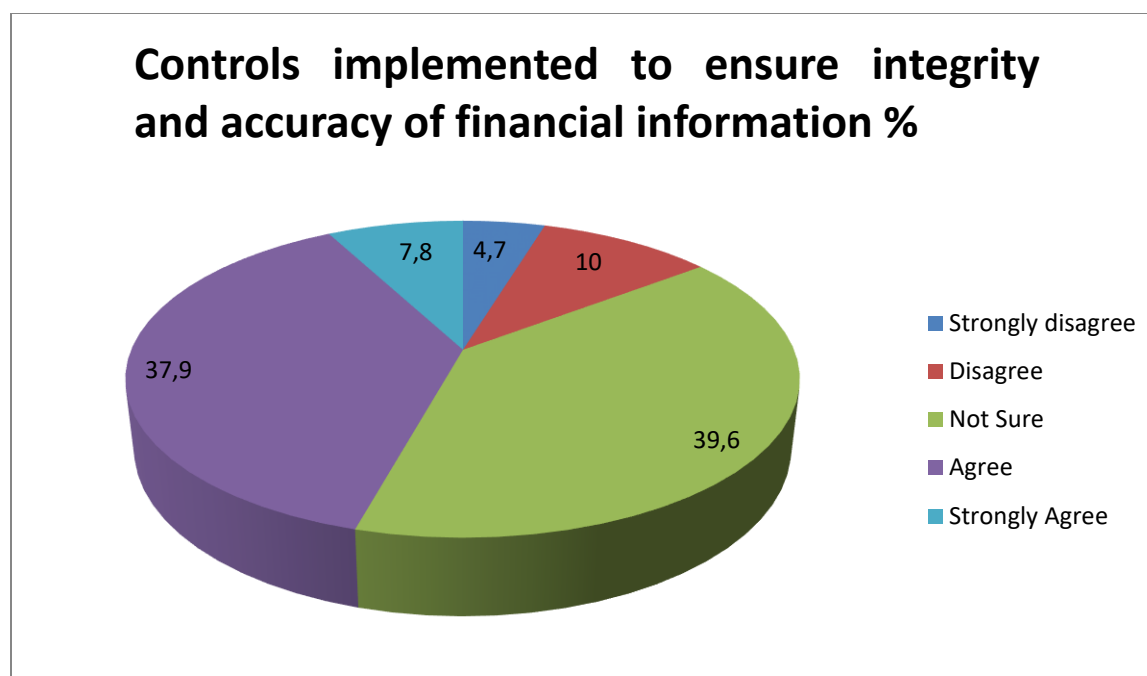


Figure 4.6: Controls implemented to ensure integrity and accuracy of financial information

Figure 4.6 shows results of the extent to which controls were implemented in ensuring integrity and accuracy of financial information. The Figure also shows the percentages of responses to research objective 5. It could be argued that poor information management, particularly on migration of financial data can result in both financial and reputational risk, further undermining the purpose of the intended presentation of financial statements. According to Moeinadin (2014), decision-making with regard to economic activities in organisations is based on financial information from financial systems thus, making management of systematic risk and factors influencing it, critical towards ensuring integrity and reliability of data as an accrual qualitative feature.

With 37.9% of respondents indicating that there were controls in place, it could, therefore, be assumed that without necessarily concluding, controls were in place to ensure integrity and accuracy of data. However, a trend of limited understanding of related concepts and processes in adoption across employees, is prevailing as 39.6% of respondents indicated they were not sure of controls implemented by the Agency.

Research objective 6: Consistent observation of impact of accrual accounting on quality of financial reporting

Table 4.14

Statements	Strongly disagree (%)	Disagree (%)	Not sure (%)	Agree (%)	Strongly agree (%)
There is general recognisable improvement on organisational performance (N = 72).	5.6	16.7	29.2	44.4	4.2
There is improvement on management and accounting for assets, liabilities, expenses and revenues of the organisation (N = 72).	6.9	11.1	27.8	52.8	1.4
There has been a significant decline on customers' complaints pertaining to financial administration within the Agency (N = 72).	11.1	6.9	22.2	55.6	4.2
There are no persistent errors related to processing and outcomes of information with regard to payroll or salaries post adoption of accrual accounting basis of reporting (N = 72).	9.7	13.9	36.1	33.3	6.9
There is noticeable improvement on outcomes of audit of financial information since adoption of accrual accounting (N = 72).	5.6	12.5	25	52.8	4.2
OVERALL RESPONSE (%)	7.8	12.2	28.1	47.8	4.2

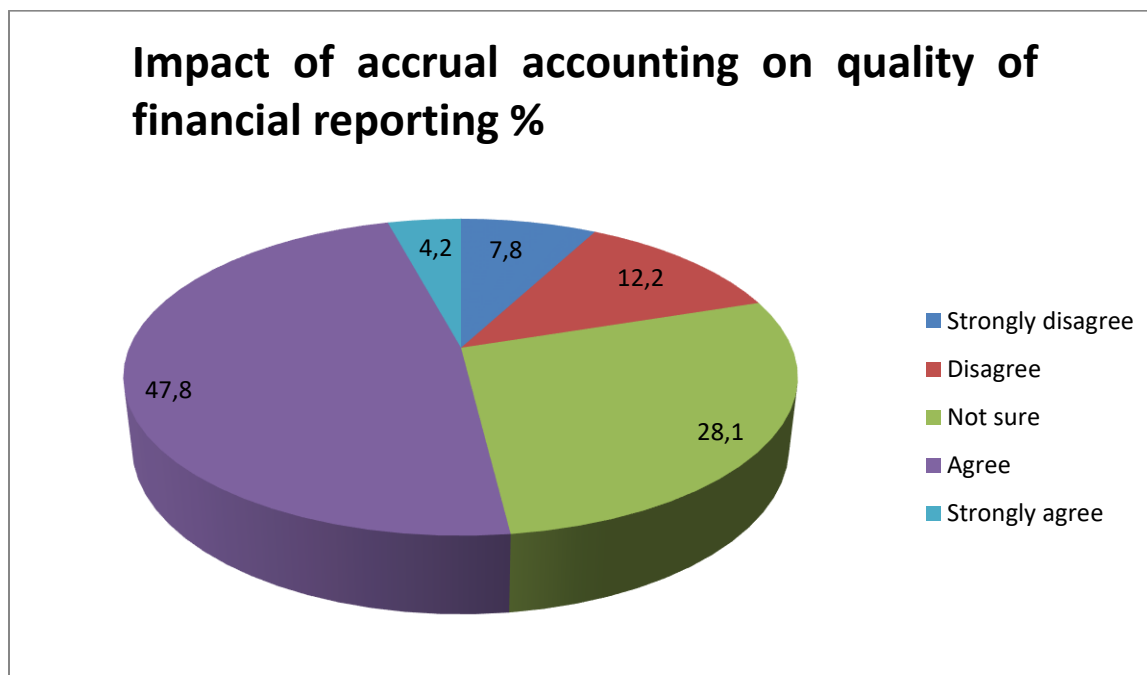


Figure 4.7: Impact of accrual accounting on quality of financial reporting

Figure 4.7 shows responses of respondents with regard to the impact of implementing accrual accounting on information related to financial statements. The Figure further shows the percentage of responses with regard to research objective 6. 47.8% of respondents agreed there was a positive impact on quality of financial information due to the migration. Only 7.8% and 12.2% respectively disagreed and strongly disagreed to the positive impact of adopting accrual accounting on financial reporting within the Agency. The percentages show that a significant number of respondents were between those who agreed and strongly agreed that implementation of accrual accounting by the Agency impacted on the quality of financial reporting. This could be attributed to the fact that there was a noticeable improvement on audit outcomes with regard to financial information on a consistent basis post-implementation of the reporting basis.

Research objective 7: Influence of accrual accounting basis of reporting on decision-making by management

Table 4.15

Statements	Strongly disagree (%)	Disagree (%)	Not sure (%)	Agree (%)	Strongly agree (%)
Introduction of accrual accounting has improved accountability and transparency of financial Management (N = 72).	8.3	15.3	27.8	36.1	12.5
Accrual accounting influences financial decision-making processes of Management (N = 72).	8.3	11.1	36.1	34.7	9.7
Significant changes to business processes were introduced by Management (N = 72).	11.1	11.1	41.7	31.9	4.2
Management is conversant with principles and practices of accrual accounting (N = 72).	11.1	9.7	48.6	26.4	4.2
OVERALL RESPONSE (%)	9.7	11.8	38.6	32.3	7.7

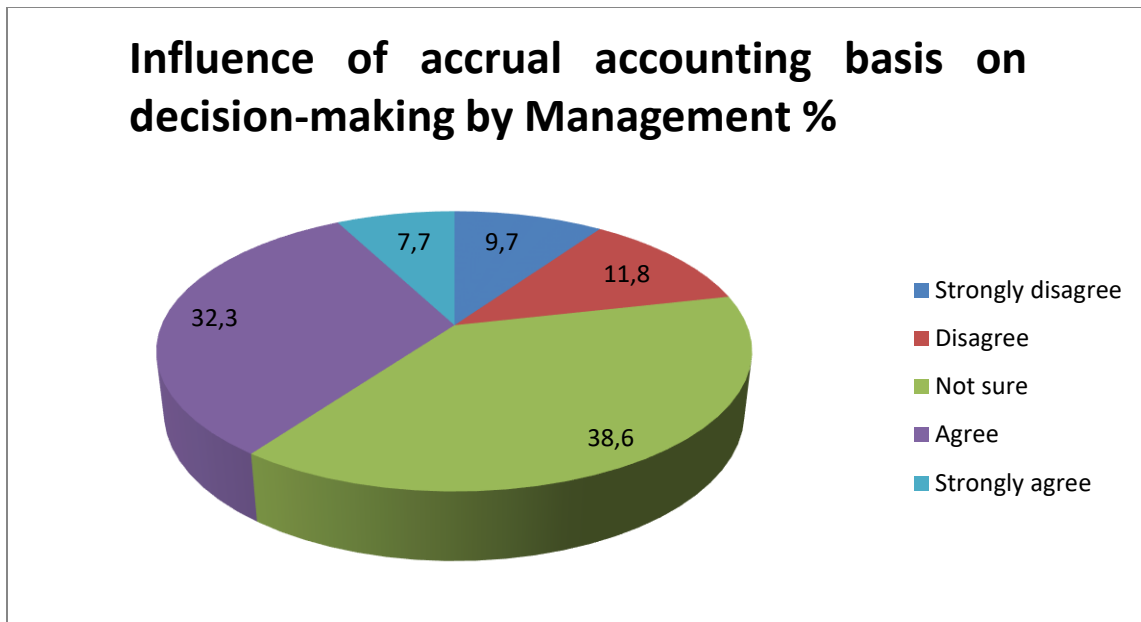


Figure 4.8: Influence of accrual accounting basis on decision-making by Management

Decision-making directed towards organisational objectives by management is attained mainly through reporting and collecting information and understanding accounting information by management (Lengauer, Mayr, & Parasote, 2006). According to Figure 4.8, 32.3% of respondents indicated that implementation of accrual accounting played a pivotal role in decision-making by Management Respondents maintained there was there improved accountability and transparency due to the transition. 38.6% of respondents were not sure of the impact of the transition on decision-making by Management.

4.2 Conclusion

The Statistical Package for the Social Sciences (SPSS) was used to analyse data, and presented in tables and graphical representations. The analysis revealed consistency among respondents, especially those who were not sure of their responses, thus aligning themselves to a particular statement. The next chapter is the conclusion and recommendations.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter provides the conclusion and recommendations. The aim of the study was to examine the impact of accrual accounting on annual financial statements inputs and information, its appropriateness compared to cash basis of reporting and its impact on the quality of financial management and reporting within the Regional Office of the South African Social Security Agency, North West Province.

The research questions asked in the study were: 1.) is accrual accounting basis of reporting suitable for institutions in the public sector? 2.) What are the differences between cash basis and accrual basis of accounting? 3.) What is the level of understanding of accrual accounting concepts among employees in the public sector? and 4.) What steps were undertaken by the Agency to ensure proper implementation of accrual accounting systems?

As a public sector entity, the Agency had to migrate from the traditional cash basis of accounting to accrual accounting. Migration is a statutory requirement consistent with provisions of the Public Finance Management Act no.1 of 1999 as amended. In European countries, experimental outcomes are indicative of the view that transition from cash to accrual basis is attributable to resources management and control factors (Mehr *et al.*, 2015).

5.2 Accrual accounting and cash basis of accounting

According to Mehr, Hejazi, & Pourmehrer (2015), cash basis of accounting provides more information on cash budget focused and financial resources, however, very limited information on costs related to goods and services acquired/rendered on government activities. Asserting the shortfalls of cash accounting in support of the latter statement, Deaconu *et al.* (2011) argue that modified cash basis of accounting reflects an ambiguous or no relationship between revenues and costs as they are reflected or seen as

settlements (type of debt or claim) upon receipt or disbursement of cash, contrary to accrual accounting. As a cash basis characteristic, costs and non-cash items are not recognised in annual financial statements, contrary to accrual accounting basis of reporting, which has a good ability to attain transparency, quality and timeous recognition of financial information, allowing informed decisions by management (Mehr *et al.*, 2015).

According to Kober *et al.* (2010), accrual accounting in the public sector is appropriate for better management of resources, leading to transparency, efficiency in productivity, accountability, including good management of balance sheet. Data integrity and security is also critical on data migration as well as ensuring financial information remains of quality. This could also be deemed key towards an adequately outlined step-by-step approach to ensure proper implementation by management, as it talks mainly also to data security, which could be a risk factor. What should be of great concern to organisational management is unauthorised internal and external access to sensitive data, through looking into data protection solutions that could include data encryption (Little, Farmer, & El-Hilali, 2007).

5.3 Research design and methodology

Due to its ability to measure quantity or amount, a quantitative research approach was considered the most appropriate for the study as it enabled the researcher to collate information from the sampled population. A questionnaire was used by the researcher to collect data. One hundred (100) questionnaires were issued out to respondents; seventy two (72) (72%) were completed and returned. Twenty eight (28) (28%) respondents did not to respond to the questionnaire. Questionnaires were randomly distributed among employees, regardless of the extent of their exposure to the research problem.

5.4 Summary of findings

The primary aim of the study was to examine the impact of accrual accounting reporting basis, post adoption, in the presentation of financial information within the South African Social Security Agency. The objectives of the study guided the researcher in terms of understanding the extent to which respondents were familiar with concepts related to accrual accounting. It was also important to also establish their views with regard to

relevance of this reporting basis within the public sector. The questionnaire was also used to test the step-by-step approach towards ensuring full and effective implementation of the reporting method.

With cash basis of reporting information on financial statements considered to be traditional, comprehensive financial reporting, ensuring accountability and completeness in financial reporting, is essential. Non-cash transactions are never recognised in cash basis of financial reporting, defeating integrated and comprehensive financial reporting principles, which was the case with the South African Social Security Agency. The basis results in non-reporting of financial information by organisations, critical for key decision-making by primary users of information on financial statements.

Majority of respondents agreed to the suitability of accrual accounting within the public sector. This is an indication that the reporting basis has impacted positively on the quality of presentation of financial information within the Agency. However, under the same objective of suitability, most respondents were not sure of what to say, which could indicate less exposure to those not directly responsible for processing and reporting on financial information and limited knowledge of the impact of the reporting framework on those directly involved.

Many researchers acknowledge that recognition of events of a transaction, regardless of actual cash inflow, provides informative and qualitative financial statements. This implies that upon preparation of annual financial statements, all activities with an inflow or outflow, potential of cash, are recognised and thus, reported. Over and above its ability to ensure completeness in disclosing financial information, accrual accounting also provides users with timeous information for prompt decision-making.

Salleh *et al.* (2014) concurs with the above statement and maintains historical data on payments and receipts is well covered on financial statements prepared under accrual basis of accounting compared to cash basis of accounting. Chan (2003) states that accrual accounting reflects obligations by an entity to disburse cash in future (provisions and contingent liabilities) as well as cash anticipated as collections in future (accounts receivables account). Essentially, there was also an attempt to observe and enforce

accountability for distributed resources, monitor cash flows properly and measure levels of performance against consumed financial resources from countries that enforced adoption of accrual accounting (Monteiro and Gomes, 2012).

36% of respondents indicated they were familiar with accrual accounting concepts, while a very significant number maintained they were unsure of related concepts. The extent of training and development of officials may require review depending on where such officials are stationed. If the latter number comprises mainly of those responsible for handling finance-related transactions, there could be a possibility of risks due to lack of quality on the information processed.

A drastic improvement of outcomes of audit processes of the Agency, since adoption of accrual accounting basis of reporting, was recorded, with the Agency obtaining just over three consecutive unqualified audit opinions. It is one of the factors that can be advanced to support the extent of the quality of the reporting system on treatment and preparation of financial transactions.

With regard to quality of financial information resulting from implementation of accrual accounting, the results revealed the following:

- ✓ Most respondents maintained accrual accounting is appropriate for financial reporting in the public sector compared to cash basis of accounting. However, a few respondents indicated the Agency should have retained its original cash basis of reporting;
- ✓ Not all officials have a good mastery of concepts of accrual accounting, including differentiating with cash basis of accounting. This could be because the questionnaires were randomly distributed thus, were also completed by officials not directly responsible for financial management and reporting within the Agency;
- ✓ Respondents revealed that not much was done in terms of consultation and communication of information to stakeholders, including but not limited to establishing the extent of understanding or familiarity with related concepts. The usefulness of information, that is relevant and faithfully represented, is enhanced

through comparability, verifiability, timeliness and understandability (Myburgh, Fouche, & Cloete, 2012). These are critical characteristics towards ensuring the extent of quality of financial statements. Majority of respondents agreed that implementation of accrual accounting by the Agency improved the quality of financial information identifiable through reduction on the level of errors with regard to financial data, third party complaints and drastic improvement on audit outcomes.

5.5 Limitations of the study

The study was conducted at the Regional Office of the South African Social Security Agency, North West Province. Employees in other Regional Offices and the Head Office were excluded from the study. Including these employees could have provided an overall synopsis with regard to the impact of implementing accrual accounting on the quality of financial statements. There is, therefore, a need to conduct studies of a similar nature across all Regional Offices to establish the perception of employees with regard to such transition.

5.6 Recommendations

The positive responses with regard to the impact of implementing accrual accounting on financial information within the Agency, reveals it could be ideal for departments in the public sector to adopt such system. The literature shows that accrual accounting provides comprehensive information to users of financial statements as it recognises the event when it occurs and not only on the basis of actual cash inflow/outflow. It is also capable of improving audit outcomes thus, it would further be ideal for management to invest on employee development since a number of the respondents could not express their perception on some of the questions contained in the questionnaire.

Majority of respondents were more often than not, “not sure” of the state of affairs thus, opting to remain neutral (20% to 55%). Further studies should be conducted on the receptiveness of officials on adoption of accrual accounting within the public sector. There is also a need to establish, through further studies, the possibility of processing all

components of financial information of the public sector through accrual accounting, considering the fact that over 40% of respondents were not sure of what to say with regard to this item of the questionnaire.

A number of institutions in the public sector, including departments, have over the years, been issued with unfavourable audit opinions thus, introduction or migration from the tradition cash/modified cash basis could be ideal as a mitigating strategy. The literature shows that accrual accounting enhances accountability and efficient management and use of resources within organisations. In order to ensure proper implementation, there is need to develop a sound step-by-step approach, considering and benchmarking against organisations that have already undergone such process, primarily business challenges encountered. The Agency has not been able to migrate all its debtors to accrual reporting, which further creates room for studies to be conducted on possible management of social-related grants debtors on accrual basis.

5.7 Conclusion

The study focused on the impact of the implementation accrual accounting on the quality of financial information in the public sector: The case of the South African Social Security Agency, North West Province. Analysis of the results revealed that preparation of financial statements in accordance with principles of accrual accounting improves quality of information, reliability, relevance and fairness (47.8% of respondents agreed with the quality aspect of the system). The results are in agreement with the literature that accountability of resources and management responsibility of financial reporting, using accrual accounting, is capable of improving. However, aspects related to a clear understanding among employees on accrual accounting principles, resulting in the ability to differentiate between cash and accrual basis, upon migration, seem very critical to ensure a smooth transition.

It was also revealed that employees were generally receptive to the changes and appreciated improvements brought about by the transition. However, 36.8% of respondents indicated they were not sure of the suitability of accrual accounting within

the public sector environment. However, some respondents were indifferent to the questionnaire items. It is, however, evident from the literature that a number of countries across the world have adopted accrual accounting as an appropriate tool for financial reporting within the public sector. Due to its evident qualitative impact on management of financial resources, it can be appropriate for the Accounting Standards Board to consider adoption across the public service, with development of specific standards public service specific financial statements/reporting items.

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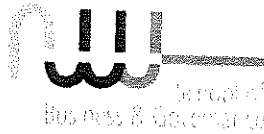
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NORTH-WEST UNIVERSITY
YUNIBESITHI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT

NWU School of Business and
Governance (GSB&GL)
Private Bag x 2946, Mmabatho
South Africa, 2735
Tel: 018-389 2437 Fax: 018-389 2335
Email: Gradschool@nwu.ac.za

06 July 2017

TO: The Regional Manager (SASSA)

Permission to conduct research – Mr TT Maotoe (MBA Student)

This letter serves to introduce Mr Maotoe who is presently a registered student for Masters of Business Administration (MBA) programme at the North West University School of Business and Governance (Mafikeng Campus). He is conducting a research project on **“The impact of accrual accounting implementation on the quality of financial information in the public sector: A case of SASSA, North West Regional Office”** towards a partial fulfillment of his MBA programme.

Mr. Maotoe requires permission to access information, data or even to distribute questionnaires. The research unit of the NWU School of Business and Governance do request your office for assistance to this regard.

Your cooperation will be highly appreciated.

Dr JN Lekunze
Research Manager
NWU School of Business and Governance



**IMPACT OF ACCRUAL ACCOUNTING REPORTING BASIS IMPLEMENTATION
ON THE QUALITY OF FINANCIAL INFORMATION IN PUBLIC ENTITIES: A
CASE OF THE SOUTH AFRICAN SOCIAL SECURITY AGENCY, NORTH WEST
REGIONAL OFFICE**

BY

TREVOR TSHEGOFATSO MAOTOE

Submitted in accordance with the requirement for the degree of

MASTERS OF BUSINESS ADMINISTRATION

in the subject of

Operations Management

at the

North West University

Promoter: Professor. Wedzerai Musvoto

JULY 2017

SECTION A: QUESTIONNAIRE

The questionnaire relates to The Impact of Accrual Accounting implementation on quality of financial information in public entities: A case of The South African Social Security Agency, North West Regional Office

Please indicate the extent to which you agree to the statements below:

Research objective 1: Establishing suitability of accrual accounting basis of reporting in the public sector

1= strongly disagree, 2=disagree, 3=neither disagree nor agree, 4=agree, and 5=strongly agree					
Statement	Level of agreement				
Accrual Accounting basis practices were augmented to fit into the specific circumstances and requirements of The Agency	1	2	3	4	5
Accrual basis of accounting reporting is suitable to the public sector over cash basis of accounting reporting	1	2	3	4	5
Accrual Accounting basis has simplified the reporting process	1	2	3	4	5
Information on all financial statements components namely, Liabilities, Revenue, Assets and Equity is now fully processed and managed under accrual basis of reporting	1	2	3	4	5
The general view is that The Agency should have retained application of the cash basis of accounting reporting	1	2	3	4	5

Research objective 2: Differentiating between cash basis and accrual accounting

1= strongly disagree, 2=disagree, 3=neither disagree nor agree, 4=agree, and 5=strongly agree					
Statement	Level of agreement				
Accounting concepts under cash basis vastly differs with those under accrual basis	1	2	3	4	5
Accounting concepts under accrual basis are easily understandable as opposed to those under cash basis of accounting	1	2	3	4	5
It would still be better for management to consider retaining cash as the basis of financial reporting	1	2	3	4	5
There are more advantages in reporting under accrual basis of accounting as opposed to cash basis	1	2	3	4	5
There is still a need to develop officials on					

understanding of accrual basis of accounting	1	2	3	4	5
--	---	---	---	---	---

Research objective 3: Establishing the understanding of Accrual Accounting concept amongst employees

1= strongly disagree, 2=disagree, 3=neither disagree nor agree, 4=agree, and 5=strongly agree					
Statement	Level of agreement				
I clearly understood Accrual Accounting concepts at the inception stage	1	2	3	4	5
I had worked on accrual accounting basis environment prior to its inception by The Agency	1	2	3	4	5
I found it easier to adapt to accrual accounting related concepts once it was introduced by The Agency	1	2	3	4	5
Training provided prior implementation of Accrual Accounting was sufficient to provide proper understanding of the concepts	1	2	3	4	5
I directly engage with financial transaction on a daily basis within my area of specialization	1	2	3	4	5
There is a need for continuous training and development on Accrual Accounting concepts	1	2	3	4	5
I understand the impact of accrual accounting principles on financial transactions	1	2	3	4	5
I can easily relate and apply Standards of Generally Recognised Accounting Practice applicable to The Agency	1	2	3	4	5

Research objective 4: Establishing a step by step approach towards implementation of Accrual Accounting by SASSA

1= strongly disagree, 2=disagree, 3=neither disagree nor agree, 4=agree, and 5=strongly agree					
Statement	Level of agreement				
Adequate communication to all stakeholders including officials on management's intend and necessity to migrate to accrual accounting was in place	1	2	3	4	5
A project plan was designed and adopted for implementation process	1	2	3	4	5

Levels of understanding of the accrual basis were assessed on officials prior training	1	2	3	4	5
Training of all employees was conducted across all the levels	1	2	3	4	5
An Accrual Accounting compatible financial system was introduced	1	2	3	4	5
Support centre was establish to enabling call logging and assist in resolving problematic areas at the inception stage	1	2	3	4	5
Professional bodies were contacted or included as part of the stakeholders for advisory services on transition	1	2	3	4	5
SASSA involved all stakeholders in the process of migrating to accrual accounting including experts in the field of Financial Accounting	1	2	3	4	5

Research objective 5: Establishing controls implemented to ensure financial information integrity and accuracy

1= strongly disagree, 2=disagree, 3=neither disagree nor agree, 4=agree, and 5=strongly agree					
Statement	Level of agreement				
Transactions were traced back to the physical document to confirm validity	1	2	3	4	5
Casting and cross casting of financial information was performed to ascertain mathematical accuracy prior data migration	1	2	3	4	5
Set of both cash and accrual based financial statements were prepared and compared to identify material differences	1	2	3	4	5
Adjustments on general ledger balances identified as a necessity were performed within the relevant reporting period	1	2	3	4	5
There was significant improvement on audit outcomes based on accrual accounting prepared and audited annual financial statements	1	2	3	4	5

Research objective 6: Consistent observation of accrual accounting impact on quality of financial reporting

1= strongly disagree, 2=disagree, 3=neither disagree nor agree, 4=agree, and 5=strongly agree					
Statement	Level of agreement				
There is a general recognisable improvement on organisational performance	1	2	3	4	5
There is an improvement on management and accounting for organisation assets, liabilities, expenses and revenues due to introduction of accrual accounting.	1	2	3	4	5
There has been a significant decline on customers complaints pertaining to financial administration within The Agency due to accrual accounting introduction	1	2	3	4	5
There are no persistent errors related to processing and outcomes of the financial information post adoption of the accrual accounting basis of reporting	1	2	3	4	5
There is a noticeable improvement on outcomes of financial information audit since accrual accounting adoption	1	2	3	4	5

Research objective 7: Influence of Accrual Accounting basis of reporting on financial decision making

1= strongly disagree, 2=disagree, 3=neither disagree nor agree, 4=agree, and 5=strongly agree					
Statement	Level of agreement				
Introduction of accrual accounting has improved financial management accountability and transparency	1	2	3	4	5
Accrual accounting influences managerial financial decision making processes	1	2	3	4	5
Significant changes to business processes were introduced by Management	1	2	3	4	5
Management is conversant with principles and practices of accrual accounting	1	2	3	4	5

SOLEMN DECLARATION AND PERMISSION TO SUBMIT

Solemn declaration by student

I, **TREVOR TSHEGOFATSO MAOTOE**

declare herewith that the thesis/dissertation/mini-dissertation/article entitled (**exactly as registered/approved title**),

IMPACT OF THE IMPLEMENTATION OF ACCRUAL ACCOUNTING ON THE QUALITY OF FINANCIAL INFORMATION IN THE PUBLIC SECTOR: THE CASE OF THE SOUTH AFRICAN SOCIAL SECURITY AGENCY NORTH WEST REGIONAL OFFICE

which I herewith submit to the North-West University is in compliance/partial compliance with the requirements set for the degree:

MASTER OF BUSINESS ADMINISTRATION

is my own work, has been text-edited in accordance with the requirements and has not already been submitted to any other university.

LATE SUBMISSION: If a thesis/dissertation/mini-dissertation/article of a student is submitted after the deadline for submission, the period available for examination is limited. No guarantee can therefore be given that (should the examiner reports be positive) the degree will be conferred at the next applicable graduation ceremony. It may also imply that the student would have to re-register for the following academic year.

Ethics number:

NWU-00664-19-A4

ORCiD:

0 0 0 0 - 0 0 0 3 - 3 7 0 3 - 5 3 6 5

Signature of Student

T.T. MAOTOE

University Number

1 6 3 1 6 7 3 8

Signed on this 25 day of June of 2020

Permission to submit and solemn declaration by supervisor/promoter

The undersigned declares that the thesis/dissertation/mini-dissertation complies with the specifications set out by the NWU:

- with regards to A-rules (PhD students should have at least one paper on aspects of the thesis submitted for review in an accredited scientific journal) Yes ☐ No ☐ Not applicable (n/a) ☐
- with regards to faculty rules on submission or acceptance by an accredited scientific journal: Yes ☐ No ☐ n/a ☐
- with regards to faculty rules on peer reviewed conference proceedings: Yes ☐ No ☐ n/a ☐
- the student is hereby granted permission to submit his/her mini-dissertation/ dissertation/thesis: Yes ☐ No ☐
- that the student's work has been checked by me for plagiarism (by making use of TurnItIn software for example) and a satisfactory report has been obtained: Yes ☐ No ☐

and that the work was language edited before submission for examination.

Signature of Supervisor/Promoter

Date

Economic and Management Sciences

7.1.11 COMBINED TITLE REGISTRATION AND NOTICE OF SUBMISSION FORM:

This form will be used only for the title registration of mini-dissertations (for programmes where a student has only 6-12 months to complete a mini-dissertation module).

New Title	☒	Title amendment	☐	<u>ATTACHMENTS</u>	<i>mark if yes</i>
Functionaries	☐	Functionary amendment	☐	Research proposal	☒
Examiners	☐	Examiner amendment	☐	Keywords	☐
				CV Examiner 1	☐
				CV Examiner 2	☐
Ethics nr	NWU-00664-19-A4	Article format: Yes	☐	No	☐
				CV Examiner 3	☐

First Name and Surname

Student number 1 6 3 1 6 7 3 8 NRF ORCiD 0 0 0 0 - 0 0 0 3 - 3 7 0 3 - 5 3 6 5

Programme code 5 5 1 1 0 0 2 Date of first registration

Name of degree MASTER OF BUSINESS ADMINISTRATION

Thesis Dissertation Mini-dissertation ☒ Formal assignment (music) Classified Please select

TITLE The new title should be language edited prior to registration

IMPACT OF THE IMPLEMENTATION OF ACCRUAL ACCOUNTING ON THE QUALITY OF FINANCIAL

T.T. MAOTOE

Student signature

- Examiners must be indicated on this form before it will be recognised as a dual purpose form (Title registration and Notice of submission for examination)²⁵
- A student who is not ready to submit by 25 November 2019 must give Notice of non-submission for this examination period.
- A form for non-submission will be provided by Higher Degree Administration on request.

Functionary type	Title, First Name & Surname	Personnel number or email address if external person	Signatures
Supervisor / Promoter			
Co-Supervisor / Co-promoter			
Co-Supervisor / Co-promoter			
Assistant-Supervisor / Assistant Promoter			

Internal / External examiner

External examiner details

External examiner details

Faculty
signature

--

Meeting minutes reference date

An extract of the minutes to support this document should be made available to HDA



**REPORT ON AMENDMENTS BASED ON EXAMINER'S COMMENTS AND
FEEDBACK- MBA**

Student: Trevor Tshegofatso Maotoe

Student Number: 16316738

Title: IMPACT OF THE IMPLEMENTATION OF ACCRUAL ACCOUNTING ON
THE QUALITY OF FINANCIAL INFORMATION IN THE PUBLIC SECTOR: THE
CASE OF THE SOUTH AFRICAN SOCIAL SECURITY AGENCY, NORTH WEST
REGIONAL OFFICE

EXAMINER 1'S COMMENTS – No Comments		
EXAMINER 2'S COMMENTS		
No.	Examiner's comments	Action taken:
1.	Under research methods: Remove the reference source. It is not necessary in the abstract. Under results: Check caps lock "Accrual Accounting" Abstract lacks keywords	Page: V under abstract. Reference source removed from the abstract. Caps lock removed. The following keywords were inserted: ✓ Generally Recognised Accounting Practice. ✓ Public entities. ✓ Strategic planning.

		✓ Adopting accrual basis
2.	Check font size and update typing style to Arial	Pages: Under vii, viii, xi. Font size changed under table of contents. Typing style changed to Arial under table of contents.
3.	Check font size and update	Page: under xii Font size changed under list of tables.
4.	List of abbreviations: amend “ <i>Practices</i> ” to “ <i>Practice</i> ”	Page: under xiii on List of abbreviations and acronyms. Amendment effected.
5.	Correct Public <i>Financial</i> Management Act to Public Finance Management Act Remove “<i>Financial year</i>” from list of abbreviations and acronyms to definition of terms	Page: under xiii on List of abbreviations and acronyms. <i>Financial</i> amended to <i>Finance</i> under list of abbreviations and acronyms. Amendment effected.
6.	Chapter 1: Introduction 1.1 Incorrect “in text” referencing: National Treasury Correct the reference source “Wynne and ACCA (2000) Provide benefits of the reference	Page 2 All the Acts referenced as follows: <i>Republic of South Africa</i> consistent with comment number 6: List of references. Source amended to: ACCA (2000). Benefits of the source reference

		provided as follows: “the potential to assist governments to finance and meet their cash requirements, allow users of primary financial statements the ease to review financial information, criticize and make informed decisions as well as present opportunities for service delivery efficiency evaluation.
7.	1.10.2 Ethical considerations: The process of ethical clearance of questionnaire is not explained	Page 15: Ethical process of the questionnaire explained. Other reference sources under “ethical considerations” included.
8.	Chapter 2: Literature review Reference list incomplete: IFAC (2002) not in the reference list. IFAC (2012) not in the reference list.	Page 17: Reference list update on both references.
9.	Chapter 3: Research methodology Removing a statement under 3.3 on qualitative and quantitative research to research design section in paragraph 3.2.	Pages 23 & 32: Statement under paragraph 3.3 on qualitative and quantitative research moved to paragraph 3.2.
10.	Chapter 4: Data analysis and interpretation of the results 4.1 To present introduction.	Page 46 The amendment to the introductory paragraph was inserted as recommended.
11.	Chapter 5 5.5 Explanation of exclusion of other groups required.	Page: 68, 71-79. The exclusion is due to geographical spread of the other Offices (Regional Office situated in other 8 provinces across the country as well the Head Office situated in Gauteng Province)

	6. List of references Incorrect and incomplete references sources	and accessibility and coordination aspects that would be presented by this situation. Corrections, amendments and recommendations to the reference sources effected.
--	---	--

Digitally signed by

T.T. MAOTOE

Student:

Date: 05th February 2021

Supervisor:

Date:



**REPORT ON AMENDMENTS BASED ON EXAMINER'S COMMENTS AND
FEEDBACK- MBA**

Student: Trevor Tshegofatso Maotoe

Student Number: 16316738

Title: IMPACT OF THE IMPLEMENTATION OF ACCRUAL ACCOUNTING ON
THE QUALITY OF FINANCIAL INFORMATION IN THE PUBLIC SECTOR: THE
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1.	Under research methods: Remove the reference source. It is not necessary in the abstract. Under results: Check caps lock "Accrual Accounting" Abstract lacks keywords	Page: V under abstract. Reference source removed from the abstract. Caps lock removed. The following keywords were inserted: ✓ Generally Recognised Accounting Practice. ✓ Public entities. ✓ Strategic planning.

		✓ Adopting accrual basis
2.	Check font size and update typing style to Arial	Pages: Under vii, viii, xi. Font size changed under table of contents. Typing style changed to Arial under table of contents.
3.	Check font size and update	Page: under xii Font size changed under list of tables.
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5.	Correct Public <i>Financial</i> Management Act to Public Finance Management Act Remove “<i>Financial year</i>” from list of abbreviations and acronyms to definition of terms	Page: under xiii on List of abbreviations and acronyms. <i>Financial</i> amended to <i>Finance</i> under list of abbreviations and acronyms. Amendment effected.
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	6. List of references Incorrect and incomplete references sources	and accessibility and coordination aspects that would be presented by this situation. Corrections, amendments and recommendations to the reference sources effected.
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Digitally signed by

T.T. MAOTOE

Student:

Date: 05th February 2021

Supervisor:

Date:

Examiner's Report
Candidate – Maotoe TT

STUDENT NUMBER: 16316738

MBA DISSERTATION

TITLE: IMPACT OF THE IMPLEMENTATION OF ACCRUAL ACCOUNTING ON THE QUALITY OF FINANCIAL INFORMATION IN THE PUBLIC SECTOR: THE CASE OF THE SOUTH AFRICAN SOCIAL SECURITY AGENCY, NORTH WEST REGIONAL OFFICE

Detailed – Report in line with the Dissertation structure

Please follow the structure below:

1. ABSTRACT

Under Research methods

- Remove the Reference Source. It is not necessary in the abstract section.

Under Results section

- Accrual Accounting (Check the Caps Lock)

Keywords: Your Abstract lacks keywords.

- Keywords are important for search engines (please add atleast five (5) key words to be used in search of your scholarly work on the website.

2. Table of Contents

- Please check your Font size
- Check your typing style - there are areas where you have used Calibri Body 11, while in other areas you used Arial in the text. Be consistent. Update the whole document into Arial.

3. List of tables

- Please check the font size and update properly

4. List of Abbreviations and Acronyms

- GRAP – Generally Recognised Accounting Practices
(Please check whether it is Practice or Practices). I think it has to be “Practice” as issued by Accounting Standards Board (ASB)
- PFMA – stand for Public Finance Management Act
(Not Financial Management as stated in the list of abbreviations and acronyms)
- **Financial year** – this is not an Abbreviation please Remove and put it in definition of terms.

#	Incorrect		Correct
1.	GRAP	Generally Recognised Accounting Practices	Generally Recognised Accounting Practice
2.	PFMA	Public Financial Management Act	Public Finance Management Act

CHAPTER 1

1.1 Under introduction

The South African legislation requires all Schedule 3 (Treasury N. , 1999) public entities to prepare their annual financial statements in accordance with standards

Comment: Proper in TEXT reference should be (National Treasury, 1999). The correct name for the department is National Treasury – not Treasury National as indicated.

Wynne and ACCA (2004) provide a motivation for its benefits.

Comment: Please check this Reference or source properly. Who owns the copyright in this document? Surely, it has to be ACCA, NOT Wynne as suggested. Please give the whole reference to ACCA (2004).

1.2 Problem statement – clearly outlined

1.3 Research Questions and Objectives - are related and linked to each other. Well done!!!

1.10.2 Ethical considerations

- The processes of Ethical clearance of questionnaire is not explained.

CHAPTER 2 – LITERATURE REVIEW

2.4 Differentiating between cash basis and accrual basis of financial accounting

- IFAC (2012) – Not in the Reference List

2.6.1 Project management

- IFAC (2002) – Not in the Reference List

CHAPTER 3 - RESEARCH METHODOLOGY

Under Paragraph: 3.3 Qualitative and quantitative research

Research design provides an outline of how the researcher intends to achieve the objectives of the study, providing sources to be utilised in the research.

Comment: Please move the above statement to Research Design Section in paragraph 3.2

CHAPTER 4 - DATA ANALYSIS AND INTERPRETATION OF THE RESULTS

4.1 INTRODUCTION

Comment: your 4.1 should present Introduction

Chapter 4 presents

4.2 DATA ANALYSIS – should be 4.2

SECTION A: Reliability analysis

Comment - the opening statement is well captured, well done.

Cronbach's alpha (α) reliability coefficient, whose numerical value ranges from 0 to 1, measures the reliability (or internal consistency) of a questionnaire (or survey) consisting of Likert-type scales and items. A high value (close to 1) for Cronbach's alpha reliability coefficient indicates good internal consistency of items in the scale.

Comment: for descriptive analysis

- I think it will be better to analyse each table for different reason. I see that you made a general comment from table 4.2 – 4.8, but if your supervisor agrees then it should be fine.
- I am missing an explanation as to how the objectives are statistically influencing each other?
- I missed the your RESEARCH QUESTIONNAIRE. That could assisted me to understand your research objectives in detail. You should have attached it as an ANNEXURE.

5. CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.5 **Limitations of the study** – please explain why the other group of employees are excluded? Employees in other Regional Offices and the Head Office were excluded from the study.

Comment: just write one sentence to explain your exclusion.

6. LIST OF REFERENCES

- (2004). In C. R. Kothari, *Research Methodologies: Methods and Techniques* (2nd Revised Edition ed., pp. 1-55). New Delhi: New Age International (Pty) Ltd.

Comment: Incorrect Referencing. Please reference properly.

- Blondal, J. R. (2003). Accrual Accounting and Budgeting: Key issues and recent developments. *OECD Journal on Budgeting*, 3(1), 45.

Comments: I think this is the correct source:

- Blondal, J. (2003). Accrual accounting and budgeting: key issues and recent developments. *En: Gestión pública por resultados y programación plurianual: documentos presentados en la Primera Reunión de Responsables de Presupuesto de América Latina y el Caribe, Santiago, enero 2003-LC/L. 1949-P-2003-p. 27-38.*
- Golafshani, N. (2003). Understanding Reliability and Validity in Qualitative Research. *The Qualitative Report*, 597-606.

Comment: see the correct Reference below:

Golafshani, N. (2003). Understanding reliability and validity in qualitative research. *The qualitative report*, 8(4), 597-607.

- Huysamen, K. G. (1994). *Methodology for the Social and Behavioural Science*.

Comment: See the correct reference below and correct it.

Huysamen, G. K. (1994). *Methodology for the social and behavioural sciences*. Southern Book Publishers.

Incomplete Reference:

- Lopes, I. T. (2015). Research methods and methodology towards knowledge creation in accounting. 7.

Comments: below is correct reference

Lopes, I. T. (2015). Research methods and methodology towards knowledge creation in accounting. *Contaduría y administración*, 60, 9-30.

Incomplete Reference:

- Quinlan, Babin, C., Carr, B., Griffin, J., & Zikmund, M. (2015). *Business Research Methods*.

Comment: please check the accuracy of the above reference

- Quinlan, C., Zikmund, W., Babin, B., Carr, J., & Griffin, M. (2015). *Business research methods*. South Western Cengage.

Incorrect Reference:

- Treasury, N. (1999, MARCH). www.treasury.gov.za/acts/pfma. Retrieved November 23, 2016, from www.treasury.gov.za.
- Treasury, T. N. (1999). *Public Finance Management Act No. 1 of 1999*. PRETORIA: Government Printing Works.

Comment: Please correct the above. The correct reference should be National Treasury – NOT Treasury, T. N. (this is not a person, but an entity with a copyright). You may reference the Republic of South Africa, for all ACTs.

Incorrect Reference:

- The Copyright should be ACCA – not Wynne. I doubt this reference. Please check the source properly.

Wynne , A. (2004, September). ACCA. Retrieved November 13, 2015, from
[www.accaglobal.com: http://www.accaglobal.com](http://www.accaglobal.com)

NB: Please check the completeness of the following references:

NB: LASTLY – PLEASE SEND YOUR DISSERTATION FOR TECHNICAL EDITING. IT IS IMPORTANT, BECAUSE IT WILL BECOME A PUBLIC AND LIBRARY INFORMATION