EMPIRICAL INVESTIGATION INTO THE FINANCIAL MANAGEMENT IN THE POLICE SERVICE, NORTH-WEST PROVINCE

BY

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Empirical Investigation Into The Financial Management In The Police Service, North West Province

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DECLARATION

I Gift Lesiba Kekana with student number 22627316 declare that this mini dissertation is my own work. It is submitted to North West University, Business Graduate School in partial fulfilment of Masters in Business Administration (MBA). This mini dissertation has not been submitted before for any examination or a degree in any university.

Gift Lesiba Kekana

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ABSTRACT

South African Police Service (SAPS) is mandated by act no 68 of 1996 to ensure a safe environment for all people living in South Africa. Like any other government department in South Africa, SAPS utilises public funds to perform day to day duties and to provide better service to the community in the form of a secure environment for all people living in this country. South African Police Service is regulated by the Public Finance Management Act (PFMA act 1 of 1999) in utilising the public funds.

PFMA act requires that accounting officer be appointed in terms of section 36 (1) of the act and furthermore, requires that the accounting officer should ensure in terms of section 38 (1) (i) that the department has and maintains effective, efficient and transparent systems of financial and risk management and internal control. It also requires in terms of section 38 (1) (iii) that accounting officer ensures and maintains an appropriate procurement and procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.

According to the reports by the Auditor General in the previous three (3) financial years (2008/2009 – 2009/2010 – 2010/2011) financial management within SAPS has been unsatisfactory. The Auditor General pointed out same problem year on year of fruitless and wasteful expenditure which in many instances are caused by the penalties for not paying license fees in time. These suggested that control and measures were not in place to eradicate the problem. The report of 2008/2009 by the Auditor General revealed that "the accounting officer at SAPS did not ensure that the department has and maintains an effective, efficient and transparent system and internal controls regarding performance management.

The information gathered from the study undertaken in SAPS North West from employees working at Supply Chain Management (SCM) and Finance at Potchefstroom, Rustenburg and Mafikeng revealed that finances while managed well, more needs to be done to ensure the effective utilisation of the finances. Fruitless and wasteful expenditure was blamed on management for not following the plan in place and procedures when procuring goods and services. Incompetent employees were also found to be contributing to the rise in fruitless and wasteful expenditures.

TABLE OF CONTENTS

CHAPTER 1

1.1 Introduction

The Auditor General year after year complains about the non-compliance in the management of finance in the Government Departments including the South African Police Service (SAPS). The government introduced the act that regulates the management of finances in the public service referred to as Public Finance Management Act of 1999 (act no1 of 1999) as amended. This, according to Madue (2007: 307), came about because of the new developments in the financial environment due to South Africa being a developing country.

The public department traditionally used to perform financial control. However, with the new developments in finance it was necessary to come up with new principles in the form of financial management. Good financial management in the procurement of services for the public departments could ensure good value for money and improve transparency while combating fraud in the departments(Nomvalo 2011:1).

National Treasury is entrusted with regulating that government departments are able to practice both transparency and expenditure control and introduce good practices of accounting. However, with such treasury regulations in place, the procurement of goods in the police service is not as economical and transparent as it is supposed to be, as required by the Treasury regulations.

The Minister of Police was made to account in Parliament about irregular expenditures within the SAPS and the Minister came public that one of the key division had been involved in acts of mismanagement and maladministration(Media centre, SAPS:2011). According to the information the Senior Head in the division violated the Public Finance Management Act (PFMA) instead of upholding the act and ensuring that employees under the division comply with the act.

According to the Minister of Police all senior managers are expected to lead by example and practice sound administration when dealing with the resources of the police. The discovery of such maladministration by senior officials suggests that the senior managers themselves do not take the PFMA serious or the senior managers may be lacking in knowledge on how to manage the finances of the department as required by the act.

The study conducted by Thornhill (2011:83) on the role of the Public Protector in relation to public accountability touched on the matter that involved the Public Protector and the Chief of Police as an accounting officer for SAPS. The issue in question was whether, when the Chief of Police acquired leased offices for operational purposes, the process was fair, equitable, transparent and cost effective as required by section 38 (1) (a) (iii) of the PFMA no 1 of 1999 as amended (Thornhill, 2011:83).

The study by Thornhill reported that the Public protector found that the Chief of Police did not properly follow Supply Chain Management (SCM) processes. However, the study did not indicate if any suggestions by the Public protector were made to SAPS to avoid such non-compliance and irregular expenditure by the department of police in the future. Hence a need to perform another study in relation to SCM practices and irregular expenditures happening in the police.

1.2 Background of the study

The mismanagement of public finance is a very worrying factor that troubles many departments in South Africa. There are policies and National Treasury instructions in the police service, regulating the procurement of goods and services. One of those is the national treasury instruction note on enhancing compliance, monitoring and improving transparency and accountability in supply chain management (Nomvalo 2011:1).

The policy instructs the accounting officers in the police service to submit by the 30th April of every year, a procurement plan containing services and goods which will exceed an amount of R500 000(Nomvalo 2011:2). The policy also instructs the procurement official to ensure that the preferred service providers have the capacity to carry out the duties so as to avoid expenditure on jobs that are never completed.

The annual financial report of 2010/2011 suggested that the SAPS accounting officer did not comply with section 38(1) (c) (ii) and (iii) of the PFMA no 1 of 1999 as amended. The act requires that the Accounting officer must take effective and appropriate steps to prevent unauthorised, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct and to manage available working capital efficiently and economically.

The Auditor General's report of the financial year 2008/2009 highlighted instances where the South African Police Service incurred fruitless and wasteful expenditures. The total amount incurred was reported to be R3 015 000. According to the report, fruitless and wasteful expenditure incurred during the financial year in question was due to paying of license fees late and non-reporting of fuel cards no longer in use (SAPS 2008/2009 annual financial report).

In the following financial year of 2009/2010, The Auditor General found that SAPS incurred an amount of R1 127 000 in fruitless and wasteful expenditure. Even though the amount was less than previous year, it is disturbing because the main source of the expenditures was the penalties incurred due to paying license fees late. The other sources of fruitless and wasteful expenditure for that year were incorrect payments made by SAPS, accommodation expenses and fuel cards no longer in use (SAPS 2009/2010 annual financial report).

For the financial year 2010/2011, SAPS incurred an amount of R 1 464 000 in fruitless and wasteful expenditure as highlighted by the Auditor General. Of concern was that paying license fees late and incurring penalties was an ongoing matter that the management of SAPS seemed to struggle to eradicate. It should also be noted that for all financial years mentioned above, no action, be it criminally or disciplinary, was taken against members responsible for such expenditures.

The Auditor's report also highlight the irregular expenditures by the police service, which resulted in the amount of R3 399 000 incurred for the year 2009/2010. According to the report it was found that the main problem was non-compliance with the supply chain management processes by the members making procurements for the police service. The previous year 2008/2009, SAPS incurred a huge amount of R15 482 000 in irregular expenditures.

This study will take ten (10) months to complete and the participants will be made up of members of the police working in the Supply Chain Management (SCM) and others working with the finances of the organisation on a daily basis. The reason to include employees in the SCM is because most of the irregularities in financial management at SAPS are because of SCM practices not followed.

The researcher has been working in the environment of supply chain management under the unit in the South African Police known as Radio Technical Service which has since been changed to Technology Management Services. The researcher is the commander of the unit and is involved in the procurement of spares and equipment for the unit and in the execution of duties relating to outsourcing to the external suppliers. It is during the procurement process that the researcher has come across difficulties and identified challenges.

1.3 Problem Statement

The idea of introducing an act which deals with the management of finances in the public sector is a good one. It is even better if people, competent to carry out such responsibilities, are entrusted with doing the job. The implementation of the public finance management act (PFMA) of 1999 was to deal the with procurement of goods and services and regulating the awarding of tenders amongst, other things.

However, as Siswana (2007:3) mentioned, the implementation of PFMA is often affected by the non-compliance of people entrusted with financial management of different department and the incompetency of those people in decision making. This is due to the lack of training by the people working with procurement in the police service. The problem arises in that not all people working in the supply chain management environment know the processes of PFMA and in most cases PFMA was implemented without training given to the employees concerned. The Auditor General in 2009/2010 SAPS annual financial report, raised the issue of irregular expenditure which amounted to R3 399 000 and the main cause was the non-compliance by the department of Police with the SCM processes.

Complains from the SCM managers are that often managers from specialised units and departments are unable to comply fully with PFMA. The reason given by SCM managers is that the specialised managers want to procure whatever is deemed necessary for service delivery, even if it means not following all procedures of the PFMA which sometimes involves a long process.

The other areas that pose problems are the ever changing of national instructions regulating procurement. These affect employees at the supply chain as the employees have to contact suppliers of the service frequently and inform them to add another new procurement form, which becomes a hassle because it does not mean all invited bidders will be awarded a contract or an order.

The problem is that SAPS is always incurring wasteful and fruitless expenditures almost every financial year and this raises a question about the management of finances within the Police department. How can a department as big as SAPS fail to pay their license fees in time and incur wasteful and fruitless expenditure every year, without the matter being investigated and remedied? The fact that no disciplinary actions are taken, is also a matter of concern considering that the public monies are mismanaged every year with less if any accountability.

1.4 Justification of the Study

It is very disturbing that the Auditor General has concern about financial management in the police service and in the public sector in general every year. This study will assist in identifying the loopholes in the Supply Chain Management processes and also help to reduce the financial irregularities by advising the police service on measures to take to enforce compliance with PFMA.

The study will identify the reason why SAPS seems to struggle to overcome the fruitless and wasteful, and other financial expenditures and irregularities. By identifying the challenges and suggesting and recommending best practices, value will be added to the manner in which SAPS utilise finances in future, and service delivery by members of the police will be enhanced.

1.5 Research Objectives

- To identify reasons behind SAPS incurring fruitless and wasteful expenditure every financial year even though the causes are known to management.
- To assist in identifying the training gap in the supply chain management personnel of the South African Police Service.
- To measure the effectiveness of national treasury instructions and standardized bidding forms used by the police service.
- To determine if SAPS in North-West Province is utilising their budget allocation effectively and efficiently.
- To identify any weak or strong points in the financial reporting by SAPS in North-West.

1.6 Research Question

- How effective is the financial management in the police service?

1.6.1 Research Sub-Questions

- What is the main cause of wasteful and fruitless expenditure in the service?
- How effective and competent are the people working at Supply Chain Management?

- What causes the non-compliance with SCM policies and National Treasury Regulations?
- Is SAPS in the North-West Province utilising their budget allocation effectively and efficiently?
- What causes the non-compliance of reporting as required by the PFMA of 1999?

1.7 Importance/Significance of the Study

This study will help in identifying the real cause of expenditures that are fruitless and wasteful in nature while strengthening financial systems in the Police Service. The study will also assist in identifying the training needs of the police members performing duties in the SCM and Financial Management environment.

1.8 Ethical Requirements

In the police service there are standing orders and policies in place regulating information that may be used or distributed externally. Hence, a permission to undertake the study will be requested. The permission will be requested bearing in mind that the organisation reserves the right to refuse the conducting of this particular study. The identity of the respondent will be protected and the respondents will be given an option of remaining anonymous. Permission for ethical clearance from the university will also be obtained before the start of the research.

1.9 Limitations of the Study

This study will concentrate on the financial management in place in the police and, therefore, the researcher will not dwell too much in the awarding of tenders and corruption. The study will be conducted in three areas identified in SAPS North-West which comprise (1) the provincial office in Potchefstroom and (2) offices in the Mafikeng and Rustenburg cluster police stations, concentrating on the offices of SCM and Finance.

1.10 Definition of key words

PFMA Act no 1 of 1999 – is an act promulgated by the government to regulate financial management in the national and provincial government to ensure efficient and effective use of government assets and management of liabilities.

Treasury regulations – means regulations issued by the National Treasury regulating matters prescribed for departments in terms of The PFMA Act.

Act – it refers to the Public Finance Management Act no1 of 1999

Fruitless and wasteful expenditure – means all expenditures that were made in vain and could have been avoided had reasonable care been exercised.

SCM – refers to the management of the network of interconnected businesses involved in procurement of goods and services in the departments.

Auditor General – is the person appointed in terms of Section 188 of the constitution of the Republic of South Africa who provides Parliament with direct access to financial matters of the government departments, including South African Police Service (Thornhill, 2011:81)

1.11 Conclusion

Financial systems have been in place in the police service before 1999, but it was with the introduction of PFMA of 1999 that public offices were expected to manage the finances as required by the Act and treasury regulations. The research will develop a better way of which SCM and Finance personnel can see SCM processes as user-friendly and carry out the treasury regulations as expected by the PFMA.

The challenge of this study can be encountered in the instances where personnel at SCM hideaway reasons why the police incur fruitless and wasteful expenditure almost every financial year. However, the researcher will design a questionnaire which can filter and easily identify when the respondents are not telling the truth. The effectiveness of the financial management and the competency of the people working with procurement will be evaluated. Most data was sourced from the report by the Auditor General and other researchers who studied PFMA and its implementation in the public sector.

The structure of the study comprises the following:

Chapter 2 deals with a literature review where views of different authors are critically analysed and any gap in the literature identified.

Chapter 3 contains research design and methodology which the researcher applied to the study in answering the research question and the problem.

Chapter 4 comprises data analysis where the questionnaires are analysed by means of Statistical Package of Social Science (SPSS) and data projected by way of tables and graphs.

Chapter 5 contains the interpretations of the results and recommendations. Also in this chapter is the conclusion of the study.

CHAPTER 2

2 LITERATURE REVIEW

2.1 Introduction

This chapter reviews the work done by different authors on the management of finances in government institutions. The chapter discusses the reporting of financial performance by the departments and compliance with reporting timeframes. The chapter also focuses on causes of wasteful and fruitless expenditures in the departments and evaluate the compliance as far as supply chain management practices and national treasury regulations are concerned.

Another area that the chapter covers is the financial misconducts that happen within departments and how the matter is handled after having being identified. Leadership within the departments and training and, or lack of it, by managers performing financial management work will be looked at. In general the chapter will look into the financial management in the departments and other organisations such as Municipalities.

2.2 Financial reporting

The field of financial management has grown very fast, in such a way that departments need to learn to manage the finances instead of controlling, as was traditionally done. This statement is supported by the views of Roman (2008:57) when mentioning that the modernisation of financial management and control as required by the Public Finance Management Act, no 1 of 2009, as amended, have left the departments with the challenge of designing their own financial frameworks.

According to Roman (2008:17), the framework assists the departments to get value for money by using the government resources efficiently and effectively. The framework also works as a yardstick in as far as the managers in the departments are able to measure the success of the usage of government resources and can easily account for every "cent" spent by the departments.

The Accounting Officers are also required to prepare such financial statements yearly and submit them to the Auditor General for auditing. However, it is clear that some departments fail to comply with such reporting requirements. Wildeman & Jogo (2012:31) confirm that there are some departments which are reporting as required by PFMA, although there are many questions asked about the quality of the reports.

It will seem that government departments are more than happy to submit the documents to the Auditor General without perusing or confirming the reliability and validity of the information contained in the reports. While some departments are at least reporting, other departments are reported to be struggling to comply with the requirements of compiling monthly, quarterly and annual reports, as required by the act (Myrick *et al.* 2008:37).

The authors make mention of the tendency by the departments to select only the reports that show the good work done by the departments and submit such reports. The authors refer to such reporting as selective and not conforming to the requirements as set by the PFMA. The failure by the departments to report continue to exist despite the recommendation by King 3, which emphasises that timely reporting, will improve compliance with the PFMA (Madue, 2007:317).

According to Madue, reporting should consist of reporting the actual expenditure monthly, reporting if the performance targets are met quarterly and lastly, and annual reporting of the state of finances in the organisation through annual financial statements. The exercise may well keep the departments informed about the overall expenditures as well as deviations in planned budgets in the departments, and advising management when actions are needed.

The above point is supported by Roman (2008:57). The author emphasises the importance of departments to report regularly as that will provide managers in the departments to remedy a situation before it escalates into an uncontrollable problem. The author alludes to the fact that by regularly reporting, the managers are able to check any variance in terms of their planning and their actual performance. This will assist in strategic planning by the departments.

King 3 report recommends that the audit committees should be responsible for ensuring compliance with reporting by management (Van Der Nest *et al,* 2008:550). The author emphasises that the audit committee should oversee the reporting process and ensure the management in the organisation prepares accurate financial statements that are user friendly and comply with the accounting reporting standards.

While questions are asked about the quality of the report as highlighted by Wildeman & Jogo (2012:31) earlier, the authors credit the PFMA for allowing the public an opportunity to have access to the financial reports of all departments. From the arguments by the different authors mentioned above, it can be said overall that despite the departments reporting late, they eventually report. With financial statements of the departments easily available for the public to interrogate, it becomes difficult for departments to hide irregularities in their finances and any misconduct relating to management of finances in the departments is easily noticed by the public. That brings the study to the next issue of financial misconduct.

2.3 Financial Misconduct

According to the PFMA of 1999 section 81(a) (b), it is clear that an accounting officer of a government department will be committing financial misconduct if the officer fails to do the following:

(a) Fails to comply with the requirements as set out in sections 38, 39, 40, 41 and 42, which require the accounting officer to maintain an effective and transparent system of financial management, and of managing the budget, among other responsibilities.

(b) Makes or permits any unauthorised expenditure or fruitless and wasteful expenditure.

Most commentators are questioning the ability of the departments to discipline or deal effectively with the issue of financial misconduct within departments. It has been found by the study undertaken by Anthony Butler that in recent years officials in the department have been found guilty of criminal misconduct. Even though financial misconduct is increasing the perpetrators receive only written warnings in some instances (Butler, 2010:194).

The author (Butler,2010:194.) complains of the fact that no records of criminal misconducts are kept in the departments and the perpetrator under investigation is able to resign and get a similar senior position within the public service. There are many examples where accounting officers after being found or suspected of financial misconduct, are suspended temporarily and deployed in other departments after investigations, without any means of recovering the amount of money lost as a result of that accounting officer.

Siswana (2007:227) is of the same view when highlighting that, strangely enough, the accounting officers involved in financial misconduct are never charged but the Auditor General's report mention cases of irregular and fruitless expenditures almost every year. This is despite the fact that the PFMA of 1999 states clearly in sections 38, 39, 40 ,41 and 42 that it is the responsibility of the accounting officer to prevent any form of irregular or fruitless expenditure and failing to do so, the accounting officer will be found to have committed financial misconduct.

It is again stated in section 44 of the PFMA that any official in the department, whom powers have been assigned to, who fails or allows an unauthorised or irregular expenditure, fruitless and wasteful expenditure will, have committed an act of financial misconduct. It still remains a mystery that the accounting officers and other officials continue to show less respect to the financial resources and commit financial misconduct but no action is taken against the officials concerned.

IDASA (Institute for Democracy in South Africa) performed a study to investigate the overall complains that no action is taken when financial misconduct has been uncovered. The study concentrated on the number of people who were found guilty of financial misconduct and compared it with the actual number of people charged. With the data that IDASA collected it showed that tough actions were eventually taken against employees found guilty of financial misconduct (Wilderman & Jogo,2012 :26).

However, in a report by the PSB (Public Service Commission), as highlighted by Taljaard (2010:86), the departments could not even provide answers to whether criminal charges have been instituted against the officials found to have committed financial misconduct. This shows that the study by IDASA may have been relying on incomplete information because the PSC is the body that will in any case receive information or know of any reported criminal charges instituted against an official in the departments.

The PSB went to the extent of suggesting that the departments were not well capacitated to deal with matters of financial misconduct. This is largely because the departments are said to take as much as 8 (eight) months just to finalise a case of financial misconduct (Taljaard, 2010:87). Eight months is a long time for the departments to recover financial losses and it implies lack of commitment on the part of the departments to carry out the process before more public money has been lost.

The other point raised by Siswana (2007:231) is that in most cases the departments do not conform to the requirements of reporting financial misconduct. The departments, according to the author resort to the tendency of reporting "NIL", meaning that no financial misconduct has occurred. However according to the Auditor General's report, there are a number of financial misconducts from the same departments with a "NIL" return.

According to Myrick *et al.*. *(*2008:70) most cases of financial misconduct are by means of fraud which is followed by theft. These, according to the authors, are because of the lack of internal control measures within the departments. The authors believe that if the internal control measures are effective as they are supposed to be, then it will be easy for the departments to detect any form of fraud and can even avoid such attempts of fraud.

Sections 38 of PFMA stipulates that accounting officers are responsible to develop internal control to limit fraud and detect any unwarranted expenditure (Fourie, 2007:737). Fourie mentions that inadequate internal control can jeopardise the financial management of the departments and cause a severe loss of finances. The author advises that employees should be well equipped with the skills of implementing and maintaining internal control. The implications of poor internal control are the unfavourable audit status the departments receives (Wildeman and Jogo, 2012:44).

Nair (2007:13) mentions that in the past the Auditor General questioned the capacity of the management to implement the internal control policies. As Nair mentioned, of great concern to the Auditor General was the commitment shown by the employees in the department that made the implementation of the policies very difficult. The Auditor General went to the extent of suggesting that the management and employees at the departments were not serious about implementing internal controls as required by the act (Nair, 2007:13).

From the views of the researchers above, it is evident that departments are struggling with the implementation and maintaining of internal controls. Madue (2007:315) suggests that the internal control manual be compiled to assist the department in the issues of public finance management. Accordingly, if internal controls in the departments are improved, the service delivery by the departments will consequently improve (Wildeman and Jogo, 2012:41).

Another form of financial misconduct occurs in the form of overspending and under spending by the departments. Madue (2007:309) pointed out that millions of rands are thrown back to the treasury year after year due to public monies not utilised. This poses the questions of whether the money was not used because it was surplus or the departments saved money in the planned projects to the extent of having lots of money to return to the treasury. However, with the service delivery protest around the country it may be difficult to take a guess.

While other departments may regard the under spending as savings it, however, means that another department has lost an opportunity to use the same money which was allocated to the department that saved or under spent it. It may again be argued, as the definition for savings explains, that the department saving money, may not have foreseen that it will save from its allocated budget due to circumstances such as the suppliers reducing the prices of goods and services sold.

In concluding issues of financial misconduct, the study by Thornhill (2011:87) highlighted the link between financial misconducts and the failure to adhere to the processes of the Supply Chain Management. The author gave an example of the Head of a department being dismissed due to ineffective financial administration and lack of implementing the guidelines of the supply chain.

2.4 Supply chain management practices

The Supply Chain Management (SCM) policy which was adopted by the Cabinet of South Africa in September 2003 (Raga and Taylor, 2011:19) and the SCM regulatory framework forms part of Financial Management (Nair, 2007:14). Nair highlights the importance of the SCM framework, amongst others, to promote uniformity in procurement processes within departments and also to promote best practice amongst the SCM practitioners.

One of the responsibilities of an Accounting Officer, as stipulated in section 38 (1)(a)(iii) of the PFMA of 1999, is to make sure that departments have a fair, equitable, transparent, competitive and cost effective procurement and provisioning system (Nair, 2007:14 and Wildeman and Jogo, 2012:20). The National Treasury as Nair mentioned, has to ensure that departments have a transparent procurement system, introduced a uniform system in which all procurements in the departments are carried out using standard bidding documents (SBD). Madue (2007:307) also echoes the same sentiments as Nair when highlighting that the objective of having standardised procurement practices is to ensure transparency in the government departments.

The National Treasury has introduced many standards forms of procurement where suppliers of services are able to divulge any relationship they may have with another member at the department that issues a tender request. Raga and Taylor (2011:10) pointed out that in having such standard forms as required by the constitution of the Republic of South Africa, the departments are able to control their expenditures and the procurement process is always seen to be fair and transparent.

Wildeman and Jogo (2012:20) emphasised the importance of a fair and transparent procurement system by alluding to the fact that if tenders are awarded to incompetent contractors or suppliers it will result in the government suffering financial consequences. The two authors refer to the Auditor General's report of 2011 which highlighted the awarding of contracts to incompetent contractors having caused the department of Education and Health amounts of R64 million and R537 million, respectively, to replace them and hire new contractors capable of performing the required work.

The challenge for the departments in awarding contracts in other cases to incompetent contractors may sometimes be attributed to the compliance in policies such as the Preferential Procurement Policy Framework Act of 2000 (Raga and Taylor, 2011 :11). This policy, according to the authors, gives the historically disadvantaged entrepreneurs a chance to participate in the economy. However, the policy may also backfire in the sense that in enhancing participation of those who were excluded from the public procurement may end up in departments giving important jobs to contractors who do not possess the capacity to perform the job.

Incompetent contractors seem not to be the only challenge faced by the departments; the managers at the Supply Chain Management seem to struggle with maintaining a transparent procurement system, despite having guidelines in place. According to Myrick *et al..*, (2008:71), the managers who are not well equipped with financial skills struggle a lot with Supply Chain Management duties, especially when dealing with matters pertaining to financial management.

Roman (2008:98) points out that many employees or managers who are skilled in finance leave the public sector for private companies and that leaves the departments struggling with less skilled employees in the financial environment. According to Roman, the main cause of skilled staff turnover can be contributed to the public sector not paying market related salaries as compared to the private companies. In the study by Migiro and Ambe (2008:235), the authors discovered that a SCM directorate "had 80% of the officials lacking skills" in the matters of the supply chain, basic accounting and financial management which are supposed to be the requirements for officials to be placed in the SCM environment.

It is also disturbing to learn that officials were still not skilled in the matters of SCM in 2008, despite the intervention by the National Treasury of availing 69 training courses in 2005/2006 at national and provincial departments as highlighted by the report by Nair (2007:15). Thus Roman (2008:98) suggested that trained and skilled employees left the government for private companies and that it therefore may imply that those employees were the ones trained by the National Treasury in 2005/2006.

However, the outlook as far as the high turnover of skilled and trained employees is not looking any good, according to the budget review tabled in 2012 (Budget review, 2012:130). According to the report suggestions are that strategies for Human resource management be developed to be able to acquire people of skills and also retain those people within the public sector.

Mculu (2008:163) highlighted in his study based on financial management in the municipalities, that supply chain managers are required by the Municipal Financial Management Act (MFMA) to assist the accounting officers in combating any financial irregularities in the procurement of goods and services in the municipalities. It can be argued that control is in place for supply chain processes in the departments and municipalities as the practitioners in these institutions are made to sign and abide by the SCM code of conduct (Mculu, 2008 :163).

The code of conduct by National Treasury was designed in such a way that all SCM practitioners can understand and take it into consideration every time when performing supply chain duties. Among other things that are prohibited and discouraged by the code of conduct is accepting of gifts and other offerings of material value from potential suppliers of service to the supply chain practitioners (Sol Plaajtie municipality, 2010:6).

2.4.1 Causes of non-compliance with SCM policies and National Treasury Regulations

Stamper (2012:5) points out that in most cases what causes non compliance with SCM policies and National Treasury regulations is an ineffective audit committee in the government departments. According to the author the management in the department are able to hide non compliance and due to the ineffectiveness of the audit committee, the activities are never detected. It is the duty of the audit committee to "ensure that the entity complies with all the relevant laws and legislations" as required by PFMA and recommended by King III report (Stamper, 2012:56).

The Auditor General on his consolidated report on local government 2010/2011 from the audit of Supply Chain Management found that the cause of non compliance was the awarding of contracts to friends and families and having in place uncompetitive or unfair procurement practices(Auditor General, 2012 : 52).The above mentioned practices of concern is that they are on the increase as compared to internal control deficiencies and inadequate contract management which were high, however, on a decrease even though are falling under the category of non compliance.

Due to non compliance with regulations, the Department of Finance established an agency called Multi Agency Working Group (MAWG), (Pereira *et al*, 2012: 57). The idea behind this working group as highlighted by the author was to reduce irregularities within the procurement system and enforce compliance with SCM processes, "and investigate corruption related supply chain management practices" (Nomvalo, 2011). This agency is well represented by different departments including South African Police Service and South African Revenue Service just to mention few.

It should be noted that South African government department is not alone in the struggle against complying with SCM guidelines. The study conducted in Ghana highlighted instances of non compliance with procurement process in SCM as follows (Osei-Tutu *et al*, 2011:3);

- Lack of qualified procurement personnel.
- Incorrect interpretation of the procurement act.
- Lack of training.
- Poor record management.
- Poor handling of suppliers complaints and
- Poor procurement planning.

Osei-Tutu *et al*, (2011: 11) found that in many instances the procurement officials took time to notify the successful bidder of the contract awarded by the department to the bidder and therefore causing unnecessary delays. Osei-Tutu *et al* found the same as the Auditor General in South Africa that poor record management is one of the cause of non compliance with SCM processes.

The other author who agrees with the views of the Auditor General is Sandler (2011:81) by adding that contract management poses a challenge to the departments. Sometimes the challenge experienced by the departments is that it has to work with a "skeleton" structure where many vacancies are left unfilled for a long time. While lack of training is one of the issues causing non compliance in the departments, Sandler found instances where those chosen to attend training within departments are always reported to be unavailable due to other work related commitments (Sandler, 2011: 92).

The study conducted by Mnguni (2012:83) had the author asking if non compliance is caused by lack of procurement guidelines. It was evident that lack of procurement guidelines is not the cause of non compliance as 80% of the respondents disagreed with the statement. However what the author came to conclude was that negligence was causing non compliance with SCM processes. The other interesting findings made by the author was that even lack of monitoring by management contributed a lot on non compliance in SCM processes (Mnguni , 2012 :85). The view by Mnguni conquered with the findings by Woods (2010:6) who highlighted that the Auditor General complained that non compliance with financial regulations is caused among other things by insufficient supervision by management and poor leadership in government departments. Mnguni also touched on training as previous authors did and found that training is given for members at SCM, however, the training proved to be ineffective and not addressing issues that cause non compliance with the processes.

While other departments strive to have all their employees at the supply chain management environment complying with regulations as set out by the National Treasury, other departments take long to fill crucial vacant posts e.g. as the head of the supply chain as was the case with the Department of Community Safety in the Western Cape province as highlighted by Roman (2008:96) in his study.

If posts such as the head of a department, who is an accounting officer, is left unfilled for a long time, it will impact on the responsibilities that are entrusted to the officials, such as taking effective steps to prevent irregular expenditures in the departments (Moagi, 2009:26).

The Budget report of 2012 reported that senior vacant posts of levels up to Director General in the departments are still unfilled (Budget review, 2012:130). Until the matter of unfilled posts is addressed, the departments may struggle with effectively curbing irregular expenditures.

2.5 Irregular Expenditure

According to section 38 (1)(g) and section 76 (2) (e) of the PFMA no 1 of 1999 accounting officers in the departments are expected to prevent any form of irregular expenditure and any expenditure incurred by the departments without following proper tender procedures falls within the definition of irregular expenditure (Myrick *et al.*, 2008). The type of expenditure mentioned above occurs mostly in the process of procuring services or products for the department by members working in the environment of the Supply Chain Management.

Myrick *et al.*. (2008) pointed out that in most cases the cause of irregular expenditures in the government departments is mainly due to lack of monitoring from the part of the management. The authors argue that poor management and lack of financial controls lead to improper procedures being followed by the officials, dealing with the tenders and non-monitoring by management makes it impossible to detect the practice.

Roman (2008:96) mentioned some of the irregularities that are experienced within departments during payment of suppliers which ended up being irregular expenditures in nature. The author talks about the investigation that took place in a Department of a premier in Western Cape where the investigators uncovered that payments meant for suppliers of the services found their way into the accounts of the department's employees.

In some instances employees in the departments get involved in transactions that do not add value to the public as custodians of service. Myrick et al.. (2008:21) reported that irregular expenditure, fruitless and wasteful expenditure has been on the rise as from the year 2005. The tendency of the departments not to follow correct tender procedures is reported as the main contributor in the irregular expenditures incurred by the departments.

2.6 Fruitless and Wasteful expenditure

PFMA no 1 of 1999 defines fruitless and wasteful expenditure as "expenditures made in vain and would have been avoided had reasonable care been exercised". It is the responsibility of the accounting officer, (section 38 (1) (c) (ii) and other officials, (section 45 (c) to prevent any form of wasteful or fruitless expenditures within the departments. Failure to prevent these expenditures can results in the official being charged with misconduct.

2.6.1 Instances of fruitless and wasteful expenditure

According to the study by Auriacombe (2011: 64) Chief Editor of Department of Public Governance in the University of Johannesburg, highlights the statistics collected by the Public Service Commission which showed that in the financial year 2009/2010 alone, an amount of R100 million was incurred by the National and Provincial government. According to the other such wasteful expenditure is costly to the country especially with lack in better service delivery due to limited resources.

Ambe and Badenhorst-Weiss (2012: 252) also confirmed the views of Auriacomba by also highlighting the wasteful expenditures incurred by the National and Provincial departments. According to the authors the worrying trend is the increase in this expenditure every financial year. It is evident that departments are unable to deal effectively with the wasteful expenditure.

2.6.2 Causes of fruitless and wasteful expenditures

According to the study of the District Municipality in Ngaka Modiri Molema, North West Province by Bogopane (2012:297) implies that the causes of fruitless and wasteful expenditures are "poor financial administration and management capacity". The reason the author argues that way is because in a particular incident the municipality decided to fund a soccer project and sacrificing important services such as fire and water services.

The Auditor General during 2009/2010 financial year discovered that government department and public entities incurred an estimated amount of R143 .6 million in fruitless and wasteful expenditure. According to the Auditor General, the expenditures were caused mainly by penalties incurred for failure to pay creditors on time and cancellation of services, be it accommodation and other events that never took place (Auditor General, 2010: 9). Even duplicating payments to service providers was hinted by the Auditor General as one of the causes of fruitless and wasteful expenditure.

The disturbing fact is that for the year 2010/2011, the Auditor General still pointed out late payments of creditors resulting in penalties as the main cause of fruitless and wasteful expenditure (Auditor General, 2012: 57). The Auditor General blames the weak internal control and lack of leadership in the government departments. The increase in fruitless and wasteful expenditure totalled to 313% from R143.6million to R429 million.

The 2012 Budget review reports that irregular expenditure, together with fruitless and wasteful expenditures, needs to be reduced. However, the report suggests that for such success to be achieved the departments need to have a reliable internal audit.

2.7 Internal audit and audit committees

Section 38 (1) (ii) of the act requires the accounting officer of the institution to ensure that the department maintains a system of internal audit under the control and direction of an audit committee, complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77 of PFMA of 1999.

Section 76 (1) is concerned with Treasury regulations that instruct departments in matters among others such as –

(a) The recovery of losses and damages.
(b) The writing off of losses of state money or other state assets or amounts owed to the state.
(c) Liability for losses and damages and procedures for recovery.
(d) The settlement of claims by or against the state

Section 76 (2) is concerned with Treasury regulations that instruct departments in matters, among others, such as fruitless and wasteful, unauthorised and irregular expenditure. Section 76 (4) regulates issues such as internal audits and their functioning and audit committees, their appointments and their functioning.

Section 77 outlines the composition of the audit committee in the departments. It is required that at least the committee should be made up of three (3) persons of which one(1) be from outside the public service and the majority of the members may not be from the department. The members of the audit committee are required to meet twice or three times per year to discuss matters that affect the department concerned.

In his report Nair (2007:11) acknowledged that many institutions were complying with the treasury regulations of establishing the internal audit and audit committees. However, what concerned Nair was the complaint from the Auditor General at that time that, despite establishment of internal audit functions and the committee, they were ineffective in addressing matters that the committee was established to oversee.

The report also highlighted the dissatisfaction of the Auditor General in the capacity of the internal audit and audit committee and the fact that the functions were not performed by highly skilled members with knowledge and experience in the field of accounting and auditing. In addressing the challenges faced by the departments, the National Treasury developed an internal audit framework to assist the departments to align their functions with the latest changes and developments in the field of auditing (Nair, 2007:12).

It was, however, unclear for the departments of what constituted an internal audit and where it has to be situated within the institution. Moagi (2009:120), in his study of compliance by the Department of Labour in the Limpopo province, made the findings that "there are no full time audit mechanisms which are introduced to audit and rectify financial transactions on a daily basis". The basis of his findings was advised by the fact that the internal auditors of the department in question were situated in headquarters, situated in another province and they only attended to matters in the department once or twice in a year, as Moagi pointed out.

However, it should be noted that the Treasury regulation only requires accounting officers of the departments to establish internal audit units without being specific of the units' location. Therefore it may be misleading to say that a department had no internal audit because of its location, as Moagi (2009:120) found, because the same internal audit unit is responsible for day to day financial transaction of the department irrespective of location and the number of times the unit visits the department concerned. The treasury regulations mention that "the internal audit unit may be partly or wholly contracted to an external organisation with specialist audit expertise"... (National Treasury, 2001:9).

Fourie (2007:740) also pointed out in terms of section 3(1) (10) of the National Treasury regulations that the duties of the audit committee were to ensure and measure the effectiveness of the internal audit function. Therefore, Moagi in the case of the Department of Labour should have determined if an audit committee existed in the department and if the committee was aware of the visit by the internal audit unit from head quarters only twice per annum.

In his follow-up study, Fourie (2009:1120) again highlighted the importance of internal audit in ensuring good governance. The author emphasised that the internal audit should have independence from the audited persons and therefore his views may suggest that it is better to have an internal audit that is not housed in the same premises as the audited department. The overall implication of the view by Fourie is that even if the internal audit is as far as was mentioned by Moagi (2009:120), it should not matter as long as the function is effective and independent.

The other case that is of interest is the report by Myrick *et al*, (2008:46), when referring to the annual report of 2005/6 by the Western Cape Provincial Treasury (WCPT), that while the internal audit was said to be effective, there were however weaknesses which were realised by their audit committee. The report wanted to emphasise the importance of the audit committee within a department, as without the committee in the case of WCPT, it would be difficult to pick or identify the weakness in the internal audit function. The good work was credited to the audit committee which was reported to have met almost nine (9) times in a single financial year which is five (5) more than required.

In contrast to the findings in Western Cape, the same report, when concentrating on Gauteng Province's Directorate of Financial Management and Accounting (GDFMA), found a different scenario. The internal audit was found to be non- existing as invoices were paid without the attachment of the authorised signatory. While WCPT had audit committee members meeting nine (9) times to assess the effectiveness of their internal audit which was in place, Gauteng only had two (2) members of the committee who managed to meet less than 4 time as required. The report concluded that with such problems as far as internal audit functions are concerned, it rendered the audit committee dysfunctional (Myrick *et al.*, 2008:52).

The above reports were based on the provincial treasury of Western Cape and Gauteng provinces, respectively. The authors went further to compare the internal audit and audit committees of the Department of Education in the Western Cape (WECD), North-West Province Department of Development, Local Government and Housing (NWPDLG) and Northern Cape Province Department of Health. The audit committee at WECD, after identifying an information technology weakness in the department's internal audit ... "criticised the internal audit function as being ineffective" (Myrick *et al.*, 2008:58)

Concerning the NWPDLG, the trend of a weak internal audit function was also evident; however, the report credited the audit committee for doing good work by monitoring the effectiveness of the internal audit. The audit committee as mentioned by the report consisted of at least eight (8) members which is quite a good number as compared to only two(2) members of the Gauteng provincial treasury department, as mentioned earlier.

The last department mentioned by the report was Northern Cape Department of Health (NCPDH). The report found that in the beginning the audit committee had seven (7) members, but it was found that the committee was non-functional (Myrick et al., 2008:62). With a dysfunctional audit committee it became evident that the internal audit would be ineffective, as outlined by the Auditor General.

From the report on the two (2) provincial treasuries and the three (3) departments in different provinces, it is evident that the internal audit is still a cause for concern. Below is the Table that outlines the results of the report in the percentage form in terms of the effectiveness of the internal audit functions.

	Ratings			
Institution	**Internal audit**	**Audit committee**	**Members in the audit committee**	**Effective / not Effective**
WCPT	65%	90%	Not specified	Effective
GDFMA	35%	40%	2	Not Effective
WCED	25%	95%	4	Not Effective
NWPDLG	30	90%	8	Not Effective
NCPDH	30%	75%	7	Not Effective

Source: Summary Quality of Ratings for Implementation of PFMA, Myrick *et al.*

While other institutions had effective audit committees, the internal controls were found to be ineffective (Myrick et al., 2008:65). In contrast the audit committees exist to ensure the effectiveness of the internal audit function, but according to this report only the committees were effective. It is even disturbing in the case of the Gauteng province treasury department which had only two (2) active members in the audit committee as Myrick *et al.*. (2008:52) highlighted, despite it being a compulsory requirement to have a committee that is functional as per PFMA (Van Der Nest *et al.*, 2008:548).

Van Der Nest *et al.* (2008:556) suggested that for the audit committee to be fully functional and effective, the accounting officer at the department or institution should be part of the committee meetings. The authors also emphasised the issue of membership. The suggestion and recommendation from these authors were that only members with quality management skills and competencies should be recruited as members of the committee so that the value added by such members would be beneficial to the department. Therefore, the competencies of employees tasked with financial matters should be prioritised as suggested by the authors (Van Der Nest *et al.*,2008:556).

2.8 Competencies of employees in the departments

PFMA came into practice in 1999; however, the report made for the office of the president of South Africa by Myrick *et al.*. (2008:6) nine (9) years later revealed that at least 43 % of employees working with public finances in the provinces had not received training in PFMA. Of concern in that report was that even Chief Financial Officers (CFO) in other institution of government were not qualified to perform the duties of CFOs let alone been trained on the PFMA.

However, the report by Nair (2007:12) paints a different picture. According to Nair, government employees received adequate training in many aspects of financial management since the introduction of PFMA in 1999. The author mentioned that by 2005/2006, 24 training courses in internal audit functions were rolled out and 556 employees of the government were part of the training.

The same report by Nair mentions that 211 government employees were trained in 2005/2006 on matters of risk management. All courses offered for risk management were eight (8) in total (Nair, 2007:13). The author also reported that workshops were held in each province of South Africa to train government employees in the matters related to asset management and the framework developed by the national treasury.

Supply Chain Management, also problematic in the government departments as Nair (2007:15) highlighted, had national treasury funding 65 courses in total for government employees, including senior management, to learn the best practices in supply chain management. 218 senior managers were reported to have been trained and 1 459 employees also received training in supply chain in the financial year 2005/2006.

It remains a mystery that while Nair(2007:12) highlights the instances where government were busy training people, Myrick *et al.*.(2008:6) find the contrary. It should be noted that training is an important tool in implementing any management policy or managing finances, be it public company or private company (Moagi, 2009:93). Therefore, the quality of such a training given to employees, as Moagi alluded to, should be regarded as top priority and if people are trained and found not competent, then be retrained.

Another author who emphasises the issue of training is Madue (2007:315) saying that even managers who are responsible for finances of the departments should be trained in aspects of PFMA. However, training and implementation of what has been learned, are not always correlated. This is what Migiro and Ambe (2008:241), while studying supply chain practices in municipalities, discovered, namely that trained officers are not implementing SCM processes as required.

Madue (2007:316) also recommended that there should be compliance in relation to training courses in the department; however, the author gave no clear guidelines of how to implement such a compliance strategy. The author, however, indicated the advantages of such undertaking in the form of managers being knowledgeable in the area of financial management as required by PFMA 1 of 1999.

Based on the findings by Migiro and Ambe (2008:241) that officials are not implementing what has been learned in the training workshops, and the fact that the two authors recommended the training of all employees entrusted with the implementation of SCM, it is clear that all involved in financial management in the departments, managers and employees, should be trained in all aspects of financial management.

2.8.1 Effectiveness of people working at SCM

Banda (2011: 47) highlights the importance of skilled SCM employees in any organisation as an enabler to effective and efficient delivering of service. The author went to an extend of suggesting that organisations should encourage own employees to better their education and qualifications in order to sustain knowledge within the organisation instead of hiring experts from outside the organisation who come in with high educational qualifications.

However, as discovered by Ambe and Badenhorst-Weiss (2011: 11570), that in the Central District Municipality in North West Province there was a shortage of skilled people who can be entrusted with the effective implementation of Supply Chain processes. The findings by the two authors are not unique in the country as it has been documented before that skill shortage in South Africa has spiralled out of control especially in areas where effective service delivery is a basic requirement (Matshiqi, 2007: 7).

Lack of skills in Supply Chain and Financial management is not only a challenge to employees working in those environments but the officials and managers holding the high post in the organisation. This view is supported by Safa (2011: 57 – 58) who recommends that to address the matter of incapacity, the managers responsible for financial management "should also be trained in supply chain management processes". The author believes that the exercise will assist in minimising delays usually caused by official and managers who do not understand the SCM processes.

The author with the same view is Lewis (2005:48) who states that capacitating the official and managers with skills in SCM assist in reaching the "political objective of Supply Chain Management". Lewis further point out that the reason for capacitating officials with skills is because SCM processes are gateways to procuring goods and services that are to the benefit of the organisation(Lewis, 2005:48). The employees and other officials in SCM environment are required to have competency in monitoring of procurement processes and be able to keep records of all transactions happening in the organisation and have a skill in handling and addressing suppliers' complaints (Osei-Tutu *et al*, 2011: 4). The other skill that is of great importance in SCM environment is the ability to handle big contracts in an everyday work and knowledge of project management (Sandler, 2011: 92- 101).

The strategic thinking skill is also rated as important to the procurements officials who are expected to interpret any changes in the market and buy only products or services beneficial to their organisation strategically (Mhlarhi, 2009: 11). The author makes mention of the fact where procurement officials are not assisting the organisation to achieve its objective by some times sticking with the concept of doing business with the lowest bidder disregarding the strategic objective of the organisation. According to the author issues such as the quality and the time the supplier will take to deliver a product or a service should be considered.

Mnguni (2012: 60) classify the acquiring of skills by the practitioners at SCM into two (2) categories namely; the medium training (intermediate) and long term training. According to the author medium training is concerned with practitioners who are performing SCM functions on a daily basis. Long term, however, is more of an advanced training where practitioners acquire skills in specialised areas such as demand management, acquisition management and strategic buying. Skilling SCM practitioners in that manner will assist in the long run as it is estimated that procurement of goods and services in the government departments utilise more than 60% of the overall department's budget(Mnguni, 2012 :61).

The other aspect of financial management is asset management as Nair (2007:13) says that "in any business environment good asset management is vital in providing reliable foundation for economic activities." Training and skill development are required in asset management to capacitate departments in utilising the asset adequately, as Nair mentioned.

2.9 Asset Management

The treasury regulations 10.1, 10.2 and 10.3 outline the responsibility for asset management in the departments as outlined by section 38 (1) (d) of the PFMA no1 of 1999, as amended. The act requires the accounting officer of the department to ensure that proper control of systems exists for assets and that

(a) preventative mechanism are in place to eliminate theft, losses, wastage and misuse; and
(b) stock levels are at an optimum and economical level.

The most interesting part, as far as asset management is concerned, is the fact that section 36 (1) (k) of the PFMA prescribes that assets of the departments that are being disposed of, be it immovable or movable assets, should be disposed of at a market-related price or through public tender and or auction, whichever will be to the benefit and advantage of the state. However, the relevant treasury, responsible for the disposing of such movable assets, has powers to determine otherwise – meaning that said treasury may approve that the assets being disposed be may let free of charge or be destroyed without gaining any value back from such assets by the relevant departments.

In the study by IDASA on the implementation of PFMA in South Africa one of the respondents, when asked if asset management was existing within their departments, acknowledged that there was still a challenge in that regard (Wildeman and Jogo, 2012:24). The respondent mentioned lack of skills by those entrusted with the management of assets in the departments as a major obstacle in complying fully with PFMA.

According to Myrick *et al.,*. (2008:3), 18% of the departments that received a qualified audit in 2006, as noted by the Auditor General, had a lack of asset management. The authors noted from the Auditor General's report that the departments were unable to control the assets falling under the control of those department.

Roman (2008:26), in his study of the Department of Community Safety indicated, an instance where the Auditor General in subsequent years (2004/2005 and 2005/2006) had a department of the premier receiving a qualified audit opinion. According to the author the main reason for the qualified audit opinion, among other things, was the handling of asset management by the department

Apparently the Auditor General found that the reasons for those departments struggling with compliance with asset management were that the departments never bothered to update their own asset registers while in other instances the asset register was not even implemented (Myrick *et al.,*. 2008:43-44).

Updating of the asset register is very important for the departments and Luyinda (2008:45) confirms that by highlighting the importance of updating information of the assets regularly. Myrick *et al.*. (2008:59) pointed out that some other departments were unable to update their own assets due to the fact that the department had to make use of the external suppliers to confirm the information pertaining to the asset. The situation in most cases is caused by having suppliers of assets who retain important information pertaining to the assets they sell to the departments.

The situation explained above is contradictory to the role meant to be played by responsible people in the departments, as outlined by the asset management policy of 2006 of the Department of Labour, as pointed out by Moagi (2009:3) in his study assessing the roles of asset officials in relation to compliance with PFMA. The author emphasised that the asset officials were expected to capture all information relating to the asset when bought by the departments, even when the assets leave the departments and that will include updating the asset register regularly for the entire lifecycle of the asset usage in the department.

It should also be noted that the national treasury in 2004 revised the asset management framework that specified what information should be captured or recorded on the asset register (Nair, 2007:13). However, with such a framework in place, as noted by Nair, the auditor general had concerns with how departments wrongly described the assets, among others, in the asset register.

Moagi (2009:3) further explains that the introduction of an integrated SCM function has remedied some of the inefficient methods of procurement and asset management. The author points out that some departments are more concerned with managing assets through inventory control, without assessing the value of the asset in delivering the services the assets are acquired for. The author implies that if an asset is not bringing value for money to the department, it should be taken off the asset register and only assets that are benefiting the department be retained. While still on value for money, the government planned to spend R1.1 trillion by 2013 in order to improve service delivery by government departments which have been lacking (Budget review, 2012:5).

2.10 Budget allocation and spending

Section 27 (3) (a)(b)(c) of the PFMA no 1 of 1999 requires the Minister in the department to table a budget that estimates all revenues expected to be raised for the year in question to estimate current expenditure, and interest and debt-servicing charges. Treasury regulations 5.1 and 5.2 require the accounting officer of an institution to prepare a strategic plan that includes the following among others:

(a) Include the measurable objectives and outcomes for the institution's program.
(b) Include details of proposed acquisitions of fixed or movable capital assets, planned capital investments and rehabilitation and maintenance of physical assets.

In his report Nair (2007:11) rightfully pointed out that departments showed a promising improvement as far as linking budgets and department's strategic plans. The author alluded to the ability of the departments at that time for complying with section 27(4) of the PFMA for documenting budget plans that were not only in line with the strategic being of the departments but also being measurable in terms of quality, quantity and time.

Moagi (2009:31) emphasises the importance of planning in the budgeting process. Moagi points out that with uncertainties in the whole world caused, among others, by the stability or instability of the political environment, it is crucial that planning is done with precision. The author credits the good planning process for better financial management in the government departments.

A budget, as pointed out by Moagi (2009:54), in agreement with Nair, is a tool that allows the government department to align the ways of achieving their objectives, which is better service delivery to the community they serve, and the financial resources at department's disposal. With sufficient financial resources, according to the author, the services that rank the highest in the priority list can then be planned for and executed.

However, in the study that Moagi (2009:121) undertook for the department of Labour in Limpopo, he found that the departmental budget allocation and spending were not in line with the overall departmental operational plan. The author found that the reason the link between the budget and the operational plan did not exist, might have been due to centralisation of budgets of the labour department that hinders the individual departments to make plans that are in line with budget.

Wildeman & Jogo (2010:10) put it simply when explaining that government department have to utilise the public monies for the benefit of the public, not to serve department's own interests. From the views above it can be said that resource allocation by the government departments have to satisfy a need by the public and if such needs are not satisfied then the exercise may be considered to have failed.

Pauw *et al.* in Fourie (2006:930) also explain further the link between strategic planning and the budgeting process. The author highlights the views of Pauw *et al.*, namely that the budgeting process begins when the organisation establishes its vision in terms of how the organisation sees itself and the direction the organisation will take in the future. According to Fourie, when decisions are made for budgeting, strategic planning should take centre stage.

In terms of budget allocation in the past, Fourie (2007:736) points out that management of finances in the government departments concentrated only on controlling the input resources with less monitoring of the actual results achieved. However, Fourie highlights that the introduction of internal control, as recommended by the PFMA 1 of 1999, has improved the management of finances, as budgets are allocated correctly and expenditures are measured to determine if the departments under spend or over spend.

Madue (2007:308) also agrees with Fourie that most of the responsibilities that were brought by the introduction of the PFMA deviated from the old exchequer acts that were rule-driven. Madue emphasises the fact that PFMA requires from managers to budget for services and the rendered services should be measured. It is through these kinds of controls that the quality of financial management improves (Madue, 2007:309).

2.10.1 Utilisation of budget allocation effectively and efficiently

Budget as defined by Safa (2011:4) is a tool that is used to improve service delivery by effectively monitoring allocation and usage of public funds. The author goes further to highlight that department concerned uses annual report to assess how effective the budget allocation was in achieving the objective of the department which is providing better service delivery. Any deviations from budget allocation are easily remedied by officials responsible for budget in the concerned departments (Safa, 2011:21). But the author again makes mention that some of the deviations from planned budget are caused by political instructions that are not in line with the original plans.

The challenge that is experienced in relation to budget allocation is that the needs of the end user are rarely if ever taken into considerations. Safa (2011: 43) found an official in the Department of Basic Education in the Eastern Cape Province admitting that allocation is done based on what the finance officials prefers and needs of the user are never taken to considerations. The officials in that department felt that the needs where based on imagination of other people and not based on the real needs that needed to be prioritised.

Spending of the allocated budget for goods and services relevant to effectively achieving of departments objectives has been problematic. Lewis (2005 :3) refers to a term called 'fiscal dumping" where departments procure goods and services just to utilise the budget allocated to the departments without considering if any value is added during such exercise. This is because the departments are trying to avoid under spending on their budget and to avoid any decrease that may be imposed to them due to failure to utilise their budget.

Lewis also highlight the trend that if department do not under spend on their allocated budget, they usually overspend. A cause for concern is that departments (in this case a health department from year 1998 to 2003) never utilise budget allocated to them effectively and most probably efficiently.

Mnguni (2012:64) also found that utilisation of budget is not according to as planned in the Health Department, in Eastern Cape. The author highlighted that due to improper procurement planned, usually budget was utilised on projects which were not catered or budgeted for. The same scenario happened with South African Police Service were the department entered into lease contracts for accommodation without having money allocated for such proposed expenditure in the budget (Thornhill, 2011 :84).

Managers should be able to account for all monies allocated to their departments and utilise and spend the budget responsibly (Madue, 2007:308). According to Madue, while managers should be left to manage finances, however, care must be exercised that the managers use those budgeted resources efficiently in an economical manner. In this case public money will be used effectively and efficiently, and as Madue pointed out, departments may well and easily be measured by the manner in which budgeted funds are accounted for and the manner in which services are rendered. These arguments led the study to the questioning of the leadership within the departments.

2.11 Leadership

It has been said by Fourie (2007:742) that financial controls are in place in the government department for implementation. However, Fourie identified leadership, amongst others, is a challenge that hampers the implementation of proper and good financial management. The author recommended that leadership of high quality should be entrusted with leading the departments in the area of implementing financial legislations.

The leadership that is accountable, as Fourie (2007:742) pointed out, is the type of leadership that exercises powers vested in them for the benefit of the departments and for the realisation of the overall department's objectives. The author goes further to suggest that any leader that fails to account for funds or misuse the public funds, should be subjected to investigation for financial misconduct and charged if found guilty.

Fourie went further to emphasise that good leadership and good governance go hand in glove (Fourie, 2009:1118). Fourie explains that good leadership in the government department should be able to outline the plans and objectives of the departments and encourage all employees under the leader's command to achieve such objectives. However, Roman (2008:4) found, while doing a study of Department of Safety in Western Cape, that leadership in most cases failed the department to the extent of submitting substandard financial reports to the Auditor General.

The leadership problem in that Department of Safety was more of a challenge to the province to the extent that the new Head of Department was employed to remedy the situation (Roman, 2008:119). It was not clear, however, from Roman's study what caused leadership quality to be as low as it had been. The challenge was somehow linked to lack of skills from those in leadership but it needs to be mentioned that there existed a high vacancy rate of senior manager's post, as Roman (2008:112) highlighted, which may explain a vacuum in leadership at the department.

Mculu (2008:31), while trying to understand the leadership role and better understand skills needed for an effective leadership; found that a transformational style of leadership is recommended. This is based on the fact that transformational leadership involves having followers willingly participating in the endeavours to achieve organisational objectives because of the leader's will for change or the ability of the leader to act as a change agent (Lo *et al*..,2009:138). All this according to Mculu makes better leadership, which affects service delivery positively (Mculu, 2008:139).

2.12 Conclusion

The chapter reviewed work done by other authors on different topics, such as financial reporting and how organisations moved from controlling finances to managing the finances. Financial misconducts by the accounting officers and other employees in the organisations were looked into. Also reviewed was the Supply Chain Management practice with its framework that forms part of effective financial management.

Forming part of the chapter was a discussion on the causes and possible prevention of irregular, fruitless and wasteful expenditures in the departments. The duties of internal audit and audit committees were discussed and the impact of the committees on promoting efficient and effective utilisation of resources was analysed. The competencies of employees working in a financial management environment were discussed.

Asset management, as one of the integral parts of financial management, was discussed in the chapter, together with budget allocation and spending. The impact of leadership, and especially lack of it, was covered briefly in the chapter. The next chapter deals with research design and methodologies used in this study.

CHAPTER 3

3. RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter addresses the issue of research design and which research methodology was used by the researcher. The choices of the research design and methodology is advised by the successful usage of the design and methods by previous researchers. The total population for the study and the sample size is dealt with in this chapter. The other important area that is discussed in the chapter is the location of the study that includes features, characteristics and peculiarities in relation to the concept of the study.

The chapter also contains the method the researcher used to collect data and the techniques for analysing such data. Instrument choices were based on the previous successful usage by other researchers. The researcher employed a survey designed to collect the data from respondents through use of a questionnaire.

A mixed approach was used by the researcher in the form of a quantitative and a qualitative method. The reason the researcher chose to use both qualitative and quantitative methodologies is explained better by Mculu (2008:72) when he highlighted that a mixed method gives the researcher an added advantage on answering the research question. Mculu further points out that usage of one method usually leave a space for incomplete answers and tend to get researchers arriving at the results/conclusions that are not covering the whole problem.

3.2 Area of the study

North-West Province Police Service has three offices around the province. Each cluster has its own supply chain and finance office. The study comprised respondents from three (3) offices, namely the Potchefstroom office (which is a provincial office), the Rustenburg cluster office and the Mafikeng cluster office. The offices are located 200 km away from each other and they operate as accounting offices for the cluster offices surrounding them.

Rustenburg cluster has clusters such as the Brits cluster, the Mmakau cluster and the Zeerust cluster. The Mafikeng cluster has clusters such as the Vryburg cluster and Morokweng and

Potchefstroom, besides being a provincial office, has clusters such as the Klerksdorp cluster, the Lichtenburg cluster and the Wolmaranstad cluster, just to mention few. The location of the clusters are illustrated by the map below.

Source: Google maps

3.3 Population

The population of the study was made up of members of the police who are performing duties in finance and supply chain management environment. The reason the researcher included two departments is because most police financial management activities happen in the mentioned departments. For a respondent to be eligible for inclusion in the study he/she must work in either of the two departments (SCM or Finance).

The majority of the population, however, was dominated by the members at Supply Chain environment. The total number of personnel working in the Finance department and the Supply chain for the three selected areas are 122 in total and the information was supplied by the office of Organisational Development and Strategic Management on the 13th August 2012. The researcher chose only police officials responsible for finances of the department. This method was effective in Ravele's (2007:38) study in which he selected only members who were responsible to address implementation of strategic management issues in the Limpopo provincial government.

3.4 Sample techniques

The study consisted of at least 100 participants who were selected from the group of 122. The researcher used mixed sampling in the form of simple random sampling and area sampling. These sampling methods are probability samples, and with the simple random sampling, each respondent had a chance to be selected from the group of 122. Area sampling assisted the researcher in clustering the SAPS North-West area into a manageable size.

The reason the researcher choose to employ the simple random sampling instead of other methods, such as stratified random sampling, is because the researcher considered using the total population in which all participants had an equal chance of being selected. Ravele (2007:38) used total population in her study because the population was manageable and, therefore, the researcher for this study included area sampling for the purpose of managing the population.

3.5 Data collection instrument

Gilbert (2008:5) said that in choosing a data collection instrument the decision is solely based on the results the selected instrument is capable of producing. The researcher deployed the use of questionnaires with the majority of questions close-ended and few open-ended questions to collect data. Open-ended questions contained the sentence-completion type. The researcher chose the use of the questionnaire instead of other methods, such as telephone interviewing so that the respondents may answer the questions at a convenient time when free from other work schedules. Other researchers, such as Yozi (2009:34) recommends the use of questionnaires for reasons such as time saving and obtaining a better response by participating respondents.

It is important for the researcher to meet respondents face to face and administer questionnaires personally; therefore, the telephone interviews would have been ineffective. The researcher did not pilot the questionnaire for the purpose of revealing weaknesses of the questionnaire, if any, due to time constraints. The questionnaires were hand-delivered to the respondents and collected after the respondents have had a chance to complete them.
The types of measurements used by the researcher were nominal and ratio, in which information was labelled by numbers. For measuring opinions of the respondents, the researcher used Likert scale questions.

3.5.1 Data analysis

The researcher made use of the Statistical Package of Social Science (SPSS) which is statistical software used to analyse data. SPSS helped the researcher in tabulating data collected through the questionnaire. The other advantage of using SPSS is that the researcher was able to identify relationships between variables being measured using cross tabulation. The results were shown in percentage form. This software was used successfully by Naidoo (2010:57) and the author was able to perform descriptive and statistical analysis.

3.5.2 Reliability of the research instrument

Pre-testing of the questionnaire was not performed by the researcher, as highlighted earlier; however, questionnaires were easily understood by the respondents as all questions were based on respondents' day to day work. The questionnaire was designed in a manner that any independent researcher who may use the same questionnaire for a similar study can arrive at the same results.
The researcher however, made use of internal consistency reliability (coefficient alpha) as used by Naidoo (2010:55) who mentioned that this method "is suitable for summated scales such as the Likert scale". The researcher prefers the method because it is easy to check the reliability of the instrument through a scale. On the scale of (0 – 1) the instrument that scores anything less than 0.6 is not reliable and more than 0.6 will render the instrument reliable (Naidoo, 2010:56). In this case the instrument scored 0.684 with four questions of similar meaning and 0.833 with two questions of similar meaning. Therefore, the instrument was reliable.

3.5.3 Validity

The questionnaire had questions that measured the financial management control within SAPS, and questions to answer objectives as outlined by the researcher. The researcher made use of Convergent validity, which was used successfully by Naidoo (2010:56) whereby data from one section of the questionnaire is compared with the data of the other section to check for correlation. For example data generated by questions on wasteful and fruitless expenditure can be checked for any correlation against data on financial misconduct.

3.6 Ethical considerations

Matters of Financial management are sensitive in nature and, therefore, ethical considerations were taken into consideration by the researcher. The researcher guaranteed the confidentiality of the respondents and respondent's identities will remain confidential. The questionnaire gave respondents the option to reveal or withhold their identities.

All respondents were informed of the right not participate in the study if respondents wished to do so. The instruction / information of the right to choose to participate were included in the letter inviting respondents to take part in the study.

3.6.1 Permission to conduct the study

Permission to undertake the study was requested from the Head of Finance and SCM in all three identified areas. The researcher made use of the standard letter to request permission, which was supplied by the North-West University and is attached to the report.

3.7 Conclusion

The chapter covered the research design and methodology the researcher employed in the study, and the area of the study, which was illustrated by a map. The population, sample techniques employed and the instrument used for data collection and analysis was dealt with in this chapter. Reliability and validity of the research instrument together with ethical considerations were also covered in detail in the chapter.

CHAPTER 4
4. Data Analysis

4.1 Introduction

In this chapter the data collected by means of questionnaires are analysed by means of the SPSS software. The results are then linked to theory.

4.2 Response rate

A total of 80 questionnaires were distributed by the researcher in three selected areas, namely Mafikeng, Potchefstroom and Rustenburg. Only 62 questionnaires were received from Potchefstroom and Mafikeng and few from Finance in Rustenburg. All questionnaires distributed to Rustenburg Supply Chain Management and a few from Finance were not collected, the reason being that members selected to answer the questionnaires were reported to be busy after the "Marikana tragedy". The tragedy involved fatal shooting of protesters from the local mining company by the members of the South African Police Service.

4.3 Demographic data

4.3.1 In this section the ages, gender and salary levels of participating employees are reported. The other areas covered are the divisions and localities where the employees work.

Table 1 Analysis of variables

		What is your age?	What is your gender?	What rank/ salary level are you?	Which division do you work for?	Choose the location where you work.
N	Valid	62	62	60	62	61
	Missing	0	0	2	0	1

The Table shows that the 62 questionnaires were received and respondents answered all variables except that two (2) chose not to indicate their salary level and one (1) who did not indicate the location of work.

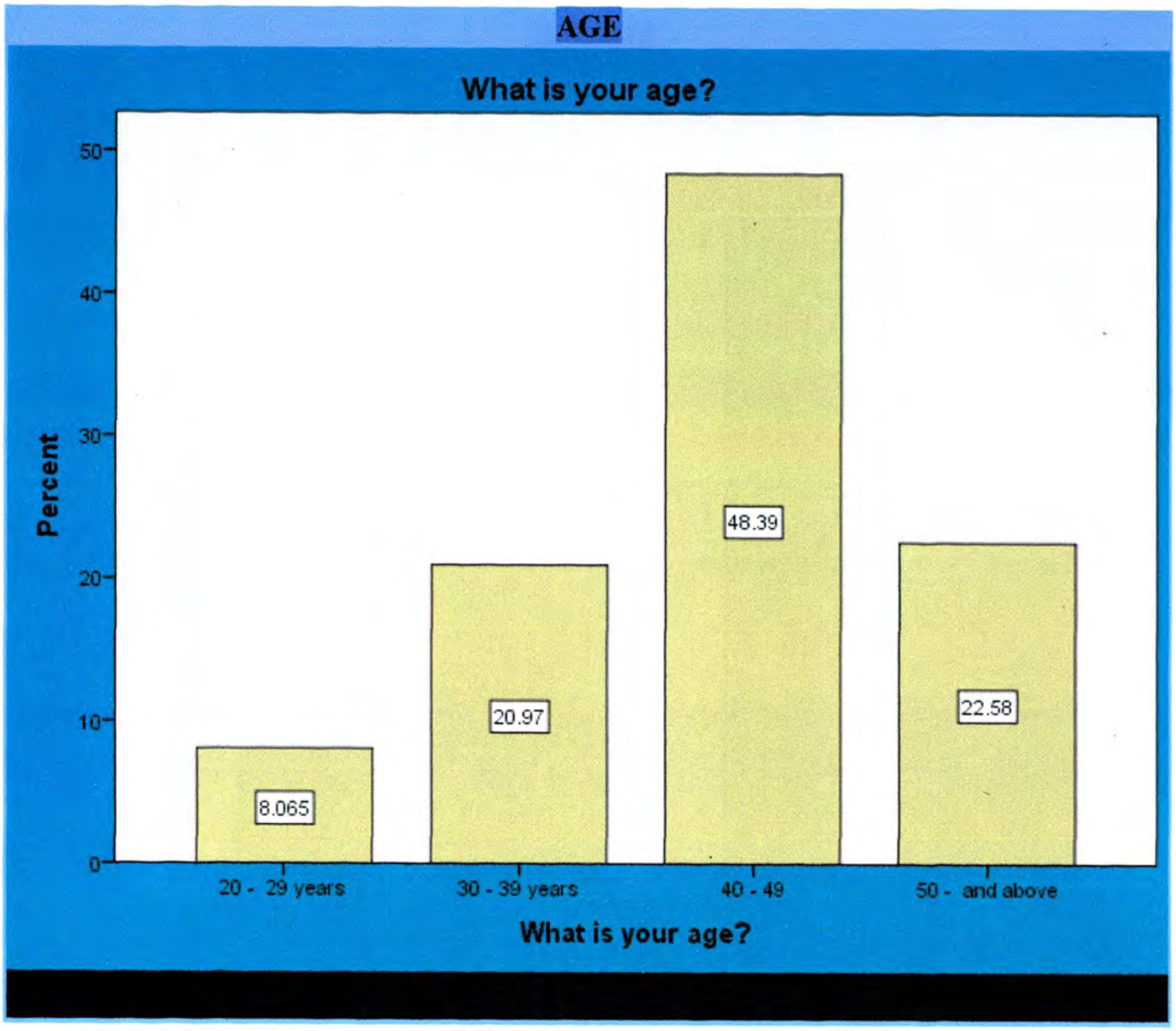

Figure 1

The graph above indicates that out of 62 respondents the majority (48%) were aged between 40 and 49 years, followed by 22% in the age group of 50 and above . The age groups that were less represented are ages 30 to 39 years with 20% and the lowest being 20 to 29 years representing 8% of respondents.

GENDER

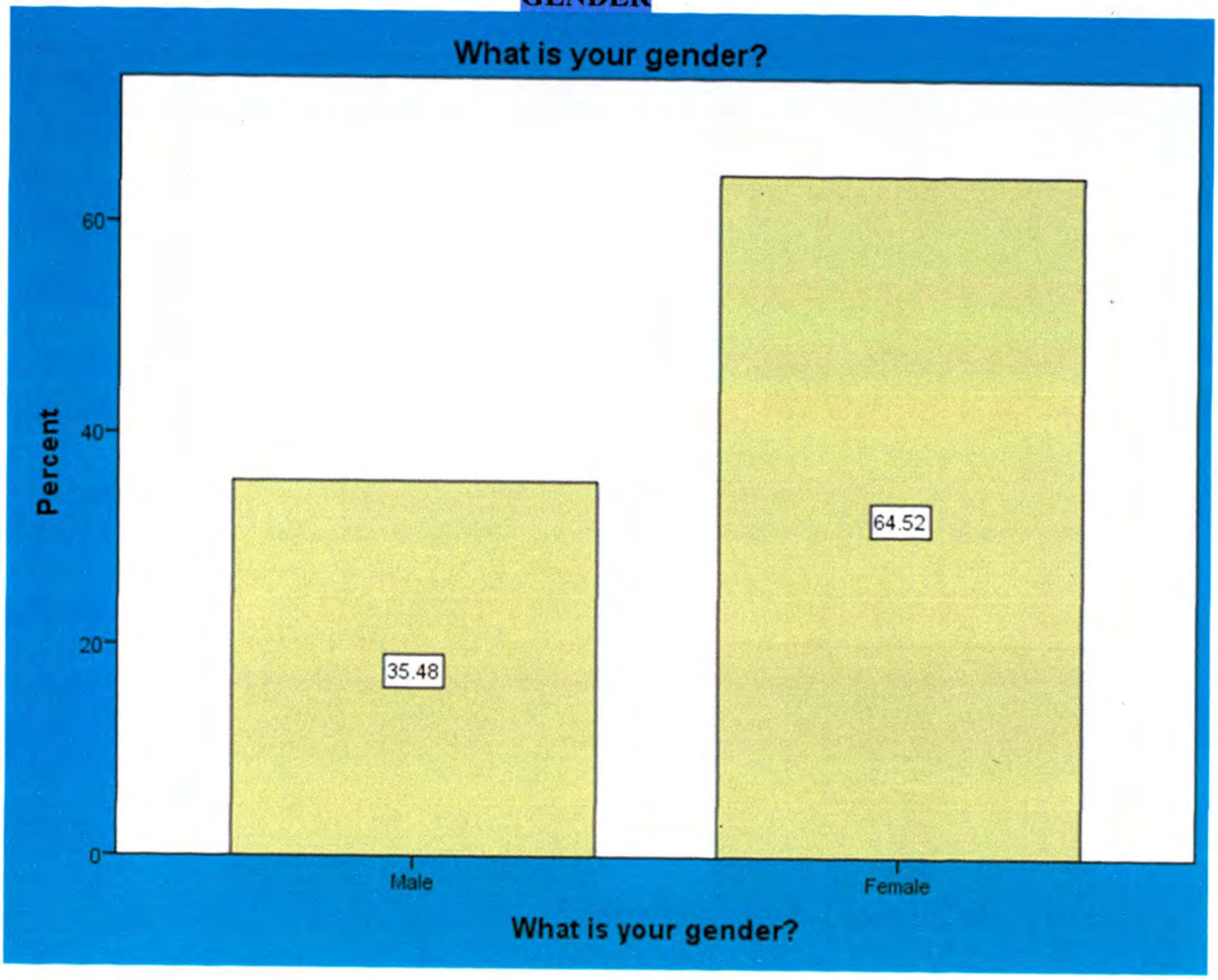

Figure 2

The graph shows that out of 62 respondents, 65% were female with male counterparts making the other 35%.

DIVISION

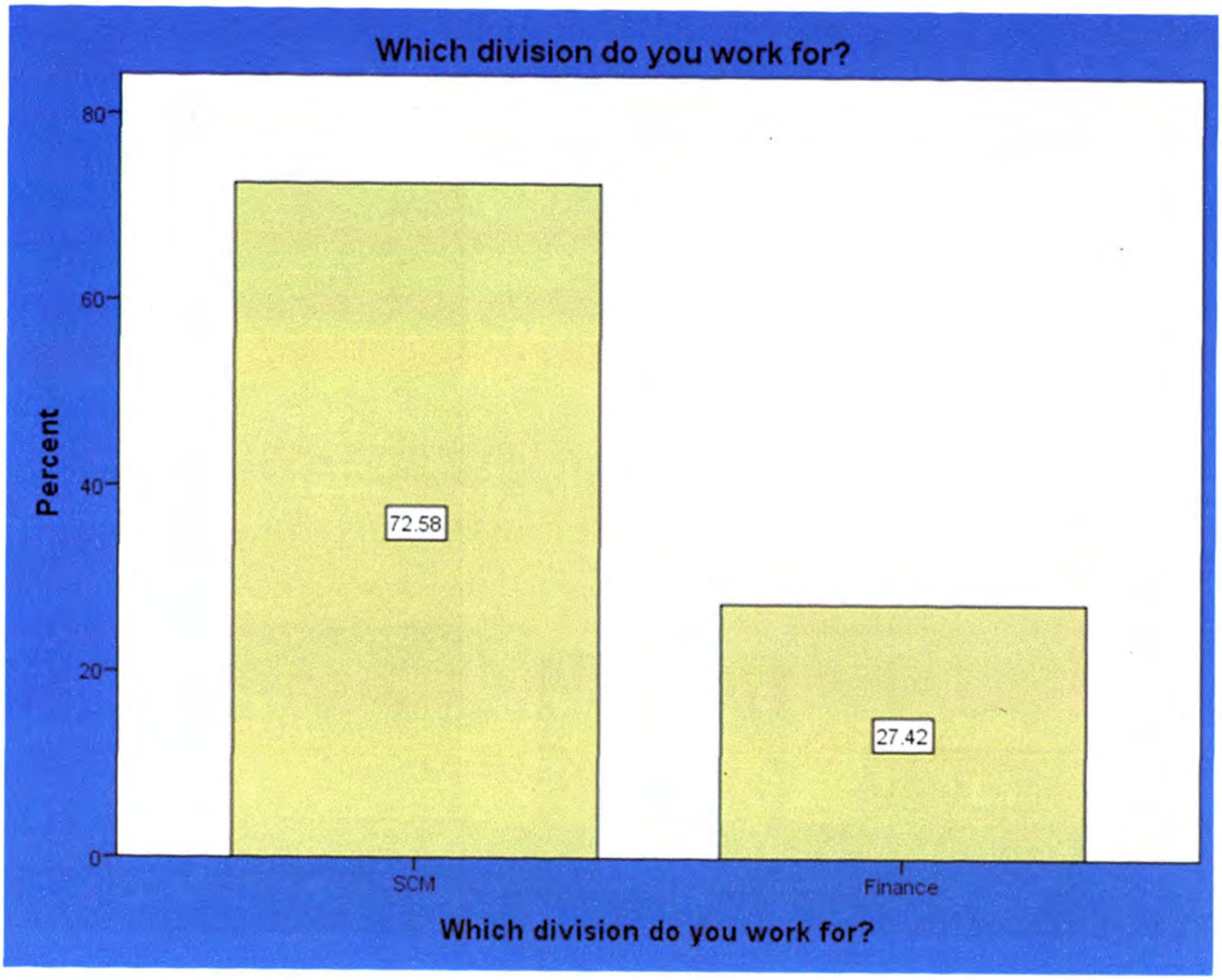

Figure 3

The majority of respondents who took part in this study were members from the Supply Chain Management environment. The graph clearly shows that 73 % of the respondents belonged to the SCM with Finance only contributing 27% of the total number of participants.

LOCATION

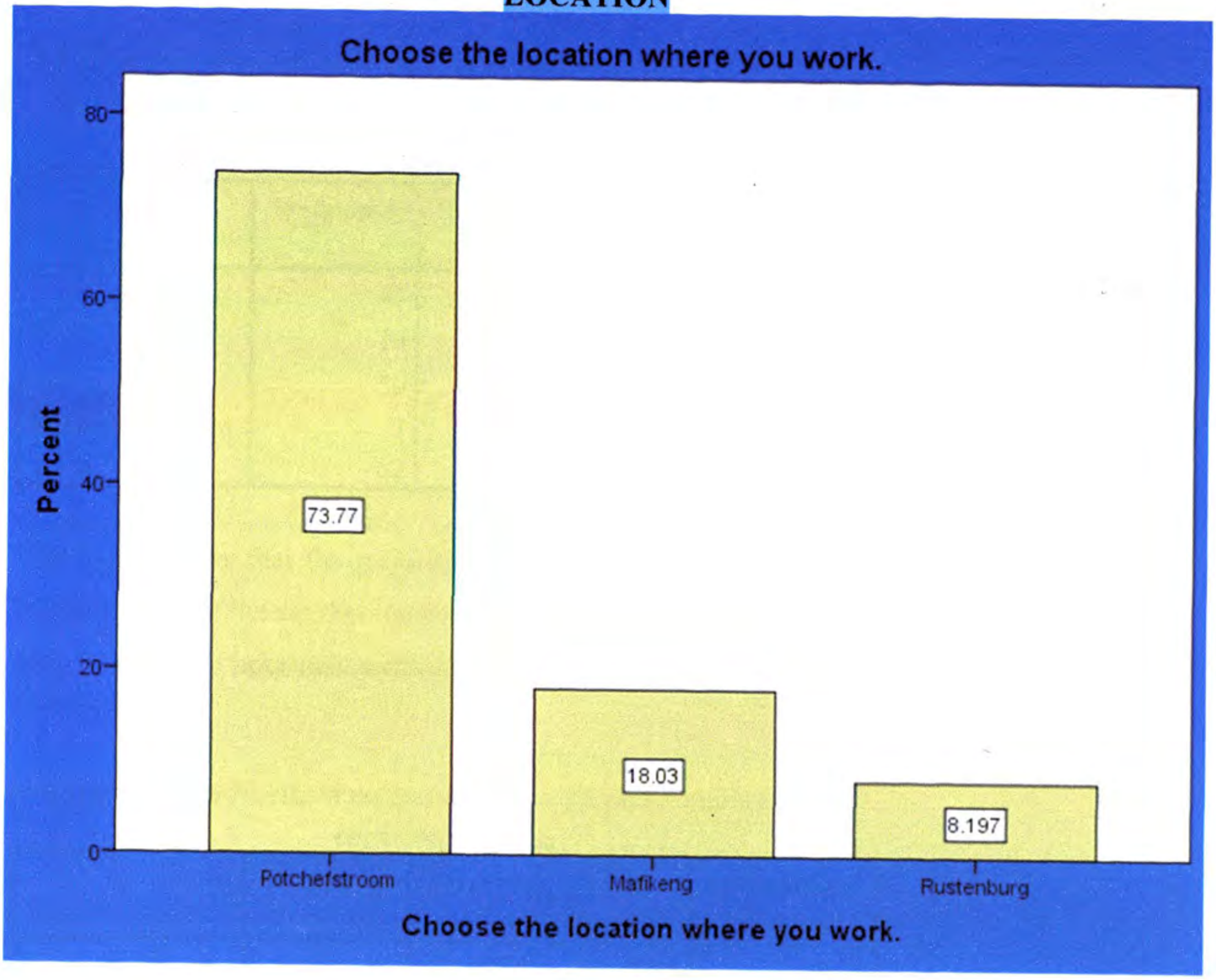

Figure 4

The study consisted of members working in three areas, namely: Potchefstroom, Rustenburg and Mafikeng. Potchefstroom members accounted for 74% of the total respondents with Mafikeng contributing 18 %. Rustenburg, due to the unavailability of respondents mainly from the Supply Chain Management environment, contributed 8% of the total.

4.4 Financial management and reporting

Table 2 Do you know of PFMA no 1 of 1999

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	45	72.6	76.3	76.3
	No	14	22.6	23.7	100.0
	Total	59	95.2	100.0	
Missing	System	3	4.8		
Total		62	100.0		

The Table shows that the majority of members of the police (76%) working at SCM and Finance know of the act that regulates the management of finances (PFMA no 1 of 1999) and only 24% had no information about the act.

Table 3 SAPS North-West has effective financial management controls in place.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	43	69.4	74.1	74.1
	No	15	24.2	25.9	100.0
	Total	58	93.5	100.0	
Missing	System	4	6.5		
Total		62	100.0		

This Table shows that 74% members working at SCM and Finance believe that effective financial controls are in place at SAPS North-West. However, the other 26% believe that controls are ineffective.

Table 4 All monies owed to SAPS are collected in time without delays

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	38	61.3	66.7	66.7
	No	19	30.6	33.3	100.0
	Total	57	91.9	100.0	
Missing	System	5	8.1		
Total		62	100.0		

Of the respondents 67% believe that all monies owed to SAPS in North-West are recovered in time, while 33% believe that debts are not collected in time by SAPS.

Table 5 SAPS North-West financial reports on time

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	8	12.9	14.0	14.0
	Agree	45	72.6	78.9	93.0
	Disagree	4	6.5	7.0	100.0
	Total	57	91.9	100.0	
Missing	System	5	8.1		
Total		62	100.0		

The Table above shows that 79% of the respondents agree that financial reports are done in time by SAPS in North-West and 14% of the respondents strongly agree that financial reports are done in time according to PFMA requirements. Only 7% of the respondents are not convinced that the financial reporting is done in time as required by PFMA.

Table 6 People are charged with financial misconduct when found guilty in SAPS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strong agree	14	22.6	24.1	24.1
	Agree	34	54.8	58.6	82.8
	Strongly agree	5	8.1	8.6	91.4
	Disagree	5	8.1	8.6	100.0
	Total	58	93.5	100.0	
Missing	System	4	6.5		
Total		62	100.0		

The majority of the respondents agree that people found to have committed financial misconduct are charged as required by the act. Of the respondents, 24% agree that people are charged with financial misconduct and 59 % strongly agree. Only 17 % of the respondents do not agree that people are charged with financial misconduct.

4.5 SCM practices and Treasury regulations

Table 7 SCM practices in SAPS North-West are fair

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	9	14.5	16.4	16.4
	Agree	37	59.7	67.3	83.6
	Strongly disagree	3	4.8	5.5	89.1
	Disagree	6	9.7	10.9	100.0
	Total	55	88.7	100.0	
Missing	System	7	11.3		
Total		62	100.0		

The Table shows that 16% of the respondents strongly agree that SCM practices are fair to all. The majority of the respondents (67%) agree that SCM practices are fair. Of the respondents 11% strongly disagree with the above statement and the remaining 6% disagree that the SCM practices in SAPS North-West are fair.

Table 8 Procurement practices in SAPS North-West are transparent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	9	14.5	16.7	16.7
	Agree	37	59.7	68.5	85.2
	Strongly disagree	2	3.2	3.7	88.9
	Disagree	6	9.7	11.1	100.0
	Total	54	87.1	100.0	
Missing	System	8	12.9		
Total		62	100.0		

The majority (68%) of the respondents agree that procurement practices are transparent, while 17% strongly agree. Of the respondents 11% of the respondents disagree and fewer respondents (4%) strongly disagree.

Table 9 Standard Bidding Forms (SBD) are easy to use by all

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	7	11.3	13.2	13.2
	Agree	37	59.7	69.8	83.0
	Strongly disagree	3	4.8	5.7	88.7
	Disagree	6	9.7	11.3	100.0
	Total	53	85.5	100.0	
Missing	System	9	14.5		
Total		62	100.0		

The Table above shows that 70% of the respondents agree that Standard Bidding Form (SBD) is easy to use, and 13% strongly agree while 11% of the respondents disagree. The other 6% strongly disagree that the SBD forms are easy to use.

Table 10 I am familiar with treasury regulations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	9	14.5	16.7	16.7
	Agree	40	64.5	74.1	90.7
	Strongly disagree	1	1.6	1.9	92.6
	Disagree	4	6.5	7.4	100.0
	Total	54	87.1	100.0	
Missing	System	8	12.9		
Total		62	100.0		

The majority (91%) of the respondents are familiar with treasury regulations that are applicable to the environment in which respondents work in every day. However, 9% of the respondents reported not to know of the treasury regulations that are applicable to the working environment of the respondents.

4.6 Fruitless and wasteful expenditure

Table 11 Measures are in place to stop waste and fruitless expenditure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	11	17.7	18.0	18.0
	Agree	35	56.5	57.4	75.4
	Strongly disagree	4	6.5	6.6	82.0
	Disagree	11	17.7	18.0	100.0
	Total	61	98.4	100.0	
Missing	System	1	1.6		
Total		62	100.0		

The majority of respondents (75%) agree that measures are in place to stop wasteful and fruitless expenditure. However, 25% of the respondents disagree and believe that controls in place are not enough to stop wasteful and fruitless expenditures.

Table 12 I know of internal audit committees at SAPS North-West

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	54	87.1	90.0	90.0
	No	6	9.7	10.0	100.0
	Total	60	96.8	100.0	
Missing	System	2	3.2		
Total		62	100.0		

Of the respondents (90%) reported to know of the existence of internal audit committees at SAPS in North-West. However, 9% of the respondents have no idea if internal audit committees existed in SAPS North-West.

Table 13 Employees who commit wasteful and fruitless expenditure are disciplined by management

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	13	21.0	21.7	21.7
	Agree	29	46.8	48.3	70.0
	Strongly disagree	4	6.5	6.7	76.7
	Disagree	14	22.6	23.3	100.0
	Total	60	96.8	100.0	
Missing	System	2	3.2		
Total		62	100.0		

The Table shows that respondents (48%) agree that employees committing wasteful and fruitless expenditure are eventually disciplined by the management and 22% of the respondents strongly agree. However, 23% of the respondents disagree and believe that employees found to have committed fruitless and wasteful expenditures are never disciplined by the management. The same views are held by 7%, who strongly disagree.

Table 14 Monies lost through fruitless and wasteful expenditure are recovered from employees concerned

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	12	19.4	20.3	20.3
	Agree	26	41.9	44.1	64.4
	Strongly disagree	5	8.1	8.5	72.9
	Disagree	16	25.8	27.1	100.0
	Total	59	95.2	100.0	
Missing	System	3	4.8		
Total		62	100.0		

The Table shows that 64% of the respondents agree that penalties incurred through fruitless and wasteful expenditures are recovered from the responsible employees; however, 36% disagree.

4.7 Training and budget allocation

Table 15 I received training in SCM practices

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	33	53.2	58.9	58.9
	No	23	37.1	41.1	100.0
	Total	56	90.3	100.0	
Missing	System	6	9.7		
Total		62	100.0		

Of respondents 59% received training in SCM practices, of which most of the respondents are working in the SCM environment, while 41% of the respondents had no training in SCM practices and work mainly in the Finance department.

Table 16 I received training in finance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	21	33.9	35.6	35.6
	No	38	61.3	64.4	100.0
	Total	59	95.2	100.0	
Missing	System	3	4.8		
Total		62	100.0		

The Table above shows that 36% of respondents received training in Finance, of which most of the respondents are working in the Finance environment, with 64% of the respondents having had no training in Finance and work mainly in the SCM department.

Table 17 Enough training was given to the members at SCM environment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	3	4.8	5.9	5.9
	Agree	32	51.6	62.7	68.6
	Strongly disagree	3	4.8	5.9	74.5
	Disagree	13	21.0	25.5	100.0
	Total	51	82.3	100.0	
Missing	System	11	17.7		
Total		62	100.0		

Of the respondents 63% agree that enough training was given to members at SCM and 6% strongly agree with the statement. However, 25% of the respondents disagree with the above statement and believe that training given to the members in the SCM environment is not enough. The same views are held by 6% of the respondents who strongly disagree that enough training was given to the members in the SCM environment.

Table 18 Enough training is given to the members at Finance environment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	3	4.8	5.7	5.7
	Agree	31	50.0	58.5	64.2
	Strongly disagree	4	6.5	7.5	71.7
	Disagree	15	24.2	28.3	100.0
	Total	53	85.5	100.0	
Missing	System	9	14.5		
Total		62	100.0		

The above Table shows that 59% of the respondents agree that enough training is given to members working in the finance environment and 6 % strongly agree with statement. However, 28% disagree and believe that training given to the members at Finance environment is not enough. The same views were echoed by 7% of the respondents who strongly disagree that enough training is given to the members at Finance environment.

Table 19 SAPS North-West spend all the money allocated to them every financial year

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	18	29.0	31.6	31.6
	Agree	29	46.8	50.9	82.5
	Strongly disagree	1	1.6	1.8	84.2
	Disagree	9	14.5	15.8	100.0
	Total	57	91.9	100.0	
Missing	System	5	8.1		
Total		62	100.0		

The Table shows that 51% of the respondents agree that SAPS in North-West spend all monies allocated for use in every financial year. The same views are held by 32% of the respondents who strongly agree with the above statement. Only 16% disagree and feels money is not well spend, which is also the view shared by 1% of respondents who strongly disagree.

Table 20 Budget is allocated according to the needs of different offices

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	6	9.7	10.0	10.0
	Agree	34	54.8	56.7	66.7
	Strongly disagree	7	11.3	11.7	78.3
	Disagree	13	21.0	21.7	100.0
	Total	60	96.8	100.0	
Missing	System	2	3.2		
Total		62	100.0		

Of the respondents 57% agree that needs of different offices are taken into considerations when budget is allocated, and the same views are applicable to 10% of the respondents who strongly agree. Other respondents (22%) disagree with the view that budget is allocated according to the needs of different office and were supported by 11% who strongly disagree.

Table 21 Budget spending is according to the planned expenditure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	6	9.7	10.2	10.2
	Agree	31	50.0	52.5	62.7
	Strongly disagree	5	8.1	8.5	71.2
	Disagree	17	27.4	28.8	100.0
	Total	59	95.2	100.0	
Missing	System	3	4.8		
Total		62	100.0		

The Table above shows that 53% of the respondents agree that budget spending is according to the planned expenditure and the same views are applicable to 10% of the respondents who strongly agree. However, other respondents (29%) disagree with the view that budget spending is according to the planned expenditure, and were supported by 8% who strongly disagree.

Table 22 In your opinion, the management of finances at SAPS North-West is

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Excellent	10	16.1	16.1	17.7
	Good	16	25.8	25.8	43.5
	Fair	9	14.5	14.5	58.1
	Poor	9	14.5	14.5	72.6
	No comment	18	28.6	29.0	100.0
	Total	62	100.0	100.0	

The views of the respondents differed widely regarding the status of the financial management at SAPS North-West. According to 16% and 26%, respectively, the management of finances at SAPS in North-West is excellent and good. The other 15% said the management of finances is fair while 14% said it is poor. The other respondents (29%) declined to comment on the matter of management of finances.

Table 23 Wasteful and fruitless expenditure is caused by

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Management	10	16.1	16.1	16.1
	Incompetent members	17	27.4	27.4	43.5
	Poor planning	11	17.7	17.7	61.3
	No comment	13	21.0	21.0	82.3
	not following procedures	11	17.7	17.7	100.0
	Total	62	100.0	100.0	

According to the Table above fruitless and wasteful expenditures are caused by incompetence of members (27%) followed by poor planning (18%), and management (16%) was also cited as the cause. The other respondents (18%) said that fruitless and wasteful expenditure are caused mainly by not following procedures in place that regulate how certain processes should be executed. The other 21% declined to comment.

Cross-Tabulations

Purpose of using cross tabulation is to determine if any relationship exist between variables.

Table 24 Which division do you work for? * SCM practices in SAPS North-West are fair

			SCM practices in SAPS North-West are fair				Total
			Strongly agree	Agree	Strongly disagree	Disagree	
Which division do you work for?	SCM	Count	8	29	3	5	45
		% of Total	14.5%	52.7%	5.5%	9.1%	81.8%
	Finance	Count	1	8	0	1	10
			10.0%	80.0%	0.0%	10.0%	100.0%
		% of Total	1.8%	14.5%	0.0%	1.8%	18.2%
Total		Count	9	37	3	6	55
			16.4%	67.3%	5.5%	10.9%	100.0%
		% of Total	16.4%	67.3%	5.5%	10.9%	100.0%

The Table above shows that 57% of the respondents who agree that SCM practices are fair in SAPS North-West are from the SCM environment, as compared to only 17% of the respondents working in the Finance environment. Only 8% of members in the SCM environment disagree that SCM practices are fair as compared to respondents from Finance who only 2% choose to disagree.

Table 25 Which division do you work for? * Measures are in place to stop waste and fruitless expenditure

			Measures are in place to stop waste and fruitless expenditure				Total
			Strongly agree	Agree	Strongly disagree	Disagree	
Which division do you work for?	SCM	Count	8	26	2	8	44
		% within Which division do you work for?	18.2%	59.1%	4.5%	18.2%	100.0 %
		% of Total	13.1%	42.6%	3.3%	13.1%	72.1%
	Finance	Count	3	9	2	3	17
		% within Which division do you work for?	17.6%	52.9%	11.8%	17.6%	100.0 %
		% of Total	4.9%	14.8%	3.3%	4.9%	27.9%
Total		Count	11	35	4	11	61
		% within Which division do you work for?	18.0%	57.4%	6.6%	18.0%	100.0 %
		% of Total	18.0%	57.4%	6.6%	18.0%	100.0 %

The Table above shows that 77% of the respondents agree that measures are in place to curb fruitless and wasteful expenditure, while only 20% from Finance also agree that controls in place are enough to stop fruitless and wasteful expenditure. Of the respondents that disagree that measures are in place to stop wasteful and fruitless expenditure 22% were members in the SCM environment and 8% were from members in the Finance environment.

Table 26 Which division do you work for? * SAPS North-West has effective financial management controls in place.

			SAPS North-West has effective financial management controls in place.		Total
			Yes	No	
Which division do you work for?	SCM	Count	31	10	41
		% within Which division do you work for?	75.6%	24.4%	100.0 %
		% of Total	53.4%	17.2%	70.7 %
	Finance	Count	12	5	17
		% within Which division do you work for?	70.6%	29.4%	100.0 %
		% of Total	20.7%	8.6%	29.3 %
Total		Count	43	15	58
		% within Which division do you work for?	74.1%	25.9%	100.0 %
		% of Total	74.1%	25.9%	100.0 %

The Table shows that 53% of respondents who agree that SAPS North-West has effective financial controls in place are from the SCM environment and Finance only make up 21%. For the respondents that disagree that effective financial controls are in place are 17% are from SCM and 9% from Finance.

Table 27 Choose the location where you work. * I know of internal audit committees at SAPS North-West

			I know of internal audit committees at SAPS North-West		Total
			Yes	No	
Choose the location where you work.	Potchefstroom	Count	40	3	43
		% within Choose the location where you work.	93.0%	7.0%	100.0%
		% of Total	67.8%	5.1%	72.9%
	Mafikeng	Count	9	2	11
		% within Choose the location where you work.	81.8%	18.2%	100.0%
		% of Total	15.3%	3.4%	18.6%
	Rustenburg	Count	5	0	5
		% within Choose the location where you work.	100.0%	0.0%	100.0%
		% of Total	8.5%	0.0%	8.5%
Total		Count	54	5	59
		% within Choose the location where you work.	91.5%	8.5%	100.0%
		% of Total	91.5%	8.5%	100.0%

The Table shows that 68% of respondents who know that SAPS North-West has internal audit committees are from Potchefstroom area, 15% from Mafikeng and Rustenburg only make up 8.5%. For the respondents that do not know of any internal audit committees in SAPS North-West, 5% are from Potchefstroom and 3% from Mafikeng. All respondents from Rustenburg indicated awareness of the existence of internal audit committees.

Table 28 Which division do you work for? * Budget spending is according to the planned expenditure

			Budget spending is according to the planned expenditure				Total
			Strongly agree	Agree	Strongly disagree	Disagree	
Which division do you work for?	SCM	Count	5	23	3	11	42
		% within Which division do you work for?	11.9%	54.8%	7.1%	26.2%	100.0%
		% of Total	8.5%	39.0%	5.1%	18.6%	71.2%
	Finance	Count	1	8	2	6	17
		% within Which division do you work for?	5.9%	47.1%	11.8%	35.3%	100.0%
		% of Total	1.7%	13.6%	3.4%	10.2%	28.8%
Total		Count	6	31	5	17	59
		% within Which division do you work for?	10.2%	52.5%	8.5%	28.8%	100.0%
		% of Total	10.2%	52.5%	8.5%	28.8%	100.0%

The Table shows that 48% of respondents who agree that budget spending is according to the planned expenditure are from the SCM environment and Finance only make up 16%. For the respondents that disagree that plan is followed when the budget is spent, 24% are from SCM and 13% from Finance.

Table 29 Which division do you work for? * Do you know of PFMA no 1 of 1999

			Do you know of PFMA no 1 of 1999		Total
			Yes	No	
Which division do you work for?	SCM	Count	30	13	43
		% within Which division do you work for?	69.8%	30.2%	100.0%
		% of Total	50.8%	22.0%	72.9%
	Finance	Count	15	1	16
		% within Which division do you work for?	93.8%	6.2%	100.0%
		% of Total	25.4%	1.7%	27.1%
Total		Count	45	14	59
		% within Which division do you work for?	76.3%	23.7%	100.0%
		% of Total	76.3%	23.7%	100.0%

The Table shows that 51% of respondents who know about PFMA no 1 of 1999 are from the SCM environment and Finance contributed 25%. Of the respondents that do not know about the PFMA, 22% are from SCM and 2% from Finance.

Table 30 What rank/ salary level are you? * Do you know of PFMA no 1 of 1999

			Do you know of PFMA no 1 of 1999		Total
			Yes	No	
What rank/ salary level are you?	level 3 - 5	Count	9	8	17
		% within What rank/ salary level are you?	52.9%	47.1%	100.0 %
		% of Total	15.8%	14.0%	29.8%
	level 6	Count	1	0	1
		% within What rank/ salary level are you?	100.0%	0.0%	100.0 %
		% of Total	1.8%	0.0%	1.8%
	level 7	Count	11	0	11
		% within What rank/ salary level are you?	100.0%	0.0%	100.0 %
		% of Total	19.3%	0.0%	19.3%
	level 8 and above	Count	24	4	28
		% within What rank/ salary level are you?	85.7%	14.3%	100.0 %
		% of Total	42.1%	7.0%	49.1%
Total		Count	45	12	57
		% within What rank/ salary level are you?	78.9%	21.1%	100.0 %
		% of Total	78.9%	21.1%	100.0 %

The Table above shows that 47% of members at level 3-5 did not have knowledge of PFMA no 1 of 1999 and also 14% of the members at level 8- and above indicated no knowledge in matters related to PFMA.

4.8 Conclusion

The chapter analysed all data that was collected by administration of questionnaires and all statistical information was also analysed.

CHAPTER 5

DISCUSSION OF THE RESULTS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The results analysed in Chapter 4 are interpreted in depth in this chapter and recommendations are made, based on the findings. The interpretation follows an organised structure as applicable to the questionnaire, with data from the Demographic Data interpreted first, and then followed by Financial Management and Reporting. The interpretation of SCM Practices and Treasury Regulations follows the structure and finally the section on Fruitless and Wasteful Expenditure is followed by the section dealing with Training and Budget Allocation.

5.2 Interpretation of the results

5.2.1 Demographic data

The age groups represented ranged from 20-29 years, 30 – 39 years, 40 – 49 years and 50- and above. The results show that most employees working in the financial management environment are mostly 40-49 years old. That means the majority of the employees in this environment have been working with finances of the organisation and have experience in the matters that relate to the field of financial management.

The female gender dominates at Finance and SCM at SAPS North-West. That is mainly due to the equity being balanced according to the equity policy as applicable to the South African Police Service. The nature of duties at SCM and Finance can be performed by males or females, irrespective of gender.

The salary levels represented in the study included level 3 -5, level 6, level 7 and level 8- and above. From the data it appears that the majority of the respondents are at level 8- and above, which means that the respondents are managers or supervisors in the organisations. That is so because level 8 at SAPS represent a junior management position and, therefore, the views that dominated the study were from employees who understand the responsibilities of effectively managing financial resources. However, the other level which was represented fairly is the entry or junior level of level 3-5. The majority of the employees in this level are either new to the organisation or have been with the organisation for a long time without being promoted.

The divisions or departments chosen to participate in this study are Finance and SCM, the reason being that most financial management activities happen within the two departments. The majority of the members that participated in the study are from the SCM environment, as expected, because of the fact that the SCM department employs more members than the Finance department.

The locations chosen for this study were Mafikeng, Potchefstroom and Rustenburg. However, due to unforeseen circumstances in Rustenburg majority of the respondents from that area were unable to participate in the study after initially being part of the study. Potchefstroom had the majority of employees and it is so because it is a provincial office to which all other offices in the province are reporting. Mafikeng had a few members who participated and Rustenburg had the smallest representation in the study, as only members who participated from that area were from Finance, with no member from SCM in the area.

5.2.2 Financial management and reporting

The results show that at least the majority of the respondents that participated in this study know about the act that regulates public finance, which is PFMA no 1 of 1999. However, while it is expected that every person working at SCM and Finance department of SAPS should know of the act, it was disappointing to note that a quite number of respondent do not know about the act.

The respondents who confirmed lack of knowledge in PFMA 1 of 199 were mostly in level 3-5, as shown in the cross tabulation, (Level and Knowledge of PFMA). This scenario can easily be remedied by introducing new employees in this environment to acts that regulates the profession of financial management; however, the worrying factor was that 14% of junior managers also admitted to not having any knowledge in PFMA.

The literature confirms that the introduction of PFMA have reduced inefficiencies in the management of finances in the government departments as highlighted by Woods (2011), hence with majority of respondents knowing of the act increased the efficient management of finances at SAPS.

The issue of the effectiveness of financial management controls in SAPS North-West had many respondents admitting to have confidence in the measures in place to control financial resources. However, 24% of the respondents still believe that more needs to be done before SAPS in North-West has effective controls in place to manage financial resources. As literature suggest, in order for departments to deliver service of high quality to the communities, departments need an effective financial management controls that will enable utilisation of resources in an efficient and effective manner as stipulated by the constitution of South Africa ,section 215:1 and emphasised by PFMA (Roman,2008: 8).

SAPS in North-West like any other police department in the entire South Africa is required to collect any monies people owe the state, be it internally or externally. The results shows that while 66% believe that SAPS is collecting money owed to the state the other 33% found it hard to believe that SAPS is collecting monies owed to the state. The reason other respondents find it hard to believe, is because some of the members internally owe the state money in the form of unpaid telephone accounts, to name few, which are never recovered, or recovered late. According to the literature, departments takes 8 (eight) months to recover debt (Taljaard, 2010:87), which suggest that SAPS may also be struggling in terms of collecting from their debtors.

Reporting financial positions in time has in the past years been one of the Auditor General's biggest challenges. The results from the study show that almost 85% of the respondents believe that financial report are always submitted to relevant authorities in time. Therefore, SAPS North-West performs as required in this instance, as only 6.5% said reports are never in time. The Auditor General has never queried SAPS nationally for submission of annual reports late for auditing, hence it means SAPS North West contribute to that success. The audit committee in North West is effective in this regard by ensuring that management report in time as mentioned in the literature that the committee should ensure such compliance (Van Der Nest *et al*, 2008:550).

The results show that members of the police who commit financial misconducts are charged criminally. According to 83% of the respondents, members found to have committed financial misconduct at SAPS in North-West are charged as stipulated by PFMA. However, 17% of the respondents do not believe that people are charged after having been found in contravention of the act. Therefore, there can exist some inconsistency in the manner management handles matters of financial misconduct, which means other members who are not favoured, are charged while those who are favoured by management, are left alone to avoid the penalty. The inconsistency can be caused by many things, among others as the literature explained that records of misconducts are never kept by the departments (Butler, 2010:194 and Taljaard, 2010:86).

5.2.3 SCM practices and treasury regulations

SCM practices must be fair to all who participate in the process for the organisation to have return on all resources employed. According to the results 83% of the respondents are of the view that SCM practices in the police in North-West are fair and carried out in a fair manner. However, there are respondents who totally disapprove of the manner in which SCM practices are carried out in the province. Therefore, consistency in that regard is not maintained. Literature explained that some of issues that make SCM practices to be unfair are awarding of contracts to friends and families (Auditor General, 2012:52). The respondents who believe that practices are unfair may be because contracts are being awarded to friend and families of members at SCM.

The same scenario as the one above transpires in the procurement practices in SAPS North-West. The majority of the respondents are of the view that procurement is done transparently and no hidden dealings are experienced at SAPS. But 11% of the respondents are not convinced and this raises a concern of consistency as highlighted in the previous matter of fair practices. Literature pointed out instances of poor procurement planning and instances where successful bidders are notified late about their successful bids or contracts awarded to them (Osei-Tutu *et al*, 2011:11) which may be translated as being less transparent because according to the procurement act, all names of bidders should be put where everybody can see, and the name of the successful bidder should also be put where everyone can have access.

Standard Bidding Forms (SBDs) were put in use for the purpose of standardising procurements of goods and services in the government departments. However, the forms proved to be nightmare to the user, especially the suppliers of services to the government. The study shows that the majority of respondents are comfortable with the use of SBD forms, while a small percentage of the respondents showed to be uncomfortable with the use of the forms. However, literature support the use of SBD forms for the purpose of department being able to control their expenditure and assisting with having a procurement process which is seen to be fair and transparent (Raga and Taylor, 2010:10).

Every now and then the National Treasury puts measures in place for members working in the Finance and SCM environment to regulate how work needs to be done. It is, therefore, of great importance that members working in mentioned environment keep abreast with the changes or updates concerning treasury regulations. The study revealed that 91% of the respondents are well aware of the treasury regulations, and that is a good sign that the members will know what is right or wrong. The state accountant, Nomvalo (2011:2) mentioned that all Treasuries including the National Treasury are committed to assisting government departments in improving the management of their finances and if majority of employees are up to date with treasury regulations pertaining to their environment, then it is satisfactory.

5.2.4 Fruitless and wasteful expenditure

The Auditor General every year complains about fruitless and wasteful expenditure incurred by the government departments, and any measure that may stop such expenditures is appreciated. The results show that measures are in place to eradicate and stop the fruitless and wasteful expenditures; however, 25% of the respondents do not believe so. According to the 25% fruitless and wasteful expenditure in SAPS North-West will keep rising because effective and reliable measures are not employed to curb the problem.

Literature suggests that government departments are struggling to curb the scourge of wasteful and fruitless expenditure. Auditor General pointed out that in financial year 2010/2011, fruitless and wasteful expenditure increase by 313% which is a total disaster. SAPS North West like other government department, is trying to implement the control measures, however, there still room for improvements.

Internal audit and audit committees are in the organisation to ensure that effective accountability is exercised by those given power to utilise the public finances. The results show a good picture in terms of the existence of internal audit committees in SAPS, as shown by 90% of respondents admitting to know of the committees. Only a small percentage of respondents did not know of the existence of the audit committees. Literature highlights the importance of an audit committee as that of ensuring that department has and maintains effective and transparent financial management and other internal controls (Stamper, 2012:28). The results shows that SAPS have an effective audit committee as majority of employees knows about the committee.

It is a view shared by most people that every employee who commits fruitless and wasteful expenditure should made to pay in one or other way. The results show that members breaking the law in this regard are disciplined by management, as 70% of the respondents suggested. However, 30% of the respondents believe that employees are never made to face punishment for being involved in such expenditures. That may cause a situation where employees are encouraged to commit fruitless and wasteful expenditures without any remorse, knowing that no disciplinary actions will be brought against the employees concerned. The study by Wilderman & Jogo (2012:26) showed evidence that employees involved in wasteful and fruitless expenditures amongst other financial misconducts, are charged by management and therefore, SAPS in North West is also disciplining its members according to majority of respondents.

The other effective control that can curb the problem of fruitless and wasteful expenditure is if the perpetrators are made to pay all the money lost due to those people's negligence. The study revealed that monies are recovered from the employees concerned, as suggested by 64% of the respondents. However, that is worrying considering that 36% of the respondents do not believe that any monies are collected from the employees who committed fruitless and wasteful expenditure. According to the literature, monies are never recovered from employees involved in wasteful and fruitless expenditure because if the monies were recovered, the increase of 131% from R143.6 million in 2009/2010 to R429 million 2010/2011 would have been avoided.

5.2.5 Training and budget allocation

The results show that 59% of the respondents received training in SCM practices. Considering that training is an ongoing matter, and the fact that 48% of the members with no training in SCM belong to Finance then it is a good return. However, the bleak picture is painted by the fact that only 36% of the respondents were trained in Finance as opposed to 64% who are not trained in Finance. However, this can be explained by the fact that majority of the participants were members from SCM. The majority of the respondents agree that enough training is given both in Finance and SCM and, therefore, the gap in training is far less.

Literature revealed that any organisation without skilled SCM and Finance officials will struggle to deliver an effective and efficient service (Banda, 2011:47). According to majority of the respondents, SAPS in North West is well capacitated with trained officials, however, literature suggest that shortage of skill is in the rise in South Africa (Matshiqi, 2007:7) and sometimes training provided for members is never effective to address issues of incompetency (Mnguni, 2012:85).

Services are well delivered to the community when government department spend the allocated budget intelligently. The results revealed that SAPS North-West spend all money allocated to the organisation every financial year, which is the view of 83% of the respondents. Only few respondents believe that the money is not well spent. Literature explained problems experienced by department concerning budget as others are either overspending or under spending and other departments spend their entire budget just before the closing of a financial year to avoid under spending without considering if objectives are achieved (Lewis, 2005:3). Police Service in the North West is spending the budget satisfactory as highlighted by majority of respondents.

When budget is allocated as the results suggest, sometimes the needs of different offices are not taken into considerations, as highlighted by 33% of the respondents. Literature revealed a challenge in budget allocation by departments. Safa (2011:43) found that in most cases budget is allocated without taking into consideration the needs of the end user. Police Service in the North West is struggling in that regard as funds are allocated based on the scientific processes of the management without addressing the needs of different offices as raised by the respondents.

The results also revealed some weaknesses in the expenditure versus plan as 37% of the respondents argue that budget is spent without considering the planning. Literature revealed that some of the deviations from planed budget utilisation are caused by political instructions that are always out of line with the original plans (Safa, 2011:21). Literature also pointed out instances where funds are being utilised on projects not budgeted for that particular financial year (Mnguni, 2012:64). Police Service in North West is also struggling to follow their budget plan as highlighted by some respondents.

As far as financial management is concerned, most of the respondents believe that the status of in SAPS North-West is good with only 14% saying is bad. Literature revealed that since the inception of PFMA, many government departments improved in area of financial management (Myrick *et al*, 2008:4). Police Service in the North West is on the right track according to majority of the respondents.

What the results revealed, was that management was blamed for wasteful and fruitless expenditure together with incompetent members, poor planning and not following procedures. The fact that the majority of the respondents are junior managers and management is blamed for expenditures that are not correct raises an alarm.

Literature pointed out that some managers in financial management environment within government departments do not understand SCM processes and that causes delays and payments effected late resulting in penalties and fruitless and wasteful expenditures (Safa, 2011:57). The managers who are not skilled in SCM processes do not follow correct procedure in procurement which results in wasteful and fruitless expenditure. SAPS in the North West have management who causes most of wasteful and fruitless expenditure, also contributing are incompetent employees within the organisation.

5.2.6 Summary of key findings

Below is the findings based on the views of the respondents and the literature consulted:

- Police Service in the North West is not collecting all monies owed by the debtors.
- Not all people involved in irregularities related to finances are charged with financial misconduct which is very inconsistent with PFMA.
- Measures employed by the Police Service in North West are not effectively stopping wasteful and fruitless expenditures.
- People are not disciplined for committing wasteful and fruitless expenditure especially when such expenditures were incurred for paying creditors or services late and penalised in the process.
- Budget is allocated based on the preferences of the finance officials and management, but not based on the needs of the particular office that receive the budget.
- Budget spending is not according to the plan.
- Management, incompetent employees, poor planning and disregarding procedures all contribute to wasteful and fruitless expenditure in the Police Service.
- Lack of monitoring and lack of knowledge in SCM processes by management contribute to non- compliance in SCM policies and National Treasury Regulations.
- Financial reporting is done as required by PFMA and SAPS in North West complies.

- SBD,s and other National Treasury regulations are effective in assisting in SCM processes and financial management in the organisation

5.3 Limitations

Due to unforeseen circumstances, the events that happened in Rustenburg area at Marikana mine where Police members were involved in a shooting with the miners, made it impossible for the respondents from Rustenburg to all participate in the study. Only six (6) respondents were able to participate.

5.4 Recommendations

In a bid to assist the South African Police Service in the North-West in better ways to manage finances the following recommendations have been identified based on the findings.

5.4.1 Recommendation 1

Management of the Police Service in the North West should implement a control register were all monies owed to the department are entered into the register and progress of payments are monitored on a monthly basis. The control register should have the name of the debtor and the date when the debt is expected to be collected to allow control.

5.4.2 Recommendation 2

All employees involved in financial irregularities should be charged with financial misconduct and made to appear in a disciplinary hearing to explain their actions. This will assist in reducing instances of irregularities within financial management.

5.4.3 Recommendation 3

Control measures that are in place to stop the fruitless and wasteful expenditure should be proactive in the sense that the controls must be measurable. An example will be to monitor that all responsible members entrusted with paying motor vehicle licenses do so in time to avoid penalties. An individual e-mail that is send specifically to the person in charge of renewing licensing, should be send before the motor licenses expires. E-mails that are sent to all users at once are never effective to sensitise the users of the expiry of the motor licenses the members are responsible for.

5.4.4 Recommendation 4

All employees who commit wasteful and fruitless expenditure should be disciplined by management and such practice made known to every member in the organisation. The monies lost through an act of negligence on the part of the employee should be recovered, possibly by deducting a certain amount of money from the concerned employee's salary until all monies are recovered.

5.4.5 Recommendation 5

The purpose of submitting needs prior to budget allocation is to identify how financial resources are to be allocated for the particular financial year. The planning is used as a guideline that assists in spending the budget allocated to individual departments and offices. In order to ensure that the budget is allocated in the best interest of the organisation, SAPS in North-West should allocate the budget based on the needs of the end user as specified on the user needs submissions that are submitted yearly. This will assist, in that the budget will be covering all priorities of the user and will enable the user to carry out all planned activities for that particular year.

5.4.6 Recommendation 6

For budget to be spent according to plan, the allocated budget should be made known to the end user as early as possible so that the user knows how much was granted. This will assist the user to plan and control expenditure and will be able to utilise the budget in the best interest of the organisation. If users are only made to know of budget allocated to the user's offices in the middle of the financial year, the chances are that half of the budget may have been used to procure unnecessary needs while priorities were left out.

5.4.7 Recommendation 7

Management must have respect for the procurement processes and no decisions that affect usage of financial resources should be taken without due care for the processes. This exercise will curb a situation where expenditure is incurred in vain, while if correct processes had been followed, such expenditure could have been avoided. Following procurement and other procedures should be a way of life even for all employees of SAPS especially those in SCM and Finance to avoid transactions that result in expenditures incurred in vain. Management must also be proactive in awarding of contracts in the SCM environment and monitor all transactions that happens in that environment to curb any irregularities that may occur.

Majority of employees at SCM have been trained and well trained employees are always productive in the long run for the organisation concerned. However, employees from SCM must be afforded an opportunity to be trained in Finance as well, that is also applicable to employees at Finance who should be trained in matters of SCM. The reason this is important is because both Finance and SCM are involved with the financial resources and the procurement of goods and services at SAPS and, therefore, one department needs to know and understand the processes involved in the other department. Training should be ongoing exercise were employees in SCM and Finance attend workshops on a regular basis.

5.5 Areas of further research

It is suggested that similar study be undertaken in other SAPS provincial offices to able to identify if challenges in North-West is the same as other provinces. In the future non SCM and Finance employees of SAPS should be invited to participate in the study to give the study independent opinions away from that of employees working at the financial management environment.

5.6 Conclusions

South African Police Service (SAPS), like any other government department in South Africa utilises public funds to perform day to day duties and to provide better service to the community in the form of a secure environment for all people living in this country. South African Police Service is expected by the public to have an effective financial management systems and controls in place to utilise the financial resources efficiently and effectively. PFMA 1 of 1999 and Treasury regulations are there to assist SAPS and other government departments to perform their financial management in an accountable, transparent and effective manner.

This research assessed the status and effectiveness of financial management in the police service in North-West Province. The objectives of the study have been to identify the cause of fruitless and wasteful expenditures and identify any gap in training needed by members performing duties at SCM and Finance. The research also measured the effectiveness of the treasury regulations and determined how budget is allocated in SAPS North-West.

Chapter 1 of the study dealt with the problem statement and in general the scope of the study including research questions and limitations. Chapter 2 addressed the literature in the area of financial management, while research methods the researcher used to answer the research questions were dealt with in Chapter 3. Data analysis and data interpretation together with recommendations were dealt with in Chapter 4 and Chapter 5 respectively.

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27 August 2012

TO WHOM IT MAY CONCERN

Permission to conduct research- Mr GL Kekana -MBA student

This letter serves to introduce Mr GL Kekana who is presently a registered student for Master in Business Administration (MBA) programme at the Graduate School of Business and Government Leadership of the North West University. He is conducting a research project on, **"The empirical investigation into the financial management in the police service, North West Province"** towards a partial fulfillment of his MBA programme.

In this regard, your office is requested to afford him full co-operation to conduct this research. In particular, Mr GL Kekana requires permission to access information, data or even to distribute questionnaires.

Your cooperation will be highly appreciated.

Felicia Moruntshe
Research Officer

LETTER OF INVITATION TO RESPONDENTS

FROM:	GIFT LESIBA KEKANA (MR)
TO :	THE RESPONDENTS
DATE:	01 SEPTEMBER 2012
SUBJECT:	RESEARCH STUDY

DEAR RESPONDENT

You are hereby invited to take part in this scholar study research. The purpose of the study is to assess the effectiveness of financial management within SAPS North West. This study is conducted as a requirement for the fulfilment of the Masters in Business Administration (MBA) in the North West University (Mafikeng campus).

Please note that the information you provide and your identity will remain confidential and you reserve the right to participate. Please tick the most appropriate answer.

Thank you in advance for taking part in this study.

G.L Kekana (Mr)

RESEARCH QUESTIONNAIRE

SECTION A

1. What is your age?

20-29 years	30-39 years	40-49 years	50 - and above

2. What is your gender?

Male	Female

3. What rank /salary level are you?

Constable / Level 3-5	Sergeant / Level 6	W Officer / Level 7	Lieutenant /Captain and above Level 8 and above

4. Which division do you work for?

SCM	Finance

5. Choose the location where you work.

Potchefstroom	Mafikeng	Rustenburg

SECTION B (Financial management and reporting)

1. Do you know of PFMA act of no 1 of 1999?

Yes	No

2. SAPS North West has effective financial management controls in place.

Yes	No

3. All monies owed to SAPS are collected in time without delays.

Yes	No

4. SAPS north west submit financial reports on time to SAPS National office for as required by the Auditor general.

Strongly Agree	Agree	Strongly Disagree	Disagree

5. People are charged with financial misconduct when found guilty in SAPS.

Strongly Agree	Agree	Strongly Disagree	Disagree

SECTION C SCM practices and treasury regulations

1. SCM practices in SAPS North West are fair.

Strongly Agree	Agree	Strongly Disagree	Disagree

2. Procurement practices in SAPS North West are transparent.

Strongly Agree	Agree	Strongly Disagree	Disagree

3. Standard Bidding Forms (SBD) are easy to use by all.

Strongly Agree	Agree	Strongly Disagree	Disagree

4. I am familiar with National treasury regulations pertaining to my work.

Strongly Agree	Agree	Strongly Disagree	Disagree

SECTION C Fruitless and wasteful expenditure

1. Measures are in place to stop wasteful and fruitless expenditure.

Strongly Agree	Agree	Strongly Disagree	Disagree

2. I know of internal audit committees at SAPS North West.

Yes	No

3. Employees who commit wasteful and fruitless expenditure are disciplined by management.

Strongly Agree	Agree	Strongly Disagree	Disagree

4. Monies lost through fruitless and wasteful expenditure are recovered from employees concerned.

Strongly Agree	Agree	Strongly Disagree	Disagree

SECTION D Training and budget allocation

1. I received training in SCM practices.

Yes	No

2. I received training in finance.

Yes	No

3. Enough training was given to the members at SCM environment.

Strongly Agree	Agree	Strongly Disagree	Disagree

4. Enough training is given to the members at Finance environment.

Strongly Agree	Agree	Strongly Disagree	Disagree

5. SAPS north west spend all the money allocated to them every financial year.

Strongly Agree	Agree	Strongly Disagree	Disagree

6. Budget is allocated according to the needs of different offices.

Strongly Agree	Agree	Strongly Disagree	Disagree

7. Budget spending is according to the planned expenditure.

Strongly Agree	Agree	Strongly Disagree	Disagree

8. In your opinion, the management of finances at SAPS North West is..

9. Wasteful and fruitless expenditure is caused by ....

....

Thank you for your valuable time.

To Whom It May Concern

I hereby certify that I have language edited the following text:

MBA Dissertation titled "Empirical Investigation into the Financial Management in the Police Service, North-West Province"

By

Gift Lesiba Kekana

Date: 2012 10 20

Prof SW Vorster, Pr Eng BA (Hons), MMet, MSc (Eng), PhD
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