

**Analysing the effectiveness of the South
African public sector financial governance
structures**

S Moolman

 orcid.org/0000-0002-4769-5319

Mini-dissertation submitted in *partial* fulfilment of the
requirements for the degree *Magister Curationis* in Public
Administration at the North-West University

Supervisor: Professor G van der Waldt

Examination: May 2021

Student number: 28100727

DECLARATION

I, the undersigned, hereby declare that the content contained in this dissertation is my own work and it has not been submitted at any University and sources used or quoted in this dissertation have been duly acknowledged.

A handwritten signature in black ink, appearing to read 'M. J. ...', written in a cursive style.

SIGNATURE

ACKNOWLEDGEMENTS

This dissertation would not have been possible without the important contributions and support from the following people:

- My supervisor, Professor Gerrit van der Waldt, whose continuous immeasurable and professional guidance and support led to my completion of this study.
- Ragel Jafta, Farzanah Loonate and Farzana Hussain for their professional administrative support.
- My husband, Sizwe Mbopa, for his continuous encouragement, support and being a pillar of my strength throughout my studies.
- My employer, the Department of Justice & Constitutional Development, for their support and providing a conducive environment for me to continue with my studies.
- Ms. Lorraine Rossouw, my work supervisor for her motivation and being part of my support structure at work.
- Mr. Ngangesizwe Mbopa for his language editing services on this dissertation.
- The NWU library staff for their professional assistance with my library needs.
- My family and children for their understanding when I needed space and focus on my studies.
- The Department of Justice & Constitutional Development women senior managers for their continuous encouragement and advisory support.

ABSTRACT

Public institutions are characterised by the nature and scope of their constitutional mandate and powers to deliver particular services to the general public, whereas private sector enterprises exist to create wealth for owners and providers of capital. However, as stated by the United Nations Economic and Social Council (UNESCO), both categories of institutions follow similar good governance principles and processes. In order to guide scholarly inquiry into the nature and scope of particular governance arrangements, it is important to focus on the framework that guides good governance structures, processes and praxis.

A good governance framework generally direct the relationship between principals, those who are charged with policy-making, financial and fiduciary responsibilities, and agents to provide public services. In the public sector, both principals and agents need to act as good stewards for the utilisation of public financial and other resources. Principal-agency and stewardship theories thus serve as sound theoretical underpinnings of good corporate and financial governance in public sector settings. The theoretical underpinnings of good corporate and financial governance are necessary to assess the macro framework directing governance of public sector institutions. Such a macro framework typically consists of statutory and regulatory frameworks as well as generic principles and standards for public finance in order to improve accountability and responsiveness. The macro framework furthermore comprise of micro-level frameworks that determine the internal structures, functioning and processes of public institutions, inclusive of effective institutional financial control systems and processes. In the South African Government, the National Development Plan: Vision 2030 (NDP) and the Medium-Term Strategic Framework (MTSF) serve as macro-level good governance frameworks for corporate governance. Institutions such as National Treasury, the Auditor-General, and the Department of Trade and Industry issue regulations and instructions that serve as frameworks that guide public institutions on financial management praxis at a micro level.

Recent reports of the Auditor-General highlight several challenges and weaknesses in public financial governance structures that result in irregular, fruitless and wasteful expenditure as well as adverse audit outcomes. Some of these challenges and weaknesses include failure to maintain effective internal controls for good corporate and financial governance, inadequate identification and management of financial risks, the inability to ensure that the institution implements and fully complies with legislative requirements, inadequate management of conflict of interests and ethical performance, as well as the inability to ensure that the integrity of financial information is achieved. It is thus evident that public institutions in general fail to comply with the principle of good corporate governance and that they do not adhere to best practice as far as financial management is concerned.

Considering the weaknesses and the challenges highlighted by the Auditor-General, this study focussed on analysing the effectiveness of public financial governance structures in South Africa. To this effect, the study utilised a mixed-method research design and applied content-analysis to analyse information reported by public organisations in their annual reports, focusing on the section of the report that concerns the Auditor-General's report. The population of this study consisted of national and provincial government departments, and public entities. A sample of 20% of South African national government departments, 5% of public entities and 10% of provincial departments were selected randomly from the National Treasury and the Government of South Africa websites, by means of a stratified random sampling technique. In addition, a questionnaire was circulated to five National Treasury senior managers who monitor the performance of public organisations, as well as to twelve auditors from the Office of the Auditor-General. Based on the principles of source, method and data triangulation, key recommendations are made to strengthen the effectiveness of public financial governance structures.

KEY WORDS

Governance

Good financial governance

Corporate governance frameworks

Accountability

Public finance

Financial governance effectiveness

South African public sector financial governance structures

TABLE OF CONTENTS

CHAPTER 1: ORIENTATION AND PROBLEM STATEMENT

- 1.1 INTRODUCTION1
- 1.2 RESEARCH QUESTIONS.....9
- 1.3 RESEARCH OBJECTIVES9
- 1.4 CENTRAL THEORETICAL STATEMENTS..... 10
- 1.5 RESEARCH METHODOLOGY 11
 - 1.5.1 Approach and design..... 12
 - 1.5.2 Population and sampling..... 14
 - 1.5.3 Instruments used in data collection..... 17
- 1.6 SIGNIFICANCE OF THE STUDY 18
- 1.7 ETHICAL CONSIDERATIONS 19
- 1.8 CHAPTER LAYOUT 19
- 1.9 CONCLUSION.....21

CHAPTER 2: THEORETICAL UNDERPINNINGS, FRAMEWORKS AND STATUTORY AND REGULATORY OBLIGATIONS DIRECTING PUBLIC FINANCIAL GOVERNANCE

- 2.1 INTRODUCTION22
- 2.2 GOOD FINANCIAL GOVERNANCE: CONCEPTUAL CLARIFICATION..... 23
 - 2.2.1 Good corporate governance 23
 - 2.2.2 Good financial governance 25
- 2.3 THEORETICAL UNDERPINNINGS OF GOOD CORPORATE AND FINANCIAL GOVERNANCE26
 - 2.3.1 Agency theory 27
 - 2.3.2 Stewardship theory 28
- 2.4 MACRO AND MICRO LEVEL GOOD FINANCIAL GOVERNANCE FRAMEWORKS.....30

2.4.1	Macro financial governance frameworks	32
2.4.2	Micro financial governance frameworks	33
2.4.3	South African-specific good financial governance frameworks	35
2.5 STATUTORY AND REGULATORY FRAMEWORKS FOR GOOD FINANCIAL GOVERNANCE IN SOUTH AFRICA		38
2.5.1	The Constitution of the Republic of South Africa	38
2.5.2	Public Service Act 103 of 1994.....	40
2.5.3	Public Finance Management Act 1of 1999.....	40
2.5.4	Preferential Procurement Policy Framework Act 5 of 2000	41
2.5.5	Broad-Based Black Economic Empowerment Act 53 of 2003	41
2.5.6	Companies Act 71 of 2008.....	42
2.5.7	Treasury Regulations	43
2.5.8	Preferential Procurement Policy Framework Regulations	43
2.5.9	Broad-Based Black Economic Empowerment Regulations.....	44
2.5.10	Public Service Regulations	44
2.5.11	King Reports on Good Corporate Governance.....	44
2.6 ANALYSING THE EFFECTIVENESS OF PUBLIC INSTITUTIONS FINANCIAL GOVERNANCE STRUCTURES: TOWARDS AN ASSESSMENT FRAMEWORK.....		45
2.6.1	Good financial governance principles emanating from theory	45
2.6.2	Good financial governance principles emanating from statutory and regulatory documents as well as macro and micro level frameworks.....	46
2.6.3	Principles as assessment metrics for an analysis of the effectiveness of financial governance structures: A synopsis	52
2.7 CONCLUSION.....		53

CHAPTER 3: A FRAMEWORK TO ENABLE AN ANALYSIS OF THE EFFECTIVENESS OF CURRENT PUBLIC FINANCIAL GOVERNANCE STRUCTURES IN SOUTH AFRICA

3.1 INTRODUCTION	55
------------------------	----

3.2	CURRENT PUBLIC FINANCIAL GOVERNANCE STRUCTURES IN SOUTH AFRICA.....	56
3.2.1	Parliamentary portfolio and select committees	57
3.2.2	The Public Accounts Committees (PACs)	58
3.2.3	Public Institution Audit Committee.....	60
3.2.4	Public Institution Internal audit function	61
3.3	TOWARDS A FRAMEWORK TO ASSESS THE EFFECTIVENESS OF FINANCIAL GOVERNANCE STRUCTURES	61
3.3.1	Governance principles for a framework to assess the effectiveness of financial governance structures in public institutions of South Africa	66
3.3.1.1	Segregation of roles within organisations.....	67
3.3.1.2	Executive Accountability	68
3.3.1.3	Control.....	70
3.3.1.4	Compliance monitoring.....	71
3.3.1.5	Public interests.....	72
3.3.1.6	Good stewardship of public resources	73
3.3.1.7	Maximising benefits through organisational performance	73
3.3.1.8	Value-oriented organisations.....	74
3.3.1.9	Responsibility	74
3.3.1.10	Financial oversight and accountability.....	75
3.3.1.11	Rule of law.....	76
3.3.1.12	Transparency.....	77
3.3.1.13	Effectiveness and efficiency	77
3.3.1.14	Participation and inclusion.....	78
3.3.1.15	Fairness	78
3.3.1.16	Equity and non-discrimination	79
3.3.1.17	Healthy relationship between principals and agents	79
3.4	TOWARDS A MODEL FOR EFFECTIVE PUBLIC FINANCIAL GOVERNANCE STRUCTURES IN SOUTH AFRICA	80
3.5	CONCLUSION.....	82

CHAPTER 4: THE EFFECTIVENESS OF PUBLIC SECTOR FINANCIAL GOVERNANCE STRUCTURES

4.1 INTRODUCTION 84

4.2 RESEARCH METHODOLOGY 85

4.3 FINDINGS OF CONTENT ANALYSES 88

4.3.1 Preparation of material and the sorting of data 89

4.3.2 Selection of units of analysis and coding 93

4.3.3 Findings of the content analyses 97

4.3.3.1 Content analysis research findings: national departments 97

4.3.3.2 Content analysis research findings: Provincial departments 109

4.3.3.3 Content analysis research findings: Public entities 122

4.4 FINDINGS OF THE SURVEY (QUESTIONNAIRE) 134

4.4.1 Demographic profile of respondents 135

4.4.2 Survey research findings: National and Provincial Treasuries 136

4.4.3 Survey research findings: The Office of the Auditor-General 137

4.5 ANALYSES OF THE RESEARCH RESULTS 139

4.6 CONCLUSION 140

CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION 142

5.2 CHAPTER SUMMARY 142

5.3 RECOMMENDATIONS 144

5.4 CONCLUSIONS 150

5.4.1 Achievement of the research objectives 150

5.4.2 Contributions of the study 153

BIBLIOGRAPHY 155

APPENDIX A: QUESTIONNAIRE TO NATIONAL AND PROVINCIAL
TREASURIES.....176

APPENDIX B: QUESTIONNAIRE TO THE OFFICE OF THE
AUDITOR-GENERAL183

LIST OF FIGURES

Figure 3.1 The public sector accountability chain.....70

Figure 3.2 A model for effective public financial structures.....81

Figure 5.1 A framework for the improvement of effective public financial
governance structures..... 148

LIST OF TABLES

Table 1.1 Annual reports for content analysis.....15

Table 1.2 Sample of the survey study..... 17

Table 3.1 Governance principles for a framework to assess the effectiveness
of public financial governance structures in South Africa.....65

Table 4.1 Sample size for content analysis.....86

Table 4.2 Sample of national departments for content analysis.....89

Table 4.3 Sample of provincial departments for content analysis.....89

Table 4.4 Sample of public entities for content analysis.....90

Table 4.5 Coding categories and themes.....94

Table 4.6 A summary of content analysis findings: national departments.....108

Table 4.7 A summary of content analysis findings: provincial departments.....120

Table 4.8 A summary of content analysis findings: public entities.....132

Table 4.9 Sample size for survey study.....134

Table 4.10 A summary of key factors influencing financial effectiveness and
frequency reported by national and provincial treasuries.....136

Table 4.11 A summary of key factors influencing financial effectiveness and
frequency reported by the Office of the Auditor-General.....138

LIST OF ACRONYMS

ACCA	Association of Chartered Certified Accountants
AGPC	Australian Government Productivity Commission
AHRQ	Agency for Healthcare Research and Quality
APAC	Associated Public Accounts Committees
B-BBEE	Broad-Based Black Economic Empowerment Act
BIOA	British and Irish Ombudsman Association
CCF	Compassion Capital Fund
CDH	CliffDekkerHofmeyer
CIMA	Chartered Institute of Management Accountants
CIPFA	Chartered Institution of Public Finance & Accountancy
DPME	Department of Planning, Monitoring and Evaluation
DPSA	Department of Public Service Administration
DTI	Department of Trade and Industry
FMECD	Federal Ministry for Economic Cooperation and Development
GAO	General Accounting Office
IFAC	International Federation of Accountants
IIA	Institute of Internal Auditors
IODSA	Institute of Directors of South Africa
IPSASB	International Public Sector Accounting Standards Board
NCOP	National Council of Provinces
OECD	Organisation for Economic Co-operations and Development
PFMA	Public Finance Management Act
PPPFA	Preferential Procurement Policy Framework Act
PPPFR	Preferential Procurement Policy Framework Regulations
SCOPA	Standing Committee on Public Accounts
SoNA	State of the Nation Address
UNDP	United Nations Development Programme
UNESC	United Nations Economic and Social Council
UNESCO	United Nations Educational, Scientific and Cultural Organisation

CHAPTER 1

ORIENTATION AND PROBLEM STATEMENT

1.1 INTRODUCTION

The public service and other government-sector entities are characterised by the extent of their powers to deliver services to the general public, whereas private organisations exist to create wealth for the owners and providers of capital (International Public Sector Accounting Standards Board (IPSASB), 2010:3). For the purpose of this study, a distinction is made between the public sector and the public service. Section 7 of the Public Service Act 103 of 1994 states that the public service was established in terms of Section 197 of the Constitution of the Republic of South Africa (herein after referred to as Constitution (1996)). Chapter 10 of the Constitution, 1996 describes the public service as being a structure within the public service administration. Section 8 of the Public Service Act 103 of 1994 describes the public service administration as consisting of persons employed in national and provincial departments as well as in the Offices of Premiers.

The Institute of Internal Auditors (IIA) (2011:3) refers to the public sector as consisting of both the public service and the public entities, including institutions listed in the Public Finance Management Act (PFMA) 1 of 1999 (hereinafter referred to as PFMA) as well as local government. From the above descriptions of the public sector, and that of the public service, it is concluded that the public service forms part of the public sector. Therefore, this study focuses on analysing the effectiveness of financial governance structures of the South African national and provincial departments, Offices of the Premiers as well as those of public entities.

According to Stoker (1998:17), initial reference to and the use of the term “governance” was synonymous to describing government as an institution. However, Graham *et al.* (2003:1-2) disagree with this, explicitly stating that governance is not synonymous with

government but forms part of government systems. According to Graham *et al.* (2003:1), governance is partly about how the government interacts with other social organisations and its citizens, and the way the government makes decisions. This description refers to governance as a process, and is in line with the universal descriptions and definitions of governance.

The United Nations Economic and Social Council (UNESC) (2006:3) explains that the term *governance* is used to describe management structures, systems and processes in both public and private institutions. The United Nations Educational, Scientific and Cultural Organisation (UNESCO) (2016:1) defines governance as “structures and processes that are designed to ensure accountability, transparency, responsiveness, rule of law, stability, equity and inclusiveness, empowerment, and broad-based participation”.

It is evident in the above definition that governance is, amongst others, a process. Graham *et al.* (2003:1) point out that it is hard to observe a governance process. Therefore, in order to monitor and observe how governance works, the researcher should focus on the governance framework that guides the process. This framework outlines the process of decision making and accountability, as well as the role-players or structures that are part of this process.

The study acknowledges that it is possible to differentiate between “good” and “bad” governance. The King III Codes of Good Governance Report (IODSA, 2009:9) indicate that good governance is mainly about effective leadership. Transnet (2014:14) displays a similar interpretation of governance when they note in their integrated report that good governance is supported and strengthened by effective leadership oversight and accountability by those charged with fiduciary duties. The Chartered Institution of Public Finance and Accountancy (CIPFA) (2004:1) describes bad governance as poor leadership that causes low morale in an organisation, and as bad relationships that lead to poor performance.

Chapter 3 of the Constitution, 1996 establishes the National Treasury and Provincial Treasuries. In terms Section 216 of the Constitution, 1996 the role of these departments is, among others, to exercise financial management oversight over all public institutions and to ensure effective and efficient use of public resources and financial management.

According to the Auditor-General (2016:81-84) the South African government – through Parliament, structures and processes – established portfolio committees and the Association of Public Accounts Committees (APAC) for better decision making, accountability and efficient use of public resources. The portfolio committees assess and monitor the public institutions' implementation of strategic and annual performance plans. The APAC consists of the Standing Committee on Public Accounts (SCOPA) and Provincial Public Accounts Committees (PAC). These two bodies oversee the utilisation of public funds by national and provincial departments.

The PFMA, which regulates financial activities of the national and provincial governments, was developed from Chapter 13 of the Constitution. As indicated in Chapter 13, the National Treasury provides guidance in terms of the PFMA to all public institutions through Treasury Regulations (South Africa, 1999). Section 3 of the Treasury Regulations (National Treasury, 2005:8) requires that all government departments and other public institutions should have an internal audit unit that operates under the supervision of the audit committee.

In order to build public confidence in the public sector, Chapter 9 of the Constitution established the Office of the Auditor-General. As a supreme audit institution of South Africa, the Office of the Auditor-General exists to strengthen the country's democracy by enabling oversight, accountability, and governance in the public institutions through auditing the public accounts and the performance of the public institutions (Auditor-General, 2013:6).

According to the Code of Good Governance (Institute of Directors of South Africa (IODSA), 2009:17-21-59) an effective governance structure is one that, among others:

- “manages the relationships between management and the stakeholders of the institution;
- appreciates that the strategy, risk, performance and sustainability are linked;
- at all times acts in the interest of the organisation they represent;
- manages conflict of interests and ethics performance;
- ensures that the integrity of financial information is achieved,
- ensures that effective internal controls are in place and that adequate identification and management of financial and other risks take place; and
- ensures that the institution implements and complies fully with legislative requirements”.

Based on the above, the study argues that the South African public sector has adequate governance structures in place. The issue to investigate is whether these good governance structures are effective.

The Australian Government Productivity Commission (AGPC, 2013:6) defines effectiveness as “the extent to which the measure has achieved its intended objectives”. This definition implies that effectiveness involves measuring the performance levels against intended or stated outcomes and objectives. Therefore, to determine the level of effectiveness, the researcher should identify performance indicators that are used to measure the level and its extent. However, to assess the effectiveness of the governance process and structures, it is important to develop a governance framework that guides the process (Graham *et al.*, 2003:1-2).

The British and Irish Ombudsman Association (BIOA) (2009:3) and the King III Codes of Good Governance Report (IODSA, 2009:17) claim that good governance is principle-based. According to the Organisation for Economic Co-operation and Development (OECD), (2015:7) good governance principles form the basis for an effective framework for the decision making and accountability process. CIPFA (2014:5) observes that more work on good and effective governance has been done in the private sector, and there

has been less work done on the subject in the public sector. Consequently, private sector financial governance practices are more advanced than those in the public sector.

To provide a guide for developing a framework to improve effectiveness of the public institutions' financial governance, the principles for good governance in the framework for private sector governance are listed below and were used for an analysis of public sector governance. According to OECD (2015:17-50), a good governance framework should among others:

- “promote the transparent, fair and efficient allocation of resources, and a framework that is consistent with the rule of law and that supports effective supervision and enforcement;
- protect and facilitate the exercise of stakeholder rights and ensure the equitable treatment of all stakeholders;
- recognise the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between the role-players in creating a sustainable and financially sound enterprise;
- ensure that timely and accurate disclosure is made on all material issues regarding the organisation, including the financial position, performance and ownership; and
- ensure the strategic guidance of the organisation, the effective monitoring of management by the board, and the board's accountability to the organisation and the stakeholders”.

Thus, for the purpose of this study, effective financial governance structures should have the above characteristics. These characteristics were used for a framework by means of which financial governance structures' effectiveness was assessed in this study.

According to the Federal Ministry for Economic Cooperation and Development (2014a:7), good financial governance in the public sector is about a transparent, legitimate and

development-based action in the public financial management environment and function. This description of good financial public sector governance implies that to demonstrate good financial governance, the public sector should have transparent, effective and accountable financial administration structures and institutions that are based on the rule of law. The BIOA (2009:3) as well as the combined report of the International Federation of Accountants (IFAC) and the Chartered Institute of Public Finance & Accountancy (CIPFA) (2014:10) focus on governance principles in the public sector, namely:

- “to carry out responsibilities with integrity demonstrating strong commitment to ethical values and complying with legislative directives and prescripts;
- to have an open, honest and comprehensive communication with stakeholders;
- to have a strategy on intended service delivery outcomes in terms of long-term and sustainable economic, social and environmental benefits;
- to determine the interventions necessary to optimise the achievement of the intended outcomes;
- to develop and maintain the institution’s capacity, including intellectual and human capital;
- to manage risks through the implementation of strong and adequate control measures and financial management practices; and
- to implement policies and practices to ensure transparency, good reporting and auditing to promote accountability”.

The above public sector principles of good governance are similar to those applied in the private sector. For a public sector governance structure to be effective, it should therefore apply the above principles.

The IFAC and CIPFA (2004:10-11) state that the main function of governance structures in the public sector is to ensure that the institutions that are under the control of the state carry out their responsibilities in a proper manner and achieve the intended outcomes in the interest of the public. Therefore, this study intends to:

- use the above principles as criteria against which effectiveness in the public financial governance structures were measured; and
- argue that the effectiveness of the public financial governance structures improves service delivery to the public.

The research problem follows from recent public institutions' audit outcomes where the Auditor-General has reported that there has been little improvement on the audit outcomes of the public sector institutions and government departments, and that they continue to be non-compliant with relevant legislation, resulting in irregular and fruitless and wasteful expenditures (Auditor-General, 2016:18-20).

In its 2016 public institutions' audit reports, the Auditor-General (2016:1) reported the following brief public institutions' performance results in the three-year period from 2013 to 2016:

- “only 24% of the audited public institutions showed improved audit results. The report also shows that 14% of the departments and public entities regressed from the previous period results, whereas 62% showed no improvements;
- national departments showed an improvement of only 9%; and 15% of the departments either received an adverse audit outcome or failed to submit their financial statements for audit; and
- the irregular expenditure incurred by these departments due to non-compliance with key legislation increased by almost 40%; and fruitless and wasteful expenditure increased by 14%”.

The above results highlight challenges in public financial management that result in inadequate utilisation of public funds and resources. The public financial governance structures should perform their oversight roles effectively in order to ensure efficient and adequate use of public resources. To be effective, the governance structures should apply the principles of good governance.

The report of the Auditor-General (2016:1) highlights challenges and weaknesses in the public financial governance structures that resulted in the adverse audit outcomes in these institutions. These challenges are the result of the following weaknesses of these structures (2016:1):

- “inability to always act in the interest of the organisation they represent;
- inadequate management of conflict of interests and ethics performance;
- inability to ensure that the integrity of financial information is achieved,
- failure to maintain effective internal controls and adequate identification and management of financial and other risks; and
- inability to ensure that the institution implements and fully complies with legislative requirements”.

The Auditor-General’s (2016:18-21) report on the public institutions’ audit outcome reveals that public institutions failed to comply with the principle of good governance that requires that institutions must respect the rule of law. This failure to comply with relevant legislation resulted in irregular, fruitless and wasteful expenditure. In addition, the report from the Auditor-General (2016:18-21) states that the audit outcomes of some departments and public entities regressed since the previous periods or remained the same due to weak internal controls, capacity constraints due to high vacancy rate and poor financial management.

The above weaknesses and the challenges highlighted by the Auditor-General suggest that financial governance structures that are in place in the public sector are not working as they should and do not serve their purpose. Therefore, this study seeks to find answers to the problem of the ineffectiveness of the public financial governance structures.

1.2 RESEARCH QUESTIONS

The research questions of the study are:

- What are the regulatory and theoretical frameworks that describe the public financial governance structures?
- What are the criteria to be used in determining the effectiveness of public financial governance structures?
- What are the challenges affecting the effectiveness of public financial governance structures?
- What recommendations can be made to improve the effectiveness of the public financial governance structures?

The research statement therefore aims to demonstrate that there are challenges in the public financial governance structures that affect their ability to effectively discharge their responsibilities.

1.3 RESEARCH OBJECTIVES

The primary objective of the study was to analyse the effectiveness of the South African public sector financial governance structures with the main purpose to design parameters of a framework to improve its overall effectiveness.

The secondary objectives are to:

- analyse the regulatory and theoretical frameworks that enable the effectiveness of South African public financial governance structures;
- determine and analyse the existing South African public financial governance structures to determine their adequacy;

- identify and assess challenges that hinder the effectiveness of South African public financial governance structures as measured against predetermined criteria; and
- provide recommendations to strengthen the effectiveness of the public financial governance framework.

1.4 CENTRAL THEORETICAL STATEMENTS

Governance is critical for any organisation's success. According to Graham *et al.* (2003:2), governance is applicable to any form of collective action, and involves more than just strategic issues and direction of an organisation, but also includes the roles and participants in those strategic decisions. Carrington *et al.* (2008:4) argue that a governance system has three characteristics that separate it from other organisational systems, namely:

- "a governance system has an element of shared understanding of the organisation's standards and objectives;
- there are agreed-upon rules and policies that aim to provide structure and substance to the objectives of the organisation; and
- there is a regulatory structure or body that monitors and enforces compliance with the organisation's set rules and policies".

A governance mechanism outlines and guides the dissemination of rights and responsibilities within the organisation, and describes policies and procedures for decision-making (Carrington *et al.*, 2008:6). The governance system and process are driven by the governing body which assumes ultimate responsibility for the organisation and the safeguarding of its resources (IODSA, 2016:3).

Hermanson and Rittenberg (2003:27-29) point out that organisational governance consists of a number of key elements, including risk management, audit, strategy and

governance, and human resources and remuneration, which can form different governance structures. Depending on the culture and the structure of each organisation, these elements are grouped into different structures and in some instances can be combined in complementary ways. According to the Department of Health and Children (2006:6) one of the responsibilities of the governance structure or system is to ensure that the integrity of the organisation's financial management systems is maintained and appropriate systems of control – such as risk management and compliance with financial management legislation – are in place. The financial governance structures exist to ensure that the above responsibilities are carried out.

Financial governance structures are necessary for any organisation to create and improve market confidence in the organisation and business integrity (OECD, 2015:3). According to the Federal Ministry for Economic Cooperation and Development (2006:5), in terms of good financial governance in the public sector, rule of law creates certainty in public financial management. Therefore, good and effective financial governance structures in an organisation build trust in the organisation, its reputation and legitimacy.

The central theoretical argument of this study is that, if the public institutions' audit outcomes reveal that public institutions fail to comply with the good governance principle that requires institutions to comply with financial legislative framework and respect the rule of law, then financial governance structures of these institutions are ineffective.

1.5 RESEARCH METHODOLOGY

Kothari (2004:8) describes research methodology as a systematic process of solving a research problem. The process involves outlining the framework of ideas and principles on which the research procedures and strategies are based (Grbich, 2013:4). A research methodology includes a description of the research design, research instruments used in data collection and the process that was followed in the research study. Therefore, *research methodology* refers to the overall approach applied in the research study.

1.5.1 Approach and design

A mixed-methods research approach was applied in this study, using both qualitative and quantitative methods. The qualitative research method involves the study of the phenomenon by examining and reflecting on the existing theory, while the quantitative research method deals with examining and analysing numerical data (Sedgley, 2007:3). Neuman (2014:167-168) explains that the aim of qualitative study is to generate new theory or hypothesis. Quantitative study aims to confirm or disprove the existing hypothesis. De Lisle (2011:92) defines mixed-methods research as “the type of research in which a researcher combines elements of qualitative and quantitative research approaches”.

According to the Agency for Healthcare Research and Quality (AHRQ) (2013:2), the use of a mixed-methods research approach involves collecting qualitative and quantitative data concurrently. After data collection is complete, the researcher assesses information using parallel constructs for both sets of data. This approach allows the researcher to separately analyse the two sets of data and compare the results thereof side by side. The comparison of the data analysis results of the two approaches assists in the validation of the research findings.

Johnson and Onwuegbuzie (2004:18) argue that both qualitative and quantitative research methods have their individual strengths and weaknesses. Therefore, combining the elements of both these methods allows the researcher to develop a research outcome that is stronger than either method individually. However, a mixed-methods research approach also has limitations. The AHRQ (2013:3) indicates that this approach is difficult to employ and requires careful planning. The description of all aspects of the research – such as the study sample, timing and the plan for integrating data from both methods – also increases the complexity of evaluations.

The study applied a content-analysis research method and design. Krippendorff (1980:18) defines *content analysis* as “a research technique for making replicable and

valid inferences from texts to the context of their use". According to Zhang and Wildemuth (2009:1), the content-analysis research method involves an integrated interpretation of text or speech data and their context. In their study, Elo and Kyngas (2008:107) point out that content-analysis research can be either qualitative or quantitative and can be used in an inductive or deductive manner.

Marsh and White (2006:35) describe the differences between and characteristics of qualitative and quantitative content-analysis approaches. According to the two researchers a *qualitative content analysis* is inductive, with the research question guiding data collection and analysis. With the qualitative content-analysis research approach, coding themes are developed during the process of careful reading, examination and analysis of data. *Quantitative content-analysis* coding themes are predetermined based on theory or previous research. Therefore, this research approach is deductive and allows for formulating assumptions about relationships among research variables.

According to Zhang and Wildemuth (2009:1), the data sampling techniques used in the qualitative and quantitative content analysis are different. Qualitative content-analysis sampling consists of texts that had been purposively selected to inform the research questions under study. Quantitative content analysis, on the other hand, involves random sampling or other statistical sampling approaches to ensure the validity of inference.

This study applied the content-analysis research method to analyse information reported by public organisations in their annual reports, focusing on the section of the report that concerns the Auditor-General's report. In his report, the Auditor-General presents both financial and non-financial performance results of the organisation, highlighting weaknesses in the internal controls where necessary. Neuman (2014:167) observes that the nature of any qualitative study is based on words, sentences and symbols; while a quantitative study involves data in the form of numbers.

The quantitative aspect of the content-analysis research of this study was based on predetermined coding themes derived from good and effective governance. In addition to

using predetermined coding themes, the researcher also supplemented the analysis with the assessment of selected institutions' annual reports. This is based on the fact that the institutions that were studied are different in nature and use different terms and phrases. It allowed the researcher to identify the phrases, terms and themes of messages that can be used to develop coding themes for qualitative content analysis study. Because this study involved an examination and analysis of annual reports, a content-analysis study was an appropriate design for the study.

Based on the hypothesis developed from the content analysis, this study furthermore employed a survey research method, using a questionnaire to supplement and compare the findings of the content analysis. The survey explored challenges affecting the effectiveness of public financial governance structures and involved drawing a representative sample from the target population. This means that the study followed a mixed research method, where data for both the content analysis and the survey were collected concurrently. The two sets of data were compared to arrive at the findings and conclusions of the study. This approach assisted in the validation of the research findings.

1.5.2 Population and sampling

The population of this study consisted of national and provincial government departments, and public entities. A sample of 20% of South African national government departments, 5% of public entities and 10% of provincial departments was selected randomly from the National Treasury and the Government of South Africa websites, by means of a stratified random sampling technique. According to Teddlie and Yu (2007:79), in random sampling, each unit in the population has an equal chance of being selected and included in the sample. Mugo (2002:7) identifies four types of random sampling, namely simple random sampling, systematic random sampling, stratified random sampling and cluster sampling techniques.

In addition to the above, questionnaires were circulated to five National Treasury senior managers who monitor the performance of public organisations, and to twelve auditors

from the Office of the Auditor-General. The researcher applied the simple random sampling technique to draw the samples from the above population groups. The selection of this sampling approach is based on the assumption that National Treasury guidelines are standard and generically applicable to the public sector. Also, the Auditor-General audit approach is similar across all public institutions.

Barreiro and Albandoz (2001:6-7) explain that during stratified sampling, the population is divided into different groups or strata, based on identified characteristics. In this study, simple random sampling was applied to draw samples from each cohort. Kothari (2004:16) and Teddlie and Yu (2007:79) state that the simple random sampling technique allows each unit of analysis in the target population an equal chance of being selected and included in the sample. The probability of the inclusion of that unit in the sample is independent of the inclusion of other units in the same population or group.

The Auditor-General first raised concerns about the extent of irregular, and wasteful and fruitless expenditure reported in the public institutions’ audit reports in 2013. Therefore, the content analysis of this study is based on the annual reports of the public institutions issued between 2013 and 2016. According to the South African Government and the Government Communications and Information Systems (GCIS) websites, there are 47 national departments, 120 provincial departments and 175 public entities. The sample for the content analysis study is categorised in different strata and is shown in table 1.1 below.

Table 1.1: Annual reports for content analysis

Stratum/ category	Total	Sample size
National departments	47	9
Provincial departments	120	12
Public entities	175	9
Total	342	30

The national departments fall under five ministerial clusters, namely the Economic Sectors, Employment and Infrastructure Development cluster, the Social Protection, Community and Human Development cluster, the International Cooperation, Trade and Security cluster, the Governance and Administration cluster and the Justice, Crime Prevention and Security cluster ([www. SANews.gov.za](http://www.SANews.gov.za)). Equal sample sizes of two departments were selected randomly from each service delivery ministerial cluster, and one department from the Governance and Administration cluster.

For the purpose of the content analysis study, one department was selected from each province except the Gauteng, Western Cape and the KZN Provinces. These three provinces have the highest number (14-16) of provincial departments. Therefore, two departments were selected from them. The content analysis focused on the performance of the major public entities. According to the National Treasury (2017:1-2) there are 21 major entities that fall under the ambit of the PFMA. Nine entities were be selected randomly, focusing on those entities that are of public interest. A total of 90 annual reports were analysed.

There are nine provincial treasuries in the country that monitor the performance of provincial departments in each province. It was anticipated that the researcher may experience challenges in obtaining responses from the provincial treasuries and their auditors. Therefore, for the purpose of the survey study, the Gauteng Province was selected and included the provincial treasury and provincial Office of the Auditor-General.

Approval to conduct the survey was sought from both the accounting officers in the national and Gauteng provincial treasuries, and from the Auditor-General. Upon receiving approval, the researcher distributed 15 questionnaires through e-mail to senior managers who are responsible for monitoring the performance of national and provincial departments as well as that of the public entities in national and provincial treasuries. The researcher also sent questionnaires to the 15 senior managers responsible for the audit of the public institutions in the Office of the Auditor-General. To maximise the response rate, follow-ups were conducted through telephone contacts and physical contact at least

twice a week where necessary. Table 1.2 shows the sample of the target respondents for the survey.

Table 1.2: Sample of the survey

Organisation	Sample size
National Treasury	15
Office of the Auditor-General	15
Total	30

1.5.3 Instruments used in data collection

Data collection instruments are tools that are used to gather research data. Data collection instruments include interviews, questionnaires, observation and documents. Different tools can be used to supplement each other and boost the validity and dependability of the data (Zoharabi, 2013:254). Official documents and questionnaires were used as main data collection instruments in this study. Content-analysis was utilised to assess annual reports of sampled national and provincial government departments, and public entities. In addition to the annual reports, the reports of the Auditor-General for the past three years (2014-2017) were analysed. These reports covered the financial performance and audit outcomes for the period between 2013 and 2016. Reasons for any change in the performance of these institutions were recorded and analysed to support the findings and conclusions of this study. In addition, the minutes of the Standing Committee on Public Accounts (SCOPA) and Associated Public Accounts Committees (APAC) meetings of the portfolio committees of the sampled departments and public entities were analysed to pinpoint any recommended actions by these public governance structures.

Apart from content analysis, an empirical survey by means of questionnaires was used to gather data. Kumar (2011:2) describes a questionnaire as a “research document containing a formalised set of questions that are necessary to collect data to address the research question”. According to Acharya (2010:3), questionnaires are normally

formulated around open-ended questions, permitting the respondents to answer their questions in their own words. This distinguishing factor of utilising open-ended questions is that it provides the researcher with more valid and rich data (Trueman, 2015:1). In addition, Neuman (2014:333) adds that it allows the researcher to obtain an unlimited number of possible responses, resulting in the discovery of unanticipated findings. In adherence to the guidelines issued by Vissbr, Krosnick and Lavravs (2000:238) and Kothari (2004:101), responses obtained from the questionnaire were categorised and a coding scheme was utilised for purposes of analysis. The frequency of each theme reported in the annual reports was recorded to determine the extent to which these institutions adhere to the principles of good corporate and financial governance. The information gathered was compared with the findings of the Auditor-General.

Questions for the survey are based on the seven principles of good governance and effective governance structures outlined above, as well as the findings of the Auditor-General and the recommendations of the portfolio committees, SCOPA and the APAC. Since the purpose of the survey study is to support the findings of the content analysis, the results thereof were analysed and compared to those of the content analysis to make final conclusions.

1.6 SIGNIFICANCE OF THE STUDY

The study aimed to identify the causes of inefficiencies and ineffectiveness in public institutions as reported in the 2016 Auditor-General report on the performance and audit outcomes of the public institutions. Once the causes of weaknesses were determined the study aimed to provide recommendations for addressing any identified gaps and weaknesses thereof. The Auditor-General reported that the financial and compliance performance of a number of public institutions remained the same in the three years up to 2016. The study aimed to identify areas where improvements of the financial governance structures are required in terms of the performance of these institutions.

The identification of the root causes for poor financial performance in the public institutions, and recommendations for improving the effectiveness of the public governance structures will expand the body of knowledge of Public Financial Management, and contribute to the practices associated with good corporate governance and effective public financial management. The study furthermore add significant value by outlining the parameters of a framework to address identified challenges and to improve the overall effectiveness of governance structures in the South African public sector.

1.7 ETHICAL CONSIDERATIONS

Approval for ethical clearance was obtained from the North-West University Ethics Committee before the survey was conducted. The application approval (NWU-00117-13-S7) confirmed the following ethical aspects:

- Consent to conduct the survey study was sought from the Accounting Officer or the Deputy-Director General: Corporate Services of the National Treasury and from the Auditor-General.
- Anonymity of the respondents was maintained.
- The information provided by the respondents and the information obtained from other parties for the purpose of this study was kept confidential.
- Respondents participated voluntarily and were free to withdraw at any stage of the questionnaire.
- No third parties were used to gather data from the respondents. The questionnaire was administered by the researcher.

1.8 CHAPTER LAYOUT

The structure and outline of the chapters of this study are as follows:

Chapter 1 provided background information on governance and provides a brief overview of the literature review to support the study. The research problem was introduced in this chapter, highlighting the problem questions, the purpose, research design and methodology, the central theoretical statement and the importance of the study.

Chapter 2 examines the theory and literature on governance and governance structures in general and its position in the discipline of public administration in particular. In addition, governance frameworks and legislative considerations that was used to measure the effectiveness of governance structures in the public service are also analysed in this chapter. The theory gathered in this chapter was used to answer the research question pertaining to the regulatory and governance frameworks that govern the public governance structures.

The South African public service governance structures and the analysis of their effectiveness are explored in chapter 3. The analysis attempts to answer the research question on whether the South African public financial governance structures are in line with those prescribed in section 1 of chapter 1 of this study. This chapter also identifies and explores the challenges affecting the effectiveness of South African public governance structures.

Chapter 4 examined the effectiveness of the public service governance structures, as derived from findings of the content analysis and supplemented through the questionnaire. Therefore, the findings of the research empirical research was analysed and reported in this chapter.

Conclusions reached from both qualitative and quantitative components of the research are reported in chapter 5. This chapter also recommended and outlined a proposed framework for improving the effectiveness of public financial governance structures.

1.9 CONCLUSION

The purpose of this chapter was to provide a general orientation of the locus and focus of the study by accentuating the circumstances leading to the identified problem statement. The research objectives and questions were formulated and the research design and methodology were explicated. The significance of the study, ethical considerations and outline of the structure of the study were also provided.

In the next chapter the theoretical framework pertaining to governance in general and good public financial governance in particular is outlined.

CHAPTER 2

THEORETICAL UNDERPINNINGS, FRAMEWORKS AND STATUTORY AND REGULATORY OBLIGATIONS DIRECTING GOOD PUBLIC FINANCIAL GOVERNANCE

2.1 INTRODUCTION

In order to answer the research question on the regulatory and theoretical frameworks that regulate and outline public institutions' financial governance structures, this chapter firstly explores literature on the theory of good financial governance. Secondly, this chapter presents and analyses existing statutory and legislative frameworks. Finally, good governance principles emanating from the theory and statutory frameworks that could be used to assess the effectiveness of financial governance structures in the public institutions are explored.

Existing statutory frameworks, legislative requirements and good governance principles emanate from particular ideological, meta-theoretical and theoretical positions of policy-makers (Adetoritse, 2011:66). National legislation and regulatory prescripts regarding financial administration in South Africa should thus be interpreted at the backdrop of theory that led to the development of principles of good financial governance in the public institutions. This statement is supported by Rocco and Plakhotnik (2009:121) who state that all empirical studies should be analysed based on theoretical underpinnings that inform scientific inquiry in a particular phenomenon. Also Levy and Ellis (2006:182) argue that a theoretical perspective is essential to analyse phenomena under investigation and to justify the particular approach followed.

In order to determine the effectiveness of certain public institutions' financial governance structures in South Africa, it is important to determine and analyse governance theories applied by these structures. Therefore, this chapter explores literature on different financial governance theories that are applicable to financial governance structures of

South African public institutions. According to Carrington *et al.* (2008:1), the particular theory that is used to analyse good financial governance as well as the specific definition applied to conceptualise it, depend on the particular context within which it is used. Thus, to analyse financial governance in a public sector setting it is important to assess governance theories that inform this concept within the ambits of particular public sector principles, conditions and policies. This perspective is essential since it will assist to position South African public institutions' financial governance structures within particular governance theories and frameworks.

2.2 GOOD FINANCIAL GOVERNANCE: CONCEPTUAL CLARIFICATION

Stoker (1998:17) states that the theoretical origins of governance can be traced to various disciplines such as Economics, International Relations, Organisational Studies, Development Studies, Political Science, and Public Administration. Furthermore, the study of governance is complicated by the fact that it could be applied in various contexts such as organisational or institutional governance, corporate governance, community governance, economic governance and political governance (Adetoritse, 2011:67; Asaduzzaman, 2016:5). From a public financial governance perspective, especially corporate governance has relevance for purposes of this study.

2.2.1 Good corporate governance

The Institute of Directors of South Africa (IODSA) (2016:11) defines the notion “corporates” as “organisations that are incorporated to form legal entities separate from their founders and therefore applies to all forms of incorporation whether as company, voluntary association, retirement fund, trust, legislated entities or others”. The inclusion of “corporate” in the governance concept thus differentiates corporate governance from other forms of governance.

Corporate governance mainly forms part of broader organisational governance dimensions and is primarily concerned with the application of certain good governance

principles at a corporate (“business”) level. It involves an integrated network of interrelationships between an organisation’s management, its board of directors and its stakeholders (OECD, 2015:9). In this regard, Youssef (2006:2) emphasises the “rules” that guide the relationship between stakeholders, management, and the board of directors of an organisation. The IODSA (2016:20), in turn, place focus on the ethical and leadership dimensions of corporate governance. According to the IODSA (2016:20), ethical leadership is essential to achieve organisational strategic objectives as well as to direct overall organisational performance.

From a global scholarly discourse on corporate governance, the concept of good corporate governance emanates. Caluser and Kovacs (2007:13) state that the good corporate governance concept was developed mainly because of the quest for suitable remedies to “bad” governance practices that became evident in both public and private sector institutions. These bad practices are characterised by corruption, nepotism, malpractice, lack of accountability and transparency, as well as the failure by organisations to respect basic human rights and healthy labour practices (McGregor, 2011:19). According to McGregor (2011:19), good governance is a practice that enables sustainable wealth creation. In support of this notion, the OECD (2015:3) states that good corporate governance is about creating confidence, legitimacy and integrity as conditions necessary to create sustainable value for stakeholders.

State-owned entities, which are partly governed by public sector governance structures, are also required to subscribe to the principles of corporate governance (IODSA, 2016:6). Katsamunska (2016:140) states that good governance in the public sector is about how well authority is exercised as well as how effective and efficient the country’s resources, affairs and the relationships between those in authority and the general public are managed. Good governance in general concerns the dynamic interaction between citizens and other public institutions in search for the improvement of the general well-being of the public.

According to the United Nations Economic and Social Council (UNESCO) (2002:3), good governance can be achieved through building capacity to govern, which includes among others building institutional and organisational administrative capacity. Balogun (1983:17) defines administration in this context as “any action that is directed to the analysis of policies, the identification of options and to a substantial degree, the implementation of programmes as well as the efficient allocation of resources”.

Building administrative capacity, the successful implementation of organisational programmes as well as the efficient and effective allocation and use of resources lead to good governance. These dimensions can also be regarded as prerequisites for good financial governance.

2.2.2 Good financial governance

Caluser and Kovacs (2007:13) identify three dimensions of governance, namely technical, social and political. Bojic (2011:3) refers to the technical dimension of governance also as the economic dimension. The economic dimension of governance relates to the economic aspects of good governance, which focuses on the effective utilisation of public financial resources as well as the degree of accountability and transparency in the management of public funds. It also incorporates the conduciveness of the statutory and regulatory environment to direct financial operations and activities (Bojic, 2011:3).

Caluser and Kovacs (2007:13) state that the economic dimension of governance consists of five governance principles, namely;

- “public sector management;
- organisational accountability;
- the rule of law;
- transparency; and

- access to information”.

According to Fiador (2013:115), these principles are also applicable to good financial governance. Fiador (2013:115) describes good financial governance as “the legitimate utilisation of authority in the management of an entity’s financial resources and a system that underpins transparency and accountability in financial management”.

According to the Collective Africa Budget Reform Initiative (CABRI) (2010:4), good financial governance requires building effective systems to organise and manage financial assets and liabilities of an entity, systems to enhance budgeting and financial reporting, as well as systems to establish effective audit and risk management mechanisms. Furthermore, good financial governance involves building strong oversight institutions. Therefore, good public financial governance can be regarded as the effective and efficient use of public resources and sound financial management, which strengthens a transparent and accountable public service. Furthermore, good financial governance promotes the rule of law, transparency and accountability, and it also supports the separation of powers within an institution (Federal Ministry for Economic Cooperation and Development, 2014:10). These dimensions, characteristics and principles of good financial governance are underpinned by various governance theories, which are briefly examined in the next section.

2.3 THEORETICAL UNDERPINNINGS OF GOOD CORPORATE AND FINANCIAL GOVERNANCE

Abdullah and Valentine (2009:88-91) state that the basic theories of good corporate and financial governance commenced with agency theory, which extended into stewardship and stakeholder theories and further evolved to resource dependency theory, transaction cost theory, political theory and ethics related theories such as business ethics theory, and virtue ethics theory. According to Abdullah and Valentine (2009:89), agency and stewardship theories are the two primary theories that underpin the relationship between stakeholders and role-players in corporate and financial governance processes.

According to Van Slyke (2006:157), there have been various attempts by scholars of Public Administration to develop a comprehensive body of knowledge regarding the nature of relationships between participants in public sector governance. Van Slyke (2006:164-166) argues that the application of general governance theories should be extended to public sector settings in general and corporate and financial governance in particular. In response, this study utilises agency and stewardship theory as meta-underpinnings to analyse good corporate and financial governance. These underpinnings are also essential to assess the nature and intend of national legislation directing good financial governance.

2.3.1 Agency theory

According to Donaldson and Davis (1991:49-50), agency theory deals with the relationship and separation of roles between the owners, who are also known as “principals”, and management of an organisation referred to as “agents”. Abdullah and Valentine (2009:89) define the agency theory as “the relationship between the principals, such as shareholders and agents such as the executives and managers”.

In its simplest form, agency theory reduces the dynamic interactions in an organisation into a relationship between two parties, namely principals and agents. According to this theory, the executive and managers run the organisation on behalf of the owners and these executives are held accountable to the owners (Abdullah and Valentine, 2009:90). According to Armstrong (1997:22), in agency theory control and monitoring are emphasised. These two domains have particular reference to good corporate and financial governance. In this regard, Paratoriza and Arino (2008:5) state that agents in the relationship work according to controlled systems. Owners or principals develop these systems, including good governance structures, to monitor agents’ compliance with the interest of their principals.

In indicated earlier, governance is partly about how a government interacts with a network of actors including the private sector, civil society organisations and ordinary citizens. When analysing the agency theory and applying it to public sector governance, the relationship becomes the one between the government as represented by public organisations and the citizenry of the country. In this relationship, the government and its organisations are agents of the citizens of the country. Citizens occupy a principal role and therefore government and its institutions (i.e. agencies) are expected to act in the interest of and are accountable to the country and its citizens (Leruth and Paul, 2006:6).

According to Armstrong (1997:21), when a rational public sector representative who is not motivated by personal interests or gains, is faced with a number of alternatives, he or she will choose an alternative that maximises his or her benefits. Therefore, agents may sometimes make decisions that serve their own interests and not those of their principals (Donaldson and Davis, 1991:51). The agency theory requires that mechanisms, rules and regulations are in place to detect the manifestation of any self-serving interest. When the agency theory is applied in the public sector, there should be effective governance processes and structures in place that will ensure that any conflict of interests between the objectives of the principal and those of its agents are detected and the public interest are protected at all times.

2.3.2 Stewardship theory

Unlike agency theory, the premise of stewardship theory is that executives and managers are “good” stewards and will always act in the interests of the organisation and the owners thereof (Fauziah *et al.*, 2012:52). According to Abdullah and Valintine (2009:90), stewardship theory is based on the belief that “a steward protects and maximises shareholder wealth through firm performance, because by so doing, the steward’s utility functions are maximised”. This view implies that executives and managers are stewards who act in the interest of the owners of an organisation. The relationship in stewardship theory is that of principal-steward arrangement (Pastoriza and Arino, 2008:1). According to Donaldson and Davis (1991:50) and Fauziah *et al.* (2012:57), because the executives

and management are regarded as good stewards in the private sector, they are motivated to maximise the wealth of the owners of the company.

Armstrong (1997:18-22) states that stewards derive satisfaction from the development, performance and success of their organisation. Stewards also aim to satisfy all stakeholders of the organisation they serve. These individuals are servants who manage the resources and affairs of their masters without obtaining ownership of these resources. According to Pastoriza and Arino (2008:5), stewards work in an “involvement-oriented system and a collective culture”. As a result, stewardship theory applies to a more value-oriented organisation such as public institutions. Government institutions and senior public officials should function as stewards of public resources, including finances (Abdullah and Valintine, 2009:90).

Based on the above it can be deduced that the application of stewardship theory in the public sector implies that the government and public institutions should assume the role of stewards and the citizens should assume the role of “owners” of the country and its resources. From the above observation, it can be deduced that when electing their representatives to positions of authority in government and state-owned companies, the citizens of the country trust that these representatives will make decisions that promote and protect public interests. When accepting the responsibility to be agents of the citizens, the government and its organisations should be willing to be accountable for the goodness of the country and their principals by operating in service rather than in control. According to Federal Ministry for Economic Cooperation and Development (2014:10), good financial governance enables citizens and owners of public financial resources to participate and engage in financial oversight, thus promoting accountability.

The relationship between the government or public sector and the citizens of the country should ideally be characterised as that of stewards and principals respectively. However, the Auditor-General (2016:18-21) has over the past five years reported that the public institutions failed to comply with the principle of good governance that requires that institutions must respect the rule of law. The report highlights a number of irregularities in

public financial management practices and weaknesses in internal controls. This audit outcome highlighted in the above-mentioned audit report suggests that the actions of those charged with good governance in the public sector do not exude stewardship over the use of public resources; thus, more control and monitoring are necessary. As a result, these participants in public sector governance structures and processes behave like agents in their interests rather than stewards in the relationship with their principals.

Although the “agents” should perform their responsibilities in the interest of their “principals”, their objectives in the relationship sometimes differ from those of the owners of the resources. As a result, there may be conflict of interests in decision-making. Therefore, it is important to establish methods in the form of governance structures necessary to control the decision-making processes of any organisation. Unlike agency theory, stewardship theory depicts stewards as serving the interests of the organisation and those they serve. Stewardship theory portrays stewards as “trusted servants” who act in the interest of the organisation and its owners. Stewardship theory also places emphasis on the need for stewards to satisfy the needs and aspirations of all stakeholders in the relationship, whereas agency theory suggests that agents should focus on satisfying their principals only.

Governance structures and frameworks exist at both macro and micro levels. The next section analyses public sector good financial governance frameworks at these two levels.

2.4 MACRO AND MICRO LEVEL GOOD FINANCIAL GOVERNANCE FRAMEWORKS

Governance in a public sector setting includes among others, government structures and processes designed to promote accountability, transparency, responsiveness and rule of law. It also refers to the internal functioning of government structures, inclusive of processes designed to promote broad-based participation, openness and transparency, responsiveness and accountability, and the effective utilisation of public resources. To make scholarly sense of these governance structures and their internal functioning, it is

necessary to explore governance frameworks that underpin good corporate and financial governance in the public institutions.

The IODSA (2016:35) states that the principles and dimensions of good governance are mainly derived from statutory prescripts. It thus seems that the body of knowledge of good governance largely co-exist with law. This implies that although some parts of governance requirements apply on a voluntary basis, non-compliance therewith may trigger legal consequences. Legal ramifications due to failure to apply the principles of good governance made it necessary to develop standardised frameworks to not only frame notions of good governance but also to make it possible to measure the extent to which organisations comply with its generally-accepted principles. Since the concept governance mainly emanates from law, it is important to explore financial governance and statutory frameworks governing good financial management in South Africa.

According to Adenikinju (2012:16), when viewed as a framework, governance should be regarded as the interaction between “internal and external forces and incentives” that affect the overall performance of organisations. These forces and incentives vary from organisation to organisation depending on its structure and context. This statement is supported by the OECD (2015:13) which states that there is no standardised financial governance framework. Each organisation should develop their own financial framework based on generic principles.

In his study, Van der Waldt (2012:84) reports that there are five areas in which good governance frameworks are applied namely, economic development, international relations, public management, as well as social and corporate management. Each area is characterised by unique circumstances and objectives as well as associated framework dimensions. Generally-speaking, however, these framework dimensions can be categorised into international (global), national (country), and institutional (organisation) level frameworks. International good financial governance practices are also referred to as macro governance practices (Conyon, Judge & Useem, 2011:402).

According to Jenkins and Gordon (2012:351), due to the interconnectedness of and the integrated systems in global markets and financial institutions, having a framework for international good financial governance practices is very important to mitigate any risk associated with poor corporate governance. Conyon, Judge and Useem (2011:402) state that having good financial governance frameworks at both macro and micro (organisation) levels is imperative due to their interrelationship and joint impact on financial systems. A weakness at one level can be compensated by strong financial governance systems at the other. Conyon, Judge and Useem (2011:402) thus argue that good financial governance practices should be implemented at both country (macro) and institutional or organisational (micro) levels. Therefore, frameworks governing good financial governance should make provision for dimensions and principles applicable to both these levels.

2.4.1 Macro financial governance frameworks

Organisational missions, objectives, structures, sizes and activities differ vastly. It is thus a complex endeavour to establish a standardised financial governance framework (IODSA, 2016:35). Different frameworks across different countries and organisations are thus developed. However, a generally-accepted, standardised financial governance framework should encompass good financial governance principles rather than context-specific dimensions. These principles should promote ethical and professional conduct, openness and transparency, accountability and responsiveness, as well as the efficient allocation and use of financial resources. In response to this, the Organisation for Economic Cooperation and Development (OECD) established the Business Sector Advisory Committee in 1996 to develop good corporate and financial governance principles and framework for private sector entities. However, the OECD realised that it was necessary to apply the same principles in the public sector as well as in state-owned entities (OECD, 2015:4).

The public sector and state-owned entities' financial governance framework aims to observe high standards of transparency, accountability, fairness and responsibility, and

upholding high levels of financial integrity (OECD, 2015:24). The OECD concurs, however, that the content of the financial governance framework will be differently applied in countries. Also, IFAC and CIPFA developed an international framework in 2014 to outline standardised principles and thus promote good financial governance in the public sector. The main purpose of this framework is to establish a generic standard for public sector finances in order to improve service delivery and accountability (IFAC and CIPFA, 2014:7). The founding principles of the good governance framework are based on “acting in the public interest” which strongly resembles the principles of both steward and agency theory. According to IFAC and CIPFA (2014:10), these principles are:

- “Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Effective arrangements for:
 - defining outcomes in terms of sustainable economic, social, and environmental benefits;
 - determining the interventions necessary to optimise the achievement of the intended outcomes;
 - developing the entity’s capacity, including the capability of its leadership and the individuals within it;
 - managing risks and performance through robust internal control and strong public financial management; and
 - implementing good practices in transparency, reporting, and audit, to deliver effective accountability”.

2.4.2 Micro financial governance frameworks

Iskander and Chamlou (2000:4) argue that “poor” organisational governance can primarily be traced to weaknesses in financial control systems and processes. This implies that good organisational governance is dependent on the establishment of sound financial practices and systems. Nuryanah, Sardar and Islam (2015:2) and Enzaei and

Daryaei (2016:1335) also confirm that good corporate governance practices are mainly derived from good financial management processes. It is thus evident that there is a significant correlation between good corporate governance and good financial management. Mwanza (2013:3) describes good financial management as the effective management of an organisation's financial resources to meet the goals and objectives thereof.

According to Adenikinju (2012:19), there are common principles of good financial governance frameworks applicable to public institutions. These principles generally entail ethical financial conduct, adequate financial controls, political oversight, and effective auditing and accounting practices. It also entails the balanced roles of key role-players in the governance system, such as shareholders or owners, employees and management, and the board of directors. In terms of the King III (2009) and IV (2016) Reports on Corporate Governance, an entity's financial governance role includes the following:

- “steering and setting strategic direction;
- approving policy and planning;
- ensuring transparency and financial accountability; and
- overseeing and monitoring performance of management”.

It is suggested that any corporate and financial governance framework should encompass these governing roles and responsibilities. Furthermore, the IODSA (2015:9) states that a good organisational financial governance framework should adhere to the following requirements:

- “promote transparent and fair markets, and the efficient allocation of resources;
- be consistent with the rule of law and support effective supervision and enforcement;
- protect and facilitate the exercise of owners' rights and ensure the equitable treatment of all providers of capital;

- provide sound incentives throughout the investment chain and provide for financial markets to function in a way that contributes to good governance;
- recognise the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises;
- ensure that timely and accurate disclosure is made on all material matters regarding the organisation, including the financial situation, performance, ownership, and governance of the entity; and
- ensure the strategic guidance of the organisation, the effective monitoring of management by the board, and the board's accountability to the organisation and its owners”.

These requirements are essential for frameworks that direct organisational financial excellence. Therefore, good corporate and financial governance principles can be used to measure the effectiveness of South African public institutions financial governance structures as focus of this study.

2.4.3 South African-specific good financial governance frameworks

Since 1994, the South African Government has developed extensive frameworks to regulate good financial governance in the public sector. These frameworks can be categorised as country-wide macro frameworks and institution-specific micro frameworks. Each type of framework is briefly elucidated below.

The South African Government developed the National Development Plan (NDP): Vision 2030 in 2011 to serve as a South African good governance framework at a country-wide or macro level. The development of the NDP was aimed at addressing the weaknesses of the Reconstruction and Development Programme (RDP) as former framework for the establishment of good governance structures and systems. On a philosophical level, the

main purpose of the RDP framework among other things was to build an inclusive, non-racial and non-sexist South Africa while fighting poverty. The South African Government further translated the RDP into government policies, programmes and budgets (National Planning Commission, 2011:13).

The NDP as macro framework outlines government programmes as well as roles and responsibilities of public institutions. Chapter 14 in particular deals with the application of good corporate governance principles in the public sector. In this chapter, the NDP states that the Government of South Africa is committed to “building a resilient anti-corruption system, strengthening accountability and responsibility of the public servants, creating an open, responsive and accountable public service, and strengthening judiciary governance and rule of law”. It is expected that the President of the Republic use the NDP framework as foundation for the preparation of the annual State of the Nation Address (SoNA).

Apart from the NDP, the Medium-Term Strategic Framework (MTSF) serves as a strategic framework for government planning and programme execution (The Department of Planning, Monitoring and Evaluation (DPME), 2019:1). The MTSF document also contains targets, performance indicators, role and responsibilities as well as timeframes for the implementation of the key programmes contained in the NDP (South Africa, 2019:1). Both the NDP and MTSF can thus be used as instruments to hold the Executive branch of Government accountable. Parliamentary oversight is used to hold public institutions accountable for Government’s performance and plans for the year ahead.

A further element of the macro financial governance framework of South Africa is the fact that the Minister of Finance must budget and allocate funds in line with the priorities outlined by the President and incorporated in the Government’s Programme of Action (Parliament of the RSA, 2018:2). Also, National Treasury issued Medium-Term Expenditure Framework (MTEF) guidelines to national and provincial departments as well as to municipalities. These guidelines serve as framework according to which public institutions have to set strategic objectives and budget (National Treasury, 2018:5-6). The

MTEF thus serves as another macro framework mechanism that outlines the parameters of government spending and financial governance in general.

From this brief exposition it is evident that the NDP, SoNA, Government's Programme of Action, the MTSF, the MTEF, the Department of Finance, and National Treasury are critical South African financial governance framework mechanisms that provide the basis for good financial governance in public institutions.

As the key institution that provides financial management oversight over public institutions in South Africa, the National Treasury regularly issue financial management guidelines, instructions and regulations. A key document in this regard is National Treasury's Financial Management Regulations (2001). These Regulations were amended in 2005 but essentially serves as a framework that provides guidance on financial management as regulated by the Public Finance Management Act (PFMA) 1 of 1999. In 2012, National Treasury issued a draft of an amended version of these Regulations. In addition, to providing guidance on financial management issues, the amended Treasury Regulations (2012) include matters relating to institutional or corporate governance issues in public institutions.

Walker and Mokoena (2011:275) state that corporate governance was institutionalised for the first time in South Africa in 1994 through the King Reports on Corporate Governance. Subsequent to the issuance of the first King report in 1994, three more editions of the reports were issued. Based on the amendments in company law in 2008, the IODSA (2016) issued the King IV Report of Corporate Governance for South Africa. This Report serves as key financial and corporate governance framework for all South African companies and public institutions, including state-owned entities (IODSA, 2009:7). It thus serves as micro parameters for good corporate and financial governance as it outlines the main financial principles, corporate dimensions, and ethical conduct expected of institutions.

Considering the theoretical underpinnings of good financial governance as well as the macro and micro level frameworks pertaining to good corporate and financial governance, it is essential to also assess the nature and content of statutory and regulatory prescripts. The statutory framework (i.e. national legislation) and regulatory documents (i.e. official guidelines, regulations, white papers, etc.) for good financial governance in South Africa are expounded in the next section.

2.5 STATUTORY AND REGULATORY FRAMEWORKS FOR GOOD FINANCIAL GOVERNANCE IN SOUTH AFRICA

In order to comprehend the South African public service's financial governance practices, it is important to explore the legal (statutory) and regulatory frameworks that govern public institutions. Werksmans Attorneys (2010:1) confirm that good financial governance matters are primarily imbedded in the common law, based on civil court cases. There is thus a close link between legal frameworks and good governance practices.

An exposition of the statutory framework for good financial governance in South Africa should commence with the Constitution of the Republic of South Africa, 1996 as highest authority in the country. Bell (2015:1) states that one of the roles of the Constitution is to provide the philosophical underpinnings of the entire legal system in the country. The South African public sector derives its governance processes and structures from various pieces of legislation, including the Constitution, the PFMA, and the Preferred Procurement Policy Framework Act (PPPFA).

2.5.1 The Constitution of the Republic of South Africa

The Constitution, 1996 can be regarded as the cornerstone of the statutory framework for public sector governance, inclusive of good financial governance, in South Africa. The Constitution is the supreme law of the country and any other statutory document that is in conflict with it is invalid (Pieterse, 2006:29). Several pieces of legislation were promulgated to give effect to the principles and stipulations outlined in the Constitutional.

Chapter 10 of the Constitution deals with general governance issues relating to the public administration. Section 195 of the Constitution provides the following governance principles and values for the public service administration:

- “promotion and maintenance of high standard of professional ethics;
- promotion of efficient, economic and effective use of resources;
- development-oriented public administration;
- impartial, equitable and non-discriminatory provision of services;
- responsive to the needs of the public and encourage participation of the public in police-making;
- accountable public service;
- maintain transparency by providing the public with timely, accessible and accurate information;
- good human resource management and career development practices; and
- public administration must be broadly representative of the South African people, with employment practices that are fair and are based on ability, objectivity and need to redress the imbalances of the past to achieve broad representation”.

Chapter 13 deals with financial governance matters. Section 216 of the Constitution establishes the National and Provincial Treasuries to, among others, exercise financial management oversight over all public institutions and to ensure effective and efficient use of public resources, inclusive of financial resources. Section 217 of the Constitution stipulates that a state institution that enters into contracts to procure goods and services must do so in a fair, equitable, transparent, competitive and cost-effective manner. The Constitution further states that public service institutions should develop systems that support this requirement.

2.5.2 Public Service Act 103 of 1994

Although the Service Act 103 of 1994 was promulgated two years before the Constitution came into effect, this Act deals with the requirements of section 197 of the Constitution. The purpose of the Public Service Act 103 of 1994 is to provide for the organisation and administration of the South African public service, and regulates the relationship between government as employer and its employees. As a statutory governance framework, the Public Service Act establishes norms and standards relating to the functions, organisational and governance structures as well as the relationships of all stakeholders in the public service. Therefore, this act is applicable to all those who are responsible for governance issues in the public service.

2.5.3 Public Finance Management Act 1 of 1999

The primary national legislation that governs financial management in public institutions in South Africa is the PFMA. In its foreword, the Minister of Finance states that the PFMA “promotes the objective of good financial management in order to maximise service delivery through efficient and effective use of scarce resources”. Section 2 of the PFMA states that the objective of the Act is to “secure transparency, accountability, and sound management of the revenue, expenditure, assets and liabilities of the institutions to which it applies”.

The PFMA gives effect to Sections 213 to 219 of the Constitution. All national and provincial departments including the Offices of the Premier fall under the ambit of the PFMA. Chapters 2 and 3 of the PFMA establish and deal with the National and Provincial Treasuries, as well as their governance structures and responsibilities.

Sections 38 to 44 of the PFMA assign governance responsibilities relating financial management to the accounting officers of government departments. Governance responsibilities for public entities are assigned to the Accounting Authority as stipulates in Sections 49 to 54 of the PFMA. In terms of the above sections, the Accounting Officers

and the Accounting Authorities are required to establish governance structures with their respective institutions. This include systems for good financial governance.

2.5.4 Preferential Procurement Policy Framework Act 5 of 2000

A framework for the implementation of procurement practices, known as the Preferential Procurement Policy Framework Act (2000) (PPPFA), was developed in 2000 to give effect to Section 217 of the Constitution. Section 217 of the Constitution states that procurement of goods and services must be done in a fair, equitable, transparent, competitive and cost-effective manner.

As stated in Chapter 1 of this study, governance is about structures and processes that are developed and designed to ensure accountability, transparency, responsiveness, rule of law, stability, equity and inclusiveness, empowerment, and broad-based participation in an organisation. This description of governance supports section 217 of the Constitution. The PPPFA therefore prescribes a system and a process that must be followed in awarding tenders in line with the Constitution as well as conceptions of good financial governance.

2.5.5 Broad-Based Black Economic Empowerment Act 53 of 2003

The Broad-Based Black Economic Empowerment Act (B-BBEE) 53 of 2003 was promulgated in 2003 and amended in 2013 to establish a framework for the promotion of black economic empowerment. The Act empowers the Minister of the Department of Trade and Industry to issue codes of good practice and transformation. These codes were first published in 2011 and came into effect on 1 May 2015 (Werksman Inc, 2018:3). Furthermore, the B-BBEE Act was established among others, to comply with Sections 2 and 217 of the Constitution and to promote the achievement of rights to equality and effective participation of black people in the economy.

2.5.6 Companies Act 71 of 2008

According to Stephens (2009:3), the purposes of the Companies Act is to promote the competitiveness and development of the South African economy, compliance with the South African Constitution, promote transparency and high standards of corporate governance, and provide a basis for balancing the rights and responsibilities of both the owners of the company and those who are charged with fiduciary duties.

PWC (2012:6) states that the PFMA focuses on financial management aspects relating to government departments and public entities whereas the Companies Act deals with legislative matters relating to companies, which are more than just financial management. Section 3(3) of the PFMA states that if there is any conflict between the PFMA and any other act, the PFMA takes precedence. However, Section 5 (4) of the Companies Act 71 of 2008 allows both Acts to be applied concurrently to the extent it is possible to apply and comply with the inconsistent provisions of one act without contravening the other. This section of the Companies Act further determines that an organisation should consider non-concurrent application of or compliance with the inconsistent provisions of one act to the extent that it is impossible to apply or comply with it without contravening the other.

Government departments do not have an element of being classified as business entities or companies. Therefore, they fall under the ambit of the PFMA only, unlike the state-owned entities which are regulated by both the PFMA and the Companies Act. According to PwC (2012:3), Chapter 1 of the PFMA refers to state-owned entities that are regulated in terms of the PFMA as national government business enterprises. This is based on the fact that these entities have the characteristics of both the national and provincial governments as well as those of profit-making businesses. Therefore, based on their characteristics, state-owned entities need to comply with provisions of both the PFMA and those of the Companies Act.

As far the regulatory framework for good financial governance is concerned, the King Report serves as overarching “principled-based” framework (IODSA, 2009:7), while the Companies Regulations (2008) and the Treasury Regulations (2012) can be regarded as legislative-based frameworks that govern public institutions’ financial governance (National Treasury, 2012:7). The Department of Trade and Industry (2008), issued the Companies Regulations in April 2008. According to Stephens (2009:2), the purpose of the Companies Regulations is to rectify certain provisions of the Companies Act and improve the administration thereof. These two and other regulatory documents are significant for the purpose of this study since it forms the basis of financial governance principles and praxis in public institutions.

2.5.7 Treasury Regulations

Following the promulgation of the PFMA in 1999, the National Treasury issued the first Treasury Regulations in terms of Section 76 of the PFMA. The Treasury Regulations serve as financial management regulatory framework for public institutions and outlines public sector norms and standards (South Africa, 2012:8). The first issue of Treasury Regulations was amended in 2005 to include minor changes. In November 2012, National Treasury issued draft Treasury Regulations with significant number for changes on supply chain functions for public comments. At the time of this study, the 2012 draft Regulations are still in “draft” format.

2.5.8 Preferential Procurement Policy Framework Regulations

The first set of the Preferential Procurement Policy Framework Regulations (PPPFR) were issued in 2001. The amended regulations came into effect at the end of 2011 in order to align the PPPFA with the aims of the B-BBEE Act (National Treasury, 2014:4). In 2017, the National treasury issued amended PPPFRs pertaining to the PPPFA to take into account changes in preference points, designated sectors, pre-qualifying criteria and objective criteria and sub-contracting (Norther Cape Provincial Treasury, 6:2017)..

2.5.9 Broad-Based Black Economic Empowerment Regulations

The Broad-Based Black Empowerment Regulations were issued in 2016 in terms of Section 14 of the B-BBEE Act 2003 (Regulation Gazette No 10610). These Regulations were issued in order to ensure proper implementation of this Act. It makes inter alia provision for the reporting duties of the Commission Office, the complaint processes, as well as registrations and transactions.

2.5.10 Public Service Regulations

The Public Service Regulations were issued in terms of Section 41 of the Public Service Act 103 of 1994 which came into effect on 1 August 2016. In terms of Section 2 of the Public Service Act, the Act applies to or in respect of all employees who are employed in or to be employed in the South African Public Service. As stated in section 2.2, governance entails a set of relationships between an organisation and its stakeholders. In this regard, the Public Service Regulations regulate relationships between public institutions that fall under the ambit of the Public Service and its employees.

2.5.11 King Reports on Good Corporate Governance

As was stated, the King Reports on Good Corporate Governance is not regulatory based but rather a principled-based framework. However, these Reports are critical for the purpose of this study as it provides a framework on good corporate and financial governance and associated principles applicable to public institutions.

This concludes a brief exposition of the statutory and regulatory framework directing good financial governance in South African public institutions. In the next section the three major foci of this chapter, namely theoretical underpinnings, macro and micro frameworks, and the statutory and regulatory prescripts will be synergised in a more coherent way to serve the purpose as measuring instrument. In other words, good financial governance principles emanating from these three domains will be used to

develop measuring metrics or yardsticks to assess the effectiveness of financial governance in public institutions as focus of this study.

2.6 ANALYSING THE EFFECTIVENESS OF PUBLIC INSTITUTIONS FINANCIAL GOVERNANCE STRUCTURES: TOWARDS AN ASSESSMENT FRAMEWORK

In order to identify governance principles relating to good financial management, it is important to first assess good governance principles in general. Scholars such as Botchway (2001:11) and Saparniene and Valukonyte (2012:98) describe good governance among other things as a “principle”. Botchway (2001:11) regards a principle as “a fundamental truth or doctrine that denotes a standard to be observed in pursuit of desirable state of affairs and outcomes”. Therefore, for the purpose of this study, the principles outlined below should be regarded as standards to be used to measure and achieve good financial governance.

As stated above, the principles and dimensions of good financial governance are mainly derived from statutory prescripts, the theory of good governance, and good financial governance frameworks. These three “data” sets serve the purpose to identify assessment metrics for purposes of analysing the effectiveness of financial governance structures in the South African public institutions. These assessment metrics will be used to design a questionnaire to solicit input from the sampled population regarding the perceived effectiveness of these financial structures. The sampled target population include thirty senior audit, accountant, compliance monitoring, and procurement officers from National Treasury and the Office of the Auditor-General. The findings of this survey will be reported in Chapter 4 of this study.

2.6.1 Good financial governance principles emanating from theory

Two theories received attention in this chapter, namely agency theory and stewardship theory. The following principles can be extracted from the agency theory:

- Principle 1: Separation of roles within organisations
- Principle 2: Healthy relationship between principals and agents
- Principle 3: Executive accountability
- Principle 4: Control
- Principle 5: Compliance monitoring
- Principle 6: Public interests
- Principle 7: Maximising benefits

The following principles can be extracted from stewardship theory:

- Principle 1: Good stewardship of public resources
- Principle 2: Public interests
- Principle 3: Maximising benefits through organisational performance
- Principle 4: Value-oriented organisations
- Principle 5: Responsibility
- Principle 6: Financial oversight and accountability
- Principle 7: Rule of law

2.6.2 Good financial governance principles emanating from statutory and regulatory documents as well as macro and micro level frameworks

The IODSA (2016:6) states that the good governance principles recommended by the King Reports of Good Governance are valuable and are equally applicable in both the private and public entities. As a good governance framework at a micro level, the King Report of Good Governance highlights 17 general principles that necessary to achieve good governance outcomes. To support the good governance principles at an organisational level, an entity and its governance structures should apply the following five practices (IODSA, 2016:41):

- “practice ethical leadership and be a corporate citizen;

- formulate the strategy, monitor performance and report to stakeholders;
- delegate to management the execution of the strategy, policies and operational plans;
- establish and manage governance functional areas such as, risk, information and technology as well as remuneration governance structures; and
- adopt stakeholder-inclusive approach that balances the needs of all stakeholders”.

The result of good governance are good governance outcomes. Therefore, every organisation should strive to achieve good governance outcomes, which among others include ethical culture, good performance, effective control and legitimacy). To achieve good governance outcomes an organisation should apply governance principles in its business model and throughout its operations (IODSA, 2016:36). CIMA, IFAC and PwC (2013:1) define business model as “... the chosen system of inputs, business activities, outputs and outcomes that aims to create value over the short, medium and long term”. Based on this definition, financial management can be regarded as an element of any organisation’s business model. Therefore, as part of its business model an organisation has to apply good financial governance principles in its activities.

The United Nations Development Programme (UNDP) (2011:279) identified the following governance principles:

- “Participation and inclusion: Good governance is about strengthening active participation and the inclusion of all stakeholders in decision-making.
- Responsiveness, and effectiveness and efficiency: The institutions should have processes that serve all stakeholders, produce results that meet their needs while using resources in the best possible way.
- Accountability and transparency: Decision-makers in organisations are accountable to all their stakeholders and the information and processes are accessible to stakeholders and those concerned with them. Decisions are made and taken according to rules and regulations.

- Rule of law: Legal frameworks that govern the operations and processes on an institution are fair and are enforced impartially to all.
- Equity and non-discrimination: Opportunities to improve or maintain the well-being of everyone are available to all.
- Legitimacy: Decisions are taken according to the will of the majority while legitimate interests of the minority are respected and protected”.

In addition to being governed by the PFMA as part of public institutions, state-owned enterprises are also governed by corporate governance principles. The OECD (2015:9-11) recommends corporate governance principles that should be part of the governance framework necessary to achieve good governance in an organisation. There are six groups of principles that should be embodied in the governance framework of an organisation and are listed below.

- “Transparency and fair markets and efficient allocation of resources. In addition, the framework should be consistent with rule of law.
- Protection and facilitate to exercise the rights of owners and ensure equitable treatment of all stakeholders.
- Sound incentives and ensure that the share markets contribute to good governance.
- Timely and accurate reporting of material matters regarding the organisation, including financial position, performance, ownership and governance of the company.
- Strategic guidance of the organisation and the board’s effective monitoring of management and accountability to the owners”.

It should be noted that the above corporate governance framework principles are covered by the general good governance principles recommended by the UNDP presented above. It is worth noting that as governance framework the King IV report focuses more on the governance and the responsibilities of the Board of Directors governance structure, while

the above governance principles apply to the overall organisational governance. Therefore, for the purpose of this study good governance principles of the UNDP are used as a guide to determine the principles that will be used as 'measuring instrument' to gauge the effectiveness of public institutions in South Africa.

Eckart (2005:3) states that good financial governance framework sets out the same principles that prevail in good governance. Good financial governance mainly seeks to achieve accountable use of the institution's financial resources.

The exposition of the legal framework revealed that the Constitution can be regarded as the cornerstone of the statutory framework for the South African public sector and is the supreme law of the country. As such, it provides the basis for good governance in general and financial governance in particular. Extracted from South African statutory and regulatory frameworks presented above, the following principles are apparent:

Principle 1: Transparency

As stated in section 2.4.1 above, Section 217 of the Constitution stipulates that procurement of goods and services in the public service must be done in a fair, equitable, transparent, competitive and cost-effective manner. The application of this section is reinforced through section 38 of the PFMA and the PPPFA. The PPPFRs pertaining to the PPPFA provide guidance on a fair, transparent, competitive and equitable process that has to be followed in the procurement of and contracting for goods and services.

Section 195 of the Constitution also states that the Public Administration should maintain transparency by providing the public with timely, accessible and accurate information. The importance of the transparency principle in governance is also highlighted by the establishment of the Companies Act. It is stated that the purpose of the Companies Act among others is to promote transparency and competitiveness of the South African economy.

Principle 2: Accountability

Accountability and oversight are constitutional responsibilities and requirements of all those who hold fiduciary and leadership positions in different spheres of government and in the public service and state institutions. A number of statutory frameworks including those explored in this study, further give effect to different sections of the Constitution. One of the principles for good governance in the public service as stated in Section 195 of the Constitution is to have an accountable public service.

Sections 38-57 of the PFMA deal with accountability roles and responsibilities of Accounting Officers, Accounting Authorities and other public service and state owned officials charged with governance activities in the public service and public entities. Sections 40-43 and 52-55 of the PFMA outline the public service institutions' reporting responsibilities. Section 65 of the Act states that the Executive Authority of a government department or public entity must provide an overall account of the activities of the institutions by tabling an annual report to the legislature (national and/or provincial). These provisions of the PFMA emphasise the accountability roles of all those charged with fiduciary and governance duties in the South African public institutions.

As reported in section 2.4.1.6, the Public Service Act establishes norms and standards relating to the roles and responsibilities of the public service employees. The Public Service Act provides a framework of organisational and governance structures in the public service. Furthermore, the Act regulates the relationships and the actions of all employees in the public service. This Act therefore reinforces the accountability principle provided by the PFMA.

Principle 3: Effectiveness and efficiency

Section 195 of the Constitution states that the Public Administration should promote efficient, economic and effective use of resources. Furthermore, Sections 38 and 51 of the PFMA require all Accounting Officers and Accounting Authorities to maintain effective,

efficient and transparent financial and risk management and internal control. The above two sections further assign the Accounting Officers and Authorities the responsibility of promoting effective, efficient, economical and transparent use of resources.

Principle 4: Participation and inclusion

Section 195 of the Constitution requires that the Public Administration responds to the needs of the people and encourage the public to participate in policy-making. Furthermore, according to Sections 38 and 51 of the PFMA, the Accounting Officers and Authorities are required to ensure that an organisation or department they are responsible for has appropriate procurement and provisioning system which among other things is competitive and equitable.

As stated in section 2.4.1.5 that the B-BBEE Act was also established among others, to give effect to Section 9 of the Constitution with regard to public service business administration and promote the achievement of rights to equality and effective participation of black people in the economy. Therefore, the Treasury and B-BBEE Regulations provide guidance on the implementation of this part of the Constitution and the Act to make sure that there is broader participation and inclusion of all South African in the economy.

Principle 5: Fairness, equity and non-discrimination

Although fairness, equity and non-discrimination principles are stated on their own in this study, Section 217 of the Constitution, Sections 38 and 51 of the PFMA as well the provisions of both the PPPFA and the B-BBEE Act include these principles as part of transparency, as well as participation and inclusion principles therefore, statutory provisions relating to fairness, equity and non-discrimination governance principles in the public service are already included in the discussions above. The purpose of separating these principles in this study is to highlight their individual statutory importance in governance.

Principle 6: Rule of Law

Chapter 1 of the Constitution states that the Constitution is the supreme law of the country, and any law or conduct that is inconsistent with its provisions is invalid. The Constitution further states that all its obligations must be fulfilled. This implies that, any legislation or law promulgated before the Constitution came into effect must be in line with the provisions of the Constitution. Public service administration legislation and statutory frameworks explored in this study give effect to the Constitution.

According to Section 1 of the PFMA, any expenditure incurred in contravention of or not in accordance with any applicable legislation is irregular. Therefore, for governance to be good, it should be within the bounds of the law. Therefore, any irregular expenditure incurred by any public institution is a reflection of weak governance practices and contravention with the rule of law. Sections 38 and 51 assign responsibilities to the Accounting Officers and Authorities to take disciplinary action against any official in the public service who commits or permits irregular expenditure in the public institution.

2.6.3 Principles as assessment metrics for an analysis of the effectiveness of financial governance structures: A synopsis

To design a measuring instrument and incorporate that into a questionnaire to analyse the effectiveness of financial governance structures in South Africa, the following combined principles became evident:

- Principle 1: Separation of roles within organisations
- Principle 2: Healthy relationship between principals and agents
- Principle 3: Executive accountability
- Principle 4: Control
- Principle 5: Compliance monitoring

- Principle 6: Public interests
- Principle 7: Maximising benefits
- Principle 8: Good stewardship of public resources
- Principle 9: Maximising benefits through organisational performance
- Principle 10: Value-oriented organisations
- Principle 11: Responsibility
- Principle 12: Financial oversight and accountability
- Principle 13: Rule of law
- Principle 14: Transparency
- Principle 15: Effectiveness and efficiency
- Principle 16: Participation and inclusion
- Principle 17: Fairness, equity and non-discrimination

2.7 CONCLUSION

This chapter explored literature on the theory of good governance as well as good financial governance. Good governance theory was analysed with reference to corporate governance as the two concepts interrelated. The chapter also explored good financial governance as emanating from the economic dimension of the governance concept.

Two theories that are also applicable to the public sector; namely the agency and stewardship theories were also analysed. The analysis of these governance theories assisted to position the South African public sector financial governance in a philosophical sense. The theoretical analysis was following by an exposition of macro and micro level good (financial) governance frameworks. It was established that there is no standard governance framework, and each organisation should develop its own principles.

This chapter further explored and analysed statutory and regulatory frameworks for public sector good financial governance in South Africa. It is evident that public sector financial

governance frameworks are mainly established and governed by the Constitution (1996), the PFMA (1999) as well as the Companies Act (2008).

Good governance and good financial governance principles emanating from both theoretical and statutory frameworks were also explored and analysed in detail in this chapter. It was established that good governance principles can be regarded as the means to achieve good governance outcomes. This study identified 17 good financial governance principles emanating from theory, good governance frameworks, and the statutory and regulatory framework. These principles will be used as metric to design a measuring instrument to gauge the effectiveness of financial governance structures in South Africa.

CHAPTER 3

A FRAMEWORK TO ENABLE AN ANALYSIS OF THE EFFECTIVENESS OF CURRENT PUBLIC FINANCIAL GOVERNANCE STRUCTURES IN SOUTH AFRICA

3.1 INTRODUCTION

This chapter explores the nature, scope, roles and responsibilities of current financial governance structures in South African public institutions. PwC (2012:6) states that there are similarities between the requirements of the PFMA and the Companies Act with regard to governance structures for state-owned entities and public institutions. According to the PwC report, the only major difference between the PFMA and the Companies Act is that the PFMA focuses predominantly on financial management while the Companies Act deals with company's leadership and operational matters at a broader level.

The IFAC and CIPFA (2014:7) state that good governance in the public sector focuses on achieving better informed decision-making. Furthermore, the public sector governance system aims at encouraging and strengthening accountability for stewardship and efficient use of public resources. Unlike in the private sector, the main objective of the public sector is to provide public services to the general public and maintain overall well-being of the citizens rather than making profits for owners of capital (IFAC & CIPFA, 2014:6). To achieve this objective, public sector governance structures should be effective in their responsibilities.

In Chapter 2, this study identified governance principles emanating from the theory and statutory frameworks that are used as 'measuring instrument' to assess the effectiveness of the public institutions' financial governance structures in South Africa. This chapter firstly identifies different public financial governance structures in South Africa, and briefly explores their roles and responsibilities in relation to financial governance in the public

sector. Once these financial governance structures and their roles and responsibilities are identified, this chapter briefly explores the 'effectiveness' concept.

A framework for assessment of the effectiveness levels of the public institutions is also developed, based on effectiveness measuring instruments identified in chapter 2. This framework will be used as a guide in the development of the questionnaire to the heads of the departments and chief financial officers, as well in the performance of the content analysis study. An analysis of the effectiveness of these structures will be conducted in the next chapter by means of this framework. Finally, a model which highlights factors that should be included when developing a framework for effective public financial governance structures will be presented in this chapter.

3.2 CURRENT PUBLIC FINANCIAL GOVERNANCE STRUCTURES IN SOUTH AFRICA

The South African Parliament holds public institutions accountable and serves as a deliberating forum for matters of public and political interest. Section 44 of the Constitution states that the mandate of parliament and provincial legislatures is to produce public policies and refine legislative products. In addition to their mandate and primary role, parliament as well as Provincial Legislatures play an oversight role over government institutions, hold the executive accountable and influence the national budget process through various committees (Parliamentary Monitoring Group (PMG), 2010:1).

Public institutions' governance oversight structures are functioning both at parliamentary and institutional/departmental levels. Section 43 of the Constitution states that Parliament is a legislative authority, composed of the National Assembly and the National Council of Provinces (NCOP). Oversight functions related to national government departments are the responsibility of Parliament, and those relate to provincial departments and legislatures fall under the responsibility of the NCOP.

According to Section 42(4) of the Constitution, the NCOP represents the provinces to ensure that the provincial interests are considered in the national sphere of government, while the National Assembly looks into national interests. Parliament exercises its oversight role through use of various parliamentary structures. Among parliamentary governance structures are parliamentary portfolio committees, Select Committees and Public Accounts Committees (PACs). At organisational level public institutions are required by sections 77 and 38 of the PFMA and chapters 5 and 6 of the Treasury Regulations to have an Audit Committees as well as an Audit Function. For the purpose of this study, both parliamentary and institutional governance oversight structures in the public sector are explored.

National Treasury's role among others is to set financial management norms and standards for public institutions, monitoring their performance and reporting. The set standards and norms assist parliament in their oversight role (Brand South Africa, 2017:1). According to the PMG (2010:2), Parliament uses various oversight tools to hold the Executive and public institutions accountable to the public. These tools among others include the State of the Nation Address (SONA) and (add another one). In the annual SONA the President of the Republic sets out the government priorities for the year. These priorities reflect the focus points (referred to as "apex" priorities) on service delivery for the year. Subsequent to the SONA, the Minister of Finance presents the national budget that will finance these priorities.

3.2.1 Parliamentary portfolio and select committees

The South African Parliament establishes portfolio and select committees for both the National Assembly and the NCOP respectively (Obiyo, 2007:19). Parliamentary committees are established as instruments of parliament in terms of section 44 of the Constitution to among other things facilitate governance in the public sector and provide oversight over public institutions. Portfolio committees mirror national government portfolios while Select Committees deal with provincial government matters in the NCOP.

After the President of the Republic has presented government priorities for the year, and the report from the Minister of Finance on how these priorities will be funded, the portfolio committees invite public institutions to make presentations on how they plan to utilise their budgets in relation to government priorities. At the end of the reporting period, portfolio committees scrutinise the in-year and annual reports of the public institutions under their control to determine whether these institutions are delivering on what they promised and whether they are spending public funds allocated to them in a responsible manner and as planned.

A portfolio committee uses annual reports of the public entities as an accountability tool to assess progress on service delivery and efficiency and effectiveness of government spending, and also to evaluate the performance of public institutions. The portfolio committee uses the report of the Auditor-General to gain insight on the compliance level with laws and set standards by the entity under their control (PMG, 2010:2).

3.2.2 The Public Accounts Committees (PACs)

The South African government – through parliament, structures and processes – in addition to establishing portfolio committees, also established the Association of Public Accounts Committees (APAC). The APAC consists of the Standing Committee on Public Accounts (SCOPA) and Provincial Public Accounts Committees (PPAC). The SCOPA and the PPAC are established in terms of sections 55(2) and 114(2) of the Constitution (1996) and are mechanisms established to oversee the utilisation of public funds by national and provincial departments respectively. The SCOPA is responsible to hold national executive as well as any organ of state accountable, whereas the PPAC is responsible for provincial executive and provincial public institutions (The Auditor-General, 2016:81-84).

The Auditor-General (2016:81-84) reports that the South African government established Public Accounts Committees (PACs) in parliament that is responsible for providing governance oversight over the use of public resources. The PACs monitor how public

funds are used by the public institutions' executives. These structures use financial management tools, such as the PFMA, Treasury Regulations and the Auditor-General Reports among others to exercise their oversight and accountability role in the public sector (The Parliament of the Republic of South Africa, 1996:3).

According to Wehner (2002:7), the PAC is composed of all the political parties represented in parliament, with the chairperson nominated and elected from opposition parties. Although the composition of these committees is made up of political parties, the nature of their work is underpinned by non-partisan and the willingness of government to promote good governance through independent scrutiny. Obiyo (2007:134-146) states that the PACs confine their work to hearings, with government departments and state-owned entities being primary subject of their scrutiny. The responsibilities and functions of the PACs are to –

- “consider the financial statements, the audit reports thereof, any report issued by the Office of the Auditor-General and any other report referred to the committee of all government institutions,
- provide report on any of the financial statements considered to the parliament,
- initiate investigations in their areas of competence where necessary,
- assist public institutions to –
 - spend according to the purpose determined and voted by parliament and legislatures,
 - provide value for money in services provided,
 - comply with financial management laws and regulations, and
 - make recommendations to parliament and legislature” (Obiyo, 2007:134-146).

Obiyo (2007:140) states that PACs recommendations must be adopted by parliament and legislature for implementation by the concerned executive. However, these recommendations are not binding, making it difficult for the committee to take corrective actions where necessary. However, because the PACs use the PFMA, Treasury

Regulations and Auditor-General reports tools when performing their duties, these structures are supported by the Treasury departments and the Office of the Auditor-General. This allows the portfolio committees and legislatures to take note of and corrective actions on any transgressions committed by executives (Wehner, 2002:10).

3.2.3 Public Institution Audit Committee

Sections 77 of the PFMA (1999) as well chapter 9 of the Treasury Regulations (2001) require national and provincial departments as well as the state-owned entities (SOEs) to have an audit committee. The audit committee is established to support the accounting officers and authorities in their leadership and governance functions. In government departments, the executive or the minister is the political head of the department. The appointment of the accounting officer is facilitated by the political head and approved by the Cabinet.

The government is a sole shareholder of the SOEs and is represented by the respective executive or cabinet members. As a representative of the shareholder, the executive is obligated to appoint an accounting authority for the SOE, which also constitutes the board of directors in terms of section 66 of the Companies Act. The accounting authority is tasked to steer the SOE in line with the agreed performance indicators and targets with its shareholder (The Auditor-General, 2019:114-115). The Companies Act also authorises the board of directors to exercise all the powers and perform all the functions of the entity except otherwise both the act and the memorandum of incorporation do not permit (Werksmans Attorneys, 2014:3).

The King Report of Corporate Governance (IODSA, 2016:12) states that, depending on the setting of the organisation the board of directors of the company or the accounting authority of the state-owned entity is part of the governing body of an organisation. According to this governance framework (2016:12), the governing body is “the structure that has primary accountability for the governance and performance of the organisation”. Section 71 of the PFMA and section 66 of the Companies Act states that the accounting

authority should ensure that the SOE has and maintains an internal control environment that conforms to legislation and guided by good corporate governance practices. Based on the above, state-owned entities are required to have a governing body comprising of the accounting authority of the entity.

3.2.4 Public Institution Internal audit function

Section 38 of the PFMA and chapter 5 of the Treasury Regulations require that public institutions to have an internal audit system under the leadership of the Audit Committee. In addition, this section requires that there must be a risk management system within the public sector institutions. The Audit and Risk Management structures are required to exercise oversight roles and strengthen good financial governance at an organisational level. PwC (2015:2) states that management oversight systems and structures, the audit function and the audit committee should combine their governance systems processes and systems in order to strengthen good financial governance.

This concludes a brief exposition of statutory and regulatory framework for good financial governance, and an overview of public sector financial governance structure. In the next section, focus will be placed on outlining a proposed public sector financial governance framework. This framework is imperative to assess the effectiveness of the public sector governance structures in South Africa.

3.3 TOWARDS A FRAMEWORK TO ASSESS THE EFFECTIVENESS OF FINANCIAL GOVERNANCE STRUCTURES

In section 1 of chapter 1, it is stated that the definition of effectiveness involves measuring actual performance levels against intended outcomes. Mandl, Dierx and Ilzkovitz (2008:4) state that effectiveness relates to the outputs in relation to the objectives set to be achieved. Effectiveness is the organisation's ability to design a business model that generates sustainable financial growth from its environment and resources (Mouzas, 2006:1124). This statement implies that effectiveness is a continuous process of

measuring the entity's use of its resources, operation processes as well as its outputs against intended results. The private sector view of financial effectiveness is the ability or how well a company creates profits for the owners (Fatihudin and Mochklas, 2018:555). Therefore, financial effectiveness refers to the success in using financial resources to achieve the entity's set objectives.

The financial management role is critical in ensuring that an organisation succeeds, and performs its operations effectively to achieve sustainable growth. For an organisation to perform effectively and succeed, it needs to invest in skills, technologies and adopt new systems and processes (PWC, 2017:3). An organisation should measure the effectiveness use of all its resources and report its performance its stakeholders. To be effective in achieving good financial governance, governance structures in the public sector should build their monitoring systems and processes from the institutions' management oversight systems supported by assurance structures such as the Office of the Auditor-General. The Australian Government Productivity Commission (AGPC) (2013:6) defines effectiveness as "the extent to which stated objectives are met".

ACCA (Association of Chartered Certified Accountants) (2010:2) states that effective financial management in the public service is very important to improve the quality of public service outcomes. The system of financial management affects how national funding or budget is used to address national and local priorities, the availability of resources for both investment and delivery of public services in a cost-effective manner to the public. Although it is difficult to measure the effectiveness of the public sector financial management practices, it is more than likely that the public will have greater trust in government and the state-owned entities if there is strong financial stewardship, accountability and transparency in the use of public funds (ACCA, 2010:2-3).

The Compassion Capital Fund (CCF) (2010:6) states that effective measurement is similar to outcome or performance measurement and can be defined as "a systematic way of to assess the extent to which a program has achieved its intended results". The effectiveness of any organisation is depended on the quality of its resources, human

capital, integrated processes and improving governance practices (Ostrusinova and Pastuskova, 2012:171-172). Mandl *et al.* (2008:4) note that effectiveness and efficiency are two concepts that are used together in assessing an entity's performance.

Measuring effectiveness for profit-making organisations is different from that of those that are for the public sector. Hitt (1988:37) states that different organisations use different effective measures depending on their business model and their different stakeholders. According to Ostrusinova and Pastuskova (2012:172), measuring effectiveness of the public sector is generally difficult due to the following reasons:

- “it is difficult to identified and measure the desired output of the public administration system in relation to the needs of the public;
- the process of transformation of input resources into the desired outputs is affected by the availability, quality and sufficiency of resources entered into the whole system,
- the public service is a system with predictable or only possible outputs, where the probability measure is difficult to quantify;
- the public service concerns every citizen with different needs;
- the public service does not have a clearly definable objective only but a number of specific objectives, where it is difficult to establish clear and easily determinable criteria; and
- resources and means spent in public service are not always in direct proportion with respect to outputs, there is often no clear correlation and causality”.

The financial effectiveness indicator in the public service and state-owned entities can be determined by how the government has conducted its activities and whether it has achieved its financial targets set out in the budget (Mihaltana, Vitanb and Cucui, 2015:373). According to Ostrusinova and Pastuskova (2012:172), the public service and the public administration should be viewed as an economic system.

Katsamunskaja (2016:134) states that governance reflects the institutional capacity of the public administration to provide public services to the general public. Public sector governance is about political authority, the management of economic and social resources as well as the ability of public institutions to effectively and efficiently perform its responsibilities. This view is supported by OECD (2014:6) where they state that an effective and well-functioning public administration is a foundation of good governance in the public sector.

According to OECD (2014:6), a public administration that is effective determines the ability of governments to provide services to its citizens and improves the country's competitiveness and growth. Therefore, effective public administration deals with among others, effective analysis of public policies, and the implementation of public programmes as well as the allocation of public resources. The effectiveness of public administration is achieved through effective governance systems and structures (IEG-World Bank Group, 2008:1-3).

For the purpose of this study, the framework to assess the effectiveness of the current financial governance in the public sector is based on the 17 good financial governance principles emanating from theory, good governance frameworks, and the statutory and regulatory frameworks identified in chapter 2. The principles listed in chapter 2 are used as metric to design a measuring instrument to gauge the effectiveness of the public institutions' financial governance structures in South Africa.

To measure the level of effectiveness of the public sector financial governance structures is to measure the relationship between the expected outcomes and achieved outcomes of their governance roles and responsibilities. Therefore, to achieve expected outcomes in their oversight roles, public sector financial governance structures should apply good governance principles. These principles are means to achieve good governance outcomes in the public sector.

Table 3.1 below depicts governance principles for a framework that will be applied to assess the effectiveness of the current South African public institutions' financial governance structures. These principles will be applied based on their relevance on each structure as listed below.

Table 3.1: Governance principles for a framework to assess the effectiveness of financial governance structures in public institutions of South Africa

Financial governance structure	Good financial governance principles
Parliamentary Portfolio and Select Committees	1. Segregation of roles within the organisations, 2.Executive accountability, 3.Control, 4.Compliance monitoring, 5.Public interests, 6.Maximising benefits, 7.Good stewardship of public resources, 8.Maximising benefits through organisational performance, 9.Value-oriented organisations, 10.Responsibility, 11.Financial oversight and accountability, 12.Rule of law, 13.Transparency, 13.Effectiveness and efficiency, 14.Participation and inclusion, 15.Fairness, 16.Equity and non-discrimination.17. Healthy relationship between principals and agents.
Public Accounts Committee	1. Executive accountability, 2. Healthy relationship between principals and agents, 3. Control, 4. Compliance monitoring, 5. Public interests, 6.Maximising benefits, 7.Good stewardship of public resources, 8.Maximising benefits through organisational performance, 9.Value-oriented organisations, 10.Responsibility, 11.Financial oversight and accountability, 12.Rule of law, 13.Transparency, 14.Effectiveness and efficiency, 15.Participation and inclusion, 16.Fairness, equity and non-discrimination.
Accounting Authority (Public Entity Board of Directors)	1. Segregation of roles within organisations, 2. Effectiveness and efficiency, 3. Compliance monitoring, 4. Public interests, 5. Maximising benefits, 6. Value-oriented organisations, 7. Good stewardship of public resources, 8. Financial oversight and accountability, 9. Rule of law, 10. Transparency, 11. Effectiveness and efficiency

Financial governance structure	Good financial governance principles
Institution Audit Committee	1. Segregation of roles within organisations, 2. Effectiveness and efficiency, 3. Compliance monitoring, 4. Public interests, 5. Maximising benefits, 6. Value-oriented organisations, 7. Good stewardship of public resources, 8. Financial oversight and accountability, 9. Rule of law, 10. Transparency, 11. Effectiveness and efficiency
Institution Internal Audit Function	1. Segregation of roles within organisations, 2. Effectiveness and efficiency, 3. Compliance monitoring, 4. Public interests, 5. Maximising benefits, 6. Value-oriented organisations, 7. Good stewardship of public resources, 8. Financial oversight and accountability, 9. Rule of law, 10. Transparency, 11. Effectiveness and efficiency

3.3.1 Governance principles for a framework to assess the effectiveness of financial governance structures in public institutions of South Africa

Parliament and provincial legislatures are the highest level of financial governance structure in the public sector as mandated by the Constitution to hold the Executive Authority and public institutions accountable on all aspects of public administration to the public (PMG, 2010:1). Parliament has delegated some of these functions to different portfolio committees.

Sections 76 and 77 of the PFMA instruct the National Treasury to issue regulations on the establishment of an audit committee in every government department and public institution. At institutional level, sections 38 and 51 of PFMA require that an Accounting Officer and the Accounting Officer establish an internal audit function which will be under the control and direction of the audit committee. The effectiveness of the above financial governance structures will be assessed using 17 good governance principles listed in section 2.5.2. These are the principles that should be applied by all public sector

governance structures when carrying out their governance oversight roles and achieve good financial governance.

For the purpose of this study, the presence of the above principles will be assessed when conducting the content analysis of the minutes of the portfolio Committees' meetings and annual reports of the institutions sampled as well as the questionnaires to these institutions.

3.3.1.1 *Segregation of roles within organisations*

According to the University of Michigan (2013:2), the segregation of roles is a control measure that ensures that no single individual should have control over two or more phases of a transaction or operation. Segregation of roles is designed to establish control systems and prevent one party or institution from exercising too much power. This system is designed so that the power and authority of one party or institution can be challenged by another (Ferede, 2018:585).

Segregation of roles is part of good governance processes and is applied as a defence against fraud in an organisation (Rentor, Setiawan and Lusanjaya, 2017:49-51). Responsibilities should be assigned to ensure duties are properly segregated. This control measure also applies to different departments or units within an organisation, where duties within a process cycle are segregated among two or more units or departments.

As stated above, section 43 of the Constitution separates parliamentary oversight structures related to national government departments from those relating to provincial departments and legislatures into National Assembly and NCOP respectively. The position of section 42(4) of the Constitution is that, the NCOP represents the provinces to ensure that the provincial interests are considered in the national sphere of government while the National Assembly looks into national interests.

Parliament and its structures have to consider the above Constitutional structures and principles of co-operative government and intergovernmental relations when conducting oversight and accountability. This, consideration includes the separation of powers and the need for all spheres of government and as well as state institutions to exercise their powers and perform their functions in a manner that does not intrude on the geographical, functional or institutional integrity of another sphere of government (Parliament, 2006:9). Therefore, segregation of roles and responsibilities in parliament is prescribed by the Constitution.

According to the National Treasury and the Department of Public Administration (2013:7), there should be a division of roles in any institution to achieve efficiency and effectiveness of the structures and processes. At institutional level, segregation of roles and responsibility are structured at both functional and governance structures levels.

3.3.1.2 *Executive Accountability*

Frerede (2018:583) reports that accountability exists when there is a relationship between two or more individuals, organisations or institutions, when the action or performance of one body is subject to another body's oversight. Stapenhurst and O'Brien (2008:1) state that accountability is about the government's obligation to be answerable citizens and for it to work, this obligation must be enforceable. This suggests that, accountability is a two-way process. This view is supported by Ferede (2018:584) where the researcher states that the concept of accountability is about providing information about one's performance and actions. According to Luyt (2008:5), those responsible for accountability have an obligation to remedy any contravening behaviour and take corrective actions.

According to Guerin, McCrae and Shepherd (2018:2), accountability is the foundation of trust in government and a healthy democracy in a country. The accountability principle in a country enables its citizens to know how their government is performing and how they will gain redress when things do not go as promised. Therefore, accountability in

government enhances trust between the stewards and the agents and promotes the legitimacy of the state in the eyes of the public.

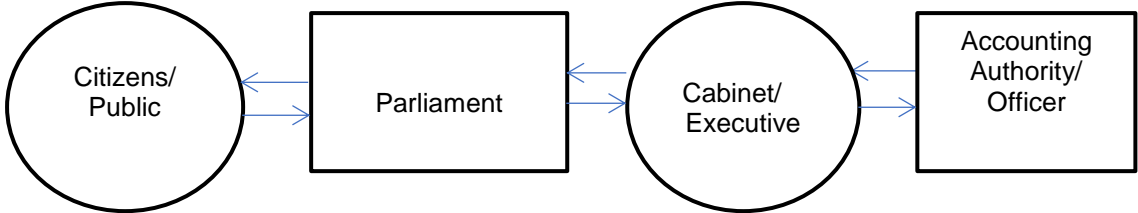
Section 55 of the Constitution mandates Parliament to oversee the activities of government and the work of all state-owned institutions. Providing oversight on the activities of public institutions and government departments implies that, parliament has to conduct its oversight role before, during and after the implementation of government programmes by the above institutions. This view is supported by Malapane (2016:136) where the researcher stated that, to be effective in its role, Parliament should enforce the answerability obligation of the executives who are members of the Cabinet and political heads of government departments and other public institutions. The researcher further noted that, Parliament should reinforce expected values and actions of the executives in government, and ensure consequences for both good and bad performance. As stated in section 3.2.1 above, Parliament delegates some of its oversight responsibilities to different parliamentary committees.

The oversight responsibilities of parliament and its committees involve the informal and formal, strategic and structured scrutiny in respect of the implementation of laws, the application of the budget, and more importantly, the strict compliance with laws the Constitution (Parliament of the Republic of South Africa, 2006:8) State-owned institutions are led by an accounting authority, which in terms of section 49 of the PFMA, is a board of directors or a controlling body of the institution. Government departments are led by an accounting officer who is either the head of the department or a director general. The tone at the top set by the political head, the accounting officer, the accounting authority of an SOE together with its shareholder is of utmost importance to make sure that the public institutions are steered in the right strategic direction and public resources are used for the intended purpose.

As executives at institutional level and heads of departments, accounting authorities and accounting officers are accountable to the executive or cabinet (Botes, 2011:15). Therefore, there is a public sector accountability chain, which is based on the delegation

of responsibilities by the citizens of the country to parliament through the executive and the heads of the public institutions as depicted in the figure 3.1 below.

Figure 3.1: The public sector accountability chain



Source: Adapted from Botes (2011:15)

Makhando (2016:6) states that public sector governance structures were established to ensure that people’s socio-economic rights are met within the available resources. Therefore, the public sector accountability chain starts with the public’s expectations, then government’s obligation to fulfil such expectations, and end with government providing reasons and explanations for not fulfilling the expected results when necessary to do so.

The National Treasury (2012:27) requires that all government departments and institutions appoint an audit committee to assist the accounting officers and accounting authorities in their oversight roles for effective financial governance. The role of the audit committee is also to ensure that the institution complies with laws and legislation. At institutional level, the audit committee as required by sections 38 and 77 Of the PFMA rely on the work of the Internal Audit function as well as that of the Auditor-General. The audit committee uses reports from these two bodies as well to exercise their oversight roles.

3.3.1.3 Control

According to Carenys (2012:2), control is a process of assuring that acquired resources are effectively and efficiently used in the institution’s pursuit to accomplish its objectives. Parliament Sections 216 and 226 of the Constitution states that parliament and provincial legislatures must establish national and provincial treasuries to ensure that there is a

transparent, effective and efficient use of public funds. Therefore, although the funds are located to different government departments and institutions in order to implement government programmes, the treasuries have control over how public funds are utilised.

The treasuries use the Medium-Term Expenditure Framework (MTEF) and the Estimates of National Expenditure (ENE) as tools to control how public funds are allocated to and utilised by public institutions. These treasuries also play a monitoring role in the use of the public funds through in-year monitoring controls such as monthly, quarterly and annual reports (National Treasury, 2020:1-5). As stated in sections 216 and 226 of the Constitution treasuries are accountable to parliament and provincial legislatures through different parliamentary committees. Therefore, these institutions are under the control of and accountable to the respective legislatures.

Parliamentary financial structures also use in-year monitoring measures to control how public funds are utilised. The parliament portfolio committees look into the overall performance and compliance with legislation using the quarterly and annual reports of public institutions. The PAC structures focus on the audit outcome of each government department or public institution (South African Legislative Sector, 2014:56-57). Section 38 and 77 of the PFMA requires that the Internal Audit function be under the control of the audit committee. The public institution audit committee exercises control over the institution through exercising their control over the Internal Audit function. This governance structure uses the reports from both the Auditor-General and the Internal Audit function when exercising their control roles.

3.3.1.4 Compliance monitoring

In terms of section 48 and Schedule 2 of the Constitution, before they can perform their duties, members of Parliament and the Executive take oath to the public to be faithful to the Republic and be obedient to the Constitution. Therefore, the parliament and members of the executive are required to comply with the provisions of the Constitution and all legal prescripts in executing their duties. As stated above, the Executive is accountable to

parliament. Therefore, parliament through its parliamentary committees should monitor the compliance with the Constitution by the Executive.

In relation to good financial governance, parliament is required to monitor through its parliamentary committees whether government departments and other public institutions among other things comply with Chapter 13 of the Constitution, which deals with general financial matters. The executives and management in government institutions have a responsibility to demonstrate that financial resources are being used in accordance with legal and ethical provisions and in terms of the government priorities.

The accounting authority of a state-owned institution as an institutional governance structure has a role to exercise an oversight over management activities and ensure their compliance with laws and legislation.

3.3.1.5 *Public interests*

According to Igiehon (2004:4), public interest is based on the view that the end and purpose of most of the actions of government, legislators and the Executive in making decisions and choices for society is the greater good of society. This implies that, as agents of the citizens of the country, Parliament, and government institutions should make decisions and act in such a way that it promotes the general well-being and prosperity of society. Therefore, government and its institutions are expected to use financial resources for the purpose of providing services to the public and maximise value for money for the benefit of country's citizens. The actions of those responsible to serve the public should always be for the benefit and in the interest of the public.

Parliamentary committees and public institutional governance structures when exercising their oversight roles should scrutinise the actions of the executives and management in government institutions to ensure they act in the interest of the citizens of the country.

3.3.1.6 Good stewardship of public resources

Sections 216 to 226, of the Constitution assign the stewardship of the public funds and other resources to National and Provincial Treasuries. The PFMA gives effect to these provisions, excluding section 214 as this section includes public financial management matters that relate to the local government.

The stewardship theory emphasises the role of the executive and top management as being stewards, integrating their individual goals as part of the organisation (Abdullah & Valentine, 2009:89). As stated in section 2.3.2 above, in the public sector, the relationship between the government or public institutions and the citizens of the country should be characterised as that of stewards and principals respectively. In public organisations, government appoints accounting officers and accounting authorities to account for stewardship of public resources.

Public institutions and their officials are stewards of public funds and other resources and are expected to exercise good stewardship over these resources. As stewards of public funds, government has a responsibility to deploy public resources in a most effective way. The accounting officers and accounting authorities are accountable to the public through parliament for the stewardship of public money. It is expected that parliament and those in authority to provide feedback and sanctions when the actions of the stewards fall short of expectations (Siddiqui, 2011:1). Parliament and its committees are required to hold those they delegate or deployed to government institutions accountable on how they handle public resources.

3.3.1.7 Maximising benefits through organisational performance

According to Ion and Criveanu (2016:1), although organisational performance has different definitions depending on the context in which they are defined, this concept relates to achieving targeted objectives. This implies that reaching the organisation's set objectives translates to achieving good performance. Richard *et al.* (2009:722) state that

performance is one of effectiveness indicators and indicates how well an institution is achieving its objectives. Therefore, good organisation performance yields good results.

Public institutions deliver services that are essential to the well-being and development of the nation. These institutions are required to deliver public services in an efficient and economical manner in order to maximise the benefits to the public (National Treasury, 2007:1).

3.3.1.8 Value-oriented organisations

Values are standards by which an individual or organisation is characterised (DeRosia, 2010:1). Being a value-oriented organisation means that the values become a focal point on how the organisation through its agents and stewards, conducts its business activities (Nabatchi, 2011:3). Section 195 of the Constitution outlines nine basic values and principles governing public administration of all spheres of government, and state institutions. These are the values by which public sector officials who are public agents should conduct themselves in performing their service delivery duties. Public service values are oriented towards achieving social outcomes.

3.3.1.9 Responsibility

According to Minnaar (2010:16), the responsibility of any government is to protect and look after the well-being of its citizens. Chapter 5 of the Constitution gives the President of South Africa as the Head of State, executive powers to delegate these responsibilities to the members of his Cabinet, the Accounting Officers and Accounting Authorities of the public institutions. It is the responsibility of parliament and delegated parliamentary committees to ensure that all those who are delegated to carry out these Constitutional duties are held accountable to the public.

3.3.1.10 *Financial oversight and accountability*

Section 216 of the Constitution provides for the establishment of a National Treasury by the national legislature or parliament. This section states that the established National Treasury must prescribe control measures on financial management in all spheres of government. Chapter 2 of the PFMA gives effect to Section 213 of the Constitution, and deals with the composition, functions, powers and responsibilities of the National Treasury. Chapter 3 of the PFMA gives effect to Section 215 of the Constitution, establishes Provincial Treasuries and outlines the functions, powers and responsibilities of thereof.

The PFMA also gives effect to sections 216, 217, 218 and 226 of the Constitution. According to the provisions of the PFMA, the National and Provincial Treasuries play an oversight role over financial management activities of the public institutions. At organisational level, Chapters 5 and 6 of the PFMA outline accountability roles of Accounting Officers and Accounting Authorities of all public institutions. These chapters state that the heads of government institutions are responsible for strategic, operational and financial performance of their institutions, and are accountable to parliament. It is therefore the role of parliamentary portfolio committees to provide governance oversight over the performance of these institutions.

Parliament delegates the oversight responsibilities on how the public funds are used to the PACs. The PAC ensures that public funds are spent with regularity and in line with the purpose for which they were approved by Parliament. These committees study and review the entities' annual reports as well as the reports from the Auditor-General in order to verify whether these public entities have used allocated public funds in an efficient and effective for the benefit of the public (South African Legislative Sector, 2014:55).

As stated in section 3.2.2 above, the PAC is made of SCOPA and the PPACs. The SCOPA is responsible to hold national executive as well as the head of departments or public institutions accountable for how these institutions used the public funds whereas

the PPAC is responsible to hold provincial executives and the heads of provincial public institutions accountable for the utilisation of the public funds in their departments and public institutions. According to Luyt (2008:5) the PACs demand adequate explanations and justifications from the executive and the heads of heads of public institutions on the state of public spending and financial management. Where explanations and reasons for lack of efficient and effective financial management are unsatisfactory, the PACs are required to instigate and recommend a corrective action.

According to Deloitte (2018:3) at the institutional level, the audit committee is responsible for overseeing the financial reporting process. In the public sector, the audit committee in holds the accounting officer and accounting authority accountable for how their institutions utilised the public financial resources before the final report is presented to parliament.

3.3.1.11 Rule of law

According to LexisNexis (2017:1), the rule of law principle is basically a notion that no person is above the law. Section 2 of the Constitution states that the Constitution of the Republic of South Africa is the supreme law of the country and the obligations imposed by it must be fulfilled. This implies that parliament and all government institutions and structures should honour the Constitution when they perform their duties, and any action or law that is inconsistent with the provisions of the Constitution are invalid.

The PFMA states that any expenditure incurred in contravention of any applicable legislation becomes irregular. Section 38 of the PFMA authorises delegated authorities to take disciplinary steps against any official who incurs or allows irregular expenditure. Therefore, any action or decision taken by public institutions' executives and officials, that is inconsistent and in contravention with the rule of law as stated above is punishable.

3.3.1.12 Transparency

Transparency is about openness in decision-making and availability of and free to information relating to such decisions (Weiss and Steiner, 2006:1545). Section 41 of the Constitution mentions transparency as one of the important principles of co-operative government. The Constitution states that all spheres of government must provide among others a transparent government for the country as a whole.

Section 217 of the Constitution further states that when an organ of state at all spheres of government enters into contracts for goods and services, it must do so among others in a transparent manner. Sections 38 and 51 of the PFMA assign the responsibilities of establishing transparent procurement and provisioning as well as risk and internal control systems to the accounting officers and accounting authorities.

3.3.1.13 Effectiveness and efficiency

Section 41 of the Constitution requires all organs of state in all spheres of government to provide an effective government to the Republic as a whole. The National Treasury and the Department of Public Administration (2013:7) state that in the public service, effectiveness is about how well the outputs of a public institution achieve the desired outcomes, and efficiency is about how these institutions productively turn inputs into outputs.

Sections 38 and 51 PFMA states that public institutions must ensure that they maintain systems of financial management and internal control that are effective, efficient and transparent. These sections of the PFMA further state that the accounting officer and the accounting authority (Board of Directors) of a public institution are responsible for the effective and efficient use of public resources. The public sector financial governance structures have to assume an oversight role in ensuring that those who are charged with these fiduciary duties comply with the requirements of the PFMA.

3.3.1.14 *Participation and inclusion*

Sections 59, 72 and 116 of the Constitution require parliament to facilitate public participation and engagements with communities when executing their legislative and oversight responsibilities. According to Quick and Feldman (2011:272) public participation is about efforts to encourage and allow the members of the public to provide inputs primarily to the content of government or institutional programs and policies. The inclusion concept entails parliament continuous engagement with the public and community in the development of processes, policies, and programs for defining and addressing public issues as well as when they exercise their oversight responsibilities.

3.3.1.15 *Fairness*

Section 33 of the Constitution provides everyone a right to procedural fairness of administrative action. It is a constitutional imperative that any action which affects the public or the communities in a negative manner should be procedurally fair. Brynard (2011:100) states that fairness is what justice is about and justice is about fairness. The human rights principles, laws and legislation are tools that are used to assess and measure the level of fairness (Schrock, 2002:1). Völzer, Varacca and Kindler (2005:1) report that fairness means that a particular decision is taken sufficiently often provided that it is sufficiently often possible. According to Camilli (2016:225), application of fairness in decision making requires lack of bias and the existence of evidence that will support a decision or the outcome.

Section 217 of the Constitution requires that when a state institution in all spheres of government who conclude any contract for goods and services on behalf of the state, to do so in a fair, equitable, transparent, competitive and cost-effective matter. Section 38 (1)(iii) of the PFMA gives effect to this paragraph of the Constitution.

Based on the above explanation of fairness, public sector financial governance structures should apply the principle of fairness when exercising their oversight roles and governance processes they follow should be procedurally fair in all respect.

3.3.1.16 *Equity and non-discrimination*

Equity is similar to the fairness principle. It is about making sure that people have access to the same opportunities. In other words, there should be equal chances of all people to access the available opportunities (Ali, 2018:2). According to Konow, Saijo, and Akai (2016:3-4) equity refers to rewarding individuals or groups in proportion to some measure of their contributions. Section 217 of the Constitution and section 38 of the PFMA require that any public institution in all spheres of government that enters into contracts for goods and services must do so in an equitable manner among other things.

Section 9 of the Constitution guarantees the right of every person not to be unfairly discriminated against, directly or indirectly, on the basis of gender, religion, race etc. The University of the Witwaterstrand (2015:2-3) states that non-discrimination is an act that is against any distinction, exclusion, restriction or preference, which has the purpose of denying the other party the recognition, exercise or participation on an equal footing of human rights and fundamental freedoms in any area or life situation, such as political, economic, social, cultural, or any other field of an individual's life. This statement implies that, when a public institution enters into contractual obligation for goods and services as stated in section 217 of the Constitution and section 38 of the PFMA, they must do so in a non-discriminatory manner. Public sector financial governance structures have a role to ensure that the public institutions uphold the above requirements.

3.3.1.17 *Healthy relationship between principals and agents*

The principal-agent relationship was born out of a need to have separation of roles between the owners, who are principals and management of an organisation who are agents and expected to act in the interest of the owners (Abdullah and Valentine,

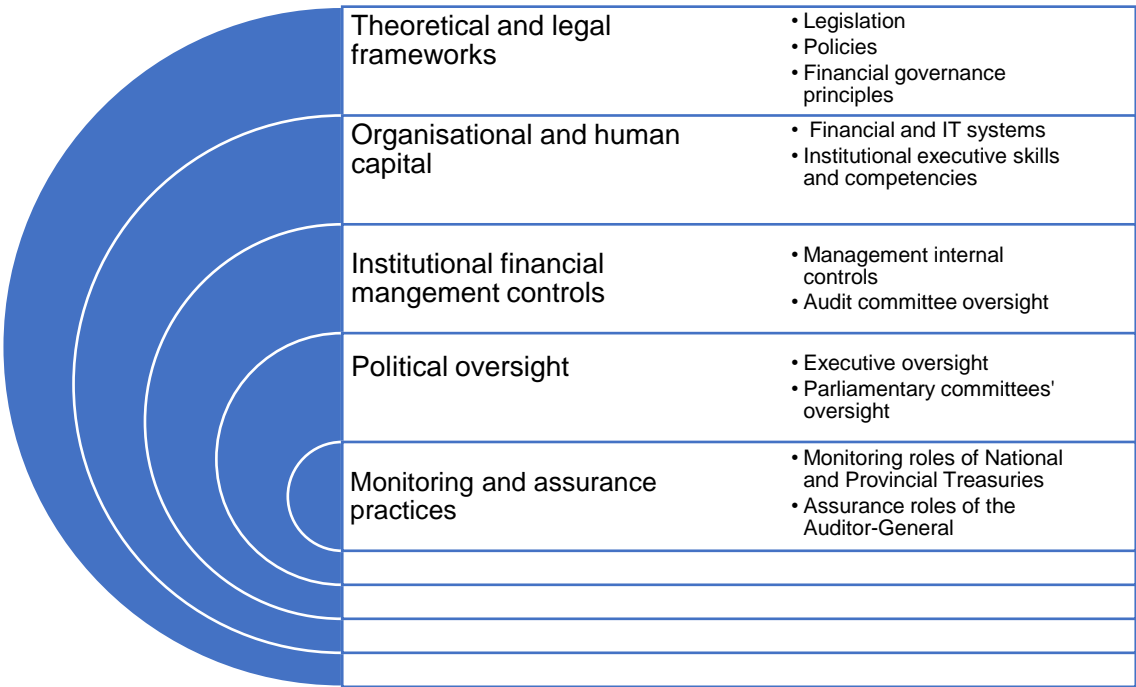
2009:90). In the public sector relationship, the citizens of the country as owners of the country's resources are principals, and the public executives and government officials are agents who should work for the benefit and interest of and maintain good and healthy relationships with the citizens of the country. The agents should always be accessible to their principals.

3.4 TOWARDS A MODEL FOR EFFECTIVE PUBLIC FINANCIAL GOVERNANCE STRUCTURES IN SOUTH AFRICA

Chapter 1 of this study outlines the roles and responsibilities of the Office of the Auditor-General and national and provincial treasuries with regard to strengthening public financial governance structures and ensure their effectiveness. In addition, the theoretical review in chapters 2 and 3 of this study highlights legislation, policies and principles that strengthen the effectiveness of public financial governance structures.

From the examination of theoretical and legislative frameworks, institutional and political financial oversight structures that should ensure that there are financial controls, and organisational capital and human competencies necessary for strong and effective public financial governance structures were revealed and analysed. Figure 3.2 below highlights factors that guide public financial governance structures to effectively exercise their oversight roles.

Figure 3.2: A model for effective public financial governance structures



Source: Researcher's own

- a) *Theoretical and legal framework:* This study revealed that the Constitution of South Africa is the cornerstone of public financial governance practices, and the PFMA, which gives effect to sections of the Constitution governs financial management in the public sector. Financial governance principles and policies ensure that there are effective financial management controls in an organisation.

- b) *Organisational and human capital:* Public institutional leadership and executive should have adequate financial competencies and capacity to understand and monitor the financial performance of the institution. An independent and objective recruitment and appointment of Accounting Officers and Accounting Authorities process. The institution should also have normative dimension consisting of code of ethical and profession conduct, and service standards charter.

- c) *Institutional financial management controls:* There should be financial information processing and monitoring controls that provide the public institution stakeholders with

complete and accurate financial information to provide assurance that the public funds are being appropriately managed towards the providing public services. Financial information processing, monitoring and reporting should be reviewed to ensure accurate information.

- d) *Political oversight:* The Executive and parliament have a responsibility to exercise political oversight over the financial performance of public institutions and ensure that public resources are used efficiently and adequately. Members of parliamentary committees should have adequate financial competencies and capacity that allows them to adequately exercise their financial oversight role. This financial oversight role should include having powers to institute consequence management for poor performance of and non-compliance with public finance legislation by the institution's leadership.

- e) *Monitoring and assurance practices:* National and Provincial treasuries have a role to provide financial management guidance and monitor financial performance of public institutions. Public treasuries also ensure that public institutions are financially capacitated and public funds are used as intended. The Auditor-General is constitutional institution which provides assurance to the public on the financial affairs and performance of public institutions, and draw the attention of the public and other stakeholders to areas where the institution has failed to carry out its responsibilities as expected. Monitoring and assurance processes happen outside and are independent of financial management and governance practices of public institutions.

3.5 CONCLUSION

In this chapter the current financial governance structures in the South African public institutions were explored. Similarities between the requirements of the PFMA and the Companies Act with regard to governance structures for state-owned entities and public institutions were identified. It is noted in this chapter that parliament and provincial legislatures are the highest level of financial governance structure in the public sector.

The roles and responsibilities of public institutions governance structures in relation to financial governance in the public sector were analysed. It is noted that current financial governance structures and the executives in the public institutions derive their roles and responsibilities from the Constitution and the PFMA.

This chapter briefly explored the 'effectiveness' concept and noted that different organisations use different measures when assessing effectiveness. For the purpose of this study, a framework for the assessment of the effectiveness levels of the public institutions' financial governance structures was developed based on effectiveness measuring instruments identified in chapter 2. These measuring instruments are a guide on what is expected from financial governance structures in the public institutions to render them effective. The measuring instruments were briefly explored in order to provide guidance on how they will be applied in the empirical studies.

A model that incorporates factors that should be included when developing a framework for effective public financial governance structures was presented in this chapter. This model together with the findings of the empirical studies will assist in the development of the framework. In the next chapter, empirical findings on the effectiveness of public sector financial governance structures in South Africa are analysed and presented.

CHAPTER 4

THE EFFECTIVENESS OF FINANCIAL GOVERNMENT STRUCTURES: EMPIRICAL FINDINGS

4.1 INTRODUCTION

In chapter 1 it was stated that this study aims at investigating and addressing the problem regarding perceived low levels of effectiveness of public financial governance structures in South Africa. This research problem emanates from recent negative public sector audit outcomes where only 24 percent of the audited public institutions showed marginal improved audit results. Chapter 2 of this study established a sound theoretical and conceptual framework and outlined the statutory and regulatory prescripts governing the functioning of financial governance structures. The performance criteria to gauge the effectiveness of public financial governance structures were uncovered in chapter 3.

The purpose of this chapter is to assess perceptions of the effectiveness of public financial governance structures and to uncover perceived key challenges affecting their effectiveness. With this purpose in mind, two empirical research methods are utilised namely, a survey (i.e. questionnaire) and content analysis of audit reports. These two methods are used to assess the perceived effectiveness of financial structures by sampled respondents and to perform a gap analysis between existing practices and the theoretical and statutory frameworks (chapter 2). The performance criteria outlined in chapter 3 are used as analytical framework to assess the perceptions of key participants regarding the effectiveness of financial governance structures. To bridge these gaps, recommendations for the enhancement of effectiveness are proposed in the final chapter of the study.

4.2 RESEARCH METHODOLOGY

The research methodology used in this study involves a mixed-method research design with the use of a quantitative data collection method (i.e. questionnaire) and content analysis of the Auditor-General reports of South African national and provincial departments and public entities as qualitative data collection method. Respondents for the questionnaire are senior managers of National Treasury ($n=15$) and sampled auditors of the Office of the Auditor-General ($n=15$). The questionnaire followed after an extensive content analysis of audit reports to verify the findings of the analysis. The study thus complies with the principles of method and data triangulation to further validate findings.

The audit reports of public institutions provided rich data to assess whether public financial governance structures can be regarded as effective in their roles. The criteria to gauge effectiveness were outlined in chapter 3. The content analysis is based on a sample of 20% of national government departments, 5% of public entities and 10% of provincial departments that are selected from the National Treasury and the Government of South Africa websites, through the application of a stratified random sampling technique. Minutes of PAC and SCOPA were used to assess actions taken by parliamentary committees in response to and address issued raised by the Office of the Auditor-General as part of Parliament's oversight responsibilities.

The survey research method involved the circulation of questionnaires to 15 National Treasury senior managers who monitor the performance of different public organisations, and to 15 auditors from the Office of the Auditor-General. The selection of this sample is based on the fact that National Treasury Guidelines are official, national standards that are applicable to the entire public sector. Furthermore, audits of the Auditor-General are universally applied across all public sector institutions. The main aims of the empirical survey were to confirm the findings of the content analysis and to uncover key factors that affect the effectiveness of public financial governance structures. The results of the survey were compared to the findings of the content analysis to reach conclusions and develop recommendations for the improvement of overall effectiveness of financial

institutions. The recommendations will be provided in the next and final chapter and are aimed at addressing the research problem.

According to the websites of the South African Government and the Government Communications and Information System (GCIS), there are 47 national departments, 120 provincial departments and 175 public entities. The sample for the content analysis study is categorised in different strata and is shown in table 4.1 below.

Table 4.1: Sample size for content analysis

Stratum/ category	Total target population	Sample size
National Departments (20%)	47	9
Provincial Departments (10%)	120	12
Public Entities (5%)	175	9
Total	342	30

The determination of the sample size was calculated by utilising Sample Size Calculator software of Creative Research Systems (Confidence Level: 95%; Confidence Interval: 30) (<https://www.surveysystem.com/sscalc.htm>).

National departments fall under ministerial clusters, namely the Economic Sectors and Employment cluster, Infrastructure Development cluster, the Social Protection and Community Development cluster, Human Development cluster, the International Cooperation, Trade and Security cluster, the Governance and Administration cluster and the Justice, Crime Prevention and Security cluster (<https://www.gov.za/>). A total of nine annual reports of national departments were analysed by using the inductive content analysis research method.

For the purpose of parliamentary representation, the service delivery ministerial clusters are grouped into the Forum of South African Directors-General (FOSAD) cluster (<https://www.gov.za/>). Therefore, the stratified sample for the purpose of this study is

based on the FOSAD clusters. It should be noted that the Governance and Administration cluster has fewer departments compared to other clusters. For this reason, only one department is selected from this cluster for the purpose of content analysis. Equal sample sizes of two departments were selected randomly from each of the other four FOSAD clusters.

For the purpose of provincial departments' annual reports analyses, one department was selected from each province except for the Gauteng, Western Cape and the KZN Provinces. Based on information obtained from the official website of Government, the above-mentioned three provinces have the highest number (14-16) of provincial departments. Therefore, for the purpose of this study, two departments were selected from these provinces.

According to the National Treasury (2017:1-2) there are 21 major public entities that fall under the ambit of the PFMA. Nine of these entities were randomly selected. The content analysis primarily focussed on the performance of departments and public entities. There are nine provincial treasuries in the country (one for each province) that monitor the performance of provincial departments. For the purpose of the survey, Gauteng Province was selected to obtain data regarding the effectiveness of provincial treasuries and provincial offices of the Auditor-General.

In addition to the annual reports of the sampled departments and entities, the audit reports of the Auditor-General for the past three years (2017-2019) were analysed. The analysis of these reports primarily focused on the audit outcomes and performance results of sampled departments and entities. In addition, the official minutes of parliamentary committee meetings of sampled departments and public entities were scrutinised for additional information. The analysis of these minutes served as valuable data collection instrument since it revealed key challenges encountered and recommended actions to be taken to improve the effectiveness of financial governance structures.

The findings of the content analyses of annual reports, audit reports and minutes are reporting in the next section followed by the findings of the empirical survey (i.e. questionnaire).

4.3 FINDINGS OF CONTENT ANALYSES

As stated in section 4.2 above, one of the research methods employed in this study is the qualitative content analysis research method. According to Hsieh and Shannon (2005:1278), qualitative content analysis can be defined as “a research method for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns”. This definition is supported by April, Bosma and Deglon (2003:167) by stating that qualitative content analysis is about making “replicable and valid inferences from data”. Zhang and Wildemuth (2009:2) confirm that content analysis is a process of summarising raw data into categories or themes based on inferences and interpretations. For the purpose of this study, the content of the 2017-2019 audit reports issued by the Auditor-General of the sampled departments and entities, was converted into themes and categories derived from the 17 good governance principles outlined in section 3.4.1 of the study.

To conduct the content analysis, the steps proposed by Taylor-Powell and Renner (2003:2) and GAO (1989:12) were followed:

- “prepare and the sort data to be analysed;
- select unit of analysis;
- develop coding categories or themes; and
- code the material and data to be analysed”.

4.3.1 Preparation of material and the sorting of data

The 2017-2019 annual reports of the sampled public institutions are the material content under investigation. Tables 4.2 – 4.4 below outline the respective samples of national and provincial departments as well as public entities whose annual reports, audit outcomes and minutes were analysed.

Table 4.2: Sample of national departments for content analysis

Cluster	Departments
Economic Sectors, Investment, Employment & Infrastructure Development	Water and Sanitation (W&S), Public Works (PW)
Social Protection, Community and Human Development	Basic Education (BE), Social Development (SD)
Governance, State Capacity & Institutional Development	Home Affairs (HA)
Justice, Crime Prevention & Security	South African Police Services (SAPS), Department of Correctional Services
International Cooperation, Trade & Security	Defence & Military Veterans (NDF) National Treasury-Finance (NT)

Table 4.3 below shows the sample of the provincial departments whose 2017-2019 annual reports were analysed.

Table 4.3: Sample of provincial departments for content analysis

Province	Departments
Eastern Cape	Human settlement (HS)
Free State	Education (BE)
Gauteng	Health (DH), Social Development (SD)

Province	Departments
KwaZulu Natal	Co-operative Governance & Traditional Affairs (CG&TA), Public Works (PW)
Limpopo	Public Works, Roads and Infrastructure (PW&RI)
Mpumalanga	Community Safety, Security & Liaison (CSSL)
North West	Provincial Treasury (PT)
Northern Cape	Social Development (SD)
Western Cape	Community Safety (CS), Human Settlements (HS)

Below is the list of public entities sampled. The sample selection is based on the top nine public entities according to their asset value.

Table 4.4: Sample of public entities for content analysis

Public entity	Domain of responsibility
Eskom	Generates electricity, transmit and distribute it to all South Africans and neighbouring countries.
National Student Financial Aid Scheme (NSFAS)	Provides financial aid to qualifying students studying in public universities and colleges.
Public Investment Corporation (PIC)	A government wholly owned asset management company
Public Rail Agency of South Africa (PRASA)	Provides public long-haul passenger rail and bus services within South Africa
South African Airways (SAA)	Provides passenger airline, cargo transport, air charter services and other related services in support of South African government objectives
South African Broadcasting Corporation (SABC)	Provides sound and television broadcasting services to South Africans and neighbouring countries.
South African Post Office (SAPO)	Provides postal related services to South Africans

Public entity	Domain of responsibility
State Information Technology Agency (SITA)	Consolidates and coordinates the government information technology resources and provide effective and cost savings information technology services to all government institutions.
Transnet	Controls ports, rail and pipelines and provides freight logistics chain services that delivers goods to citizens.

The Auditor-General annually issues an audit report with one of the five types of audit outcomes on the financial statements and performance of a public department and entity at the completion of the audit based of their audit findings. Below are the types of audit outcomes (A-G, 2012:4-5):

- “Clean audit outcome: This audit outcome confirms that the institution’s financial statements are free from material misstatements and the auditors found no material findings on reporting on performance objectives or non-compliance with legislation”.
- “Financially unqualified audit opinion: In this audit outcome, the auditors confirm that the institution’s financial statements contain no material misstatements. However, the auditors also confirm that findings were raised on either reporting on predetermined objectives or non-compliance with legislation, or both these aspects”.
- “Qualified audit opinion: According to a qualified audit outcome, the financial statements of an institution contain material misstatements in specific amounts, or the auditors could not obtain sufficient evidence to conclude that specific amounts included in the financial statements are not materially misstated”.

- “Adverse audit opinion: In this audit opinion, the auditor states that financial statements contain material misstatements that are not confined to specific amounts, or a substantial portion of the financial statements contain misstatements”.
- “Disclaimer of audit opinion: In this audit opinion, auditors express their inability to express an audit opinion due to insufficient evidence received from the institution in the form of documentation on which to base an audit opinion. The lack of sufficient evidence represents a substantial portion of the information contained in the financial statements and not confined to specific amounts or information in the financial statements and predetermined objectives”.

In general, the Auditor-General expresses an opinion on whether the institution’s financial reports fairly represent the financial position and financial performance of the institution, and whether these financial reports were prepared in accordance with the prescribed reporting standards. These reports must also comply with the requirements of key legislation, namely the Constitution, the PFMA, the PPPFA, and the Public Service Regulations among others (The Auditor-General, 2017:203-207). In addition to auditing the financial statements, the Auditor-General also examines institutions’ financial records to determine whether it has utilised public funds in line with its predetermined strategic objectives.

According to the Office of the Auditor-General (2019:9), when performing its audit work, it focusses on the following three areas, and determines whether -

- “all the facts and amounts are completely disclosed correctly and accurately on the financial statements;
- the institution provides reliable and credible information on its work and activities in terms of predetermined objectives; and

- the institution complies with all the laws and regulations, particularly the Constitution, PFMA, and other regulations governing public finance and other activities of the public sector”.

When the Auditor-General considers it necessary to draw the attention to a matter presented or disclosed in the financial statements, the Auditor may include this information under an “Emphasis of Matter” paragraph in the final report (Auditor-General, 2012:4). Based on the above audit outcomes and related paragraphs, the audit reports of the Auditor-General provide an appropriate tool for the assessment of the effectiveness of the governance structures in the public sector. Qualified, adverse and a disclaimer of audit opinions are, among others an indication of the non-compliance or absence of financial governance principles. The coding applied in this content analysis is based on the audit outcomes of Auditor-General reports.

4.3.2 Selection of units of analysis and coding

According to Zhang and Wildemuth (2009:2), once the material to be analysed has been selected, the data should be grouped into coding categories based on valid conclusions and inferences. Taylor-Powell and Renner (2003:2) maintain that “data grouping” should be based on the purpose of the study and what it seeks to achieve. Once the selection of the unit of analysis and the data grouping steps are complete, the researcher should then develop codes that will be applied in analysing the data.

Saldana (2009:3) describes a code as “a word or a short phrase that symbolically assigns a summative, clear, essence-capturing and evocative attribute for a portion of language-based”. Data coding is a transitional process between data collection and data analysis. Zhang and Wildemuth (2009:3) identify two approaches to coding material, namely inductive and deductive approaches. The inductive coding approach is a process that condenses data into themes and categories through the researcher’s careful examination and constant comparison. With this coding approach, coding categories are derived directly and inductively from the raw data.

According to Schadewitz and Jachna (2007:2), the deductive coding approach can be described through its difference from the inductive approach, and is guided by a theoretically informed analysis framework while the inductive analysis is based on the data. In this study, categories and themes are derived from the governance principles that were applied to assess the effectiveness of the current South African public financial governance structures. Therefore, the coding approach used in this study was the deductive method.

Holsti (1969:599) states that qualitative content analysis draws inferences on the basis of appearance or non-appearance of selected attributes or codes in a message. From this perspective, the content analysis applied in this area of the study was a qualitative content analysis, where the researcher also reads other parts of the annual reports to understand the content before deciding which code to apply. Where a lack of a particular financial governance principle and supporting codes or themes were reported several times in the reports of Auditor-General, the number of occurrences was ignored and the occurrence of each principle weakness was recorded once. It must be noted that one audit finding may relate to more than one financial governance principle.

The content analysis utilised in this study is based on the principles of good governance presented in section 3.4.1. Table 4.5 shows the respective coding categories and themes (financial governance principles) and concepts used to code these categories in the Auditor-General annual reports of the institutions sampled.

Table 4.5: Coding categories and themes

Unit of analysis/ categories (financial governance principles)	Themes and codes: Alternatives supporting financial governance principles
Segregation of roles	System, fraud, responsibilities, authority, control, segregation, division of roles, control measures.

Unit of analysis/ categories (financial governance principles)	Themes and codes: Alternatives supporting financial governance principles
Executive accountability	Accountability, executive, integrity, responsibility, oversight, redress, performance, trust, citizens, public, leadership, Constitution, feedback, accountable to the public
Control	Effective, efficient, public funds, reporting, reports, monitoring, control
Compliance monitoring	Compliance, monitoring, governance, Accounting Authority, management, irregular expenditure, discipline
Public interest	Public interest, decision-making, benefit
Good stewards of public resources	Public funds, budget, public resources, public assets, safe-guarding of assets, principals, fiduciary duties
Maximising benefits through organisational performance	Value for money, organisational performance, service delivery, achieve targets, set objectives, good results
Value-oriented organisations	Performance, objectives
Responsibility	Responsibility, role, leadership, management, executive powers, delegation
Financial oversight and accountability	Treasury regulations, control measures, utilisation of public funds, accounting officers' roles, financial and risk management, financial performance, audit
Rule of law	Legal, legislation, law, irregular procurement, corruption, fraud
Transparency	Openness, availability of information, transparent procurement, provisioning of goods and services

Unit of analysis/ categories (financial governance principles)	Themes and codes: Alternatives supporting financial governance principles
Effectiveness and efficiency	Performance results, performance, provide service, fruitless and wasteful expenditure, productive, inputs and outputs, effective and efficient systems
Participation and inclusion	Public participation, inclusion, public engagements, addressing public issues
Fairness	Human rights, fairness, fair, lack of bias
Equity and non-discrimination	Same opportunities, non-discrimination, equity, equitable
Health relationship between principals and agents	Principals, agents. Agent-principal relationship, separation of roles between owners, owners of resources

The analysis and coding of each annual report focussed on the reports from the Auditor-General issued from 2017 to 2019. These reports are selected since they represent an objective and independent analysis of the institution’s performance.

The following process of analysing and interpreting the research results, as suggested by GAO (1989:20), was applied in this study:

- Summarise coded data, in other words, the audit findings, which are coded using financial governance principle themes.
- Identify patterns and relationships within categories and test any propositions about them. In the content analysis, relationships between categories were identified and were captured under relevant financial governance principles based on the audit findings.
- Use categories to explain the findings. Financial governance principles are used to explain content analysis findings.

- Since this study used the content analysis and survey research methods, the results of these methods are compared to allow evaluation of the validity and reliability of the overall results of study.
- Develop an outline for presenting the results. It is important to determine whether the results of the study address the research problem.

4.3.3 Findings of the content analyses

The Auditor-General performed 383 public institutions' audits during the 2017-2019 financial reporting period of which only 100 institutions received clean audit outcomes (2019:9). This means only 26% of public institutions could show they had used the money allocated to them adequately and for the intended purpose (i.e. financial effectiveness). The audit opinion of the Auditor-General highlights strengths and weaknesses in financial governance and performance oversight in these institutions. Where there are weaknesses in financial controls and inadequate governance oversight, the Auditor-General mentions these weaknesses by highlighting failure by leadership to uphold some of the good governance principles as potential root cause of financial ineffectiveness.

The issues mentioned in the annual reports are summarised into themes based on the 17 financial governance principles. To avoid coding duplication, a theme is recorded only once regardless of the number of times it is alluded to in the report.

4.3.3.1 Content analysis research findings: national departments

Based on the analysis of reports issued by the Auditor-General on government national departments, the content analysis results are outlined below.

(a) Department of Water and Sanitation

The Auditor-General issued a qualified audit opinion into the affairs of the Department of Water and Sanitation in the 2017/2018 financial year. The basis for this opinion was

“incorrect classification of certain transactions in the financial statements, fruitless and wasteful expenditure, as well as irregular expenditure”. The report also highlighted inadequate financial governance structures and processes. It was noted that the Department also failed to apply the following financial governance principles:

- Maximising benefits through organisational performance: The Department incurred fruitless and wasteful expenditure. This expenditure did not yield the intended value.
- Transparency: As stated in the report of the Auditor-General, the Department failed to make some records available to the Auditor-General for audit purposes.
- Control and compliance monitoring: The Department failed to implement monitoring processes and internal controls to ensure that public funds are utilised in an effective and efficient way. The Department incurred irregular expenditure and fruitless and wasteful expenditure due to inadequate monitoring and control measures.
- Good stewards of public resources: Processes to ensure that fruitless and wasteful expenditure are proactively identified and properly accounted, were inadequate. This finding reveal that the Department failed to monitor the use of public resources and exercise their fiduciary duties and become good stewards of public funding.
- Rule of law: The Auditor-General reported that due to noncompliance or contravention with financial legislation and regulations (i.e. PFMA, Treasury Regulations, PPPFA, etc.), the Department incurred irregular expenditure.
- Effective and efficient use of public funds: Based on the audit report, the Department incurred fruitless and wasteful expenditure. Furthermore, the performance results do not meet expectations in terms of its annual performance plans.
- Fairness: The Department’s contravention of the PPPFA and Supply Chain processes resulted in irregular expenditure.
- Monitoring, financial oversight, accountability and responsibility: The accounting officer of the Department failed to implement adequate internal control measures and take appropriate steps to prevent irregular, fruitless and wasteful expenditure as required by the PFMA.

The Department of Water and Sanitation failed to produce 2019 annual financial reports. These reports were to be tabled to Parliament in March 2020, and were not publicly available during this study. The PFMA requires that government departments produce audited annual financial statements by 31 July and the annual reports by 31 August of each year. According to the minutes of the SCOPA (Parliamentary Monitoring Group, 2019), the Department lodged a dispute with the Auditor-General on their audit findings. The minutes state that the committee was satisfied with this explanation. Failure by the Department of Water and Sanitation to comply with the provisions of the PFMA serve as evidence of limited compliance with financial governance principles.

(b) Department of Public Works

The Department of Public Work's annual report contains the audit outcomes of both the Department's administrative or voted funds and its Property Management Trading Entity (PMTE) accounts. In 2017 and 2018, the Auditor-General issued an unqualified audit opinion on the affairs of the Department. However, during the same period, the PMTE account obtained an adverse and qualified audit opinion. According to the report of the Auditor-General, the Department of Public Works failed to uphold the following good financial governance principles:

- **Transparency:** The Department failed to produce some of the information requested by the Auditor-General.
- **Effectiveness and efficiency:** The Auditor-General could not confirm the performance results reported as there were no explanations provided for differences in targeted and achieved results. Furthermore, some achievements reported were misstated.
- **Responsibility:** There were internal control deficiencies that resulted in findings on the performance report.
- **Compliance monitoring, financial oversight and responsibility:** Leadership failed to exercise effective oversight and monitor the implementation of action plan to address prior-year audit findings resulting in similar findings in the year under review.

- Rule of law: The financial statements of the PMTE were not prepared in accordance with the PFMA. Furthermore, there were investigations on transgressions with regard to procurement, potential fraud and financial misconduct. The Department of Public Works contravene the PFMA and the Treasury Regulations, resulting in irregular expenditure being incurred.

(c) Department of Basic Education

The Department of Basic Education received an unqualified audit outcome in 2017, and a qualified audit opinion in both 2018 and 2019. Although the Department received an unqualified audit opinion in 2017, the Auditor-General raised findings on their performance and affairs during this period. The basis for qualified audit opinions both in 2018 and 2019 is “inadequate systems of accounting for immovable assets, contingent liabilities and irregular expenditure”. The Auditor-General also raised findings that relate to the Department’s failure to uphold the following financial governance principles:

- Maximising benefits through organisational performance: The Department incurred fruitless and wasteful expenditure, and this expenditure did not yield the intended value.
- Good stewards of public resources and responsibility: Because the Department incurred fruitless and wasteful expenditure, and irregular expenditure as found by the Auditor-General, it failed to monitor the use of public resources and exercise their fiduciary duties.
- Control and compliance monitoring: The Auditor-General concluded that the accounting officer did not take adequate steps to prevent irregular expenditure and fruitless and wasteful expenditure. This finding indicates that monitoring and control systems that ensure effective and efficient use were inadequate or absent.
- Financial oversight and accountability: According to the Auditor-General, there were deficiencies in the control environment, mainly in the area of leadership oversight.

Furthermore, the internal audit unit of the Department was not fully involved in the review and monitoring of financial and performance reports.

- Rule of law: The Auditor-General stated that the financial statements of the department for 2018 and 2019 financial reporting periods were not prepared in accordance with requirements of section 40 of the PFMA. In addition, the Department contravened the provisions of section 38 of the PFMA resulting in the irregular expenditure being incurred.

(d) Department to Social Development

The Department of Social Development received a clean audit opinion with no financial findings in 2017 from the Auditor-General. In 2018, the Department received a financially unqualified audit opinion, with few material findings on the contravention with Regulation 8(2) of the Preferential Procurement Regulations for 2018 reporting periods. This audit opinion shows a decline in the financial performance of the Department.

In 2019, the Department regressed further in their financial performance where they received a qualified audit opinion. The basis for this audit outcome was the unavailability of information necessary for the auditors to confirm if transfers and subsidies were properly accounted for in the financial statements. The Auditor-General stated that the cause of this finding is the general failure of the Department to uphold the following financial governance principles:

- Control and compliance monitoring: The Department incurred irregular expenditure due to non-compliance with Preferential Procurement Regulations. Furthermore, the Auditor-General highlighted internal control deficiencies as root cause of their findings.
- Rule of law: As stated in the report of the Auditor-General, the Department contravened the provisions of the Preferential Procurement Regulations resulting in irregular expenditure. In addition, the Auditor-General reported that the Department has a number of reports and investigations on fraud and corruption practices reported in 2019.

- **Fairness:** The Department's contravention of Preferential Procurement Regulations and Supply Chain processes that promote transparency and fairness, resulted in it incurring irregular expenditure.
- **Financial oversight and accountability:** Accounting to the Auditor-General, management did not review and monitor compliance with applicable legislation in terms of preferential procurement as the policies and procedures were not updated with the new requirements. The failure of management and leadership to exercise financial oversight over compliance with legislation resulted in irregular expenditure being incurred.
- **Transparency:** The Auditor-General stated that the Department failed to make certain information required for the audit available.

(e) Department of Home Affairs

The Auditor-General issued financially unqualified audit opinions on the financial and performance affairs of the Department of Home Affairs for 2017 and 2018 reporting periods. The auditors drew the attention of the public to their findings on the irregular expenditure incurred by the department and changes in the financial statements accounts previously reported on both periods. These findings relate to inadequate application of the following financial governance principles.

- **Rule of law:** According to the Auditor-General, the Department of Home Affairs contravened section 38 of the PFMA, resulting in irregular expenditure.
- **Control and compliance monitoring:** The Auditor-General stated that internal governance structures, such as the ICT Committee failed to convened frequently as required. Furthermore, monitoring of compliance with legislation was not effective which resulted in irregular expenditure being incurred. The report also reveals that control measures necessary to ensure that financial transactions are correctly reported were weak and ineffective, resulting in a need to make changes in previously recorded financial information. In addition, according to the Auditor-General,

management failed to monitor the implementation of the actions plan necessary to address previous reported weaknesses in the internal controls.

- Responsibility: The Accounting Officer and leadership failed to fully exercise their responsibilities to make sure there is compliance monitoring with the PFMA and procurement legislation.
- Financial oversight and accountability: The Auditor-General stated that the leadership failed to exercise oversight over financial reporting and compliance with legislation.

(f) South African Police Services

In the past three financial reporting years (2017 to 2019), the South African Police Services (SAPS) received qualified audit opinions for various reasons. In 2017, the basis for a qualified audit report was the omission to report certain movable assets in their annual financial statements (SAPS, 2017:322).

In 2018 and 2019, the SAPS saw an increased number of findings from the previous period that resulted in a qualified audit outcome. The basis for qualified audit opinions in these two periods were an inability by the Auditor-General (SAPS, 2018:295) (SAPS, 2019:334) to obtain sufficient audit information to confirm whether immovable tangible assets were properly accounted for, and incomplete records on irregular expenditure.

The Auditor-General reported that the reason for issuing qualified reports to the SAPS is that the institution failed to adopt the following good financial governance principles.

- Control and compliance monitoring: The Auditor-General stated that SAPS failed to take effective and appropriate steps to prevent irregular expenditure and ensure that there is compliance with legislation. Furthermore, there were weaknesses in internal control processes relating to maintaining proper document management and accessibility to records.

- Rule of law: The SAPS contravened various pieces of legislation including sections 38 and 44 of the PFMA, sections 8.1, 8.2 and 9.11 of Treasury Regulations, and section 18 of the Public Service Regulations. The contravention of these legislations resulting in irregular expenditure. The Auditor-General also stated that the annual financial statements of the SAPS were not supported by full and proper records as required by section 40 of the PFMA.
- Financial oversight and accountability and responsibility: According to the Auditor-General, leadership and senior management did not exercise oversight responsibility over financial and performance reporting, compliance and over the implementation of related internal controls.
- Transparency: The Auditor-General stated that they were unable to obtain sufficient audit evidence to substantiate the amounts reported in the annual financial statements and performance reports.
- Maximising benefits through organisational performance: There were material findings by the Auditor-General on whether the reported performance information was consistent with the approved planned performance targets. The auditors found that SAPS misstated reported achievements related to service delivery targets.
- Equity/non-discrimination and fairness: The Auditor-General revealed that families, associates or business partners of some of the SAPS officials did business with the institution. This finding suggests that procurement processes followed by the SAPS were not fair, equitably and free from bias.

(g) Department of Correctional Services

The Auditor-General issued qualified audit opinions on the affairs and performance of the Department of Correctional Services for 2017-2019 reporting periods. The basis for qualified opinion in 2017 was that, the Department did not properly account for immovable tangible capital assets in accordance with financial reporting standards.

The qualified audit opinions issued by the Auditor-General in 2018 and 2019 reporting periods were based on the findings relating to the Department's failure to maintain accurate records as well as to provide the auditors with records and audit evidence necessary to determine the commitments recorded in the annual financial statements. This was the case with the information required by the auditors to confirm whether the Department achieved its performance objectives. The Auditor-General reported that the Department of Correctional Services failed adopt financial governance principles listed below.

- Transparency: According to the Auditor-General, the Department of Correctional Services failed to provide the information necessary for the auditors to confirm the accuracy of the performance and financial information recorded.
- Rule of law: The Department of Correctional Services contravened sections 38 and 40 of the PFMA and 9.1.1 of the Treasury Regulations, as a results irregular expenditure was incurred. Furthermore, the Department failed to comply with the Treasury Regulation provisions relating to fair and equitable procurement process.
- Control and compliance monitoring: According to the Auditor-General management and leadership of the Department did not adequately implement controls and monitor compliance with applicable legislation.
- Equity/non-discrimination and fairness: The Department of Correctional Services procured goods and services without competitive bids for an equitable and fair procurement process as required by Treasury Regulations and section 38 of the PFMA.
- Financial oversight and accountability and responsibility: The Auditor-General stated that the leadership of the Department did not effectively exercise oversight responsibilities regarding financial and performances reporting.

(h) Department of Defence

The Department of Defence received qualified audit outcomes from the Auditor-General for all three years (2017-2019) under this study. The Department showed no improvements on their financial performance over the three years. The basis for qualified audit outcomes the failure of the Department of Defence to report all movable and intangible assets. Furthermore, according to the Auditor-General, the Department did not maintain adequate contractual records and information used to determine commitments the institution has with third parties.

In addition to the above, the Auditor-General reported that the irregular, and fruitless and wasteful expenditures the Department of Defence incurred was not recorded in their books. In summary, the Auditor-General reported that the Department of Defence failed adopt financial governance principles listed below.

- **Transparency:** The Department of Defence could not provide the necessary information necessary for the auditors to confirm certain financial and performance information reported in their annual financial statements relating to the three years under this study. Information relating to contracts awarded to persons under the employ of the Department of Defence, and their family members and associates was not provided to the auditors.
- **Control and compliance monitoring:** According to the Auditor-General, reviewing and compliance monitoring with applicable laws and regulations controls were not effective. Furthermore, the Department did not implement effective risk management to prevent and detect non-compliance.
- **Rule of law:** The Auditor-General highlighted in their report that the Department of Defence contravened section 38 of the PFMA section 2 (f) of the PPPFA and Preferential Procurement Regulations, section 3C of Public Service Regulations, sections 4.1.1 and 16A of the Treasury Regulation which resulted in irregular expenditure. The Department of Defence also failed to meet the PFMA submission deadline for the submission of 2019 audited financial information.

- Financial oversight and accountability and responsibility: According to the Auditor-General, the leadership of the Department of Defence failed to exercise oversight responsibilities regarding performance and financial reporting, compliance with laws and internal controls.
- Equity/non-discrimination and fairness: The Department of Defence personnel directly and indirectly had private business contracts with their employer to procure goods and services without competitive bids for an equitable and fair procurement process as required by Treasury Regulations and section 38 of the PFMA.
- Effectiveness and efficiency: According to the Auditor-General, the Department of Defence incurred fruitless and wasteful expenditure.
- Good stewards of public funds: As reported by the Auditor-General, the Department of Defence incurred fruitless and wasteful expenditure where no value was gained on behalf of the public.

(i) Department of Finance/National Treasury

As stated in section 3.2, the Department of Finance also known as National Treasury has a role among others to set financial management norms and standards for public institutions, monitoring their performance and reporting. For that reason, the National Treasury is expected to set an example and lead the public sector in adopting financial governance principles. Although the National Department received unqualified audit opinions for the three years under this study, the Auditor-General reported that in 2018 and 2019 reporting periods the Department failed to adopt the following principles.

- Effectiveness and efficiency: According to the Auditor-General, the National Treasury incurred fruitless and wasteful expenditure.
- Financial oversight and accountability and responsibility: The Auditor-General stated that instability in leadership positions impacted the ability of the National Treasury leadership to exercise oversight responsibilities regarding performance and financial reporting, compliance with laws and internal controls.

- Control and compliance monitoring: According to the Auditor-General, there was lack of a formal business case, proper project management and inadequate budget monitoring relating to IFMS programme in the National Treasury. Furthermore, reviewing and compliance monitoring with applicable laws and regulations controls were not effective.
- Rule of law: The National Treasury contravened sections of the PFMA and PPPFA in its procurement activities as a result the Department incurred irregular expenditure. Furthermore, the Department failed to comply with the Treasury Regulation provisions relating to fair and equitable procurement process. It was noted that the National Treasury failed to meet the PFMA submission deadline for 2019 audited financial information.

Table 4.6: A summary of content analysis findings: National departments

Departments	Audit opinion			Nr of failed financial governance principles
	2017	2018	2019	
Department of Water and Sanitation	Qualified with findings	Qualified with findings	No report	10
Department of Public Works	Unqualified with findings	Unqualified with findings	Unqualified with findings	5
Department of Basic Education	Unqualified with findings	Qualified with findings	Qualified with findings	5
Department of Social Development	Qualified with findings	Qualified with findings	Qualified with findings	5
Department of Home Affairs	Unqualified with findings	Unqualified with findings	Unqualified with findings	4
South African Police Services	Qualified with findings	Qualified with findings	Qualified with findings	7
Department of Correctional Services	Qualified with findings	Qualified with findings	Qualified with findings	7
Department Defence & Military Veterans	Qualified with findings	Qualified with findings	Qualified with findings	9

Departments	Audit opinion			Nr of failed financial governance principles
	2017	2018	2019	
National Treasury-Finance	Unqualified with findings	Unqualified with findings	Unqualified with findings	4

4.3.3.2 *Content analysis research findings: Provincial departments*

Below are the research results on the content analysis of the Auditor-Report part of the annual reports of government provincial departments.

(a) Provincial Department of Basic Education (ECBE): Eastern Cape

The Eastern Cape Provincial Department of Basic Education (ECBE) received a qualified audit opinion based on control and financial reporting irregularities on a number of items reported in 2017 annual financial statements. The basis of a qualified audit opinion includes insufficient audit evidence to confirm the irregular expenditure, movable assets and goods & services. In addition to the above findings, this department failed to account for commitment as required by financial reporting standards and inaccurate reported information relating to employee benefits.

In the 2018 financial reporting period, the ECBE showed an improvement in the number of items reported by the Auditor-General, the institution received a qualified whereon a qualified audit opinion was based. However, the institution failed to provide sufficient information that was required by the Auditor-General on the commitments, immovable assets and employee benefits. In addition, the ECBE failed to disclose all immovable tangible assets as required by the financial reporting standards in 2018 reporting period. In 2019, the ECBE received another qualified audit opinion on some of the items highlighted by the Auditor-General in the previous two reporting periods.

In all three reporting periods, the Auditor-General highlighted failure to adhere and adopt financial governance principles listed below.

- **Transparency:** The ECBE could not provide the necessary information necessary for the auditors to confirm certain financial and performance information reported in their annual financial statements relating to the three years under this study.
- **Control and compliance monitoring:** According to the Auditor-General, reviewing and compliance monitoring with applicable laws and regulations controls were not effective. Furthermore, the ECBE did not implement effective risk management to prevent and detect non-compliance. In addition, the Department reported inaccurate information which resulted in material adjustments on the annual financial statements during the audit. This shows that control measures necessary to ensure that financial transactions are correctly reported were weak and ineffective.
- **Rule of law:** The Auditor-General highlighted in their report that the ECBE contravened section 38 of the PFMA sections 4.1.1 and sections 4.1.1 8(2), 9.1.1 of the Treasury Regulation. The failure to comply with the above provisions resulted in irregular expenditure being incurred by the ECBE.
- **Financial oversight and accountability and responsibility:** According to the Auditor-General, the leadership of the ECBE failed to exercise oversight responsibilities regarding performance and financial reporting, compliance with laws and internal controls.

(b) Provincial Department of Basic Education (FSBE): Free State

The Free State Department of Education received qualified audit opinions on the financial and performance affairs for all three years (2017-2019) under this study. The Auditor-General had found that the basis for a qualified audit opinion in 2017 was the failure by the Department to provide audit information necessary for the auditors to confirm the accuracy of immovable assets and commitments values disclosed in the annual financial statements.

Furthermore, during 2017-2019 reporting periods, the Department incurred expenditure that had not been authorised by the legislature. This action is in the contravention with section 38 of the PFMA. The Auditor-General had concluded that the underlying root cause of the above audit findings for the three reporting years was due to failure by the Department to adhere to and adopt the following financial governance principles:

- **Transparency:** The Free State Department of Education failed to provide the auditors with records and information necessary to confirm the accuracy of commitments and immovable assets values, as well as performance information recorded in the annual financial statements. There was a limitation of audit scope on service delivery and performance audit, due to unavailability of evidence to confirm whether the Department achieved its performance targets.
- **Rule of law:** The Department incurred unauthorised, and irregular expenditures in contravention with section 38 of the PFMA. According to the Auditor-General, the Free State Department of Education also failed to prepare the financial statements in accordance with section 40 of the PFMA. Furthermore, the Department failed to follow procurement processes in contravention of section 16 of Treasury Regulations and the PPPFA. No disciplinary action taken against those who permitted irregular and unauthorised expenditure as required by section 38 of the PFMA.
- **Control and compliance monitoring:** According to the Auditor-General, reviewing and compliance monitoring with applicable laws and regulations controls in the Department were not effective. Furthermore, the Free State Department of Education did not implement effective risk management to prevent and detect non-compliance with legislation and departmental policies. In addition, The Auditor-General reported that control measures necessary to ensure that financial transactions are correctly reported were ineffective. The ineffective controls resulted in inaccurate financial reporting.

- Financial oversight and accountability and responsibility: According to the Auditor-General, the leadership of the Free State Department of Education failed to exercise oversight responsibilities regarding performance and financial reporting, compliance with laws and internal controls. Furthermore, leadership failed to monitor the implementation of action plans to address previous audit findings and implement the Auditor-General's recommendations.
- Fairness/Equity and non-discrimination: According to the Auditor-General, some contracts were awarded to bidders based on evaluation criteria that differed from those stipulated in the original invitation for bids. In some cases, contracts were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of PPPFA and its regulations. This resulted in the elimination of qualifying bidders.
- Maximising benefits through organisational performance: the audit revealed that there were concerns with regard to poor project management and monitoring of school infrastructure projects and service delivery in this regard.

(c) Provincial Department of Health: Gauteng

Notwithstanding media reports on poor performance on governance issues in the past three years under this study, the Gauteng Department of Health received unqualified audit opinions for the same periods. However, the Auditor-General drew the attention of the public to few findings without modifying the audit opinions, including the material uncertainties due to various civil claims against the Department. The Department's finances were strained so much that it there was also uncertainty on its ability to meet its financial obligations. In their report, the Auditor-General indicated that financial governance principles listed below were non-existent in the Department.

- Rule of law: According to the Auditor-General, the Gauteng Department of Health failed to pay its suppliers within 30 days. This is in contravention with section 8.2.3 of the Treasury Regulations. During the three reporting periods, there were

investigations on allegations of procurement irregularities, fraud and theft committed by officials within the Department.

- Control and compliance monitoring: The Auditor-General reported that the Department failed to take effective steps to collect all monies due as required. Furthermore, management did not ensure that sufficient controls are in place to prepare accurate and complete financial statements. Ineffective control measures resulted in material adjustments in the annual financial statements during the audit. According to the Auditor-General, effective and appropriate steps were not taken to prevent irregular expenditure, and fruitless and wasteful expenditure as required by section 38 of the PFMA and treasury regulation.
- Transparency: The Gauteng Department of Health failed to make information required by the auditors to confirm whether it achieved its performance targets. The Auditor-General also reported that sufficient appropriate audit evidence could not be obtained that all contracts were awarded in accordance with the legislative requirements.
- Good stewards of public funds: The Gauteng Department of Health failed to being good steward of public funds, as it incurred fruitless and wasteful expenditure. This expenditure was incurred in vain and without deriving any benefit from use of public funds.
- Maximising benefits through organisational performance: No value was received for fruitless and wasteful expenditure incurred by the Gauteng Department of Health and the public at large.
- Financial oversight and accountability, and responsibility: According to the Auditor-General, the accounting officer of the Gauteng Department of Health did not take appropriate action in response to being notified of the material irregularity and fruitless and wasteful expenditure incurred as required by the PFMA.
- Executive accountability/ Public interest/ Responsibility: The Auditor-General reported that the during the audit, the Department was in the process of the recommendations of the Health Ombud's report into circumstances surrounding the deaths of and negligence over mentally ill patients. The Health Ombud concluded

that the negligence of the Gauteng Department of Health leadership in their responsibilities resulted in the death of mentally ill patients.

- Effectiveness and efficiency: The Gauteng Department of Health permitted fruitless and wasteful expenditure where no value or benefits were received in return.

(d) The Provincial Department of Social Development: Gauteng

The Auditor-General issued unqualified audit opinions to the Gauteng Department of Social Development for the three years under this study (2017-2019) with few financial findings. The report draws the attention of the public without modifying the audit opinions to the material uncertainty related to contingent liabilities, underspending on voted funds and restatement of corresponding figures. According to the Auditor-General, the Gauteng Provincial Department of Social Development failed to comply with relevant legislation due to inadequate application of the following financial governance principles.

- Control and compliance monitoring: In 2019 financial reporting period the Auditor-General reported that the Gauteng Provincial Department of Social Department failed to comply with the Treasury Regulation 8.4.1 in relation to maintaining appropriate measures with regard to transfers and subsidies to entities under the Department.
- Financial oversight and accountability: According to the Auditor-General, senior management failed to put in place adequate internal controls designed to ensure compliance with relevant legislation and laws in the Department in the 2019 financial reporting period. However, in the two reporting periods preceding the 2019, the Department received clean audit reports.

(e) The Provincial Department of Co-operative Governance & Traditional Affairs (CG&TA): KwaZulu-Natal

The KwaZulu-Natal Provincial Department of Co-operative Governance & Traditional Affairs (CG&TA) received unqualified audit outcomes for 2017 and 2019 financial reporting periods. In 2018, the Department received a qualified audit report based on its

failure to provide the Auditor-General with records required by the auditors to verify allowances paid to the *iziNduna*. The Auditor-General further reported that the Department failed to comply with the following financial governance principles.

- Rule of law: According to the Auditor-General, the Provincial Department of CG&TA failed to take effective steps to prevent irregular expenditure as required by section 38 of the PFMA. Furthermore, the Department did not follow procurement procedures as required by the Treasury Regulations and the PPPFA.
- Transparency: The Department of CG&TA failed to provide the Auditor-General with records that would assist the auditors to verify payments to chiefs *iziNduna*.
- Control and compliance monitoring: The Auditor-General reported that the management did not implement control and a proper system of record management to ensure that financial and performance information was accessible to the auditors to support payments made as reported in the financial statements.
- Financial oversight and accountability: According to the Auditor-General, the accounting officer of the Department failed to implement adequate and proper monitoring controls over financial processes and records. Furthermore, the accounting officer did not exercise adequate oversight to make sure that the Department complies with legislation.

(f) The Provincial Department of Public Works Roads & Infrastructure (PW&RI): Limpopo

The Limpopo Provincial Department of Public Works & Infrastructure (PW&RI) received qualified audit outcomes for all three years under this study. The basis for qualified audit reports inadequate accounting for movable and immovable tangible assets. In 2017, the Auditor-General also reported that the Department failed to provide records necessary for auditors to verify and support the restatement of accrued departmental revenue. Furthermore, in the same year the Department failed to properly account departmental commitments and contingent liabilities.

In the two years subsequent to 2017, the audit outcomes of the Department improved in most areas with unqualified audit outcome in 2018. However, in 2019 the Department received a qualified audit outcome based on incomplete reporting of irregular expenditure incurred. Therefore, over the three years under this study the Auditor-General concluded that the Department failed to comply and apply financial governance principles.

- Rule of law: According to the Auditor-General, the Provincial Department of PW&RI contravened section 17 of the Division of Revenue Act when the Department when transferred departmental funds to the Limpopo Roads Agency. This resulted in irregular expenditure in the books of the Department.
- Transparency: The Auditor-General reported that in 2019, the Department of PW&RI failed to record in their books all the irregular expenditure incurred as a result of non-compliance with legislation. Furthermore, the Department did not provide sufficient information to support reported performance.
- Control and compliance monitoring: According to the Auditor-General, Department did not adequately report the movable tangible assets in its books and management failed to exercise control over financial reporting and monitor compliance with financial reporting standards. The Auditor-General reported misstatements of assets and liabilities in 2018 financial statements.
- Financial oversight and accountability: According to the Auditor-General, the accounting officer did not exercise adequate oversight to make sure that the Department complies with legislation and financial information is properly recorded.

(g) The Provincial Department of Community Safety, Security & Liaison (CSSL: Mpumalanga

- Transparency: The Mpumalanga Department of Community Safety, Security and Liaison (CSSL) received a qualified audit report in the two financial reporting periods 2017 and 2018. The basis for this outcome is failure by the department to record

received and accrued revenue, and amounts owed to suppliers. Furthermore, the Mpumalanga CSSL department failed to provide the Auditor-General with information necessary to confirm recorded tax revenue. In 2019, the Auditor-General issued an unqualified audit report on the department of CSSL affairs.

- Maximising benefits through organisational performance: According to the report of the Auditor-General, the Mpumalanga CSSL department incurred fruitless and wasteful expenditure where no value was received by the department and the public.
- Rule of Law: The Auditor-General stated that the Mpumalanga CSSL department failed to comply with section 38 of the PFMA and the PPPFA, resulting in irregular expenditure was incurred in 2018 and 2019 financial reporting periods.
- Control and compliance monitoring: According to the Auditor-General, in addition to non-compliance with financial prescripts by leadership of the Mpumalanga CSSL department, leadership also failed to exercise control over the financial and operational performance of the department over the three (2017-2019) reporting periods resulting in inaccurate information being reported. Lack of review processes and other internal control deficiencies resulted in material misstatements in the financial statements and performance report.
- Financial oversight and accountability: As reported in the Auditor-General reports, the Mpumalanga CSSL department incurred irregular and fruitless and wasteful expenditure due to failure by leadership and management to exercise adequate financial oversight and accountability.

(h) The Provincial Department of Provincial Treasury (Finance): North West

The North West department of Finance received unqualified audit outcomes for three years from 2017 to 2019 from the Auditor-General. The report stated that the department performed its operations as expected and achieved its performance objectives. However, the Auditor-General drew the attention to the irregular expenditure incurred by the department without modifying the audit opinion. The emphasis of matter on irregular expenditure indicates failure to apply the following financial governance principles:

- Rule of Law: Although the North West Finance department received an unqualified audit opinion, the Auditor-General stated that the North West Department of Finance failed to comply with section 38 of the PFMA. The failure to comply with the PFMA resulted in irregular expenditure being incurred in the three years from 2017 to 2019 financial reporting periods.
- Control and compliance monitoring: Although the Auditor-General stated that no significant deficiencies were detected, leadership failed to monitor compliance with the PFMA.

(i) The Provincial Department of Social Development (SD): Northern Cape

The Auditor-General issued unqualified audit opinions for the Northern Cape Department of Social Department reporting periods 2017 to 2019. However, the audit reports for the same periods drew the attention of the users of information stakeholders to different issues without modifying the audit opinion.

In 2017 and 2018 reporting periods, the Auditor-General referred the users to the material underspending of the budget by the department which may result in failure to achieve its performance objectives. However, the Auditor-General stated that the department over-performed on a number of planned targets in 2018. The matter of emphasis in the 2019 audit report was the irregular expenditure the department incurred during this period. The irregular expenditure incurred is as result of failure by the leadership and management of the department to apply the following financial governance principles:

- Rule of Law: Although the Northern Cape Department of Social Development received an unqualified audit opinion, the department failed to comply with section 38 of the PFMA in 2019. The non-compliance with the PFMA resulted in irregular expenditure reported in the annual financial statements.

- Control and compliance monitoring: According to the Auditor-General the annual financial statements were not prepared in accordance with the prescribed financial reporting framework, resulting in material misstatements of disclosures. These misstatements were identified during the audit and were later corrected. The material misstatements of disclosures are as a result of inadequate internal controls and failure by management to review and monitor compliance with financial reporting standards.

(j) The Provincial Department of Community Safety (CS): Western Cape

The Western Cape Department of Community Safety received an unqualified audit outcome with no material financial findings for two years, namely; 2017 and 2018. This audit outcome is also known as a clean audit outcome where the financial financial statements and the reports on the department's performance are free from material misstatements or no non-compliance with legislation was detected. These audit outcomes indicate that the Western Cape Department of Community Safety observed and complied with necessary financial governance principles.

Although the Western Cape Department of Community Safety received an unqualified audit outcome in 2019 financial reporting period, the Auditor-General drew the attention of the users of the departmental financial information to an error in the financial information that resulted in the restatement of corresponding information. The financial reporting error confirmed by the Auditor-General indicates failure by the Western Cape Department of Community Safety to comply with the following financial governance principle.

- Control and compliance monitoring: The Accounting Officer and management of the Western Cape Department of Community Safety did not have adequate financial information review controls to detect inaccuracies or errors in the financial information.

(k) The Provincial Department of Human Settlements (HS): Western Cape

The Western Cape Department of Human Settlement received an unqualified audit outcome with financial findings for three years under study. The financial findings are based on errors in the financial information that resulted in restatement of corresponding figures and significant uncertainty relating to future litigation outcomes. The financial findings reported by the Auditor-General are as result of failure of the department to comply and observe the following financial governance principles.

- Control and compliance monitoring: According to the Auditor-General the errors discovered were due to control deficiencies in the financial environment of in the Western Cape Department of Human Settlement. These observations were consistent in all three financial periods under this study.
- Maximising benefits through organisational performance: Based on the report of the Auditor-General, the Western Cape Department of Settlement is a dependent in a land claim lawsuit involving an amount of R87 million. The department is disputing the legal claims and uncertainty of the outcome thereof result in increase in legal costs. The land civil claim lawsuit is reported on all three reporting periods under this study. Any costs incurred without benefits or value derived from such costs result in fruitless and wasteful expenditure.

Table 4.7: A summary of content analysis findings: Provincial departments

Departments	Audit Opinion			Nr of failed financial governance principles
	2017	2018	2019	
Eastern Cape Department of Human settlement	Unqualified with findings	Unqualified with findings	Unqualified with findings	4
Free State Department of Education	Qualified with findings	Unqualified with findings	Unqualified with findings	6

Departments	Audit Opinion			Nr of failed financial governance principles
	2017	2018	2019	
Gauteng Health	Unqualified with findings	Unqualified with findings	Unqualified with findings	9
Gauteng Department of Social Development	Unqualified with findings	Unqualified with no findings	Unqualified with no findings	2
KwaZulu-Natal Department of Co-operative Governance & Traditional Affairs	Unqualified with findings	Qualified with findings	Unqualified with findings	4
KwaZulu-Natal Department of Public Works	Qualified with findings	Qualified with findings	Qualified with findings	4
Limpopo Department of Public Works, Roads & Infrastructure	Qualified with findings	Qualified with findings	Qualified with findings	4
Mpumalanga Department of Community Safety, Security & Liaison	Qualified with findings	Qualified with findings	Qualified with findings	5
North-West Provincial Treasury	Unqualified with no findings	Unqualified with no findings	Unqualified with no findings	4
Northern Cape Department of Social Development	Unqualified with findings	Unqualified with findings	Unqualified with findings	2
Western Cape Department of Community Safety	Unqualified with no findings	Unqualified with no findings	Unqualified with no findings	1

Departments	Audit Opinion			Nr of failed financial governance principles
	2017	2018	2019	
Western Cape Department of Human Settlements	Unqualified with findings	Unqualified with no findings	Unqualified with no findings	3

4.3.3.3 *Content analysis research findings: Public entities*

According to the Auditor-General, only two public entities, namely; South African Post Office (SAPO) and the Development Bank of Southern Africa (DBSA) received clean audit outcomes in 2017 and 2018. However, these entities regressed in 2019 where none of the entities received a clean audit outcome. Below is the discussion on the content analysis results of the sampled entities.

(a) Eskom

Eskom received qualified audit outcomes for the Auditor-General for all three years under this study. The Auditor-General issued comprehensive reports highlighting the basis for issuing qualified audit reports on performance and financial governance for the three years. The reports reflect a list of control weaknesses and leadership oversight failures. The overall basis for these qualified audit reports is the inaccurate information and amounts disclosed in the annual financial statements, failure to achieve its objectives and the uncertainty on the ability of Eskom to continue operations as a going-concern. The issue on whether Eskom is able to continue and operate as a going-concern were raised by SCOPA (PMG, 2017) in 2017. The insolvency financial position continued and deteriorated further in the subsequent years ending 2019.

Furthermore, the institution incurred irregular expenditure, fruitless and wasteful expenditure and material losses from criminal conduct, therefore failing to comply with

legislation. The minutes of the SCOPA (PMG, 2019) reflect that, due to continued poor service delivery by Eskom while there was overspending on capital expenditure relating to the building power stations projects. Irregular expenditure of R19.6 billion and a debt of R380 billion compelled the committee to visit the two projects involved for inspection.

The minutes of the committee revealed that there was no meeting between the Accounting Authority and management of the entity. The minutes also revealed that the committee recommended, among others, that there should be consequences for those who engaged in wrong-doing that resulted in financial loss to Eskom.

Although the auditors were satisfied with some disclosed information, gleaned from audit reports, the uncertainty of Eskom to operate as a going concern indicates Eskom's failure to observe financial governance principles. This failure by Eskom was a main concern for the Auditor-General and the members of SCOPA. Therefore, the findings of the analysis of Eskom audit reports for the three years under this study reveal that the institution failed to comply with all 17 financial governance principles that are presented in section 3.4.1 and Table 4.6 of this study.

(b) National Student Financial Aid Scheme (NSFAS)

The NSFAS received an unqualified audit outcome with financial findings from the Auditor-General in 2017. The financial findings were based on the contingent liability which emanated from the uncertainty relating to student funding commitment of R4.97 billion. It is noted that the NSFAS' performance deteriorated in 2018 and 2019. The Auditor-General stated that during August 2018 the NSFAS Accounting Authority (Board of Directors) was dissolved and the institution was placed under administration

In 2018, the Auditor-General issued a qualified report on the financial information of NSFAS based on the incorrect disclosure of student loans and incomplete records of irregular expenditure reported by the institution. Furthermore, the Auditor-General issued findings and drew the attention of the users of information to, (1)the uncertainty related to

student funding commitments, (2) fair value and impairment adjustments and (3) incorrect amount disclosed that resulted in material adjustments and restatement of reported amounts.

In addition to issues raised by the Auditor-General in 2017, the 2018 audit report states that the auditors were unable to obtain evidence supporting amounts due to the institution and bursary expenditure. Furthermore, amounts relating to cash flow were inaccurate. The content analysis results show NSFAS failed on the following principles:

- Rule of law: According to the Auditor-General, in 2017 the NSFAS contravened the provisions of PFMA by incurring irregular expenditure.
- Control and compliance monitoring: The Auditor-General reported that the NSFAS Administrator and leadership did not ensure that sufficient controls are in place to prepare accurate and complete financial statements. This failure resulted in material adjustments in the annual financial statements during the audit. Furthermore, the Auditor-General reported that effective and appropriate steps were not taken to prevent irregular expenditure as required by section 38 of the PFMA.
- Transparency: The NSFAS failed to provide the auditors with information or supporting documents relating to bursary expenditure and amounts due to the institution that were disclosed in the annual financial statements. The Auditor-General also reported that sufficient appropriate audit evidence could not be obtained that all contracts were awarded in accordance with the legislative requirements.
- Financial oversight and accountability, and leadership: According to the Auditor-General, the Administrator of the NSFAS did not take appropriate action in to prevent irregular expenditure and respond to non-compliance by management with legislation, which resulted to such expenditure. Furthermore, the Auditor-General stated that the placement of the NSFAS under administration had an impact on the credibility of financial and performance information of the entity. The Auditor-General report and statement implies that the NSFAS was placed under administration due to lack of financial oversight and accountability, and inadequate leadership in the institution.

(c) Public Investment Corporation (PIC)

The PIC received unqualified audit outcomes for all three years under this study. However, the Auditor-General highlighted and drew the attention of the public to a number of financial findings. After analysing the audit reports, it was concluded that the findings of the Auditor-General were not material. The Auditor-General highlighted this information to the public and other stakeholders of PIC without modifying the audit opinion for these years. In the 2017 audit report, the Auditor-General states that the amount of provisions for the Executive Committee incentive disclosed was subject to approval by the Executive Authority. Because the payment was not carried out at the time of reporting, the provision had no financial implications. The Auditor-General reported that the PIC recorded impairment losses in both 2018 and 2019 which resulted from revaluation of some of its investments.

In addition to the above findings, the Auditor-General states that no control deficiencies were detected during 2017 and 2018 financial audit activities. However, in 2019 the PIC failed to comply with the PFMA and the PPPFA in procuring some goods and services. The Auditor-General also stated that the PIC failed to prepare the annual financial statements in accordance with the PFMA and the Companies Act in some sections of financial reporting and disclosures. Furthermore, some of investment decisions were not in compliance with the Public Investment Corporation Act. These findings reflect failure by the PIC to comply with the following financial governance principles:

- Rule of Law: Due to non-compliance with the PFMA, Companies Act and the Public Investment Act, the PIC incurred and recorded irregular expenditure.
- Financial oversight and control: The PIC failed to provide oversight on the financial affairs carried out and decisions made by the Executive Committee and leadership. This financial governance failure resulted in investment losses, irregular expenditure and inaccurate reporting. Irregular expenditure is incurred due to failure to comply with proscribed laws and processes, implying inadequate use of public funds.

(d) Public Rail Agency of South Africa (PRASA)

The Auditor-General expressed qualified audit opinions on the affairs of PRASA for 2017 and 2018 reporting periods. In 2017 the entity incurred cumulative loss of R2.4 billion and its liabilities exceeded its assets by R3.3 billion. In 2018 the cumulative loss increased by R828 million and the net liabilities increased from R3.3 billion to R7 billion. Therefore, there was material uncertainty on the ability of PRASA to operate as a going concern. In the 2019 audit report, the Auditor-General reported their inability to express an opinion on whether public funds were used as intended. This was due to PRASA's failure to provide the auditors with necessary information and evidence required for this purpose. Therefore, the Auditor-General issued a disclaimer of opinion. This means that every item reported in these financial records could not be confirmed through proper evidence.

The analysis of the Auditor-General reports for the three years under this study revealed that PRASA's financial records reflect auditable non-compliance with all financial governance principles in 2017 and 2018 to an un-auditable position in 2019. Therefore, it was decided not list all these principles for the purpose of this study.

(e) South African Airways (SAA)

The Auditor-General expressed a qualified audit opinion on 2017 SAA affairs and performance results. According to the reports and the minutes of the Parliamentary Portfolio and the SCOPA (PMG,2019), the SAA failed to produced annual financial statements for 2018 and 2019. At the time of this study, these annual statements were still outstanding and were not made available for audit purposes.

The analysis of the Auditor-General reports for 2017 revealed that SAA's financial records reflect auditable non-compliance with all financial governance principles. In addition to a list of material financial findings highlighted by the Auditor-General in 2017, the auditors also reported a material uncertainty on the ability of SAA to operate as a going concern

due cumulative operating loss incurred by the entity that originates from years prior to 2015. In addition, in 2017 the entity's liabilities exceeded its assets, with lack of internal controls. The minutes of the SCOPA (PMG, 2017) reveal that members of the committee raised concerns on the liquidity and solvency issues of the entity, suggesting that the Accounting Authority of the entity was derelict in their duties. The committee instructed the Accounting Authority to fix the poor financial management of the entity and take it out of the insolvency financial position.

As stated, the SAA failed to present financial statements for audit in 2018 and 2019. According to the minutes of the SCOPA (PMG, 2019) meeting held on 13 November 2019, the reason for this failure by the SAA Accounting Authority was the fact that the entity was technically insolvent and could not risk receiving an adverse audit outcome from the Auditor-General. Members of the committee cautioned the SAA executive on their non-compliance of the PFMA and could not continue with oversight in the absence of audited financial statements. It was noted that the committee offered no consequences for the continuous contravention of the PFMA by the executive in this regard.

The inability and failure of SAA to produce financial statements for audit purposes reflects the entity's lack or absence of overall governance principles, executive authority as well as the presence of dysfunctional leadership. This implies that financial governance principles were non-existent in the entity. Therefore, it was not possible to perform a content analysis on the audit reports of the SAA.

(f) South African Broadcasting Corporation (SABC)

The Auditor-General expressed an adverse audit opinion into the performance and affairs of the SABC due to the fact that the annual financial statements of the entity did not present fairly the financial performance, the consolidated and separate financial position, and the entity's cash flows for the 2017 financial reporting period. Furthermore, the annual financial statements were not prepared in accordance with the PFMA and the Companies Act. This report implies that the annual financial statement of the SABC contained

material misstatements that were not confined to specific amounts, or a substantial portion of the financial statements contain misstatements.

In addition to the above audit findings, the Auditor-General stated that in 2017 the SABC was commercially insolvent and could not pay and meet its obligations as they become due. Therefore, there was material uncertainty on the ability of the entity to continue and operate as a going concern. In 2018, the Auditor-General issued a disclaimer of opinion into the affairs of the SABC due to the failure by the entity to provide the auditors with evidence to support the amounts and financial information reported in the annual financial statements. Therefore, the Auditor-General was unable to express an opinion on the entity's affairs for the 2018 financial reporting period.

In 2019, the SABC financial performance and position slightly improved. This statement is supported by a qualified audit opinion issued by the Auditor-General on the performance and affairs of the entity in 2019. The basis for a qualified audit opinion was the reported irregular expenditure amounting to R5.2 billion and material misstatements of the amounts recorded in the annual financial statements.

Although the audit outcome showed an improvement on the administration of financial activities of the SABC, the Auditor-General stated that there was uncertainty on the entity's ability to continue and operate as a going concern in 2019 as the entity accumulated operational loss of R1.2 billion over the two years. Furthermore, the total liabilities of the SABC exceeded the entity's total assets by R875 million in 2019. The audit reports on the affairs of the SABC reveal lack of the following financial governance principles in the institution.

- Rule of law: According to the Auditor-General, the SABC procured some of goods and services without following procurement processes, therefore contravening the PFMA and PPPFA. Furthermore, the audit report reveals that the SABC failed to take effective and appropriate steps to collect revenue as required by the PFMA. The

noncompliance with procurement processes and the contravention of the PFMA and the PPPFA resulted in irregular expenditure in the books of the SABC.

- Control and compliance monitoring: According to the Auditor-General, the SABC failed to adequately implement internal controls and take appropriate steps to prevent irregular expenditure. Furthermore, the Auditor-General stated that some of the amounts recorded in the annual financial statements were inaccurate. This implies that the executive failed to monitor the implementation of financial information review controls.
- Financial oversight and accountability: According to the Auditor-General, the Accounting Authority did not exercise adequate financial oversight to make sure that the entity complies with legislation and that financial information is properly recorded. The Accounting Authority failed to ensure that the entity collects its revenue that would allow the entity to meet its obligations as they become due and continue to operate as a going concern.
- Maximising benefits through organisational performance: The Auditor-General stated that the reported performance information was not consistent with evidence received and approved planned performance targets. The auditors found that the SABC misstated reported achievements related to service delivery targets.

(g) South African Post Office (SAPO)

SAPO received qualified audit outcomes from the Auditor-General on its performance and financial affairs for 2017 and 2019 reporting periods. The basis for qualified audit reports for the two periods was incorrect accounting policies applied in recording assets, inaccurate amounts disclosed and misstatement on the annual financial statements, incomplete records of irregular expenditure disclosed. In 2018, the Auditor-General expressed an unqualified audit outcome with financial findings. The qualified reports issued by the Auditor-General in 2017 and 2019, and financial findings reported in 2018 emanate from the absence of the following financial governance principles.

- Rule of law: SAPO incurred irregular expenditure due to noncompliance with or contravention of the PFMA as stated by the Auditor-General.
- Transparency: The Auditor-General reported that SAPO failed to make available to the Auditor-General the records required to support targets received for audit purposes. Furthermore, performance targets reported as achieved were not clearly specified.
- Control and compliance monitoring: SAPO failed to implement monitoring processes and internal controls to ensure that the financial reports and amounts recorded in the annual financial statements were accurate and complete. This is statement is supported by the report of the Auditor-General as it reveals that control measures necessary to ensure that financial transactions are correctly reported were weak and ineffective, resulting in a need to make changes on previously recorded financial information. As stated by the Auditor-General, SAPO incurred irregular expenditure due to inadequate monitoring and control measures.
- Fairness: The department's contravention of the PFMA which promotes and requires that a fair, transparent and equitable procurement be followed, resulted in irregular expenditure being incurred.
- Monitoring, financial oversight and accountability: The Accounting Authority failed to exercise financial oversight and monitor the implementation control measures that will ensure accurate financial records are maintained. In addition, the Accounting Authority did not take effective steps to prevent irregular expenditure as required by the PFMA. The Auditor-General reported on the three years under this study that there was material uncertainty on the ability of SAPO to continue and operate as a going concern as the entity generated an operating loss in all three years. The operating loss was R978 million in 2017, R908 million in 2018 and accumulated to a total of R3.1 billion in 2019. These losses emanated from the inability of SAPO as an entity to generate revenue. Therefore, the Accounting Authority failed to exercise financial oversight on revenue, and assets and liabilities management.

(h) State Information Technology Agency (SITA)

The Auditor-General expressed unqualified audit opinions with financial findings on the affairs and the performance of SITA for 2017 and 2019. The financial findings to which the Auditor-General drew the attention of the public are the irregular expenditure incurred due to the contravention with the PFMA and PPPFA in 2017 and a material loss of R157 million on the write-off of intangible assets. SITA received a clean audit outcome for its performance and financial affairs in 2018.

- Rule of law: As stated above, SITA contravened with the PFMA and PFFA as a result the entity incurred irregular expenditure in 2017.
- Control and compliance monitoring: The Auditor-General stated that SITA management and leadership failed to establish effective controls to ensure procurement processes are adhered to.
- Monitoring, financial oversight and accountability: The Accounting Authority and executive management of SITA failed to exercise financial oversight and ensure that effective steps to prevent irregular expenditure are taken as required by the PFMA. In addition, the entity incurred a material impairment loss on the intangible assets. Therefore, the Accounting Authority did not exercise adequate financial oversight on the operations of SITA.

(i) Transnet

In 2017, the Auditor-General issued an unqualified audit opinion with financial findings into the affairs of Transnet. Financial findings are based on the evidence that shows that revaluation of infrastructure was not performed by an independent evaluator as required by accounting standards.

The Auditor-General issued qualified audit outcomes on the performance and financial affairs of Transnet for 2018 and 2019 financial reporting periods. The basis of qualified audit reports is among others, inaccurate revaluation of infrastructure assets and incorrect

recording of corresponding values disclosed in the annual financial statements resulting in restatement of these values. Furthermore, there was a material uncertainty on the ability of Transnet to continue its operations as a going concern as the entity relied heavily on debt to finance its operations.

The above audit findings indicate the absence of the following financial governance principles in Transnet:

- Rule of law: The Auditor-General stated that in 2018 Transnet contravened with the PFFA, Preferential Procurement Regulations and CIDB Act when contracting construction suppliers, as a result the entity incurred irregular expenditure.
- Control and compliance monitoring: As stated in the report of the Auditor-General, Transnet management and leadership failed to establish effective controls to ensure procurement processes are adhered to.
- Monitoring, financial oversight and accountability: The Accounting Authority and executive management of Transnet did not exercise financial oversight and ensure that effective steps to prevent irregular expenditure are taken as required by the PFMA. In addition, although the insolvency position of Transnet improved in 2019, the Accounting Authority failed to exercise adequate financial oversight on the operations of the entity in 2018, resulting in a material uncertainty on its ability to operate as a going concern in that period.

Table 4.8: A summary of content analysis findings: Public entities

Departments	Audit Opinion			Nr of failed financial governance principles
	2017	2018	2019	
Eskom	Qualified with findings	Qualified with findings	Qualified with findings	17

Departments	Audit Opinion			Nr of failed financial governance principles
	2017	2018	2019	
National Student Financial Aid Scheme	Unqualified with findings	Qualified with findings	Qualified with findings	5
Public Investment Corporation	Unqualified with no findings	Unqualified with no findings	Unqualified with findings	2
Public Rail Agency of South Africa	Qualified with findings	Qualified with findings	Disclaimer	17
South African Airways	Qualified with findings	No report	No report	17
South African Broadcasting Corporation	Qualified with findings	Adverse with findings	Disclaimer	4
South African Post Office	Qualified with findings	Unqualified with findings	Qualified with findings	5
State Information Technology Agency	Unqualified with findings	Unqualified with findings	Unqualified with findings	4
Transnet	Unqualified with findings	Qualified with findings	Qualified with findings	3

This concludes the analysis and presentation of content analysis study findings on the effectiveness of public financial governance structures. In the next section, the findings of the survey study are presented.

4.4 FINDINGS OF THE SURVEY (QUESTIONNAIRE)

In addition to the application of the content analysis, a survey research method was employed to gather more evidence to address the research problem of this study. Mathiyazhagan and Nandan (2010:34) define a survey as “any procedure in which data are systematically collected from a population or a sample thereof through some form or direct solicitation, such as face to face interviews, telephone interviews or mail questionnaires”. This study used a questionnaire as instrument to collect data necessary to reach the research conclusions. The questionnaire contained both open- and closed-ended questions and are based on the effective financial government principles uncovered in chapter 3. The questionnaire was piloted (pre-tested) with three respondents from each of the cohort groups (i.e. National Treasury and the Office of the Auditor-General).

The details of the respondents for the survey were obtained from the websites of National Treasury, the Gauteng Provincial Government, and the Office of the Auditor-General. The researcher further verified the information obtained from the websites of these organisations through telephone confirmations from the institutions’ communications officers. Table 4.9 below shows the sample of the target respondents for the survey study.

Table 4.9: Sample size of the survey

Respondent	Organisation	Sample size
Office of the Accountant-General, Chief Procurement Officer and Compliance Monitoring Officer	National Treasury	15
Senior Audit Managers: National Departments, Provincial Departments and Public Entities	Office of the Auditor-General	15
Total		30

Questionnaires were circulated to 15 respondents from the National and Provincial Treasuries and to 15 respondents of the Office of the Auditor-General. After sending reminders to all respondents the response rate from the National and Provincial Treasuries remained low at 40%. There was a better response rate from the Office of the Auditor-General. Eleven responses were received from the 15 questionnaires that were distributed to the managers in the Office of the Auditor-General, totalling an overall 73% response rate. The questionnaires were divided into the demographic profile and public institutions' knowledge and challenges the respondents experience when working with financial governance structures in the public sector sections.

4.4.1 Demographic profile of respondents

The questionnaires contained demographical information, qualifications and work experience in their organisations of respondents of both cohort groups. The ages of respondents to the survey from both cohort groups ranged between mid-thirties and late-fifties. The respondents were also highly skilled in financial management, with post-graduate qualifications and more than four years' work experience in their organisations. It is evident from their responses that the respondents had exposure to the work of the audit and parliamentary committees.

In addition to the demographical information part the questionnaire was divided into three parts. The first part was aimed at gaining an understanding as to whether the respondents have an understanding and knowledge of public financial governance principles, public governance structures and their relationship and roles with regard to the Constitution. This part was followed by questions that were necessary to determine respondents' assessment of the performance of public governance structures.

The aim of the last part of the survey was to examine the relationship between the Office and the Auditor and the National and Provincial Treasuries, and public financial governance structures. It was necessary to determine whether participants know and understood the public financial governance structures and the principles that govern

financial management in the public sector, and their relation to the Constitution. All respondents who participated in the survey showed their full understanding and knowledge of the above concepts. Below is the analysis of the responses from the National and Provincial Treasuries.

4.4.2 Survey research findings: National and Provincial Treasuries

As stated in section 4.3.2 above, there was a poor response to the National Provincial Treasuries survey. Participants (100%) in the National and Provincial Treasuries survey believe that public sector financial governance structures do not achieve expected outcomes in their financial oversight roles in the public institutions. These participants state that continuing acts of corruption, increased irregular and wasteful and fruitless expenditures in the public institutions are an indication of failure by these structures to effectively perform their oversight functions. 67% of the participants believe that the appointment of Accounting Officers, Heads of Departments and Accounting Authorities based on political affiliation contributes to the ineffectiveness of these structures.

All those participated in this survey believe that parliamentary and audit committees fail to perform their oversight functions. 67% of the participants cited political interference and protection as one of the reasons public financial governance structures fail in their oversight duties. 33% of these participants believed the reason for failure by public financial governance structures is due to lack of financial management skills.

Table 4.10: A summary of key factors influencing financial effectiveness and frequency reported by the national and provincial treasuries

Factor	Frequency response
Political affiliation	4
Skills	2
Total	6

Although the National and Provincial Treasuries' participants indicated that they have good working relationships with public financial governance structures including parliamentary committees, 33% of the participants cited requests they receive from Accounting Officers and Accounting Authorities to deviate from normal procurement process or condone irregular expenditure already incurred as their main concern in their relationships at institutional level.

The increasing level of irregular expenditure emanating from non-compliance with normal procurement processes and the contravention of the regulations in the public sector is the main issue raised by the Office of the Auditor-General in their audit reports. The results of the content analysis revealed that continuing irregular and fruitless and wasteful expenditure indicates that public financial governance structures are ineffective in their oversight roles. Thus, responses from the National and Provincial Treasuries' respondents confirm the findings of the content analysis study. The analysis of the Office of the Auditor-General survey results is presented below.

4.4.3 Survey research findings: The Office of the Auditor-General

The response rate to the Office of the Auditor-General survey was high at 73%. Issues raised by the participants in this survey are similar to those raised by public treasuries' participants. The respondents to the survey indicated that there is no improvement in the performance of the public institutions instead, the performance deteriorate further over the years.

Based on the responses from the respondents in the Office of the Auditor-General, the continuing poor financial performance of the public institutions is attributed to failure by Accounting Officers and Accounting Authorities to take corrective action against those who contravene legislation and mismanage public resources. More than 80% of the responses to this survey cited lack of financial management skills of those heading the administration of the public institutions. 45% of the participants in the survey stated that audit committees in government departments are trying to do their best to perform their

duties as expected, but have no powers to take actions against Accounting Officers who fail to perform their duties other than providing recommendations in their reports.

The participants in the Office Auditor-General either disagree or strongly disagree to a statement that Parliament and Provincial Legislatures are effective in holding Executive and government institutions accountable. Based on the responses received, 18% of the respondents believe that audit and parliamentary committees lack powers to act against non-performing Executives and institutional leadership. Similar responses were captured on statements that Accounting Officers and Accounting Authorities are good stewards of public funds, and they use these funds in an effective and efficient manner. 36% of the respondents disagree with a statement that public authorities comply with South African Laws and financial legislation.

Although participants agreed that there is a good relationship between the Office of the Auditor-General and public financial governance structures, they indicated that these structures fail to implement the recommendations of the Auditor-General. Below is the summary of key factors that influence the effectiveness of public sector financial governance, as reported by the Office of the Auditor-General.

Table 4.11: A summary of key factors influencing financial effectiveness and frequency reported by the Office of the Auditor-General

Factor	Frequency response
Skills	9
Lack of authority/powers to act	2
Total	11

As stated in section 2.5.3, the PFMA Sections 38 to 44 of the PFMA assigns governance responsibilities relating financial management to the accounting officers of government departments. Therefore, to effectively discharge their leadership responsibilities, it is critical for Accounting Officers to possess financial management competencies and skills. It was noted that the respondents from the Office of the Auditor-General linked lack of

financial management skills to political affiliation-based appointment of Accounting Officers.

The results of the content analysis revealed that Accounting Officers and Accounting Authorities continuously contravene regulations and allow irregular and fruitless and wasteful expenditures without any consequences from oversight structures. The results from the Office of the Auditor-General survey confirm the findings of the content analysis. The analysis and examination of the overall study results is presented in the next section.

4.5 ANALYSES OF THE RESEARCH RESULTS

When analysing and interpreting research results, it is important for the researcher to strike a balance between description and interpretation of data. Description of data provides a reader with the background of the research problem and guides the analysis of the research results process. Interpretation of data represents the researcher's theoretical understanding of the issue under study (Zhang and Wildemuth, 2009:5).

The data collected in this study aimed to investigate the research problem on the effectiveness of public sector financial governance structures. This data was collected through applying two research methods and from three sources, namely; content analysis of public institutions' reports issued by the Auditor-General and parliamentary committees' minutes and responses on the survey research study. The results of the two research methods are compared to identify patterns, relationships and possible contradictions in the data. It must be noted that the audit outcome is determined by the material nature and not the number of the irregularity or findings raised.

The results of the content analysis study show that none of the national departments sampled received a clean or an unqualified audit with no findings. It is noted that only 30% of the sampled national departments received unqualified with findings audit outcome in 2019. Furthermore, none of the national departments, show any improvements in performance, instead 22% of these departments regressed in their

performance over the three years. These departments failed to uphold between 23% and 59% of the financial governance principles in the public sector.

According to the results of the provincial departments, 67% of these departments received unqualified audit outcome in 2019 and the Auditor-General found no findings on 50% of these departments. The results further show that 8% of the departments showed improvements in their financial and operational performance, and none regressed in this regard over the three years. Furthermore, provincial departments had few material irregularities and findings in their books.

The content analysis results show that 33% of the public entities failed to uphold all financial public sector governance principles. These entities, received, qualified audit outcome with material financial findings, disclaimer or failed to submit financial records for audit. 45% of the public entities regressed in their performance and none had showed any improvement.

When comparing the results of the content analysis to those of the survey studies, the results show similar results. Responses from participants in and the results of the survey support adverse audit findings presented by the Auditor-General to the public governance structures revealed by the content analysis. The Auditor-General identifies the root causes of the adverse audit findings and survey provide possible reasons for poor performance of these structures. Therefore, the results of the survey support and compliments those of the content analysis.

4.6 CONCLUSION

This chapter presented research methods used, namely; the content analysis and the survey research methods to collect the data necessary to investigate the research problem relating to the effectiveness of the public institutions' financial governance structures in South Africa. The content analysis method was applied on the audit reports issued by the Office of the Auditor-General to public institutions. In assessing the

effectiveness of public financial governance structures, this study used public sector financial governance principles. Minutes of parliamentary committees were also analysed to investigate parliamentary committees' responses to audit findings and whether corrective actions were taken to address these findings.

The survey research study was used to identify related patterns and contradictions between this study and the content analysis. In addition, the use of the survey research study aimed at obtaining information on the reasons and causes of audit findings and poor performance of the public sector financial governance structures. It was revealed in this chapter that public entities perform poorly than national and provincial departments. When comparing the performance of national to that of the provincial departments, provincial departments performed better.

In conclusion, this chapter revealed that as public sector financial governance structures, accounting authorities and parliamentary committees failed to take appropriate actions to address performance problems in the public institutions. Parliamentary committee meetings show that there were no consequences imposed to accounting officers and accounting authorities who mismanaged public funds and contravened regulations. Continuous poor performance by public institutions indicates failure by public financial governance structures from institutional level to parliament to exercise oversight over the use of public funds and hold accounting officers and executives accountable on their poor performance.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The primary purpose of this study was to analyse the effectiveness of public sector financial governance structures in South Africa. As part of an attempt to achieve this purpose, this study addressed the problem statement that emanated from various reports of the Office of the Auditor-General on public institutions' audit outcomes in which continued poor performance of public institutions were highlighted.

In addressing the problem statement, the study first analysed regulatory and theoretical frameworks that enable the effectiveness of South African public institutions' financial governance structures. The study then identified and analysed the existing public financial governance structures in South Africa, and identified challenges that hinder their effectiveness. These issues were presented in different sections and chapters of this study and are summarised in this chapter. This chapter thus serves as summary and conclusions of the study based on the triangulation of different 'data sets', namely the theoretical and legislative framework enabling financial governance (Chapter 2), the analyses of financial governance structures in South Africa (Chapter 3), and the empirical investigation into the effectiveness of financial government structures (Chapter 4).

5.2 CHAPTER SUMMARY

Chapter 1

This chapter orientated the reader to the research statement and questions, the objectives of the study and the research methodology used to gather data necessary to address the research problem. The chapter also outlined the overall design and structure

of the study, delineated and demarcated the research problem, and confirmed the theoretical framework in which the study was imbedded.

Chapter 2

The theoretical underpinnings, frameworks and legislative and regulatory obligations that guide good public financial governance in South Africa were examined and analysed in this chapter. The good governance theoretical framework was analysed in relation to the agency and stewardship governance theories. It was noted in this chapter that legislative and regulatory good governance framework emanates from the Constitution (1996), the PFMA (1999) and the Companies Act (2008). This chapter also provided conceptual clarification on good financial governance in general, and at both macro and micro levels. The manner in which theoretical and legislative good governance frameworks were used to develop a framework to assess the effectiveness of public financial governance structures presented in chapter 3, was furthermore outlined in this chapter.

Chapter 3

This chapter examined and established a framework that was necessary to enable the analysis of the effectiveness of the current public financial governance structures in South Africa. In order to develop this framework, this chapter first explored the nature, and roles and responsibilities of the current South African financial governance structures. This chapter then identified and analysed theoretical and legislative good financial governance principles that were applied as metrics to measure the effectiveness in general. A framework to assess the effectiveness of public financial governance structures in South Africa was developed in this chapter, using good financial governance principles. This chapter furthermore provided guidance on how these principles will be used as measuring instruments in the empirical studies presented in chapter 4.

Finally, this chapter provided a model that encompasses factors that should be included in the framework for effective public financial governance structures.

Chapter 4

The findings and results of the empirical studies that were conducted to address the research problem were presented in this chapter. This chapter first outlined the research methodology. The study applied a mixed-research design by using both a quantitative data collection method (questionnaire) and qualitative data collection method (content analysis). Content analysis was applied to assess Audit-General audit reports issued on the financial and performance affairs of public institutions. Questionnaires were circulated to members of the Office of the Auditor-General and national and provincial treasuries. The selection of these two cohorts was based on their primary responsibilities regarding financial governance. As such, they provided rich data on the financial affairs of public institutions.

Chapter 5

This chapter drew conclusions on the findings of the theoretical and legislative frameworks analysis, and on the findings of the empirical investigation. The chapter also provided recommendations on the how to address the challenges that hinder the performance of public financial governance structures and improve the effectiveness of these structures. The assessment of whether this study achieved its objectives was done and presented in this chapter. This chapter concluded the study and outlined how the respective research objectives were operationalised and the extent to which the research questions were answered. The chapter finally confirmed the unique contributions that the findings made to the world of practice (i.e. improvement of financial governance in public institutions) and the world of theory (i.e. the corpus of knowledge of Public Management and Governance).

5.3 RECOMMENDATIONS

The content analysis of the study revealed some institutional weaknesses and poor management praxis pertaining to public finances. It confirmed that Accounting Officers

and Accounting Authorities in general contravene public finance regulations and regularly fail to apply good financial governance practices in discharging their responsibilities. The content analysis also disclosed that, although the Auditor-General highlighted continued financial mismanagement of public funds by senior managers of the public institutions, public financial governance structures often fail to take corrective actions to address confirmed financial transgressions.

The results of the empirical investigation discovered that there is widespread lack of financial management skills and that political affiliations are cited as root causes for poor performance by Accounting Officer, Accounting Authorities and public financial governance structures. The study also revealed that lack of authority to act by public financial governance structures against Accounting Officers and Accounting Authorities contributes to ineffectiveness of these structures in their monitoring and oversight roles. To address these challenges and strengthen the effectiveness of public financial governance structures the following interventions are recommended.

Recommendation 1: The appointment of Accounting Officers and Accounting Authorities should on the basis of merit and skills, regardless of political affiliation

In most of the cases analysed, political affiliation plays a key role in the recruitment and appointment of Accounting Officers. It is often an unwritten but primary requirement or criteria for appointment. Leadership capabilities, ethical standing and financial management competencies are in general regarded as secondary requirements for appointment. Both the content analysis and survey confirmed these findings. As administrative heads of government departments, Accounting Officers are required to execute the policies and promises of their political leadership. Hence these appointments are generally referred to as “political appointments”. Members of the Accounting Authority in public entities are appointed by the Minister in charge of the relevant entity and who serves as a “shareholder”, representing government. The appointment of Accounting Officers follows a similar process, except that the Minister is part of the panel of members of the Executive as the political head of the department.

To address the challenge of poor financial management and leadership ineffectiveness in public institutions, it is important to remove the political affiliation element in the recruitment and appointment process. The recommended recruitment and appointment of Accounting Officers process should be as follows:

- recruitment should be performed by an independent, multi-skilled panel consisting of members from different professions, e.g. academics, accountants, business leaders/strategists, and legal professionals;
- the panel should make recommendations on the appointment of Accounting Officers and Accounting Authorities to the parliamentary committee in charge of the institution.

The appointment of Accounting Officers based on their skills and competences other than on political involvement was also recommended by some respondents in the survey.

Recommendation 2: Public financial governance structures should have powers to act against members of the Executive and Accounting Officers who fail to discharge their duties in accordance with legislation.

The Constitution, 1996 gives the President of South Africa powers to appoint and relieve members of the Executive of their duties, whereas Accounting Officers are appointed by and account to the Executive. Therefore, when assessing the performance of members of the Executive and Accounting Officers, the following factors should be considered:

- The parliamentary committee should be in a position to assess the performance of Executive members and recommend action to the President of South Africa.
- The parliamentary committee should play a key role in the assessment of performance of Accounting Officers, and contribute in the process by making recommendations to members of the Executives.

- Public financial governance structures should have more powers to comply with the principles of consequence management, thereby holding poor performing Accounting Officers accountable and responsible for their duties.

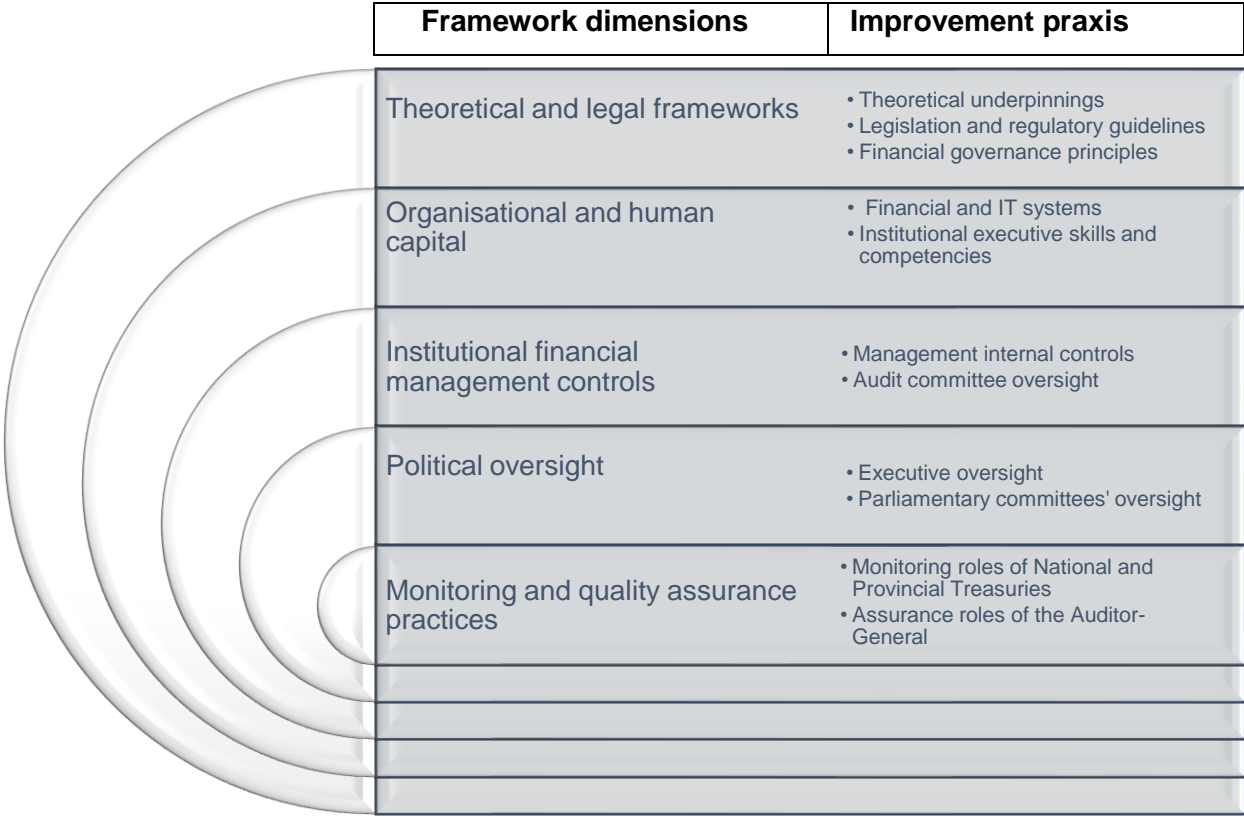
Recommendation 3: Members of parliamentary committees should be adequately capacitated to perform their financial management oversight role.

Effective and efficient use of public funds is one of the key public financial governance principles. It is important that members of parliament, who are expected to exercise a monitoring and oversight role over the use of public funds, have the required skills and competencies to perform this role. However, members of parliament typically are elected political leaders with limited or no financial management expertise. It is thus recommended that all members be regularly capacitated by means of training programmes to adequately prepare them for this role. Particular emphasis should be placed on monitoring and oversight principles and procedures as well as technical skills related to the interpretation of financial management statements and reports.

Recommendation 4: A framework to improve and strengthen public financial governance structures

One of the objectives of this study was to provide recommendations on how to strengthen the effectiveness of the public financial governance structures. The theoretical review in chapters 2 and 3 of this study highlights legislation, policies and principles that strengthen the effectiveness of public financial governance structures. From the examination of theoretical and legislative frameworks, institutional and political financial oversight structures that should ensure that there are financial controls, and organisational capital and human competencies necessary for strong and effective public financial governance structures were revealed and analysed. The proposed framework below highlights dimensions and praxis that should guide public financial governance structures to effectively exercise their oversight roles.

Figure 5.1: A framework for the improvement of effective public financial governance structures



Source: Researcher’s own

As far as the theoretical and legal framework is concerned, this study revealed that the Constitution of South Africa is the cornerstone of public financial governance practices, and the PFMA, which gives effect to sections of the Constitution governs financial management in the public sector. Financial governance principles and policies ensure that there are effective financial management controls in an organisation.

Organisational and human capital entail strong public institutional leadership. Senior managers should have adequate financial competencies and capacity to understand and monitor the financial performance of the institution. An independent and objective recruitment and appointment of Accounting Officers and Accounting Authorities process

should be pursued. The institution should also have normative dimension consisting of code of ethical and profession conduct, and service standards charter.

Institutional financial management controls are necessary for effective financial information processing and monitoring that provide the public institution stakeholders with complete and accurate financial information to provide assurance that the public funds are being appropriately managed towards the providing public services. Financial information processing, monitoring and reporting should be reviewed to ensure accurate information.

Political oversight entails the fact that Parliament has a responsibility to exercise political oversight over the financial performance of public institutions and ensure that public resources are used efficiently and adequately. Members of parliamentary committees should have adequate financial competencies and capacity that allows them to adequately exercise their financial oversight role. This financial oversight role should include having powers to institute consequence management for poor performance of and non-compliance with public finance legislation by the institution's leadership.

As far as monitoring and quality assurance practices are concerned, national and provincial treasuries have a role to provide financial management guidance and monitor financial performance of public institutions. Public treasuries also ensure that public institutions are financially capacitated and public funds are used as intended. The Auditor-General is constitutional institution which provides assurance to the public on the financial affairs and performance of public institutions, and draw the attention of the public and other stakeholders to areas where the institution has failed to carry out its responsibilities as expected. Monitoring and assurance processes happen outside and are independent of financial management and governance practices of public institutions.

These factors should be considered and implemented to ensure that public financial governance structures in South Africa are effective in their oversight responsibilities. Therefore, this study recommends that a framework that encompasses all the factors

highlighted be used to serve as a guide to assist newly formed public financial governance structures on what factors to consider when they exercise their oversight roles.

5.4 CONCLUSIONS

In Chapter 1, it was stated that the primary research objective of this study was to confirm or disprove the central research question. The research problem emanated from the report Office of the Auditor-General on public institutions' audit outcomes report in which the Auditor-General highlighted that public institutions continue with poor performance and the contravention of financial legislation. In addressing the problem statement, research questions were formulated and research objectives to address these questions were outlined.

In order to achieve the research objectives, an analysis of regulatory and theoretical frameworks that guide good financial governance was performed. This study also developed measuring metrics and framework that enable the effectiveness of South African public sector financial governance structures. The existing public sector financial governance structures in South Africa, and challenges that hinder their effectiveness were also identified and analysed. An analysis of the operationalisation of the secondary research objectives is presented below.

5.4.1 Achievement of the research objectives

Research objective 1: To describe and analyse the regulatory and theoretical frameworks that enable the effectiveness of public financial governance structures in South Africa

In chapter 2, the theoretical underpinnings, frameworks and regulatory and statutory obligations that guide good financial governance in South Africa were examined and analysed. This chapter identified the Constitution of the Republic of South Africa as a cornerstone of the statutory framework for public finance good governance. In addition to

constitutional and theoretical underpinnings, this study also identified the following additional pieces legislation from which financial governance principles were extracted:

- Public Service Act 103 of 1994;
- Public Finance Management Act 1 of 1999;
- Preferential Procurement Policy Framework Act 5 of 2000;
- Broad-Based Black Economic Empowerment Act 53 of 2003; and
- Companies Act 71 of 2008.

The theoretical framework and the above legislation and their supporting regulations were used as metrics to measure the effectiveness of public financial governance structures. Therefore, chapter 2 formed a foundation for the development of a framework that was used to conduct the empirical research. A framework that was used to assess the effectiveness of public financial governance structures was presented in chapter 3, and the results of the empirical studies were analysed and presented in chapter 4. Therefore, this study achieved the above research objective.

Research objective 2: To determine and analyse the existing South African public financial governance structures to determine their adequacy

To effectively measure the adequacy of public financial governance structures in South Africa, it was necessary to first identify and analyse the structures to be assessed. Chapter 3 of this study, presented the following current public financial governance structures in South Africa:

- Parliamentary portfolio and select committees;
- Public Accounts Committees; and
- Institutional Audit Committees.

The above structures were analysed in relation to their responsibilities to the public and in public institutions. Based on their responsibilities and good financial governance principles extracted from theoretical and statutory frameworks, this study also developed a framework to use to assess the effectiveness of the above structures. Therefore, this study identified and analysed the existing public financial governance structures that required effectiveness assessment, thus achieving the above objective of this study.

Research objective 3: To identify and explain challenges that hinder the effectiveness of public financial governance structures in South Africa as measured against predetermined criteria

The empirical studies identified challenges in the financial management and leadership in the public institutions. The analysis of the effectiveness of public financial governance structures in South Africa study identified weaknesses in these structures in executing their oversight roles and hold the Executive accountable, lack of financial management skills in the composition of these structures and political affiliation as reasons for their poor performance and ineffectiveness. The study also revealed that although some of these possess the necessary competencies to execute their responsibilities, they lack of legislative and executive powers to act against poor performing Executives and leadership of public institutions.

Research objective 4: To provide recommendations to strengthen the effectiveness of the public financial governance framework

The empirical study revealed that the Executive and leadership at institutional level generally fail to comply with financial legislative framework and rule of law that guide good public financial governance in South Africa. Thus, this study confirmed the hypothesis that public institutions are ineffective. Based on the findings of the empirical studies, chapter 5 provided recommendations to address challenges identified by these studies and strengthen the effectiveness of public financial governance structures.

5.4.2 Contributions of the study

This study contributed to the body of knowledge in the following areas.

- Although the primary aim of this study was to analyse the effectiveness of the effectiveness of public financial governance structures in South Africa, the study also developed a framework and measuring metrics or yardsticks to assess the effectiveness of financial governance in the South African public institutions by using a combination of the existing theory and South African legislative and regulatory frameworks.

The framework developed in this study will assist and guide public institutions in identifying and addressing challenges and causes of poor performance by public institutions, including addressing issues identified by the Commission of Inquiry into State Capture in South Africa. Furthermore, this framework can also be used to strengthen the ability of public institutions to provide public services to South African public and efficient management of public funds.

- Evidence presented in this study builds on previous public financial governance and administration studies, and enhances the existing theory in these studies. As such, a unique contribution is made to the existing corpus of knowledge of Public Management and Governance, and in more particular the following domains:
 - principles and praxis pertaining to political oversight;
 - theoretical underpinnings of sound financial governance;
 - principles and best practices of public financial management;
 - the role and functioning of public financial institutions; and
 - the responsibilities of the Executive and Accounting Officers.

In conclusion, this study achieved both its primary objective to analyse the effectiveness of public sector financial governance structures in South Africa and secondary objectives necessary to address the research problem.

BIBLIOGRAPHY

- Abdullah, H. & Valentine, B. 2009. Fundamental and ethics theories of corporate governance. *Middle Eastern Finance and Economics*, 4(1):89-96.
- ACCA (Association of Chartered Certified Accountants). 2010. Improving public sector financial management in developing countries and emerging economies. <https://www.accaglobal.com/content/dam/acca/global/PDF-technical/public-sector/tech-afb-ipsfm.pdf>. Date of access: 17 Dec. 2019.
- Adenikinju, O. 2012. *Managerial characteristics, corporate governance and corporate performance: the case of Nigerian quoted companies*. (AERC research paper 241). <https://aercafrica.org/wp-content/uploads/2018/07/RP241.pdf>. Date of access: 19 Jul. 2019.
- Adetoritse, T.D. 2011. Conceptualizing local government from a multi-dimensional perspective. *CS Canada Higher Education of Social Science*, 1:66-71.
- Ali, S. 2018. Equity and equality, fairness and bias: making connections in credentialing. <http://rae-consult.com/equity-and-equality-fairness-and-bias-making-connections-in-credentialing/>. Date of access: 14 Aug. 2020.
- April, K.A., Bosma, P. & Deglon, DA. 2003. IC measurement and reporting: establish a practice in SA mining. *Journal of Intellectual Capital*, 4(2):165-180.
- Armstrong, J. 1997. *Stewardship and public service*. A discussion paper prepared for the Public Service Commission of Canada. https://www.dufferinpark.ca/research/pdf/stewardship_e.pdf. Date of access: 14 Apr. 2019.

Asaduzzaman, M. & Virtanen, P. 2016. Governance theories and models. *Global Encyclopedia of Public Administration, Public Policy, and Governance*: ResearchGate. Bangladesh. pp. 1-13.
https://www.researchgate.net/deref/http%3A%2F%2Fdx.doi.org%2F10.1007%2F978-3-319-31816-5_2612-1. Date of access: 14 Apr. 2019.

Auditor-General of South Africa. 2012. *Background to three aspects we audit*.
https://www.agsa.co.za/portals/0/AGSA_Terminology.pdf. Date of access: 19 Sept. 2020

Auditor-General. 2016. *National and provincial audit outcomes: PFMA 2015/16*.
<http://webcache.googleusercontent.com/search?q=cache:Uiwps89tmPEJ:www.agsa.co.za/Reporting/PFMAReports/PFMA2015-2016.aspx+andcd=2andhl=enandct=clnkandgl=za>. Date of access: 15 Jul. 2019.

Auditor-General of South Africa. 2017. *2016-17 PFMA Consolidated general report on national and provincial audit outcomes*.
<https://www.agsa.co.za/Portals/0/Reports/PFMA/201617/GR/AG%20PFMA%202017%20Web%20SMALL.pdf>. Date of access: 16 Sept. 2020.

Auditor-General. 2019. *Consolidated general report on national and provincial audit outcomes: PFMA 2018-19*.
<https://www.agsa.co.za/Reporting/PFMAReports/PFMA2018-2019.aspx>. Date of access: 5 Feb. 2020.

Auditor-General of South Africa. 2019. *2018-19 PFMA Consolidated general report on National and Provincial audit outcomes*.
<https://www.agsa.co.za/Portals/0/Reports/PFMA/201819/GR/2018-19%20PFMA%20Consol%20GR.PDF>. Date of access: 16 Sept. 2020.

AGPC (Australian Government Productivity Commission).2013. *On efficiency and effectiveness: some definitions*. (Staff Research Note).
<https://www.pc.gov.au/research/supporting/efficiency-effectiveness>. Date of access: 17 Dec. 2019.

Balogun, M.J. 1983. *Public Administration in Nigeria: A developmental approach*.
<https://doi.org/10.1017/S0022278X00056652>.

Bojic, D. 2011. *The concepts of governance: Origins and key elements*.
http://www.fao.org/fileadmin/templates/righttofood/documents/other_documents/2011_good_food_security_gov/02_Bojic_FSGovernanceOpening.pdf. Date of access: 15 Jun. 2019.

Botchway, F.N. 2001. Good governance: The old, the new, the principle and the elements. *Florida Journal of International Law*, 43(1):159-210.

Botes, C. 2011. *Adopting the public accounts committee model for financial oversight in South African Municipalities: A case study of the public accounts committee in the City of Cape Town*. Stellenbosch: Stellenbosch University. (Thesis-MPA).

Brand South Africa. 2017. *South Africa's National Treasury seeks to advance economic growth and job creation through appropriate macro-economic, fiscal and financial policies*. <https://www.brandsouthafrica.com/investments-immigration/business/economy/policies/south-africas-national-treasury>. Date of access: 8 Jan. 2020.

Brynard, D.J. 2011. Procedural fairness to the public as an instrument to enhance public participation in public administration. *Administratio Publica*, 19(4):100-116.

Broad-Based Black Economic Empowerment Act 2003.

- Caluser, M. & Kovacs, B. 2007. *Good governance in multi-ethnic communities: conditions, instruments, best practices, ways to achieve and measure good governance at the local level*. Belgium: Ethnocultural Diversity Resource Centre and King Baudouin Foundation.
- Camilli, G. 2016. Test fairness. In: *Educational measurements*. Reugers, NJ: American Council on Education. pp. 221-256
https://www.researchgate.net/publication/265086461_Test_fairness. Date of access: 20 Dec. 2019.
- Carenys, J. 2012. Management control systems: A historical perspective. international. *Journal of Economy, Management and Social Studies*, 1:1-18.
- Carrington, W., De Buse, J. & Lee, H. 2008. *The theory of governance and accountability*. Iowa City, IA: The University of Iowa Center for International Finance and Development.
- CCF (Compassion Capital Fund). 2010. *Intermediary development series: measuring outcomes*. Kansas City: NE.
<http://www.nebhands.nebraska.edu/files/Measuring%20Outcomes.pdf>. Date of access: 15 Jan. 2020.
- CDH (CliffDekkerHofmeyer). 2017. *Corporate governance*. Johannesburg: CDH.
<https://www.cliffedekkerhofmeyr.com/export/sites/cdh/en/sectors/downloads/Corporate-governance-A-directors-guide.pdf>. Date of access: 16 Jun. 2019.
- CIMA, IFAC & PwC. 2013. *Business model: background paper for integrated reporting*.
https://integratedreporting.org/wp-content/uploads/2013/03/Business_Model.pdf.
Date of access: 31 Aug. 2019.

Collective Africa Budget Reform Initiative. 2010. *Good financial governance: towards modern budgeting*. Paper delivered at the 6th Annual CBRI Seminar 18-19 2010. Mauritius. https://www.cabri-sbo.org/uploads/files/Documents/report_2010_cabri_cabri_seminar_cabri_6th_annual_seminar_english_cabri_eng_2010_for_web.pdf. Date of access: 19 Dec. 2019.

Companies Act 71 of 2008.

Constitution of the Republic of South Africa 1996

Conyon, M., Judge, W.Q. & Useem, M. 2011. Corporate governance and the 2008-09 financial crisis. *Corporate Governance: An International Review*, 19(5):399-404.

Deloitte. 2018. *The role of the audit committee*. Centre for Board Effectiveness. <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/center-for-board-effectiveness/us-audit-committee-resource-guide-section-2.pdf>. Date of access: 18 Dec. 2019.

DeRosia, M. 2010. The five core values of public administration [Blog post]. <https://www.govloop.com/author/MichaelDeRosia/>. Date of access: 22 Nov. 2019.

Donaldson, L. & Davis, J.H. 1991. Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of Management*, 16(1):49-65.

DPME (Department of Planning, Monitoring and Evaluation). 2019. *Medium term strategic framework: 2014-2019*. <https://webcache.googleusercontent.com/search?q=cache:fHXpM-kOlgUJ:https://www.dpme.gov.za/keyfocusareas/outcomesSite/Pages/default.aspx+andcd=3andhl=enandct=clnkandgl=za>. Date of access: 15 Jul. 2019.

- DPSA (Department of Public Service and Administration). 2016. Public Service Regulations, 2016: Schedule: Public Service Regulations. (Notice 877). *Government Gazette*, 40167:11, 29 July.
- DTI (Department of Trade & Industry). 2011. Companies Act, 2008: Companies Regulations. (Notice 351). *Government Gazette*, 34239:6, 26 April.
- DTI (Department of Trade & Industry). 2016. Broad-Based Black Economic Empowerment Regulations, 2016: regulating the administration and implementation of the Broad-Based Black Economic Empowerment Act and the functions of the commission. (Notice 689). *Government Gazette*, 40053:4, 6 June.
- Eckart, M. 2005. Cooperative Governance: cooperative direction and control as a competitive advantage. St. Gallen: University of St. Gallen.
- Enzaei, H. & Daryaei, A.A. 2016. Corporate governance and financial management decisions. *International Journal of Humanities and Cultural Studies*, Special issue:1335-1346.
- Fauziah, W., Yusof, W. & Alhaji, I.A. 2012. Insight of corporate governance theories. *Journal of Business and Management*, 1:52-63.
- Fiador, V.O. 2013. Determinants of financial governance practices: evidence from NGOs in Ghana. *International Journal of Sociology and Social Policy*, 33(1):114-130.
- FMECD (Federal Ministry for Economic Cooperation and Development). 2014. *Good financial governance in German Development Cooperation: Promoting good governance in public finance*. (BMZ Sector Strategy Paper 342). http://www.bmz.de/en/publications/topics/good_governance/Strategiepapier342_04_2014.pdf. Date of access: 24 Aug. 2019.

- Frerede, A.N. 2018. Executive accountability in parliamentary democracies: a comparative overview: Britain, Germany, India and Ethiopia. *Beijing Law Review*, 9(1):583-599.
- GAO (General Accounting Office). 1989. Content analysis: a methodology for structuring and analysing written material. *Transfer Paper*, 10.
- Guerin, B., McCrae, J. & Sheperd, M. 2018. Accountability in modern government: what are the issues? *A discussion paper*. London: Institute for Government.
- Hitt, M.A. 1988. The measuring of organisational effectiveness: multiple domains and constituencies. *Management International Review*, 28(2):28-40.
- Holsti, O.R. 1969. *Content analysis for Social Sciences and Humanities*. University of British Columbia, Addison-Wesley.
- Hsieh, H & Shannon, S. E. 2005. Three approaches to qualitative content analysis. *Qualitative Health Research*, 15(9):1277-1288.
- IEG-World Bank. 2008. Evaluation of World Bank support for public sector reform. *Fast Track Brief*.
<http://documents.worldbank.org/curated/en/230301468159331656/Evaluation-of-World-Bank-support-for-public-sector-reform>. Date of access: 14 Jul. 2019.
- IFAC (International Federation of Accountants) & CIPFA (Chartered Institution of Public Finance and Accountancy). 2014. *International framework: good governance in the public sector*.
<http://www.cipfa.org/~media/files/publications/standards/ifac/internationalframeworkgoodgovernanceinthepublicsectorifaccipfa2.pdf>. Date of access: 20 Jun. 2019.

Igiehon, M. 2004. Law, economics, public interest and theory of regulatory capture. *Journal of Legal Studies*, 8(2):2-19.

IODSA (Institute of Directors of South Africa). 2009. *King Code of Corporate Governance for South Africa*.
https://cdn.ymaws.com/www.iodsa.co.za/resource/resmgr/king_iii/King_Report_on_Governance_fo.pdf. Date of access: 20 Jun. 2019.

IODSA (Institute of Directors of South Africa). 2016. *Draft King IV Report on corporate governance for South Africa*. https://c.ymcdn.com/sites/iodsa.site-ym.com/resource/resmgr/King_IV/King_IV_Report_draft.pdf. Date of access: 20 Jun. 2019.

Ion, E. & Criveanu, M. 2016. Organisational performance-A concept that self-seeks to find itself. *Annals of the "Constantin Brâncuși" University of Târgu Jiu, Economy Series*. http://www.utgjiu.ro/revista/ec/pdf/2016-04/27_Ion,%20Criveanu.pdf. Date of access: 17 Dec. 2019.

Iskander, M.R. & Chamlou, N. 2000. *Corporate governance: A framework for implementation*. <https://doi.org/10.1596/0-8213-4741-1>

Jenkins, P. & Thiessen. G. 2012. *Reducing the potential for future financial crises: a framework for macro-prudential policy in Canada*. (Commentary No. 351). <https://ideas.repec.org/a/cdh/commen/351.html>. Date of access: 15 Oct. 2019.

Katsamunskaja, P. 2016. The concept of governance and public governance theories. *Economic Alternatives*, 2(1):133-141.

Konow, J., Sailo, T. & Akai, K. 2016. *Equity vs. equality*. (MPRA Paper No. 75376). <https://mpra.ub.uni-muenchen.de/75376/>. Date of access: 22 Nov. 2019.

- Leruth, L. & Paul, E. *A principal-agent theory approach to public expenditure management systems in developing Countries*. (IMF Working Paper WP/06/204). <https://doi.org/10.1787/16812336>
- Levy, Y. & Ellis, T.J. 2006. A systems approach to conduct an effective literature review in support of information systems research. *Informing Science Journal*, 9(1):172-181.
- Luyt, D. 2008. *Governance, accountability and poverty alleviation in South Africa*. Paper delivered at the United Nations Social Forum, Geneva. <https://www2.ohchr.org/english/issues/poverty/docs/sforum/spresentations/D.Luyt.pdf>. Date of access: 17 Dec. 2019.
- Malapane, A. 2016. Holding the executive accountable: parliament as the beacon of hope to the people. *Journal of Public Administration and Development Alternatives*, 1:135-149.
- Makhando, R. 2016. Role of Public accounts committees in enhancing oversight and accountability by the state-owned enterprises in South Africa. *African Politics & Policy*, 2(3):1-10.
- Mandl, U., Dierx, A. & Izkovitzl, F. 2008. *The effectiveness and efficiency of public spending*. (Economic papers, 301). https://www.researchgate.net/publication/46447584_The_effectiveness_and_efficiency_of_public_spending. Date of access: 16 Dec. 2019.
- Mathiyazhagan, T. & Nandan, D. 2010. Survey research method. *Media Mimansa*, July-September. 2010. <https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.464.5585&rep=rep1&type=pdf>. Date of access: 5 Jan. 2020.

- McGregor, L.C. 2011. The essence of corporate governance. *The Thinker*, (2011):18-21.
- Mihaltana, D.C., Vitanb, D. & Cucuia, G. 2015. Analysing the financial effectiveness of the nonprofits: Case study on health nonprofits. *Procedia Economics and Finance*, 26(1):367-374.
- Minnaar, F. (Ed.) 2010. *Strategic and performance management in the public sector*. Pretoria: Van Schaik Publishers.
- Mwanza, P. 2013. *The effect of corporate governance on financial management in constituency development funds in Kenya*. Nairobi: University of Nairobi. (Thesis-MBA).
- Nabatchi, T. 2011. *Four frames for understanding public values in administration and governance*.
<https://www.researchgate.net/deref/http%3A%2F%2Fdx.doi.org%2F10.1093%2Fppmgov%2Fgvx009>. Date of access: 27 Aug. 2019.
- National Planning Commission. 2011. National Development Plan vision for 2030. Pretoria: National Planning Commission.
https://www.gov.za/sites/default/files/gcis_document/201409/devplan2.pdf. Date of access: 25 Aug. 2019
- National Treasury (South Africa). 2001. Schedule: Treasury Regulations for departments, constitutional institutions, public entities, Parliament and provincial legislatures. (Issued in terms of the Public Finance Management Act, 1999). *Government Gazette*, 22141:9 March 2001.
- National Treasury (South Africa). 2005. Schedule: Treasury Regulations for departments, trading entities, constitutional institutions and public entities.

(Issued in terms of the Public Finance Management Act, 1999). *Government Gazette*, 27388:15 March 2005.

National Treasury (South Africa). 2011. Schedule: Preferential Procurement Policy Framework Regulations: Planning and stipulation of preference point system to be utilized, evaluation of tenders on functionality, preference point system and broad-based black empowerment status, award of contracts to tenderers not scoring the highest number of points and cancellation and re-invitation of tenders (Notice 502). *Government Gazette*, 34350:8 February 2011.

National Treasury (South Africa). 2012. Public Finance Management Act, 1999 Draft Treasury Regulations. (Notice 1005). *Government Gazette*, 35930:30 November 2012.

National Treasury (South Africa) & Department of Public Administration (South Africa). 2013. Principles of public administration and financial management delegations. *Cabinet Memorandum 56 of 2013*.
<http://www.treasury.gov.za/legislation/pfma/delegations/Delegation%20Principles%20for%20Financial%20Management.pdf>. Date of access: 19 June 2019.

National Treasury (South Africa). 2017. Schedule: Preferential Procurement Regulations, 2005 pertaining to the Preferential Procurement policy Framework Act 5 of 2000. (Notice 32). *Government Gazette*, 40553: 20 January 2017.

National Treasury (South Africa). 2018. *Budget review*.
<http://www.treasury.gov.za/publications/guidelines/2019%20MTEF%20Technical%20Guidelines.pdf>. Date of access: 15 Jun. 2019.

Nuryanah, S., Sardar, M. & Islam, N. 2015. Sound financial management strategies for achieving good corporate governance practices. *Corporate Governance and Financial Management*, 1(1):1-12.

- Obiyo, R.E. 2007. *The South African parliamentary committee system: The Constitutional Parameters and Structure*.
http://wiredspace.wits.ac.za/bitstream/handle/10539/2197/ObiyoRE_Chapter%203.pdf?sequence=4 Date of access: 17 Dec. 2019.
- OECD (Organisation for Economic Co-operation and Development). 2015. *Principles of corporate governance*. <https://www.oecd.org/daf/ca/Corporate-Governance-Principles-ENG.pdf>. Date of access: 15 Jun. 2019.
- Ostrusinova, M. & Pastuskova, E. 2012. Concept of 3 E's and public administration performance. *International Journal of Systems Applications, Engineering & Development*, 6(2):171-178.
- Paratoriza, D. & Arino, N.A. 2008. *When agents become stewards: introducing learning in the stewardship theory*. Paper delivered at the 1st IESE Conference, "Humanizing the Firm and Management Profession", Barcelona.
https://www.researchgate.net/publication/228177272_When_Agents_Become_Stewards_Introducing_Learning_in_the_Stewardship_Theory. Date of access: 27 May 2019.
- Parliament of the Republic of South Africa. 2001. *Oversight and accountability model: asserting parliament oversight role in enhancing democracy*.
<https://www.parliament.gov.za/storage/app/media/oversight-reports/ovac-model.pdf>. Date of access: 12 Jun. 2019.
- Parliament of the Republic of South Africa. 2006. *Oversight and accountability model: Asserting Parliament's Oversight Role in Enhancing Democracy*.
<https://static.pmg.org.za/docs/080319oversightmodel.pdf>. Date of access: 12 Jun. 2019.

Parliament of the Republic of South Africa. 2018. *State of the nation address: make your future work better*. Cape Town: Parliament of the Republic of South Africa. https://www.parliament.gov.za/storage/app/media/1_Stock/Events_Institutional/SONA_2018/docs/2018_SONA_Pamphlet_Final_v2MAIL.pdf. Date of access: 20 Aug. 2019.

Parliament of the Republic of South Africa. 2019. *State of the Nation Address by President Cyril Ramaphosa: Thursday, 7 February 2019*. Cape Town: Parliament of the Republic of South Africa. <https://www.gov.za/speeches/president-cyril-ramaphosa-2019-state-nation-address-7-feb-2019-0000#>. Date of access: 20 Aug. 2019.

PMG (Parliamentary Monitoring Group). 2010. *Role of parliamentary portfolio committees and members of parliament on oversight: workshop*. <https://pmg.org.za/committee-meeting/11720/>. Date of access: 8 Jan. 2020.

PMG (Parliamentary Monitoring Group). 2017. *Eskom 2016/17 annual report*. <https://pmg.org.za/committee-meeting/26151/>. Date of access: 22 Jan. 2021.

PMG (Parliamentary Monitoring Group). 2017. *SAA 2016/17 financial statements & irregular, fruitless & wasteful expenditure: hearing*. <https://pmg.org.za/committee-meeting/26212/>. Date of access: 20 Jan. 2021.

PMG (Parliamentary Monitoring Group). 2019. *Non-tabling of 2018/19 annual reports: SAA & Department of Water and Sanitation, with Deputy Ministers*. Public Accounts (SCOPA). <https://www.parliament.gov.za/storage/app/media/Docs/atc/8bdfb6a8-bb30-43aa-8ab0-42272acfa4f8.pdf>. Date of access: 20 Jan. 2021.

PMG (Parliamentary Monitoring Group). 2019. *ESKOM oversight report*. Public accounts (SCOPA). <https://pmg.org.za/committee-meeting/28986/>. Date of access: 21 Jan. 2021.

Preferential Procurement Policy Framework Act 5 of 2000.

Public Finance Management Act 1 of 1999.

Public Service Act 103 of 1994.

PwC. 2012. State-owned companies: The new Companies Act, PFMA and King III in perspective. *Steering Point Companies Act Series No: 4*. <https://www.pwc.co.za/en/assets/pdf/companies-act-steering-point-4.pdf>. Date of access: 25 Nov. 2019.

PwC. 2015. *Covering your bases: Implementing appropriate levels of combined assurance*. A framework for risk, control and assurance. <https://www.pwc.co.za/en/assets/pdf/combined-assurance-brochure-jan-2015.pdf>. Date of access: 22 Nov. 2019.

Quick, K.S. & Feldman, M.S. 2011. Distinguishing and inclusion. *Journal of Planning Education and Research*, 3(3):272-290.

Rumsey, D. J. 2008. Teaching bits: "random thought on teaching." *Journal of Statistics Education*, 17(1):1-3.

Rentor, A. B., Setiawan, A. & Lusanjaya, G. 2017. Segregation of job duties and types of personality in responding the risks. *Journal Dinamika Akuntansi*, 9(1):49-62.

- Richard, P. J., Devinney, T. M., Yip, G. S. & Johnson, G. 2009. Measuring organizational performance: towards methodological best practice. *Journal of Management*, 35(3):718-804.
- Rocco, T.S. & Plakhotnik, M.S. 2009. Literature reviews, conceptual frameworks, and theoretical frameworks: terms, functions, and distinctions. *Human Resource Development Review*, 8(1):120-130.
- Saldaña, J. 2009. *The coding manual for qualitative researchers*. Thousand Oaks, CA: Sage.
- Saparniene, D. & Valukonyte, I. 2012. Implementation of good governance principles in local self-government: the case of Siauliai City. *Socialiniai tyrimai/Social Research*, 3(28):98-112.
- Schadewitz, N. & Jachna, T. 2007. Comparing inductive and deductive methodologies for design patterns identification and articulation. Paper delivered at the *International Design Research Conference (IASDR) in Emerging Trends in Design Research*, 12–15 November, Hong Kong. The Open University. http://oro.open.ac.uk/15257/1/IASDR_PAPER_schadewitz_final.pdf. Date of access: 14 Dec. 2020.
- Schrock, J.E. 2002. *The Principles of fairness*. <http://www.lared.org/PDF/ENG/Fairness.pdf>. Date of access: 17 Dec. 2019.
- Siddiqui, M.S. 2011. Are the government officials good stewards of public funds? *The Financial Express*, 108(8):1-10. <https://www.bartleby.com/essay/Are-the-government-officials-good-stewards-of-F3S3QUPPEJCP>. Date of access: 5 Feb. 2020.

South Africa Legislative Sector. 2014. The oversight model of South African legislative sector. RSA Parliament, Legislative Sector Support.

Stephens, B. 2009. Theories of Governance: Comparative Perspective on Seattle's Light Rail Project. *The Policy Studies Journal*, 4(41):583-607.

Stoker, G. 1998. Governance as theory: 5 propositions. Oxford: Blackwell Publishers. <http://catedras.fsoc.uba.ar/rusailh/Unidad%201/Stoker%202002,%20Governance%20as%20theory,%20five%20propositions.pdf>. Date of access: 22 Jun. 2019.

Taylor-Powell, E & Renner, M. 2003. *Analysing Qualitative Data*. University of Wisconsin-Extension, Corporate Extension Madison, Wisconsin.

UNDP (United Nations Development Programme). 2011. Towards human resilience: sustaining MDG progress in an age of economic uncertainty. https://www.undp.org/content/undp/en/home/librarypage/poverty-reduction/inclusive_development/towards_human_resiliencesustainingmdgprograssinanageofeconomicun.html. Date of access: 15 Jul. 2019.

UNESCO (United Nations Economic and Social Council). 2006. Definition of basic and terminologies in governance and public administration. <http://webcache.googleusercontent.com/search?q=cache:AuzJgosWLkgJ:unpan1.un.org/intradoc/groups/public/documents/un/unpan022332.pdf+andcd=1andhl=enandct=clnkandgl=za>. Date of access: 23 May 2019.

UNESCAP (United Nations Economic and Social Commission for Asia and the Pacific governance). 2002. What is good governance? <https://www.unescap.org/sites/default/files/good-governance.pdf>. Date of access: 15 Jun. 2019.

- Van der Waldt, G. 2012. Measuring the goodness of governance: macro, intermediate and micro perspectives. *African Journal of Public Affairs*, 5(1):83-96.
- Van Slyke, D. 2006. Agents or stewards: Using theory to understand the government-nonprofit social service contracting relationship. *Journal of Public Administration Research and Theory*, 17(2):157-187.
- Walker, D. & Mokoena, S. 2011. *The corporate governance review*. London: Law Business Research.
- Werkmans Attorneys. 2010. King Code developments in corporate governance. Johannesburg: Werkmans Attorneys.
- United Nations Development Programme (UNDP). 2011. Towards human resilience: sustaining MDG progress in the age of economic uncertainty. http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Towards_SustainingMDG_Web1005.pdf. Date of access: 6 Jun. 2019.
- University of Michigan. 2013. Segregation of duties. Office of the University Audits. <http://audits.umich.edu/tools-resources/publications/>. Date of access: 16 Apr. 2019.
- University of Witwatersrand. 2015. Anti-discrimination policy and complaint procedures for dealing with allegations of discrimination. <https://www.wits.ac.za/media/migration/files/cs-38933-fix/migrated-ms-docs/ms-docs-1/AntiDiscrimination%20Policy%20Wit2013THIRD%20DRAFTAUGUST%202014.doc>. Date of access: 5 Feb. 2020.
- Völzer, H., Varacca, D. & Kinder, E. 2005. Defining fairness. *Conference Paper in Lecture Notes in Computer Science*. ResearchGate.

<https://www.researchgate.net/journal/Lecture-Notes-in-Computer-Science-0302-9743>. Date of access: 15 Aug. 2020.

Wehner, J. 2002. Best practices of public accounts committees.

<https://www.internationalbudget.org/wp-content/uploads/Best-Practices-of-Public-Accounts-Committees.pdf>. Date of access: 5 Feb. 2020.

Weiss, F. & Steiner, S. 2006. Transparency as an element of good governance in the practice of the EU and the WTO: overview and comparison. *Fordham International Law Journal*, 30(5):1545-1586.

Werksmans Attorneys. 2014. Companies Act No. 71 of 2008: Duties and liabilities of directors.

<https://www.werksmans.com/wp-content/uploads/2013/04/Director-duties-and-liabilities-FINAL-updated-electronic.pdf>. Date of access: 22 Nov. 2019.

Youssef, T. 2011. Corporate governance an overview: Around the globe (1).

<http://www.eiod.org/uploads/Publications/Pdf/Corp.%20Governance-1.pdf> Date of access: 15 Jun. 2019.

Zhang Y & Wildemuth M. 2009. Qualitative analysis of content. University of Texas.

Austin. https://www.ischool.utexas.edu/~yanz/Content_analysis.pdf. Date of access: 21 Sept. 2020.

Annual reports

Department of Basic Education. 2017-2019. *Annual reports*.

<https://www.education.gov.za/Resources/Reports.aspx>. Date of access: 15 Dec. 2020.

Department of Correctional Services. 2017-19. *Annual reports*.

http://www.dcs.gov.za/?page_id=663. Date of access: 15 Dec. 2020.

Department of Defence. 2017-2019. *Annual reports*.

<https://www.gov.za/documents/annual-report>. Date of access: 16 Dec. 2020.

Department of Finance/National Treasury. 2017-2019. *Annual reports*.

<https://www.gov.za/documents/annual-report>. Date of access: 16 Dec. 2020

Department of Home Affairs. 2017-2019. *Annual reports*.

<https://www.gov.za/documents/annual-report>. Date of access: 16 Dec. 2020

Department of Public Works. 2017-2019. *Annual report*.

<https://www.gov.za/documents/annual-report>. Date of access: 16 Dec. 2020

Department of Social Development. 2017-2019. *Annual reports*.

<https://www.gov.za/documents/annual-report>. Date of access: 16 Dec. 2020.

Department of Water and Sanitation. 2017-2019. *Annual reports*.

<https://www.gov.za/documents/annual-report>. Date of access: 16 Dec. 2020.

Eastern Cape Provincial Department of Basic Education. 2017-2019. *Annual reports*.

<https://www.gov.za/documents/annual-report>. Date of access: 16 Dec. 2020.

Eastern Cape Provincial Department of Human Settlement. 2017-2019. *Annual reports*.

<https://www.gov.za/documents/annual-report>. Date of access: 16 Dec. 2020.

Free State Provincial Department of Education. 2017-2019. *Annual reports*.

<https://www.gov.za/documents/annual-report>. Date of access: 16 Dec. 2020.

Gauteng Provincial Department of Health. 2017-2019. *Annual reports*.

<https://www.gov.za/documents/annual-report>. Date of access: 16 Dec. 2020.

Gauteng Provincial Department of Social Development. 2017-2019. *Annual reports*.

<https://www.gov.za/documents/annual-report>. Date of access: 16 Dec. 2020.

Kwazulu-Natal Provincial Department of Co-operative Governance & Traditional Affairs.

2017-2019. *Annual report*. <https://www.gov.za/documents/annual-report>. Date of access: 16 Dec. 2020.

Kwazulu-Natal Provincial Department of Public Works. 2017-2019. *Annual reports*.

<https://www.gov.za/documents/annual-report>. Date of access: 16 Dec. 2020.

Limpopo Provincial Department of Public Works, Roads & Infrastructure. 2017-2019.

Annual reports. <https://www.gov.za/documents/annual-report>. Date of access: 16 Dec. 2020.

Mpumalanga Provincial Department of Community Safety, Security & Liaison. 2017-

2019. *Annual reports*. <https://www.gov.za/documents/annual-report>. Date of access: 16 Dec. 2020.

North West Provincial Treasury. 2017-2019. *Annual reports*.

<https://www.gov.za/documents/annual-report>. Date of access: 16 Dec. 2020.

Northern Cape Provincial Department of Social Development. 2017-2019. *Annual*

reports. <https://provincialgovernment.co.za/units/financial/95/northern-cape/social-development>. Date of access: 16 Dec. 2020.

South African Police and Services. 2017-2019. *Annual reports*.

<https://www.gov.za/documents/annual-report>. Date of access: 16 Dec. 2020.

Western Cape Provincial Department of Community Safety. 2017-2019. *Annual reports*.
<https://www.gov.za/documents/annual-report>. Date of access: 16 Dec. 2020.

Western Cape Provincial Department of Human Settlements. 2017-2019. *Annual reports*.
<https://www.gov.za/documents/annual-report>. Date of access: 16 Dec. 2020.

Private Bag X6001, Potchefstroom
South Africa, 2520
Tel: 018 299-1111/2222
Web: <http://www.nwu.ac.za>

**School of Social and Government
Studies**

30 June 2020

Informed consent for participation in an academic research study

Title of the study

Analysing the effectiveness of the South African public sector governance structures

Research supervised

by:

Prof dr Gerrit van der
Waldt

(018)2991633

Gerrit.VanDerWaldt@nwu.ac
.za

Dear Respondent

You are invited to participate in an academic research study conducted by Dr S Moolman (simoolman@justice.gov.za) in partial fulfilment for the Masters in Public Administration degree at the North West University. The purpose of the study is to give an overview of the responsibilities of the public sector financial governance structures and analyse the challenges these structures experience that affect their ability to effectively discharge these responsibilities.

The ethics clearance is granted by the North-West University and the Ethics Number is: NWU-00117-13-S7

Should you consent to participate in this study, please note the following:

- Your participation is voluntary and you may withdraw from the study at any time.
- Your anonymity is guaranteed and no person will be individually identified.
- Your participation is invaluable, as it will provide insight into and assist in the effective functioning of public sector financial governance structures.
- All data collected will be used for academic purposes only.
- You will be required to indicate your acceptance by ticking the appropriate box provided below.

- If you consent to participate, you will be required to complete the research questionnaire (see below) and to return the completed questionnaire via email to: simoolman@justice.gov.za within a timeframe of five (5) working days.

I agree to participate in this research (tick the appropriate box):

Yes	
No	

If you agree to participate (yes is ticked), please proceed to complete the questionnaire below.

RESEARCH QUESTIONNAIRE

SECTION A:	RESPONDENT DEMOGRAPHIC
-------------------	-------------------------------

Below are a series of questions regarding your demographics. Please go through each question and mark with an “X” in the relevant block.

a) Indicate your age group by marking with an “X” in the relevant block.

Below 21	
21-30	
31-40	
41-50	
51-60	
Above 60	

b) Indicate your sex by marking with an “X” in the appropriate block.

Male	
Female	

c) Indicate your race group by marking with an “X” in the appropriate block.

African	
Coloured	
Indian	
White	
Other (please specify)	

d) Indicate your highest qualification by marking with an “X” in the appropriate block.

Below Matric	
Matric	
Undergraduate qualification	
Post graduate qualification	
Other (please specify)	

e) Indicate the number of years that you have worked in the National or Provincial Treasury by marking with an “X” in the appropriate block.

Less than a year	
Between 1-4 years	
Between 5-9 years	
10 or more years	

SECTION B:	KNOWLEDGE QUESTIONS: PUBLIC SECTOR GOVERNANCE STRUCTURES
-------------------	---

B1. Explain, using your own words, your understanding of the South African public sector financial governance principles in relation to the Constitution of the Republic of South Africa?

.....

.....

.....

.....

B2. Please list what you consider to be the most important governance principles applicable to the South African public sector

.....

.....

.....

B3. To your knowledge what are the South African public sector financial governance structures?

.....

.....

.....

B4. What do you consider to be the most important functions of Parliament and Provincial Legislatures with regard to financial governance issues?

.....

.....

.....

B5. In your view, do Legislatures’ (Parliament and Provincial Legislatures) oversight committees achieve expected outcomes in their financial oversight roles to the departments and entities under their control? Provide your answer with an “X” in the appropriate block.

Yes	
No	

Please provide brief reasons for your answer.

.....
.....
.....
.....
.....

B6. To your knowledge, what are the roles and functions of the Public Accounts Committees (PACs)?

.....
.....
.....
.....

B7. In your view, do PACs achieve expected outcomes in their oversight roles to the departments and public entities? Provide your answer with an "X" in the appropriate block.

Yes	
No	

Please provide brief reasons for your answer.

.....
.....
.....
.....
.....

B8. Do you think public sector audit committees are effective in their financial oversight roles to the departments and public entities? Provide your answer with an "X" in the appropriate block.

Yes	
No	

Please provide brief reasons for your answer.

.....
.....
.....
.....
.....

B9. In your view, do public sector audit committees composition consists of members with adequate skills and competencies to effectively carryout their financial oversight roles to the departments and public entities? Provide your answer with an "X" in the appropriate block.

Yes	
No	

Please provide brief reasons for your answer.

.....

.....

.....

.....

B10. Do you think Accounting Officers, Accounting Authorities and Heads of Departments are effective in their roles and responsibilities with regard to financial governance issues?
Provide your answer with an “X” in the appropriate block.

Yes	
No	

Please provide brief reasons for your answer

.....

.....

.....

.....

SECTION C:	ATTITUDE QUESTIONS: PUBLIC SECTOR GOVERNANCE PRINCIPLES
-------------------	--

Please read the following statements and **indicate** your response by marking with “X” to confirm whether you “strongly agree” = 1, “agree” = 2, “disagree” = 3 or “strongly disagree” = 4.

No	Statement	Strongly agree	Agree	Disagree	Strongly disagree
C1	Parliament and Provincial Legislatures are the highest level in the public sector financial governance structures	1	2	3	4
C2	Parliament and Provincial Legislatures are effective in their roles to hold Executive and government institutions accountable to the public	1	2	3	4
C3	Public Accounts Committees are fully functional and are effective in their role to provide financial oversight over public sector institutions	1	2	3	4
C4	There is full segregation of responsibilities between the Executive Authority, Accounting Authorities and Accounting Officers	1	2	3	4
C5	Accounting Authorities and Accounting Officers are good stewards of public resources	1	2	3	4

C6	Government/public sector institutions utilise public resources effectively and efficiently	1	2	3	4
C7	The public resources are utilised in a transparent, fair, equitable and non-discriminatory manner	1	2	3	4
C8	Government/Public sector institutions comply with South African laws and financial regulations	1	2	3	4
C9	Government/public sector institutions are value orientated and strive to achieve value for public funds utilised to benefit society	1	2	3	4
C10	There is a healthy relationship between government and the public	1	2	3	4

SECTION D:	PUBLIC SECTOR FINANCIAL GOVERNANCE CHALLENGES
-------------------	--

The legislative mandate of the National Treasury is to ensure transparency, accountability and sound financial controls in the management of South African public financial resources.

Below are a few questions about the challenges you experience as a senior official in the National/Provincial, which you are requested to answer. Please go through each question and respond in your own words, explaining the reasons for your answers as far as possible.

D1. In your opinion, what are the challenges if any hampering effective use of public resources by government/public sector institutions?

.....
.....
.....
.....

D2. In your view, what are the challenges experienced by public sector financial governance structures?

.....
.....
.....

D3. Do you have any specific challenges as a manager/employee in the National/Provincial that hamper your effective functioning in exercising the financial management oversight role over government/public sector institutions?

.....
.....

.....
.....
.....

D4. As a manager/employee in the National/Provincial, please describe the professional relationship between the Office of the Accountant-General and the public sector financial governance structures (Parliamentary Committees, PACs, Accounting Authorities and the Audit Committees)?

.....
.....
.....

D5. Please elaborate on any other challenges that you as a manager/employee in the National/Provincial experience in relation to performing your required role and functions in the government/public sector institutions?

.....
.....
.....
.....
.....

End of questionnaire - thank you for your participation

Private Bag X6001, Potchefstroom
South Africa, 2520
Tel: 018 299-1111/2222
Web: <http://www.nwu.ac.za>

**School of Social and Government
Studies**

30 June 2020

Informed consent for participation in an academic research study

Title of the study

Analysing the effectiveness of the South African public sector governance structures

Research supervised
by:

Prof dr Gerrit van der
Waldt
(018)2991633

Gerrit.VanDerWaldt@nwu.ac
.za

Dear Respondent

You are invited to participate in an academic research study conducted by Dr S Moolman (simoolman@justice.gov.za) in partial fulfilment for the Masters in Public Administration degree at the North West University. The purpose of the study is to give an overview of the responsibilities of the public sector financial governance structures and analyse the challenges these structures experience that affect their ability to effectively discharge these responsibilities.

The ethics clearance is granted by the North-West University and the Ethics Number is: NWU-00117-13-S7

Should you consent to participate in this study, please note the following:

- Your participation is voluntary and you may withdraw from the study at any time.
- Your anonymity is guaranteed and no person will be individually identified.
- Your participation is invaluable, as it will provide insight into and assist in the effective functioning of public sector financial governance structures.
- All data collected will be used for academic purposes only.
- You will be required to indicate your acceptance by ticking the appropriate box provided below.

- If you consent to participate, you will be required to complete the research questionnaire (see below) and to return the completed questionnaire via email to: simoolman@justice.gov.za within a timeframe of five (5) working days.

I agree to participate in this research (tick the appropriate box):

Yes	
No	

If you agree to participate (yes is ticked), please proceed to complete the questionnaire below.

RESEARCH QUESTIONNAIRE

SECTION A:	RESPONDENT DEMOGRAPHIC
-------------------	-------------------------------

Below are a series of questions regarding your demographics. Please go through each question and mark with an “X” in the relevant block.

f) Indicate your age group by marking with an “X” in the relevant block.

Below 21	
21-30	
31-40	
41-50	
51-60	
Above 60	

g) Indicate your sex by marking with an “X” in the appropriate block.

Male	
Female	

h) Indicate your race group by marking with an “X” in the appropriate block.

African	
Coloured	
Indian	
White	
Other (please specify	

i) Indicate your highest qualification by marking with an “X” in the appropriate block.

Below Matric	
Matric	

Undergraduate qualification	
Post graduate qualification	
Other (please specify)	

j) Indicate the number of years that you have worked in the Office of the Auditor-General “X” in the appropriate block.

Less than a year	
Between 1-4 years	
Between 5-9 years	
10 or more years	

SECTION B:	KNOWLEDGE QUESTIONS: PUBLIC SECTOR GOVERNANCE STRUCTURES
-------------------	---

B1. Explain, using your own words, your understanding of the South African public sector financial governance principles in relation to the Constitution of the Republic of South Africa?

.....

.....

.....

.....

.....

.....

B2. Please list what you consider to be the most important governance principles applicable to the South African public sector

.....

.....

.....

.....

.....

B3. To your knowledge what are the South African public sector financial governance structures?

.....

.....

.....

.....

.....

B4. What do you consider to be the most important functions of Parliament and Provincial Legislatures with regard to financial governance issues?

.....

B5. In your view, do Legislatures’ (Parliament and Provincial Legislatures) oversight committees achieve expected outcomes in their financial oversight roles to the departments and entities under their control? Provide your answer with an “X” in the appropriate block.

Yes	
No	

Please provide brief reasons for your answer.

.....

B6. To your knowledge, what are the roles and functions of the Public Accounts Committees (PACs)?

.....

B7. In your view, do PACs achieve expected outcomes in their oversight roles to the departments and public entities? Provide your answer with an “X” in the appropriate block.

Yes	
No	

Please provide brief reasons for your answer.

.....

.....
.....
.....

B8. Do you think public sector audit committees are effective in their financial oversight roles to the departments and public entities? Provide your answer with an "X" in the appropriate block.

Yes	
No	

Please provide brief reasons for your answer.

.....
.....
.....
.....
.....

B9. In your view, do public sector audit committees composition consists of members with adequate skills and competencies to effectively carryout their financial oversight roles to the departments and public entities? Provide your answer with an "X" in the appropriate block.

Yes	
No	

Please provide brief reasons for your answer.

.....
.....
.....
.....
.....

B10. Do you think Accounting Officers, Accounting Authorities and Heads of Departments are effective in their roles and responsibilities with regard to financial governance issues? Provide your answer with an "X" in the appropriate block.

Yes	
No	

Please provide brief reasons for your answer

.....
.....
.....

.....
.....

SECTION C:

ATTITUDE QUESTIONS: PUBLIC SECTOR GOVERNANCE PRINCIPLES

Please read the following statements and **indicate** your response by marking with “X” to confirm whether you “strongly agree” = 1, “agree” = 2, “disagree” = 3 or “strongly disagree” = 4.

No	Statement	Strongly agree	Agree	Disagree	Strongly disagree
C1	Parliament and Provincial Legislatures are the highest level in the public sector financial governance structures	1	2	3	4
C2	Parliament and Provincial Legislatures are effective in their roles to hold Executive and government institutions accountable to the public	1	2	3	4
C3	Public Accounts Committees are fully functional and are effective in their role to provide financial oversight over public sector institutions	1	2	3	4
C4	There is full segregation of responsibilities between the Executive Authority, Accounting Authorities and Accounting Officers	1	2	3	4
C5	Accounting Authorities and Accounting Officers are good stewards of public resources	1	2	3	4
C6	Government/public sector institutions utilise public resources effectively and efficiently	1	2	3	4
C7	The public resources are utilised in a transparent, fair, equitable and non-discriminatory manner	1	2	3	4
C8	Government/Public sector institutions comply with South African laws and financial regulations	1	2	3	4

C9	Government/public sector institutions are value orientated and strive to achieve value for public funds utilised to benefit society	1	2	3	4
C10	There is a healthy relationship between government and the public	1	2	3	4

SECTION D:	PUBLIC SECTOR FINANCIAL GOVERNANCE CHALLENGES
-------------------	--

The Auditor-General responsibility is to enable oversight, accountability and governance in the public sector through auditing.

Below are a few questions about the challenges you experience as a senior official in the Office of the Auditor-General, which you are requested to answer. Please go through each question and respond in your own words, explaining the reasons for your answers as far as possible.

D1. In your opinion, what are the challenges if any hampering effective use of public resources by government/public sector institutions?

.....

.....

.....

.....

D2. In your view, what are the challenges experienced by public sector financial governance structures?

.....

.....

.....

.....

D3. Do you have any specific challenges as a manager/employee the Office in the Auditor-General that hamper your effective functioning as an auditor in the government/public sector institutions?

.....

.....

.....

.....

D4. As a manager/employee in the Office of the Auditor-General, please describe the professional relationship between the Office of the Auditor-General and the public sector financial governance structures (Parliamentary Committees, PACs, Accounting Authorities and the Audit Committees)?

.....

.....

.....

.....

D5. Please elaborate on any other challenges that you as a manager/employee in the Office of the Auditor-General experience in relation to performing your required role and functions in the government/public sector institutions?

.....
.....
.....
.....
.....
.....

End of questionnaire - thank you for your participation