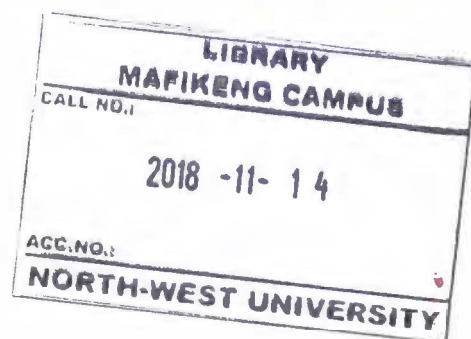


THE AUDIT OF PREDETERMINED OBJECTIVES IN THE NORTH WEST PROVINCE DEPARTMENT OF HEALTH



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Mini-dissertation submitted in partial fulfilment of the requirements for the degree *Master of Business Administration* in the faculty of Commerce and Administration at the Mafikeng Campus of the North-West University

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Graduation October 2017



Declaration

I, Malebo Keeleng Lethoko, declare that my mini destination, which I hereby submit for Masters in Business Administration in Finance at the University of North West is my own work and has not been previously submitted for a degree at this or any other tertiary institution, and that all sources that I have used or quoted herein have been indicated and acknowledged by means of a complete reference list.

.....

Malebo Keeleng Lethoko

.....

Date

Acknowledgements

This document is a combination of efforts from a lot of beautiful souls that assisted from the beginning till the end. I can comfortably attest to the fact that it was not an easy ride but we made it.

Gratitude to the following people:

- ✚ The Almighty for the strength and push together with the strong family and friends He provided me with.
- ✚ My mother: Keamogetse Lally Sehunelo Lethoko who I could see in her eyes that she is trying to keep up and keep me strong at all times, thank you again for teaching me what unity is.
- ✚ My two brothers: Tshidiso and Kabelo Lethoko, you guys are the best and given a chance to choose different people to be my brothers I will choose the two of you, again and again.
- ✚ My supervisor: Prof W S Musvoto, don't even know where to start... You are one person who didn't give up on me even in times when I had thrown the towel. You consistently kept at it and assisted me in seeing research not as a monster but a learning curve.
- ✚ My buddy: Kabo Letlhogela, you would listen to me complaining but you never gave up on me.
- ✚ My mentor: Clement Mabe, I can't extend my gratitude enough but all I can say is thank you for believing that I can make it. Thank you again for the guidance.
- ✚ Study buddy: Lebogang Mokgoro, oh nana you are the one who knows all my frustrations because we were walking on the same route, may the good Lord bless you and keep you safe for me so that we can go through the PhD route together.
- ✚ Guider: Raven Motsewabangwe, thank you so much for the efforts.
- ✚ BFF: Nolly: You were always patient and a good listener, thank you so much.

Abstract

Auditing in the government sector has been amplified to effectively include verification of information. Auditing is no longer limited to evaluation of financial operations but now includes the Auditing of Predetermined Objectives (AoPO) with a key focus on “value for money.” Audits currently ensure that activities and programmes are carried out with an effective, efficient economic budget that is of a good standard. Auditing promotes good governance and sound financial management of limited public resources. Even though the NWDoH complies with submissions of the Annual Performance Plans (APP) and Annual Reports as prescribed by the PFMA, the department failed to obtain a clean audit opinion under the AoPO. The current study explores the failure of the NWDoH in achieving a clean audit opinion under the AoPO.

In order to explore the problem qualitative and quantitative methods were used. Data from 50 officials was analysed and interpreted through graphs and tables using Statistical Package for Social Sciences (SPSS version 23). It emerged in the current study that some officials were unfamiliar with SMART targets as well as the AoPO and its importance. Other determining factors were the deployment of acting officials within senior positions, as well as unprecedented political influence within the department. Differences between APP and AR were not explained and this led to non-achievement of set objectives. Lastly, officials within the finance section of the department deployed to the first phase (defining, collection, reporting and utilizing of the performance information) were found to be young and inexperienced. The study therefore recommends effective measures be put in place so that the NWDoH complies with PFMA.

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Chapter One: Introduction

1.1. Background of the study

The purpose of this study is to establish what causes the North West province Department of Health to fail achieving a clean audit opinion under the audit of predetermined objectives (AoPO). According to the audit reports by Auditor General South Africa (2011/12 – 2015/16), the NWDoH has in the past five years failed to achieve a clean audit under AoPO. The achievement of a clean audit is necessary as stipulated in the in the Public Financial Management Act (PFMA), 1999. Section 40(3) (a) (b) of the PFMA stipulates that these annual reports together with the annual financial statements (AFS) are essential documentations for the presentation of the state of the activities of a state department.

The annual report, together with the annual financial statements gives a breakdown of all the activities for the year under audit. Possibilities are that the NWDoH has not given an adequate breakdown of all their activities for the past five years as required by the PFMA. Roos, (2012) states that an Annual Report (AR) that is professionally prepared has to give a clear picture of what happened in the prior financial year for oversight purposes. Such an AR looks at the set targets as included in the Annual Performance Plan (APP). Failure by the NWDoH to get a clean audit suggests that the NWDoH has not provided a clear picture of all their activities for the past five years.

Furthermore, the Department of Health in the North West Province has not given the auditor general sufficient information to carry out their oversight duties. The oversight duties of the Auditor general enhance public accountability by government departments. Roos (2009) also adds that an Annual Report (AR) has to reveal the implementation and the expenditure of the approved budget. The implementation of the Annual Performance Plan and its budget has to be linked to the Annual Report (Department of Health Annual Report (2014). Public accountability by government departments is very important as it improves the efficiency of their operations.

The United Kingdom has indicated that an external audit is important and needs to be conducted (INTOSAI, 2016). Such exhortation from the developed world implies that the same accountability practices should be best practice in South Africa. An effective external audit is a critical factor according to INTOSAI (2016) when it comes to achieving good governance. INTOSAI (2016) further adds that to achieve all that, the Supreme Audit Institutions (SAI), which are members of the INTOSAI, are mandated to contribute to the attainment of good governance.

This is a professional recognition of SAI's expertise and independence in financial as well as compliance and performance auditing of public finances. SAI are set to enhance service delivery to the public as offered by the government. South Africa has in recent years been plagued by crippling service delivery protests (Ndodana, 2011). In light of the aforementioned, it appears that the NWDoH is not doing enough to improve public accountability as stipulated in the legislation. It follows therefore that it is necessary to conduct this study with the prime goal of improving the efficiency of the operations of the department of health.

1.1.1. Need for public accountability

According to Witthöft (2000), accountability is a prerequisite to providing a record of how a responsibility that has been designated to an individual has been done or satisfied by that individual or organization. Accountability shows why responsibility is a principal issue for governments which are, or claim to be, operating within legal parameters. Accountability becomes a problem especially where significant difficulties must be met with limited resources. In these conditions it turns out that adequate consideration must be paid to responsibility and execution issues at each level of government.

There is a need for public accountability so to preserve the limited resources and limit possible protests. Planning is the process of making decisions about what has to be done and not forgetting the persons responsible for doing the work, how they ought to do the work, when and where. These are important for achieving what is predicted by a policy (Du Toit and Van der Walddt 1999: 16). In the above case accountability is possible to maintain.

1.1.2. Service delivery protests in SA

Service delivery protests have become a serious issue which needs to be limited in all forms within the South African socio-economic and political landscape. Service delivery includes the election of an accepted governing body to protect the interests of the citizens so to maintain an orderly public. According to Du Toit and Van der Walddt (1999) the governing body elected is obliged to protect the interests of the public, and to ensure that services are delivered to the public. If the elected governing body fails to meet the mandate for which they were elected, members of the public demand rational reasons for not meeting the demands (Riekerdt, 2001).

Policies and procedures play an integral part in public governance and the expectations of accountability as it is the foundation of what would need to be done. As said above policy making is one of the general elements of a public administration starting from the minute a choice is made to take care of a particular issue or need, to the time the service is delivered. The intentions of what needs to be done are given in the policies (Du Toit et al. 2002).

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1.2. Background

South Africa is divided into nine provinces with three spheres of government namely: National, Provincial and Local government with departments being the 2nd level of the democratically elected government structure (Nontshikila and Govender, 2014). The National Health department is one of the many government departments designed to ensure that it delivers its health delivery mandate to the people. Cascading from the National Department of Health, the Department of Health in the North West province has the mandate to ensure the proper functioning of the health system in the province. The department's vision is explained in the Department of Health Annual Report (2014) as providing a long and healthy life to South Africans, focusing on a mission of improving health status through the avoidance of illness, disease and to constantly promote healthy lifestyles and to improve the health care delivery system by focusing on access, equity, efficiency, quality and sustainability. To achieve this mandate the NWDoH divided its functions into eight different programmes (Department of Health Annual Report, 2014). The programmes are explained as follows:

Programme 1 ensures that health services are carried out according to the approved policies where comprehensive health care services are matched in the Province. The Programme has two sub-programmes which are, Office of the MEC and Management. The priorities are to implement a comprehensive human resources plan and improve the control environment. **Programme 2** promotes preventive, curative and rehabilitative health care services in an accessible, affordable and integrated way through a dynamic, efficient and effective District Health System. **Programme 3** launches and maintains well-functioning emergency medical services throughout the province. There are two sub-programmes: emergency transport and planned patient transport (Department of Health Annual Performance Plan, 2014/15).

Programme 4 deals with provincial, regional and specialized hospitals. This programme exists to provide level two hospital services to the people of the North West Province. There are five Regional Hospitals in the North West Province: Klerksdorp/Tshepong Hospital Complex, Potchefstroom Hospital, Job Shimankana Tabane Hospital, Mafikeng Hospital, and Joe Morolong Memorial Hospital. The following are specialized hospitals: Bophelong Hospital is a main referral institution for psychiatric services in the North West Province and renders acute and chronic psychiatry and geriatric services. Witrand Hospital provides for acute and sub-acute psychiatry services in the Dr Kenneth Kaunda District. Witrand Hospital renders services to the North West Province as a whole for mental disabilities, drug addiction treatment (substance abuse rehabilitation) as well as in-patient child and adolescent services (Department of Health Annual Performance Plan, 2014/15).

Programme 5 deals with access to tertiary health care services for patients in the North West Province, ensuring the retention and training of health care professionals, and undertaking research. The North West Province does not have a fully developed tertiary hospital. Tertiary services are incrementally initiated and sustained at Klerksdorp/Tshepong Hospital, Job Shimankana Tabane Hospital and Mafikeng Provincial Hospital. **Programme 6** supports health care service delivery through the provision of education, training and development.

Programme 7 provides health care support services, namely: Pharmaceutical, Transport Management, Health Technology, Information and Communication Technology as well as the Orthotic and Prosthetic services. Programme 8 plans and constructs health facilities to contribute towards the provision of comprehensive quality health services. The principal mandate is to provide technical support and monitor implementation of maintenance at health facilities (Department of Health Annual Performance Plan, 2014/15).

The PFMA (1999) prescribes all government departments to have Specific, Measurable, Achievable, Relevant and Time-bound objectives (SMART). This means that the departments need to recognise the importance of proper planning and how effective a department would be when setting proper and SMART objectives. Siswana (2007) said that departments appreciate the importance of planning and these are now making efforts in formulating and implementing good plans. Cabinet Lekgotla (2002) adopted the Medium Term Strategic Framework (MTSF) which seeks to enhance linkages between the planning and budgeting in all government departments.

The PFMA also requires reports from departments on the usefulness and reliability of information. Usefulness of these reports refers to the quality of practical use where the data is measurable, relevant and consistent. Reliability of reports means that the information in the Annual Performance Report (APR) can be supported by substantive audit evidence as achieved targets can be traced to supporting documents (AGSA , 2010). These requirements by the PFMA pose a big challenge to auditees as most of them have not mastered the art of reporting under the two prerequisites (AGSA, 2011).

According to Siswana (2007) some auditees fail at the planning stage and some at the reporting phase in attempting to meet the PFMA requirements of reporting under the two mandates. Departments are given an annual budget to spend depending on the mandate of the department (PFMA, 1999). The Department of Health also receives an annual budget which it may use to realise its objectives.

According to Department of Health Annual Report (2014) there has to be a link between the budget spending, predetermined objectives and the service delivery which proves that money has been spent where it ought to be spent, that is, in achieving and improving the quality of service delivery. In order to efficiently utilize its budget, the department of health first needs to develop performance indicators which can be defined as the aspects relating to an activity of the department (PFMA, 1999).

In order to make a meaningful assessment of the performance relating to a specific activity, appropriate measures need to be put in place to measure the performance (actual) vs. the objective (planned). Those are to be incorporated in the annual performance plan (APP) of the department published each year (Bruce, 2011). Department of Health Annual Report (2014) suggests that a number of performance indicators should be developed for the purpose of measuring the performance of an activity or project and should further be cascaded to all employees from senior management in the department.

1.3. Research Problem

The role of the Auditor-General in South Africa is to conduct audits of performance in government departments. All departments which are audited have to submit Annual Reports, Annual Performance Plan and annual financial statements within two months of the financial year end for audit purposes (Bruce, 2011). Furthermore PAA (2004) requires that reported information is audited in accordance with the applicable legislation and is reported on. Section 20(2) (c) and section 28(1) (c) of the PAA (2004) necessitates an audit report that includes a separate section that reflects an opinion or presents a conclusion on the reported information concerning the performance of the auditee against the predetermined objectives.

Annually the AGSA issues out General and audit reports. According to these reports (2011/12 – 2014/15) the North West Province department of health's objectives under programme 2 are not consistent with the approved strategic plan and annual performance plan. It was found that the set objectives in the Annual Performance Plan were not met at the end of the financial year.

However, the department did not provide evidence as to how the budget was spent and why the set target was not met (AGSA North West, general and audit reports, 2011/12 – 2014/15). For instance, it was noted that the registers that nurses use for admission and discharge of patients in district hospitals, clinics and Community Health Centres (CHCs) were either not completed or completed incorrectly. The National Treasury (2007) and KPMG (2013) under the Framework for Managing Programme Performance Information (FMPPI) requires that documentation addressing the systems and processes for identifying, collecting, collating, verifying and storing information is properly maintained.

In addition, it was also noted that for the five years indicated, the changes and revisions to planned objectives, indicators and targets were not disclosed in the annual report. Therefore it can be deduced from the above that although the department of health has for the past five years been submitting AFS for audit purposes as per section 65(1) of the PFMA (1999), the department has still not received a clean audit opinion. Even with audits from the Auditor general, there exists a problem of a persistent lack of clean audit opinion under the AoPO reports within the department.

1.4. Research Questions

Main research question

What the North West Province Department of Health (NWPDoH) to fail in achieving a clean audit opinion under the AoPO?

Sub research Questions

- ✚ Is the North West Province Department of Health aware of the importance of the AoPO in facilitating service delivery?
- ✚ Is the North West Province Department of Health aware of the importance managing performance with respect to the AoPO?
- ✚ Does the management of the North West Province Department of Health have adequate skills and experience to manage performance as per prescribed in the PFMA?
- ✚ What policies and procedures are in place at the North West Province Department of Health for managing performance?

- ✚ What recommendations could be made to improve the audit opinion under the AoPO in the North West Province Department of Health?

1.5. Research Objectives

Main research objective

The main research objective is set to outline the causes of North West Province Department of Health failing to achieve a clean audit opinion under the AoPO.

Sub research objectives

- ✚ To determine if the North West Province Department of Health is aware of the importance of the AoPO in facilitating service delivery.
- ✚ To determine if the North West Province Department of Health is aware of the importance managing performance with respect to the AoPO.
- ✚ To establish whether the management of the North West Province Department of Health have enough skills and experience to manage performance as per prescriptions of the PFMA.
- ✚ To determine the policies and procedures in place at the North West Province Department of Health in managing performance.
- ✚ To recommend ways to improve the audit opinion under the AoPO in the North West Province Department of Health.

1.6. Importance and benefits of the study

The AoPO in the Department of Health in the North West Province adds value the minute it starts to bring good results, in this instance, a clean audit for both audit of financials and AoPO. Value for money would be achieved and this would reduce service delivery protests emanating from non-delivery by the Department of Health. This study seeks to assist management in addressing issues like reduction in waiting time of patients in hospitals and clinics so that performance information could also be focused on.

In this regard time can also be regarded as a performance indicator that can be measured. Setting of SMART objectives is an integral part which ought to be part of a strategy towards achieving specified objectives within a set time. A clean audit for the health Department is envisaged to boost the overall confidence within the department amongst employees and possibly cascading throughout all government structures within the province.

Insufficient resources within the department hamper services delivered to communities, but a clean audit is likely to ensure that resources provided are used economically, effectively and efficiently (Bisshcoff and Sayed, 1999). The study aims to formulate permanent solutions that benefit not only the health department but all other government departments experiencing the same problems.

1.7. Scope

The research work focuses on the department of Health in the North West Province failing to obtain a clean audit opinion under AoPO. It focuses on finding the reasons to this recurring problem and bringing possible solutions. For a department to attain an unqualified audit report is a prerequisite of the PFMA no. 1 of 1999 which looks at the entire public sector's financial policies and its practices. Departments are obliged to abide by these prescriptions to ensure that service delivery to the public is attained. Service delivery can be attained if all the officials are on board and have the same goals. It also needs to be evaluated and monitored on close range. Good measurements where evaluation of governance and service delivery are monitored assist in tracking progress (Fiszbein, Ringold and Rogers, 2011). By tracking progress made, SMART objectives set by the department are identified.

The scope of the study focuses on the North West Province, also known as Bokone Bophirima in four district municipal areas of jurisdiction namely: Ngaka Modiri Molema, Dr Ruth Segomotsi Mompati, Bojanala and Dr Kenneth Kaunda. According to the local government website, the four districts are further subdivided into 18 local municipalities. North West Province lies in the north of South Africa on the Botswana border, fringed by the Kalahari Desert in the west and has an area of 104, 882km² with a population of 3, 748, 436.



Figure 1-1: Map of Bokone Bophirima (North West Province)

(<http://www.localgovernment.co.za/provinces/view/8/north-west/>).

1.8. Definition of key terms

Table 1: Abbreviations used in this document

Abbreviation	Meaning
AoPO	Audit of Pre-determined Objectives
PAA	Public Audit Act
PFMA	Public Finance Management Act
APP	Annual Performance Plan
AoPI	Audit of Performance Information
AGNZ	Auditor General New Zealand
AGSA	Auditor General South Africa
TR	Treasury Regulations
SAIs	Supreme Audit Institutions
INTOSAI	INTOSAI (International Organization of Supreme Audit
SMART	Simple, Measurable, Attainable, Realistic and Time bound.
AR	Annual Report
NWDoH	North West Department of Health

1.9. Structure of the study

The study is conducted in the department of health in the North West province and the outcomes are likely to be implemented in other government departments having the same problem. The study is structured as follows:

Chapter one: Introduction

This is an introductory chapter that forms the foundation of all other chapters. It introduces the study; analyses the situation; outlines the background; describes the motivation or significance of the study; mentions the problem statement, specifies research goal and objectives, indicates underlying research questions that the study seeks to answer; provides a brief summary of the research methodology followed; and concludes by defining the key concepts used in the study.

Chapter two: Literature review

An overview of different kinds of literature sources on the topic at hand is provided. It then provides information concerning theoretical framework used in the study and the discipline from which they originated. This review is important as it constitutes the theoretical framework within which this study is situated.

Chapter three: Research methodology

The chapter gives in detail the research methods and procedures followed (i.e., approach, design, sampling and sampling methods, data collection process, statistical procedures, data analysis). It is through this chapter that the researcher provides succinct material on how the research is conducted.

Chapter four: Analysis and interpretation of results

This chapter presents the findings, including analysis and interpretation of data that was collected by means of a questionnaire.

Chapter five: conclusion and recommendations

This is the final chapter where the researcher summarises the conclusions reached based on a review of literature and empirical findings; highlights the consistencies and inconsistencies of the findings with the literature; indicates the implications for the study; and then finalises with recommendations. The next chapter which is the literature review will consult other schools of thought to see what other researchers found in relation to the topic of the study.

Chapter Two: Literature Review

2.1. Introduction

This chapter highlights the importance of auditing in the public sector. It also discusses the phases that the public sector has undergone in getting a clean audit not only under AoPO but also the auditing processes as a whole, more especially in the Department of Health in the North West Province in South Africa.

For the financial years 2011/12-2015/16, the Auditor General has reported that spheres of government struggle with obtaining a clean audit opinion which is the AoPO. This type of audit has been shown to cause great difficulties among departments not only in North West Province but South Africa as a whole. Davis, (2014) indicates that the spheres of government in South Africa struggle to monitor public financial resources.

The public sector plays an important role in delivering services that are crucial for national development. Strategic planning coupled with allocation of resources, monitoring and reporting of results are key aspects required by all government institutions in ensuring the delivery of economical and efficient public services. Information on performance guarantees that the attention of oversight institutions and the public are convinced whether or not public institutions provide value for money. This oversight and examination is done by providing a comparison of performance against budgets and service delivery plans while making managers aware of areas where corrective adjustments are required (National Treasury, 2007).

This chapter examines AoPO together with applicable laws, regulations and acts. It provides a clear picture of different kinds of audits and their processes. The importance of the audit, the types of audit processes, the origination of AoPO, explain what auditing is and what it can do. The chapter also compares local legislature with the legislation outside the boundaries of RSA.

2.2. Overview of the Department of Health

The Department of Health oversees the health services in South Africa so to promote healthy living for its people. The goal of the department is a long and healthy life for South Africans. There are core functions that a department needs to focus on so that the objectives are attained while ensuring that taxpayers are getting value for money in terms of service delivery.

In 2015, the South African minister of Health, Dr Aaron Motsoaledi, highlighted four key challenges faced by the health department and these were namely the prevalence of HIV and AIDS together with the threat of tuberculosis; mother and child associated illnesses and mortality; emergence of communicable diseases driven by life-style associated factors and violence, physical injuries as well as trauma. In response to these burdens, a ten point plan has been developed by the department with the aim of overhauling the health system in South Africa (Department of Health Annual Report (2014)).

Within this annual performance plan, four key outputs were highlighted, namely;

- 🚦 Increasing life expectancy
- 🚦 Lowering the mother and child mortality rate
- 🚦 Decreasing the burden of TB by combating the prevalence of HIV and AIDS
- 🚦 Strengthening the effectiveness of the health system.

Since the establishment and launch of the HIV counselling and testing campaign, the department has tested over 20 million patients.

Miller., et. Al., (1994) outlined that the functions of public health are considered as one of the most important aspects that needs to be prioritised. Firstly, collection, gathering, analysis and distribution of information on the health of the community has to be done regularly. It can further be broadened as follows:

- 🚦 Assess the health needs that the community needs
- 🚦 Examine what dangers might occur in the community
- 🚦 Analyse the factors of the health needs identified.

Secondly; the reason for the creation of policies is to ensure that the responsibility to serve the public interest is stressed enough.

Practices of policy development are as follows:

- ✚ A show of support for public health, identification of resources within communities and population building.
- ✚ Prioritisation of areas with health needs.
- ✚ Development of plans and policies which address prioritized health needs.
- ✚ Assurance to citizens that the services required to achieve set goals are provided by encouraging actions of others (private or public), requiring action through regulating services directly.

Assurance practices include:

- ✚ Management of resources and the development of organizational structures
- ✚ Implementation of programmes
- ✚ Evaluation of programmes while providing quality assurance
- ✚ Informing and educating the public.

The department of Health will be able to achieve the good results that they intend to achieve when all is done in the right space and time and not only doing them in last minutes which results in poor planning.

2.3. Concept of PFMA

National Treasury (2000) defines PFMA as one of the most significant pieces of legislation which was passed by the first democratic government in South Africa. The benefits of PFMA is that the department has greater flexibility, operates within a framework, and appreciates the significance of assessing achievements and understanding the linkages between planning and budget while having sustained accountability and thorough clarity of the role of the principal accounting officer. In terms of Section 40(1) and (3), accounting officers must provide information on each department's achievements against their predetermined objectives in the Annual Report (PFMA, 1999).

The PFMA (1999) in South Africa has moved through elementary changes and the process is still an on-going conversation that has stages that take time and need to be properly planned, more especially after South Africa's democratisation in 1994. Important changes in public finance are categorised by the fact that public service, in general, in South Africa has advanced to cater for those that it marginalised under apartheid (Siswana, 2007). Reporting on performance is legislated in terms of the PFMA, Act 1 of 1999, section 40 (3)(a) while the auditing of the reported information is also legislated in Public Audit Act (2004) under section 20(2) (c).

According to PFMA (1999), a framework for managing performance Information must be established by the accounting officer so as to facilitate performance monitoring, evaluation and corrective measures of reporting to the executive authority. Nombembe (2013) and the Provincial Audit raised a finding during the 201/11 audit cycle that there were no procedures and processes to manage performance information in the department and recommended the development of a policy that is now in place (Department of Human settlement, Public Safety and Liaison, 2012).

The government sector needs to understand the importance of reporting on pre-determined objectives (PFMA, 1999). The International Federation of Accountants (IFAC) was one of numerous organizations with good leadership that recognised the significance of reporting on non-financial information (Roos, 2012). Siswana (2007) further adds that management of the department needs to be skilled both theoretically and officially when dealing with public interests. A skilful leader has to uphold the implementation of the PFMA and maintain it to ensure good governance on the reporting of performance information. Roos (2012) emphasizes that good governance is not a new the concept but as old as human evolution.

Government has a certain way in its operations that involves achieving set objectives (Sahni, 2004). Theorists and academics have deliberated upon the concept and PFMA has different support structures that build a department as a whole as it also defines the functions of everyone in the department. The concept of governance could be simple to apply and assist everyone to comply with what needs to be done.

In fact, Sahni (2004) is in agreement with Roos (2012), who perceives governance broadly as the process of decision-making. Governance implies examining how decisions are implemented and monitored and it is a continuous process. According to Sahni (2004), governance communicates the quality of relationship between the government and the citizens that it serves and protects also how the responsible person spends the funds of the department. Siswana (2007) indicates what has happened in the past, where the South African budgeting system was secretive and was not in the public domain as it currently is now.

In the apartheid past, an open formula for funds allocation for the country was non-existent. Again, the budget was a matter of the executives, meaning that the executives were at the lead in compiling the budget, with fewer roles for Parliament. Siswana (2017) argues that parliament simply duplicated a compilation of recommendations and expenditure details by executives. Due to the enigmatic nature of the budgeting process, analysis and scrutiny of trends in service delivery and financial analysis proved to be difficult due to inaccessible budget documents. As a result, there was a lack of transparency and accountability, which are crucial elements of good governance.

Transformation of the public sector has been prioritised by the SA government in order to satisfy the needs of the public as well as the objectives of the Reconstruction and Development Programme (RDP) (International Public Sector Accounting Standard Board, 2011). The great demand for services with limited available resources to satisfy those demands prompts departments to use all available resources as effectively and efficiently as possible (PAA, 2004). Government is determined to modernise the management of the public sector in order to make it more public friendly and sensitive to the communities it serves (National Treasury, 2000).

2.4. Types of Audits

The Auditor General is accountable for carrying out financial, operational, compliance, performance, forensic audits and other special reviews of all programmes, activities and functions (Auditor General, 2015). Audit is an activity assumed by an independent practitioner so to provide assurance to shareholders over the financial statements of the business (CST Governance, 2013).

2.4.1. Audit of Pre-determined Objectives

An essential part of the regulatory audit process is the annual audit of reported actual performance against predetermined objectives and targets as contained in the annual performance report. This ensures compliance with related laws and regulations, usefulness of performance information and the reliability of performance reporting (IRBA., 2012).

2.4.2. Performance Audit (PA) or Value for money audits

It is an individual audit that focuses on a specific government policy or management process. The Audit criteria used are focused on the 3E's which are Economy, Efficiency and Effectiveness and it is done by subject matter experts (AGSA, 2015). Audits that focus on value for money are now progressively relevant to sectors like government departments that do not have profit as their main objective (CST Governance, 2013).

2.4.3. Financial Audits

The Auditor General (2015) states that financial related audits determine whether they have been prepared according to the applicable legislation and requirements. CST Governance (2013) agrees with the Auditor General (2015) by adding that financial audit and statutory audit involve seeking a true reflection of the fairness of the financial statements of an entity and that the process is undertaken by an external auditor who has to be independent of the organization in accordance with International Financial Reporting Standards (IFRS).

2.4.4. Compliance with laws and regulations

Compliance audits may include but are not limited to: (a) determining the extent to which preferred results or benefits established by authorizing bodies or legislature are completed, (b) showing the efficiency of organizations, programmes, activities or functions, (c) establishing whether the city division is safe guarding and utilizing resources economically and efficiently, (d) determining whether city divisions have complied with laws and regulations that are applicable to the programme (Auditor General, 2015). Companies in many countries are required to perform specific audit activities instead of other legal audits in order to meet the requirements of certain laws and regulations (CST Governance, 2013).

Examples of such audits include the following as highlighted by Auditor General, (2015):

- ✚ Verifying of available reserves that can be distributed to shareholders before interim dividends are declared
- ✚ Auditing of statements of assets and liabilities that are submitted by a company at a time of liquidation.
- ✚ Performance cost auditing within manufacturing companies in order to validate production costs for determination of the maximum price to be allowed after allowing a reasonable profit margin to companies operating within sensitive sectors such as the pharmaceutical industry.

When the above is all present and followed to the core and not only for compliance sake then as an organisation it will be able to move forward.

2.5. Importance of AoPO and Performance Information.

Performance evaluation including planning, budgeting, implementation, reporting, monitoring and evaluation are imperative for effective management. National Treasury (2000) in South Africa added that performance information can also be used for assessing value for money in the various departments. Value for money can be achieved in that the people are happy and they are getting services that are intended to be received by the department and that they are satisfied with what they get (Nombembe, 2013).

The above is validated FMPPI (2007) as well as the Presidency's determination to drive delivery from the centre and hold responsible people accountable. The supreme audit institutions (SAIs) do not only conduct financial audits but also provide assurance on the reporting of predetermined objectives produced by municipalities, government departments and entities and it is necessary because of public sector reforms that strive to improve public reporting and also provide better information on what government accomplishes regarding service delivery (AGSA, 2015 and IRBA., 2012).

2.6. Types of audit opinions

An Unqualified Audit opinion is when the AFS of the organization has matters that are causes for concern and which the AG gives a specific directive that such should be attended to. An adverse opinion is when there is just nothing on the basis of which the AG can express an opinion and lastly a disclaimer opinion is where an organization fails to provide recorded information to validate its facts on issues they have to account on (Auditor General, 2015).

2.7. Existence of AoPO

Roos (2008) and Nombembe (2013) outline the process that was followed for the first five years when audit of performance was introduced. A strategy for auditing performance information was developed by the Auditor General in 2003. The AGSA (2003) indicates that a phase-in approach would be adopted when introducing the formation of an opinion under the reporting of predetermined objectives which would come in as a piece-meal approach, even though it was a requirement of the PAA, (2004) to form an opinion on the reported performance information. The process was to happen over a period of five (5) years, with the intention of expressing an audit opinion by 2009/10 financial year end.

This piece-meal approach means that a project is done in separate stages rather than being planned and done as a whole. In 2005/06, during the first year, there was no separate opinion on AoPO included in the audit reports (Roos, 2008). The "emphasis of matter" paragraph in the audit report was the one that included all the findings that were identified during the auditing period. In the second year, the 2006/07 financial year, the procedures were changed slightly, requiring the auditors

to have an understanding of internal controls that have to do with performance information and to also document the system description of performance information. The review of consistency of the predetermined objectives was expanded to look at what was recorded in the strategic plan, budget, quarterly and annual reports in relation to predetermined objectives.

Nombembe (2013) adds that during this period, there was a reported achievement of performance against objectives by comparison with information sources, and by conducting limited substantive procedures on the information that was being verified if the actual results agreed with the planned objectives. In the 2007/08 financial year obtaining of an understanding of the internal control environment relating to the reporting on performance information and on the relevant systems and internal controls to collect, monitor and report performance information continued to be done (RMD, 2010).

For the 2006/07 and 2007/08 financial year ends, a separate opinion was still not included in the audit reports. The Auditor General continuously evaluated the information quality and its variability thereby also increasing the extent of testing. When matched to previous years, there was much emphasis on systems producing the performance information and on the internal controls to ensure completeness, accuracy and validity of the information on performance (KPMG, 2009). Material deficiencies identified in the process of reporting against predetermined objectives that might impact on the public interest were reported in the "other reporting responsibilities" section of the audit report. The audit procedures for 2008/09 that were followed were similar to 2007/08, with additional procedures focusing on the validity, accuracy and completeness of the information (AGSA, 2003).

The concluding phase of the strategy was to express an audit opinion during the fifth year. In South Africa the Auditor-General adopted a phasing-in approach. The development of the audit approach and audit procedures reached a stable stage nine years after the initial process started Roos (2012). Auditors are now required to obtain sufficient appropriate audit evidence as part of a systematic audit process. To gather evidence for the 2009/10 financial year, substantive procedures and testing operational effectiveness of controls to a level of reasonable assurance are used.

Audit of performance information must be performed for all spheres of government including national, provincial and local government levels (Public Audit Act, 2004). This audit forms a vital part of regular audit processes and associated audit programmes and procedures as indicated in the audit procedures that are highlighted by Roos (2008) and Nombembe (2013) over the five year plan. The AoPO is governed by PAA and other applicable legislation which requires the Auditor General to follow specific processes when auditing.

Roos (2008) agrees with the statement by adding that Auditor-General has to regulate the standards applied in performing audits on performance information. The PFMA and the Framework for managing programme performance information all prescribe some form of performance reporting standards and the audit thereof (National Treasury, 2007). An audit report must reflect an opinion or conclusion relating to the performance of the department against predetermined objectives.

It is a mandatory audit which also includes compliance with laws and regulations as per section 20(2) (c) of the (PAA, 2004). The following also form part of AoPO:

- ✚ Reflecting an opinion or conclusion on performance information
- ✚ Reporting is done annually as part of the regularity audit process
- ✚ Auditing is done as part of the regularity audit process and by the regularity auditor
- ✚ Reviewing and confirming the validity and completeness of information
- ✚ Reporting at entity level and tabled in the relevant legislature.

Alignment of performance to strategic plans benefits the department in that accountability, achievement of targets and improved service delivery are all in evidence. Audit of Predetermined Objectives was necessary because public sector reforms, improving public reporting and providing better information on what taxpayers are getting for their taxes. Tholumuzi., (2005) argue that if one does not measure results, one cannot tell success from failure. If you cannot see success, you cannot reward it. If you cannot see success, you cannot learn from and improve on it. If you cannot recognize failure, you cannot correct it and finally if you cannot demonstrate results, you cannot win public support that is concretised in efficient service delivery.

AoPO is an essential part of the annual regulatory audit process that confirms the following:

-  Compliance with laws and regulations
-  Efficacy of performance reporting
-  Dependability of performance reporting

The AoPO is an annual audit of reported actual performance against predetermined objectives that has specific indicators as targets contained in the annual performance report (AGSA., 2003).

2.7.1. Auditing performance information

Reporting on performance of a department against predetermined objectives is a process that has to be done on a yearly basis. This requirement has been legislated in terms of the Public Finance Management Act and the Municipal Systems Act, both of which specifically require the auditing of such performance information (Roos, 2008). During January 2003 a research project to formulate a strategy for and approach to auditing performance information across all spheres of government was conducted.

The audits were phased in but depended on the co-operation of the identified stakeholders such as the Minister of Finance and the Public Sector Committee of the South African Institute of Chartered Accountants, as well as on the state of readiness of the institutions (Manik, 2004) While this process was being phased in, the Auditor-General would express an opinion on the performance information of any institution which indicated its readiness for such an audit. AoPO also affects the transparency of how public money is to be spent. Section 216(1) of the Constitution (1996) suggests that national legislation is required to establish a national treasury and prescribe measures to ensure transparency and expenditure control in each sphere of government (Constitution of the Republic of South Africa, 1996). Generally Recognised Accounting Practices (GRAP), uniform expenditure classification and uniform treasury norms and standards must be introduced.

2.8. Legislation in different countries relating to AoPO

For the purpose of this study, legislation in other countries relating to AoPO and performance information is used to make comparisons. A short but extensive discussion of the legislative requirements in different countries follows. Governance is defined as a collection of values, policies and institutions whereby the society is responsible for managing the political, economic and social processes occurring at different levels based on interactions among the government, civil society and the private sector (Sahni, 2004). Sahni, (2004) also defines governance as an authority with the prerogative to exercise power, exert influence and manage the country's social and economic resources with the aim of driving development.

In a more precise manner governance is the way those with power use the power. Annual Reports include information on efficiency and effectiveness as reflected in the performance indicators. Section 93 of FAAA (1995) further says the Auditor General shall prepare and sign an opinion on the audit of each department's financial statements and performance indicators and each statutory authority's financial statements and performance indicators. The Auditor-General audits the relevance and appropriateness of the efficiency and effectiveness indicators (FAAA, 1995).

The above falls as part of governance as it is the deliberate and conscious management of regime structures for enhancing the perceptions of effective functionality in the public realm. Such conscious management, according to Sahni (2004), could be done through different sets of tools including code of ethical behaviour, outcome-based performance assessment, result-based management, outcome measurement, balanced scorecard, social auditing, sharing best practices, information retrieval, competencies profiling, knowledge discovery, sharing and development, learning after action reviews, learning logs, decision diaries, intellectual capital measurement systems, integration knowledge management and so forth.

Financial Administration and Audit Act (1977) affords the Auditor-General to conduct a Performance Management Systems Audit (PMSA) in Queensland, Australia. The difference between Australia and in South Africa is that the Auditor-General has the discretion to perform an audit of a public sector entity's performance management system or not (FAAA, 1977). In Canada at the Federal Level only three agencies namely the Canada Food Inspection Agency, Canada Revenue Agency and Parks Canada are required by legislation to report on performance.

In terms of the Government Accountability Act for Alberta, Canada, a consolidated annual report that includes a comparison of performance results to targets established in the three year business plan has to be published. The Act also requires significant variances to be explained. "Measuring Up" reports on measures and strategies being implemented and provides information on the progress made towards goal achievement. No audit opinion is expressed since specified audit procedures are conducted. Service plans and annual reports of both government and government organizations have to be drawn (British Columbia BTAA, 2000).

Section 15 of the Public Audit Act (2004) in New Zealand requires the Auditor-General to provide an audit opinion on the information contained in the annual performance reports of all departments which is the same as in South Africa (PAA, 2004). The continuous AGSA (2012) root causes that have been highlighted for the past five years include the following:

- 🚧 Key officials lacking minimum competencies and skills;
- 🚧 Lack of consequences for poor performance and transgression;
- 🚧 Slow response to AGSA messages and not taking ownership of key controls;
- 🚧 Non-compliance with Laws and regulations; and
- 🚧 Non-reporting of performance information.

Roos (2012) explains that numerous challenges remain around the application of performance reporting in South Africa including non-compliance, the lack of sufficient and appropriate audit evidence, inconsistencies between the various strategic documents and the need to improve the usefulness of performance information.

2.9. Documentation that brings the need for AoPOs existence

There are various documents required for the auditing process undertaken by AoPO. It has to be kept in mind that performance information is important for effective management, including planning, budgeting, implementation, reporting, monitoring and evaluation (APP of department of Health, 2014/15).

Annual Performance Plans identify the performance indicators and targets that the institution seeks to achieve in the upcoming budget year. It is important that these performance indicators and targets are aligned across the department's annual plans, budgets, in-year and annual reports. In addition, the process for the production of the Annual Performance Plan should be aligned to the budget process (National Treasury, 2010).

Achieving the outcomes from the objectives set and improving on the past mistakes are all likely to assist the department. When organizations plan and correct past mistakes by coming up with plans as to how they hope to achieve the set goals gets the departments on the right track (Roos, 2008). Programme performance information is concerned with information collected by government institutions for satisfying their obligations and implementing government policies. This information is vital in enhancing transparency, accountability and oversight (Sahni, 2004).

2.9.1. Relationship between legislation, plans and budgets

It is always important to conduct situational analysis before APPs and ARs are developed by the department in order to conform to its mandate (APP, 2014/15). Relevant policies and procedures to be used in the long term plans of the department. The Strategic Plans and Annual Performance of the department have to give a description of how they are going to achieve the intended goals with the resources they have.

Fiszbein., et al. 2011 added that for there to be a need for AoPO the department needs to have procedures and documents ready so that the audit can be done to verify if the SMART, planned predetermined objectives set by the department were actually achieved and if not provide reasons for the variance. An overview of the flow of the process is given below together with the documents.

2.9.2. Strategic Plans

The Strategic Plan arrays the approved department's policy priorities, programmes and project plans for the next five-years, within the scope of available resources (NTR, 2010). Roos (2008) assumes that the plans have a longer period, but need to be revised at least every five years. Departments have to table their plan within a month after the tabling of the budget that relates to the year covered by the plan (National Treasury, 2007).

2.9.3. Annual Performance Plans (APP)

NTR (2010) and National Treasury, (2007) define an annual performance plan as a document that sets out the intentions of the department for the next financial year. It contains the performance indicators and targets for budgeted programmes and sub-programmes relating to goals and objectives set out in the Strategic Plan that the department seeks to achieve (APP, 2014/15). It displays funded service-delivery targets or projections. The set performance indicators are only one set of the factors that make the AoPO exist.

2.9.4. Annual budget and MTEF

The budget covers the current financial year and the following two years. National and provincial budgets can only be revised by an adjustment budget (NTR, 2010). The annual budget is developed within the framework of the Strategic Plan and must inform and be informed by its Annual Performance Plan. In-year implementation and monitoring of the budget is conducted through the monthly financial reports, while end-year reporting is made through annual financial statements, which are included in the annual report (NTR, 2010).

2.9.5. Quarterly performance reports

Quarterly performance reports give progress updates on the implementation of an institution's Annual Performance Plan in the previous quarter, with actual reference to monitoring delivery against quarterly performance targets. It provides performance for the quarter to the relevant treasuries and has to be prepared within a month after the end of the quarter (NTR, 2010).

Changes to planned targets should not be made in quarterly performance reports to avoid audit queries from the AG. Ideally, actual performance numbers reported for a particular quarter should not be revised. The quarterly performance reports are ultimately consolidated into the performance section of the annual report. The quarterly performance reports for the 2nd and 3rd quarters provide information on the present year's performance that has to be taken into account when developing the Annual Performance Plan and annual budget for the following year (National Treasury, 2007).

2.9.6. Annual reports

An annual report reflects how the budget of the department was spent and where it stands at that point. The Annual Report has to be linked always to the implementation of the Annual Performance Plan and its budget (National Treasury, 2007).

2.9.7. Performance agreements

Performance agreements offer a platform for reviews of the official responsibilities of the employed official and the performance-related incentive and rewards relating to the job. A performance agreement specifies individual performance targets for the accounting officer and other officials. Signing has to be done by the end of April in line with the Department of Public Service and Administration's requirements (National Treasury, 2007). Performance agreements must be linked to the achievement of the intended goals of the department. Nombembe (2013) alluded that every year end each official's performance must be reviewed in relation to the performance agreement.

2.9.8. End-term reviews

The end-term review of the department has to be done at year end reporting what was achieved and what was not and the reasons of the variance (National Treasury, 2007).

2.10. Clean audit concept

In 2009 the then Minister for Cooperative Governance and Traditional Affairs (COGTA), Sicelo Shiceka, launched Operation Clean Audit 2014 (OCA 2014) (Powell, O'Donovan, Ayele, and Chigwata (2014). It was the signature intervention in the incoming Zuma government's plan to turn around local government performance. Powell et al., (2014) introduced the objective of OCA 2014 where all departments and municipalities had to achieve a clean audit opinion by 2014. According to the AG's definition of clean audit, it is apparent that based on the current trends in 2009, such a clean audit would take a while to achieve (Nombembe, 2013).

Understanding what went wrong is very important at this stage. Powell et al., (2014) believed that the first reason was accountability that was never there. The current national government undertook clean audits in local government before its term of office ended in May 2014. To follow on the statement above we can ask what was done to make sure that indeed the OCA 2014 would be achieved in the subsequent years. The failure of OCA 2014 thus presents an opportunity to examine the facts upon which the intervention was based and to determine why it failed, the miscalculations that were made, and what might have been done differently so that the faults could be rectified and then achieve the clean audits in the provincial and national departments (Powell et al., 2014).

2.10.1. Review of internal control in achieving clean audit

Departments have to make sure that internal controls are reviewed so to assist them getting a clean audit. The clean audit process is an interlinked chain that talks to each component in it (PCAOB, 2013). If controls of a department are fully functioning then the objectives of the department have a chance of being attained. Makgatho (2013) adds that there is a need to strengthen the internal control systems and mechanisms in the public sector in order for public institutions to maintain clean financial reports.

The Sarbanes-Oxley Act of 2002 requires organizations management to annually assess and report on the effectiveness of the company's internal controls (PCAOB, 2013). Under auditing Standard No. 5, an Audit of Internal Control over Financial Reporting is integrated with an Audit of Financial Statements, because AoPO is not reported as a stand-alone report it is included under other legal and regulatory requirements on the audit report together with the internal control. PCAOB (2013) further adds that the audit of internal control should be integrated with the audit of the financial statements, keeping in mind that the objectives of the audits are not identical and the auditor must plan and perform the work to achieve the objectives of both audits.

In reporting on an integrated audit of internal control and financial statements, the auditor expresses an opinion on the financial statements and an opinion on the effectiveness of the organization's internal control. It was further highlighted by PCAOB (2013) that deficiencies in audits of internal control also can affect the audit of the financial statements and AoPO. In integrated audits, auditors often rely on controls to reduce their substantive testing of financial statement accounts and disclosures. Thus, deficiencies in testing and evaluating internal control could lead to inadequate testing of accounts and disclosures in the financial statement audit. Based on the above, this will also affect the AoPO in that if controls are not functioning then the department cannot set the objectives and if they manage to set any objective at all, then they are likely not to attain them because all this is an interlinked chain.

If something is wrong from the beginning there is no way that it will be correct at the end (garbage in, garbage out principle) (Makgatho, 2013). Every department needs to have procedure manuals as these drive how operations are run. Procedure manuals help the department to function well because the employees know what needs to be done, how it should be done and by who. The same goes for keeping the records of the department in a proper manner, to avoid problems when records need to be retrieved The RMD (2010) defined and explained what record management is and its importance as follows: a process of ensuring the proper creation, maintenance, use and disposal of records to achieve efficient, transparent and accountable governance (PCAOB, 2013).

Sound records management implies that records are managed in terms of an organizational records management programme governed by an organizational records management policy (Fagbemi, 2006). Dew (1994) adds that the audit with proper record keeping can become a powerful tool for feeding a continuous improvement process and providing recognition for excellence in any organization. Successful implementation of an audit process requires managers to set positive expectations about how audits are conducted, select important areas for audits, provide positive communication about the purpose of the audit findings, and involve people in following up on the audit findings. Dew (1994) further says an audit should be seen as a method for identifying both opportunities for improvement and areas of excellence that deserve reward and recognition. May be clean audit can be achieved if everyone takes responsibility and management takes charge (Makgatho, 2013).

2.11. Auditing in the public sector

The public sector auditor assesses the stewardship of public funds, implementation of government policies and compliance with key laws and regulations in an objective manner. The scope of the annual audit performed for each auditee is prescribed in the PAA (2004) and the General Notice issued in terms thereof. It includes the following:

- 📌 Providing assurance that the financial statements are free from mis-statements that would affect the users of the financial statements.
- 📌 Reporting on the usefulness and reliability of the information in the annual performance report.
- 📌 Reporting on material non-compliance with key laws and regulations.
- 📌 Identifying the key internal control deficiencies that should be addressed to achieve a clean audit.

Nombember (2011) stated that performance audits may also be performed to determine whether or not resources have been procured economically and are used effectively and efficiently. It also looks at the fact that service has been rendered to the people as it was supposed to be as per the set targets. Due to the test nature and other inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some, even material misstatements

in reported information may not be detected, and the completeness and accuracy of the information reported is not guaranteed but the effectiveness of the audit would be greatly influenced by how management communicates the purpose and performance of the audit (Dew, 1994).

Most public workers do not look forward to being audited and would probably dread the prospect. The latter statement can lead to conflict in the auditing process and an effort by auditees to divert the auditor from observing the real conditions of a work process. PCAOB (2013) affirms that due to the focus on specific areas in key legislation, the audit does not provide assurance that all applicable laws and regulations have been complied with. Although possible fraud may be identified during the audit, this is not the main purpose of the audit. The audit does not provide assurance that service delivery has been achieved, or that the annual performance report is useful and reliable (KPMG, 2009).

2.12. The Audit Situation in SA

Every year the Auditor-General (AG) publishes an annual report on the outcomes of audits conducted in the country's 3 spheres of government (National, Provincial and Local Government) in the preceding financial year. Powell et al., (2014) submit that the report examines the extent to which municipalities and departments have complied with national standards in terms of MFMA, PFMA for departments and performed against predetermined objectives for service delivery. It identifies key trends and risks and makes specific recommendations about how major problems should be addressed by an appropriate level of government. The Operation Clean Audit is then explained on the table below:

Introduction of Operation Clean Audit

Target	Shiceka launch speech 2009	OCA booklet 2009	COGTA Strategic plan 2009	Outcome 9 2010
2011	By 2011, all municipalities and provincial departments must have dealt (sic) or cleaned disclaimers and adverse opinions	Between 2010 and 2011, no municipality and provincial departments achieving Adverse and Disclaimer Audit opinions		55 % of municipalities with unqualified audit opinion by 2010/11
2012		At least 60% of provincial departments and the 283 municipalities achieving unqualified audit opinion by 2012		60 % of municipalities with unqualified audit opinion by 2011/12

Target	Shiceka launch speech 2009	OCA booklet 2009	COGTA Strategic plan 2009	Outcome 9 2010
2013		At least an increase in provincial departments and municipalities achieving unqualified audit percentage to 75% by 2013		75 % of municipalities with unqualified audit opinion by 2012/13
2014	All 283 municipalities and all provincial departments in the 9 provinces will have achieved clean audits on their financial Statements.	All provinces and municipalities achieving unqualified audit opinion	Unqualified audits for provincial and local governments	100% of municipalities with unqualified audit opinion by 2013/14

Table 2-1: Operation Clean Audit 2014 (Powell et al., 2014).

Under AoPO inconsistencies between targets, indicators, implementation actions might be the root challenges that department would normally have.

2.13. Causes of problems

Powell et al, (2014) mention that there were three operational documents, each setting out a programme of implementation and these could have increased the risk of confusion, duplication and error. Having three operational documents would have made it difficult for the managers leading OCA (2014) to maintain a clear view of the exact mission and objectives. Inevitably, the effect of multiple plans is uncertainty about how the various documents relate to each other and which one is the actual plan (Powell et al, 2014). Multiple plans also create the risk of mission creep, in as much as new activities get added in later documents that were not included in earlier documents, by virtue of the tendency for thinking that develops over time.

A third level of inconsistency was that the three operational documents did not always refer to the same implementation actions or to the same action consistently. For example, one of the implementation activities spelt out in the OCA (2014) booklet and the COGTA strategic plan was supporting provinces to improve financial management. That activity does not appear in the Outcome 9 document at all. A second example was the activity of establishing an anti-corruption inspectorate for provincial and local governments, which is a measure identified in the Outcome 9 document, but which does not appear in the other two operational documents (Dew, 1994). One other problem was that it appears that COGTA used a different and much broader definition of clean audit to the one conventionally used by the AG.

The latter defines a clean audit as an unqualified opinion with no findings. COGTA documents, however, refer to an unqualified report which would include the broader category of unqualified audit with findings. These inconsistencies in the conception of the OCA would have made it difficult to manage a programme already complex by virtue of the fact that it sought to be a multi-year inter-governmental plan of for all three spheres of government and locked multiple role-payers into a coordinated set of actions to achieve an ambitious result within a fixed time frame (Dew, 1994).

2.13.1. Audit concerns

The Auditor-General Makwethu (2014) said there were several audit observations that needed the attention of those in leadership and quoted that while 80% of the financial statements that were audited received an unqualified audit opinion, 37% of those achieved the outcome after auditors helped them identify several mis-statements. The Auditor-General Makwethu (2014) further added that 72% of all auditees failed to comply with key legislation.

Dew (1994) argued that over 85 percent of the problems in a workplace can be improved only by management improving the work systems. The audit can be a positive tool for finding the opportunities for continuous improvement. The area to be audited should be defined by management, based on what management wants to learn. Working like a photographer, the auditor enters the work area to take snapshots of how work processes are conducted and establish whether or not actual performance matches expectations (Powell et al., 2014).

Makwethu (2014) emphasizes that should departments address issues like misstatements in submitted financial statements, non-compliance with supply chain management, recurring unauthorised, irregular, fruitless and wasteful expenditure, the results would be better. Makwethu (2014) then said the number of auditees bearing negative financial risk indicators had increased and that attention should be given to entities where significant uncertainty exists about their ability to operate in the foreseeable future.

2.14. Continuously raised root causes by the AG

The following information is taken from the General reports of North West Province for different years. Findings arising from the AoPO of departments increased from 75% in the prior year to 100% of departments (13 out of 13) in 2009-10.

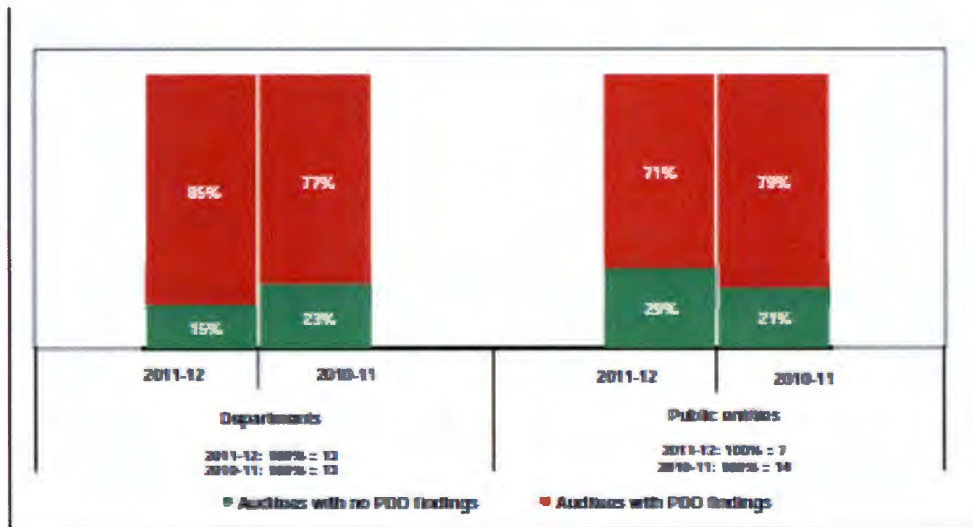
Table 2-2: AoPO findings of Departments and Public entities over two years.

Category of finding	Departments (including legislature)		Public entities (including trading and other types of entities)	
	2009-10	2008-09	2009-10	2008-09
Non-compliance with regulatory requirements	77%	89%	100%	89%
Reported information not useful	54%	56%	27%	22%
Reported information not reliable	46%	67%	27%	22%
Reported performance information not submitted in time for audit	15%	22%	64%	11%
Total number of audits with findings	13	9	11	9

Based on the analysis of the table it looks as though for the departments when looking at individual findings, they are decreasing but aggregately 2009-10 is higher than 2008-09 with 4%. For the public entities it is the opposite where 2009-10 is greater than 2008-09 with 2%.

2.15. Overall movement in number of auditees with findings on predetermined objectives (PDO)

Table 2-3: Comparison of departments and Public Entities on PDO findings.



The PDO findings are classified under the main audit areas of usefulness and reliability of information.

2.16. Usefulness

Roos (2012) suggested that the usefulness of reported information is measured against the criteria of presentation, consistency, measurability and relevance. Findings are on:

- ✚ Reported performance information not being consistent with the objectives and targets.
- ✚ Targets not clearly linked to the mandate and objective of the institution.
- ✚ Targets not being specific, not clearly identifying the nature and required level of performance, and not being measurable and time bound.

2.17. Reliability

Findings on whether the reported information on performance against Pre Determined Objectives could not be traced back to the source data or documentation and it couldn't also be confirmed whether the reported information was accurate, complete and consistent in relation to the source data, evidence or documentation (Makwethu, 2014 abd KPMG., 2009).

2.18. Conclusion

The chapter has discussed the AoPO / Performance information, focused on an overview of where PFMA comes from and how it links with AoPO legislation in terms of the type of audit. It also provided insight of the types of audits and opinion that can be expected in auditing of predetermined objectives. The following chapter focuses on the research methods used in this study.

Chapter Three: Research Methodology

3.1. Introduction

This chapter outlines the research methodology used in the study. The methodology that will be used in the study will enhance the process and assist in achieving the research objectives. The research aims to investigate what's causing the department of Health to fail to get a clean audit opinion under the audit of predetermined objectives in the North West Province.

According to Myers (2009) the research method is a strategy of enquiry, which moves from the underlying assumptions to research design, and data collection. Quantitative, a bit of qualitative methods for the pilot study portion will be used for the collection and gathering of data. The instruments used in the collection of data, how it was analysed will be given in this chapter. It includes research design, population, sample, research instrument, data collection and the analysis of the data.

3.2. Research design

According to Mouton (2001) the research design serves to plan, structure and accomplish the research to maximise the strength of the findings. It gives directions from the underlying philosophical assumptions to both research design, and data collection. In an attempt to succeed with the achieving of above-mentioned research objective and also to provide more insight into the problem, the researcher used a mixed-methods research study. The method mixes qualitative and quantitative approaches, methods and procedures with the aim of discovering and unfolding the research problem (Creswell and Plano Clark, 2011; Singh, 2007).

This was done by obtaining information on the perceptions, attitudes, experiences, knowledge and feelings of the respondents on the research questions. Singh (2007) recognised qualitative and quantitative as methods to research. Even though the two approaches differ, they each have strengths and weaknesses. In this study, the researcher used mixed methods research approach that mixes elements of qualitative and quantitative methods within one study (Creswell and Plano Clark, 2011).

The chosen research approach was appropriate because it allowed initial qualitative exploration of the research topic on a small scale, in order to gain insight of the research situation; gathering information for development of a measuring instrument, and a comprehensive analysis of the research through two methods that complemented rather than competed with each other (Creswell and Plano Clark, 2011). According to Welman, Kruger and Mitchell (2005) the research design guides the researcher on how to obtain data about the research from the targeted group.

3.2.1. Qualitative and quantitative research methods

Both refer to distinctions about the nature of knowledge and how one understands the world and the ultimate purpose of the research. Myers (2009) also explains that quantitative research methods were at first developed in the natural sciences to study natural phenomena; qualitative research methods were developed in the social sciences to enable researchers to study social and cultural phenomena (Neuman, 1997; Brysman and Burgess, 1999).

According to Domegan and Fleming (2007) qualitative research aims to investigate and to realize issues about the problem at hand, reason being that very little is known about the problem identified. Such studies allow the complexities and differences of worlds under the study to be explored and represented (Philip, 1998). Creswell, (2007) adds that different knowledge claims, enquiry strategies, and data collection methods and analysis are employed in qualitative research. It also includes observation, fieldwork, pilot study, questionnaires, documents, texts, the researcher's impressions and reactions (Myers, 2009).

Quantitative research makes use of questionnaires, surveys and experiments to gather data that is revised and tabulated in numbers, which allows the data to be characterised by the use of statistical analysis (Antwi and Hamza, 2005). Quantitative researchers measure variables on a sample of subjects and express the relationship between variables using effect statistics such as correlations, relative frequencies, or differences between means; their focus is to a large extent on the testing of theory.

3.2.2. Case study

A case study was defined by Gillham (2000) as an investigation to answer specific research questions which seek a range of different evidences from the case settings. Yin (2014) defines a case study as a pragmatic inquiry that investigates a current phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly defined. Ritchie and Lewis (2003) see the primary defining features of a case study as being multiplicity of perspectives which are rooted in a specific context.

The case study approach is useful in situations where contextual conditions of the event being studied are critical and where the researcher has no control over the events as they unfold. A case study looks at events unfolding then gives bulk of the information at the end, every possible evidence is collected so to get possible answers for the research questions. McMillan and Schumacher (2001) add that a case study examines a bounded system or a case over time in detail, employing multiple sources of data found in the setting.

By using the case study in this research, the main objective is trying to improve the matter at hand. As added by Stufflebeam, Madaus, and Kellaghan (2000) philosophy of single case study is not to prove but to improve. It is a descriptive research in which an in-depth investigation of an individual, group, event, community or institution is conducted (Yount, 2006). The strength of the case study approach is its depth, rather than its breadth. Case study research has been subject to criticism on the grounds of no representativeness and a lack of statistical generalisation.

Moreover, the richness and complexity of the data collected means that the data is often open to different interpretations, and potential researcher bias (Cornford and Smithson, 1996). Despite lack of a detailed step-by-step data analysis of case study data Miles and Huberman and Saldaña (1994), believes that the problem is not being able to provide the general part in a statistical sense. Denzin and Lincoln (2000) argue that case studies can be generalised, arguing that looking at multiple actors in multiple settings enhances what is general.

Similarly, Yin (2014) argues that case studies are used for analytical generalisations, where the researcher's aim is to generalise a particular set of results to some broader theoretical propositions. These for and against views indicate that no research methodology is perfect, and therefore, researchers have to use data obtained with multiple methodologies. A case study will be analysed largely through quantitative methods with a small qualitative component.

Qualitative researchers tend to analyse their data inductively. As suggested in the initial chapter of this study, the quantitative method is used because the information contained in the Auditor-General's Reports and General Reports for the 2011/12, 2012/13, 2013/14, 2014/15 and 2015/16 financial years will be analysed. In this study a combination of the quantitative and qualitative together with the case study research methodology are used to explore the trends of what the AGSA has issued out in the years that the study will be focusing on, which are 2011/12, 2012/13, 2013/14, 2014/15 and 2015/16.

The office of the Auditor-General together with the website was consulted to investigate the background of auditing and also how AoPO came into existence. So far the following databases have been consulted to ascertain the availability of secondary sources for the purpose of this study and also to see that guidance can be retrieved on how the department of Health can be able to achieve a clean audit.

3.3. Population

Burns and Grove (2009) define population as the aggregate or total of those conforming to a set of specifications. In this instance the study focuses on the officials of the department of Health under the finance section. Officials entrusted with the implementation and compliance with the PFMA on the reporting on predetermined objectives.

Polit and Hungler (1999) are in agreement with Burns and Grove (2009) by adding that population refers to an aggregate or totality of all the objects, subjects or members that conform to a set of specifications. According to Welman et al., (2005) population consists of groups, individuals and events or the terms of which they exposed.

A population includes all the factors that make up a unit of analysis (Terre Blanche.; Durrheim., and Painter., D., 2006). Welman et al (2005) also added that a research problem relates to a certain population and includes the total collection of all units of analysis that the researcher wishes to conclude on.

To be specific, the population of the study targeted 75 officials who were eligible to answer the questionnaire. The population comprised of management working with the Annual Performance Plan for reporting purposes and on junior level officials as they are responsible to collect, verify and store the data that will then be translated into information that will be reported on. The reporting and analysing of the reports feed into the opinion of AoPO which is the focus of this study. The targeted population was selected from the four districts of the department of Health in the North West Province. The main reason for selecting this population was due to the fact that there is a uniform problem among the four districts when it comes to reporting on predetermined objectives as the AGSA (2010) has highlighted.

3.4. Sampling

Sampling is concerned with the selection of a subset of individuals from within a statistical population (Department of Health officials) to estimate characteristics and the level of knowledge as to the importance of internal controls, what AoPO is and its importance. Hofstee (2006) also added that sampling is the process of selecting a group of subjects for a study in such a way that the individuals represent the larger group from which they were selected. A process used to select a portion of the population for the study (Maree, 2007). A census sample will be used which occurs if the entire population is very small or it is reasonable to include the entire population. Data is gathered from everyone in the population that is why it is called a census sample. According to Surbhi (2016) census refers to the quantitative research method, in which all the members of the population are counted. The researcher used a non-probability sampling in the study.

Welman et al (2005) perceives a non-probability sampling as a method where any component included cannot be specified, a non-random manner. For the purpose of the study the purposive sampling method was selected because the sample was less than one hundred officials which are relatively small.

The purposive method is also known as the judgemental, selective or subjective method. In a purposive method the researcher relies on the experience, originality and previous research findings to get the analysis in a way that the sample is correct and relevant to the population (Welman et al, 2005).

Furthermore, (Welman et al., 2005) indicates that this method is often given to key officials based on their experience and positions have relevant information than those other officials in the department. For the above mentioned reason the researcher distributed the questionnaires to officials directly involved with feeding the opinion of AoPO. The sample consists of officials on a junior level who are responsible to collect, verify and store the data that will then be translated into information that will be reported on. Based on chapter four of the study majority of the officials are aged below 30 years, followed by 31 to 40 years officials. Qualification wise, the majority holds junior degrees and followed by officials holding honours degrees.

3.5. Data collection

As part of the research design, the researcher planned how data would be collected and recorded in order to keep it intact, complete, organised and accessible (Creswell 2007) as cited in (De Vos, 2005). The decision of the chosen data collection methods was based on the fact that this study is mixed methods research and mixes both qualitative and quantitative data collection methods (Singh, 2007). Data was collected using 75 questionnaires disseminated with only 60 received back, 10 spoiled and 15 not returning them because they were not comfortable with disclosing the required information.



3.5.1. Questionnaire

A questionnaire was explained by Makgatho (2013) as a set of written questions and/or statements to which the research subjects are to respond to in order to provide data, which are relevant to a research topic. The questionnaire was constructed based on the qualitative findings and literature review (Creswell and Plano Clark, 2011). This self-designed questionnaire was constructed to gather data using both the quantitative and qualitative research methods based on research objectives.

The questionnaire had three sections. Section A which was the biographical data, section B that gave the importance of AoPO in the department and lastly section C that were self-administered questions regarding explanation on how the Department is operated. The questionnaire was designed with the intention to seek answers that will add value and address the research questions and objectives.

The questionnaires were distributed to the officials in the finance section of the department of Health in the North West Province only working with collecting, storing and analyse the reports, the Annual Performance plan that feeds into the opinion of AoPO. Subsequently after collection of the questionnaires from the respondents the data was captured and analysed where findings that could possibly contribute to the continuous problem were identified and where concluded on in the next chapter.

3.6. Pilot Study

The researcher conducted a pilot study prior to the main study. The intention was to determine the feasibility of conducting the study; suitability of the sampling structure; suitability of the questionnaire to the actual field conditions; and to assess unforeseen problems with the method and establishment of the adequacy and appropriateness of the methodology.

When conducting the pilot study, the researcher administered the questionnaire to five officials. The aim was to process data collected during the pilot study and to refine the questionnaire, structure, relevance, validity, and reliability (Singh, 2007).

The views and opinions on the questionnaire were used to modify it, rectify the mistakes, and changes were consolidated into the final questionnaire that was used for this study (Mitchell and Jolley, 2010).

3.7. Data analysis

The data was captured and analysed using SPSS version 23. The SPSS package was chosen because of its statistical capabilities and popularity in social sciences research (Babbie and Mouton, 2010). SPSS has statistical tools that include the production of descriptive statistics, such as frequency tables, cross-tabulation, custom tables, correlation analysis on both bivariate and multivariate analyses, using Pearson correlation and exploratory factor analysis respectively.

In summary, SPSS enables social researchers to enter and store data, utilize its retrieval capabilities, engage in different statistical analyses, generate graphs and statistical reports, manage research projects, and write project reports, as has been done with this study's results and analysis of research findings of this study.

The researcher used descriptive methods to describe, analyse, and summarise numerical data into major characteristics of the study without distorting or losing too much of valuable information, so that it is simple, manageable, and more understandable (Babbie and Mouton, 2010). To facilitate eventual processing of data, the researcher analysed quantitative data according to different themes of the measuring instrument (Delport and Roestenburg, 2011). Data was presented and displayed in table and graphic form (Fouché and Bratley, 2011).

3.8. Validity and reliability of data

3.8.1. Validity

It is defined as the ability of an instrument to measure what it is supposed to measure (Brynard and Hanekom, 2006). The measurement made by an instrument gives an accurate evidence of the concept it is intended to measure (Makgatho, 2013). Data validity signifies the extent to which the research findings accurately reveal what is happening in a certain situation (Welman et al., 2005).

Steps were followed to ensure that that the data collected was valid. Literature review was undertaken to understand the best methods for undertaking quantitative and qualitative research to collect data from the officials of the department of health (Babbie and Mouton, 2010). The formulation of questionnaire statements was done in full consultation with the supervisor of this thesis.

3.8.2. Reliability

It refers to consistency and accuracy of measures taken (Brynard and Hanekom, 2006). Babbie and Mouton (2010) believe that if the same instrument is used under the same conditions at a later stage, it must produce the same data. Reliability is concerned with the findings of the research and relates to the credibility of the findings. The reliability of the questionnaire was accomplished through the measures' internal consistency.

The internal consistency reliability was studied by determining the Cronbach's alpha (α) coefficient, which determines how all the items on an instrument relate to all other instrument items and to the total instrument as well. A computed alpha coefficient should range between 1 (denoting perfect internal reliability) and 0 (denoting no internal reliability) of the instrument (Bryman and Bell, 2007). The Cronbach's alpha coefficient shows the degree to which all the items in the questionnaire measure the same attribute (Welman et al., 2005). Based on the study the Cronbach's alpha coefficients in Table 4.9 in chapter 4 are close to 1, suggesting that the items in the scale have relatively high internal consistency.

3.9. Ethical considerations

The questionnaire was compiled in such a way that it did not contravene any ethical requirements. It is like that because the individual respondents to the questionnaire could not be identified during the data collection and data analysis, as the study was anonymous. Participants were also assured that the answers they gave would be treated as strictly confidential and that they could not be identified in person based on the answers they gave on the cover letter of the questionnaire. Participants were also reminded of the significance of their participation in the study, as it was very important to get their input to complete the project.

The documents of the study went through the normal clearance and approval processes of the University of North West Research Ethics Committee.

3.10. Conclusion

This chapter documented the research methodology followed in conducting this study. In conducting the investigation, the researcher followed various stages of research as identified by numerous authors in research methodology literature. A mixed method research approach, which entailed mixing qualitative and quantitative methods in one study, was adopted to provide a comprehensive understanding of the research phenomenon. The mixed methods, although lengthy, expensive and time consuming, complemented rather than competed with each other and consequently produced parallel, complementary, rich and comprehensive datasets, which added value to this study. The next chapter will be analysing and interpreting the findings on the disseminated questionnaires.

Chapter four: Analysis and interpretation of the findings

4.1. Introduction

This chapter analyses and interprets the results from data collected. The data from the questionnaire was first captured in a spread sheet in tabular format with several variables, SPSS version 23 was then used to extract results and present them in tables and graphical formats. The target of 75 questionnaires were disseminated but only 60 were received back with 10 spoiled and 15 did not return because they were not comfortable with disclosing the required information.

60 officials responded to the questionnaire and this was deemed credible looking at the overall population of the number of officials in the finance section who are engaged with collecting, storing and analyse the reports, Annual Performance plan that feeds into the opinion of AoPO which is 75 officials. The strongly agree and agree were combined, same as the strongly disagree and disagree based on the questionnaires.

4.2. Biographical data

The biographical data of the study is split into three sections which are based on age, highest qualification and work experience of the officials in the Department of Health which fall in the four districts in the North West Province.

Table 4.1: Age group of officials in the finance section dealing with AoPO in the Department of Health North West Province

Age group	Frequency	%
Below 30yrs	28	59.57
31 - 40yrs	13	27.66
41 - 50yrs	2	4.26
51 - 60yrs	3	6.38
61yrs and above	1	2.13
Total	N = 47	100

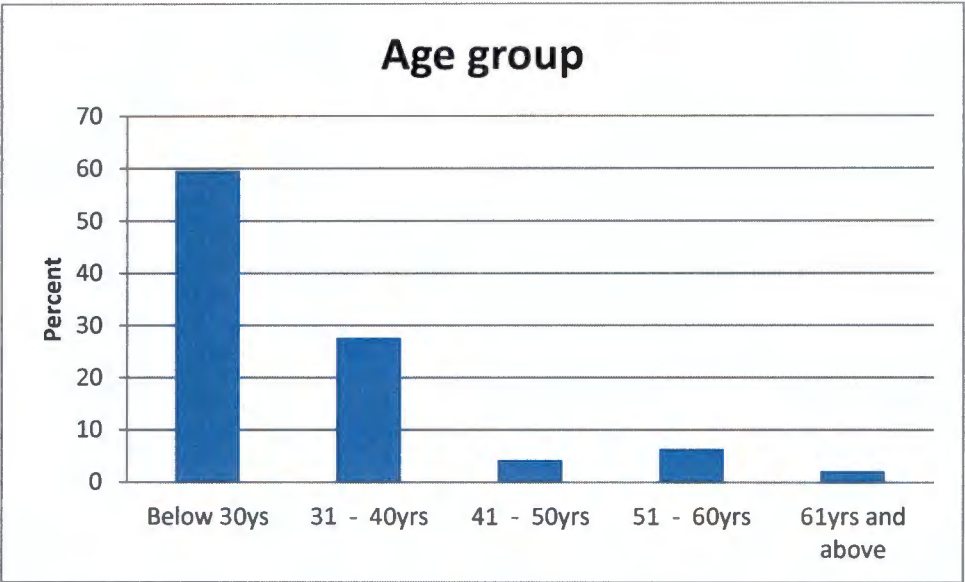


Figure 4.1: Age group

According to the table 4.1, 59.57% respondents were below the age of 30 followed by 27.66% of respondents aged between 31 and 40 years. This is an indication that employees of the department are young and possibly lack experience within their field of operation, a factor that could lead to poor performance within the department.

There was minimal difference in frequency between respondents aged 41-50 and 51-60 which stood at 4.26% and 6.38% respectively. These officials are nearing their pensionable age and the morale being low is a problem because an organization needs employees with high morale. High staff morale drives the organization and improves productivity, performance and creativity. Therefore, high morale reduces the number of leave days, increases quality of work, leads to greater attention to detail and a safer workplace (Nombember, 2011).

The analysis suggests that employees collecting, verifying and storing information that will be audited under AoPO are a young generation who may not have enough experience. According to Lotriet (2015) many officials of departments lack appropriate experience of which that can be contributed by the fact that they are young and would have not acquired enough working experience. Figure 4.1 shows the above explained in a graphical manner.

Table 4.2: Qualifications of officials in the finance section dealing with AoPO in the Department of Health North West Province

Qualification	Frequency	%
Grade 12	3	6.38
National diploma	9	19.15
Junior degree	25	53.19
Honours degree	7	14.89
Master's degree	2	4.26
Doctorate	1	2.13
Total	N = 47	100

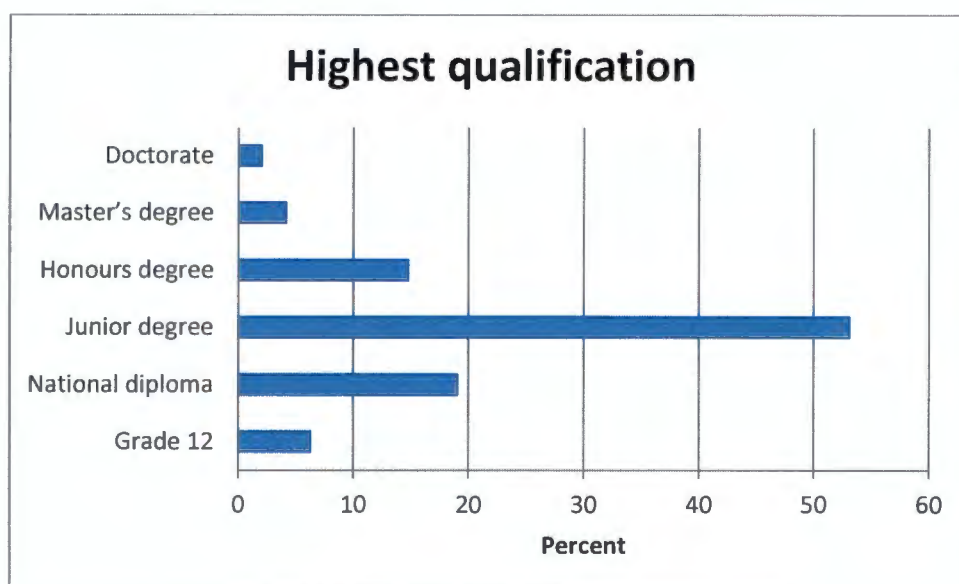


Figure 4.2: Highest qualification.

The analysis showed that 6.38% of respondents have only a grade 12 certificate while 19.15% possess a national diploma, the largest population of respondents (53.19%) possess an undergraduate degree with 14.89% having an honours degree, 4.26% were found to have a master's degree and only 2.13% have a doctorate.

The majority of the officials have junior degrees which also may indicate that they are not furthering their studies. It needs to be stressed that education is key and officials have to enrol for higher qualifications. Education continues to be an important factor.

The importance of education for the development of a country must not be underestimated because education is the tool which can alone inculcate national and cultural values and liberate people of false prejudice, ignorance and representations (Satnalika Foundation., 2011). As mentioned by Lotriet (2015) a number of officials of departments do not have appropriate and sufficient experience.

An official that does not have competencies means that they will not be able to attain the objective of the department and result in poor performance. Management does not take charge and also takes time to respond to audit queries where again there is no consequences management for poor performance and misconduct (Lotriet, 2015). The following characteristic that will be looked at will be the experience of officials in the DoH.

Table 4.3: Work experience of officials in the finance section dealing with AoPO in the Department of Health

Experience (yrs.)	Frequency	%
Below 2yrs	11	24.44
2 - 4yrs	19	42.22
5 - 10yrs	8	17.78
11 - 20yrs	3	6.67
21 - 30yrs	2	4.44
31yrs and above	2	4.44
Total	N = 45	100

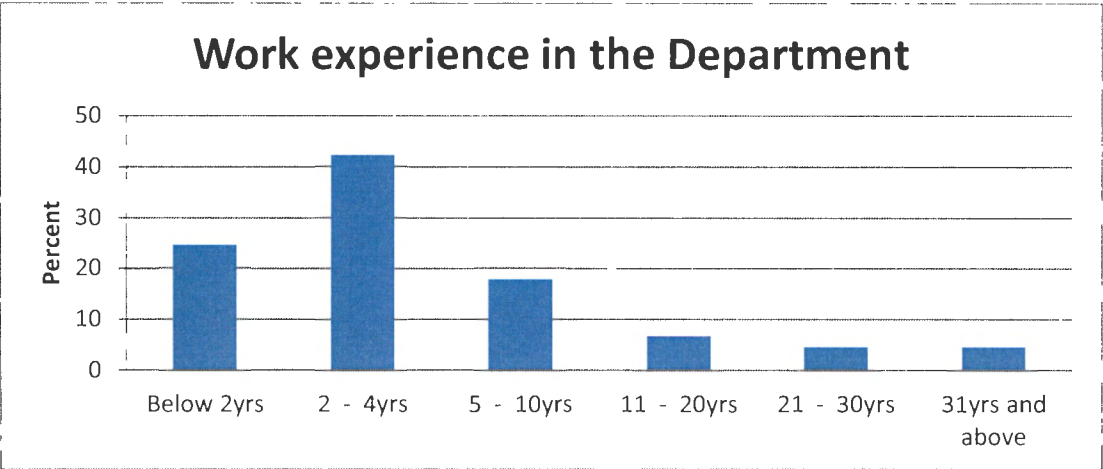


Figure 4.3: Work experience in the department.

The officials selected for the purpose of the study do not have a lot of experience with the department as shown by figure 4.3 with the majority of officials having just two to four years working experience. It means that the officials of the finance section in the department do not have a lot of experience and might still be settling in into work. The experience below two years is (24.44%), between two and four years is (42.22%), by looking at the analysis it can be said that the employees who work with the defining, collecting, reporting and utilising performance information that results in the AoPO are a young generation that is inexperienced, between five and 10 years is (17.78%), between 11 and 20 years is (6.67%), between 21 and 30 years is (4.44%) and 31 years and above (4.44%) which is the same as 21 and 30 years.

Department of health in the North West Province needs to hire officials with work experience that will be able to define, collect, report and utilize performance information in the public sector and understand how the indicator will be used in organizational planning, budgeting, execution and reporting processes. In this way the department could achieve its objective. The intention to manage government performance, not only through the management of budgets and ensuring effective administrative practices, but also by working with experienced officials who will making ensure the results of programmes are transparent (Constitution,1996). Figure 4.3 shows the above explained in a graphical manner.

4.3. Research results

Table 4.4 explains the responses of the officials regarding the importance of the AoPO in facilitating service delivery in the Department of Health. The SD and D will be added, A and SA are added because they result in the same conclusion.

Key: SD = strongly disagree, D = disagree, N = neutral, A = agree, SA = strongly agree

Table 4.4: Importance of the AoPO in facilitating service delivery

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)
Employees are aware that set targets affect service delivery (N = 50)	4	18	32	26	20
Measures for collecting, verifying and storing information are in place (N = 50)	0	22	28	34	16
The Department reports on predetermined objectives set (N = 49)	2.04	0	20.41	53.06	24.49
There are measures in place to ensure that employees are aware of AoPO (N = 50)	8	20	28	36	8
The DoH is doing all in its power to address the needs of the community when setting SMART pre-determined objectives (N = 50)	4	20	30	36	10
Average Response (%)	3.61	16	27.68	37.01	15.7

A total of 22% of officials disagree that employees are aware that set targets affect service delivery, 46% agree with the statement. This means that the department is on the right track and officials know that what they do adds value to the community. In terms of the Public Service Act (1994) Section 7A(4)(c) executive authorities determine the reporting requirements of the heads of government components, including public entities, to the head of the principal department to enable oversight of the component in respect of policy implementation, performance, integrated planning, budgeting and service delivery. 32% is neutral which is a problem because the percentage is the 2nd highest meaning that the officials may not know what is going on in the department. If officials do not know what they are doing this means that they are not doing what is required from them.

Officials do what they do just to comply with the National Treasury Regulations on Strategic Plans as well as complying with the requirements of the Department of Performance Monitoring and Evaluation, Department of Public Service and Administration (DPSA) and Statistics South Africa (StatsSA) even though the predetermined objectives are not SMART. National Treasury (2011) emphasised that the quality of the indicators is sometimes poor and it is often because they were selected without a proper organizational process and the data used to calculate them for baseline and reporting purposes, is not available or is unreliable. Hence, the department is struggling to get a clean audit opinion under AoPO. When officials were asked if they were aware if measures for collecting, verifying and storing information were in place, 22% of respondents disagreed, 28% were neutral and a total of 50% agree with the statement.

When checking if the department reports on predetermined objectives set the response was that 2.04% disagrees, 20.41% is neutral and a total of 77.55% agrees. The high percentage of 77.55% suggests that the department does report on predetermined objectives. The response is good which shows that the department is on the right track to try to achieve a clean audit in terms of AoPO. It is a requirement of PAA (2004) that a department has to reports on predetermined objectives. The integrity of the institution's overall performance information depends on how conscientiously these officials fulfil these responsibilities. Consequently, their performance agreements and assessments should deal explicitly with the quality of this aspect of their work so they know the impact of their work.

Officials with 28% disagree that there are measures in place to ensure that employees are aware of AoPO. Those that are neutral equal 28%. A total of 44% agrees that there are measures in place. The high response means that the management of the department is taking initiatives to attain the objectives of the department which is to change the opinion of AoPO to a clean one. 24% disagree that the DoH is doing all in its power to address the needs of the community when setting SMART pre-determined objectives, 30% is neutral and 46% agrees with the statement. This means that the DoH is doing all in its power to address the needs of the community when setting SMART pre-determined objectives.

The regular systematic collection, assembly, analysis, and dissemination of information on the health of the community are gathered to assess the health needs of the community (Miller, Moore, Richards and Monk., 1994).

Table 4.5 explains the responses of the officials regarding the importance in managing performance with respect to the AoPO

Table 4.5: Importance in managing performance with respect to the AoPO

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)
AoPO becomes difficult to audit unless the employees and accounting officer takes charge of their responsibilities (N = 49)	0	4.08	18.37	36.73	40.82
Employees understand the importance of AoPO (N = 49)	6.12	28.57	38.78	20.41	6.12
Employees understand the importance of setting pre-determined objectives (N = 48)	2.08	27.08	35.42	22.92	12.50
Differences/variances between the Annual Performance Plan and the Annual Report are addressed when identified (N = 49)	6.12	20.41	32.65	28.57	12.24
Employees of the department don't always comply with policies and procedures in place (N = 49)	0	8.16	22.45	48.98	20.41
Cause of the continuous disclaimer audit opinion is due to political influence and abuse of power (N = 49)	4.08	8.16	34.69	20.41	32.65
Hiring competent, skilled and qualified candidates can assist the department to get a clean audit opinion under AoPO (N = 48)	0	2.08	14.58	14.58	68.75
Average Response (%)	2.63	14.08	28.13	27.51	27.64

AoPO becomes difficult to audit unless the employees and accounting officer takes charge of their responsibilities, a total of 77.57% agree with the statement, while 18.37% is neutral on the matter and 4.08% disagrees with the statement. General report (2011/12) gives all the root causes for departments not to get a clean audit opinion found by the Auditor General among being that the accounting officer of the department needs to take charge of the responsibilities of his/her employees. The National Treasury Regulations requires a quarterly report on programme performance to the executive authority, a process to discuss the report and identify corrective action should quarterly targets not be attained.

For understanding of the importance of AoPO by the officials the analysis shows that they do not know the importance, a total of 29.16% agrees with the statement when both neutral and those that disagrees with the statement are on 35.42% which is a concern because 70.84% when both are added suggest that those officials don't know what they are doing. This means that the department will not get a clean audit opinion if officials do not know the importance of what they are doing. This results in the department having a weak system to collect and store performance data and leading to the department not attaining a clean audit opinion in AoPO.

Officials seemed to understand the importance of setting predetermined objectives because a high percentage is on agree with 34.81% followed by 32.65% at neutral and then by 29.16% that disagree. The disagree and neutral responses continue to be a problem because as stated above it results in the department having a weak system because people who have to report on pre-determined objectives of the department do not know what they are doing. National Treasury (2010) explained that it is important that performance indicators and targets are aligned across the department's annual plans, budgets, in-year and annual reports. In addition, the process for the production of the Annual Performance Plan should be aligned to the budget process.

The differences between the Annual performance Plan and the Annual Report as per the analysis are seen and have been addressed when identified because 40.81% agreed with the statement, 32.65% are neutral, 26.53%.

The differences between the Annual Performance Plan and the Annual Report are constantly raised by the Auditor General as a problem, based on the results this is a contradiction to the already existing root cause that the AG has identified that the difference between the APP and the AR are not addressed when identified by the department. The Annual Report should at all times be linked to the implementation of the Annual Performance Plan and budget (National Treasury, 2007).

The employees of the department seem to comply with the policies and procedures in place based on the results, 69.39% agrees with the statement and 22.45% on neutral, with 12.24% disagreeing. The results analysis shows that policies are complied with but the department has not achieved a clean audit opinion on AoPO in the past five years. This means that policies are not being complied with or are wrongly done so. Roos (2008) said that policies are important because of programme performance information which focuses on information collected by government institutions in the course of fulfilling their mandates and implementing government policies and also vital in enhancing transparency, accountability and oversight. When asked if the cause of the continuous disclaimer audit opinion could be due to political influence and abuse of power, a total of 53.06% of respondents agreed with the statement. 34.69% of respondents are on neutral regarding the statement while a total of 12.24% of the respondents disagreed.

Lotriet (2015) mentions that in some government departments, politics play a part in the running of the administrations where government resources are utilized not to assist the public but the politicians. Lotriet (2015) further states that there exist politically affiliated personnel within leadership and administration that are entrusted with government resources who only help themselves with such resources instead of acting as custodians of the government, an act of corruption that strongly hinders progress in service delivery. When asked if hiring competent, skilled and qualified candidates can assist the department obtain a clean audit opinion under AoPO, 83.33% of respondents agreed, 14.58% is on neutral and 2.08% disagreeing with the statement. Different sets of tools such as code of ethical behaviour, outcome-based performance assessment and result-based management can be used to assess competency and skills of officials within a government department (Sahni, 2004).

Table 4.6 explains the responses of the officials regarding compliance in terms of skills and experience of management of the DoH.

Table 4.6: Management experience and skills on managing performance as per prescriptions of the PFMA in the North West Province Department of Health

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)
The accounting officer understands the characteristics of AoPO (N = 49)	0	6.12	36.73	38.78	18.37
The accounting officer takes effective and appropriate steps to ensure that the department gets a clean audit under AoPO (N = 49)	0	14.29	46.94	22.45	16.33
Officials who deliberately not perform their duties as per the performance contract are held liable by the accounting officer (N = 49)	14.29	22.45	40.82	14.29	8.16
The accounting officer knows that the pre-determined objectives of the department have to be SMART (N = 48)	0	12.50	31.25	39.58	16.67
Appointment of qualified and experienced officials can assist in enhancing the opinion of AoPO (N = 49)	0	2.04	14.29	26.53	57.14
The director in the Performance Management Unit (PMU) has a minimum of a junior degree and relevant experience in the field of study (N = 49)	2.04	2.04	55.10	26.53	14.29
The accounting officer understands the linkages between the Annual Performance Plan (APP) and Annual Report (AR) (N = 49)	0	6.12	42.86	30.61	20.41
Average Response (%)	2.33	9.37	38.28	28.40	21.62

57.15% respondents agree that the accounting officer understands the characteristics of AoPO, with 36.73% being neutral and 6.12% disagreeing. The above assumes that the accounting officer of the department understands the characteristics as per the analysis. Accounting officers are responsible for targeting performance and managing Performance Information. Section 27(4) of the PFMA (1999), departments' accounting officers must submit measurable objectives with their draft budgets to Parliament and provincial accounting officers submit to provincial legislatures.

A total of 38.78% agrees and strongly agrees that the accounting officer takes effective and appropriate steps to ensure that the department gets a clean audit under AoPO but 46.94% is neutral which can also mean that they are not sure that the accounting officer indeed does take the steps because the officials would be able to identify if it was happening. 14.29% said they disagree with the statement, which means that there are no steps taken by the accounting officer of the department. PFMA (1999), Section 38(1) (b) accounting officers of departments and constitutional institutions are responsible for the transparent, effective, efficient, and economical use of resources of the department or constitutional institution.

Officials who deliberately do not perform their duties as per the performance contract are held liable by the accounting officer, 36.74% agrees with the statement meaning that the officials are not being held liable for not doing their work, 40.82% is on neutral which means that they do not know what is happening in the department and 22.5% disagrees with the statement. When officials are not performing their duties, such non-performance brings in factors like fruitless and wasteful expenditure in a sense that the official who needed to ensure that the objectives are SMART did not do so and the projects cannot be completed and expenditure which could have been avoided exists. PFMA (1999) states that the accounting officer has to take action and further states that officials who commit a misconduct has to be investigated and when found guilty to repay the amount within 30 days. Such would ensure that service delivery is made possible and that those charged with governance will use the resources of the community properly.

This would assist the department in assisting with utilising limited funds for service delivery. 56.25% agrees that the accounting officer knows that the pre-determined objectives of the department have to be SMART 31.25% is neutral and 12.50% disagree which means that the accounting officer knows that the pre-determined objectives have to be SMART. FMPPI (2007) explained the concept of SMART as the acronym for performance targets being specific, measurable, achievable, relevant and time-bound. The Auditor General reports emphasize the importance of setting SMART objectives and that it would assist the organization in achieving its intended objectives.

Appointment of qualified and experienced officials can assist in enhancing the opinion of AoPO. Davis (2014) emphasized that the Auditor General always mentions that if an organization hired competent officials they ensure that compliance with legislations is practiced seen as a day to day activity. 83.67% is the highest which is a combination of the respondents for agreeing with the statement. This means that the officials know and agree that hiring qualified people will assist the department to get a clean audit. 14.29% is neutral and 2.04% disagrees with the statement.

The director in the Performance Management Unit (PMU) has a minimum of a junior degree and relevant experience in the field of study; based on the statement 40.82% agrees and strongly agree with 55.10% being neutral and 4.08% disagrees. PFMA (1999) requires the accounting officer of the department to employ appropriately qualified and experienced management, set up effective internal controls, constitute an audit committee, and to ensure that the in-year management requirements are met. Lotriet (2015) that a lot of officials of departments do not have appropriate and sufficient competencies. This constitutes a problem because education advances and officials would need to adapt to new things.

The accounting officer understands the linkages between the Annual Performance Plan (APP) and Annual Report (AR), 46.94% agrees and strongly agrees combined, 42.86% is neutral and 6.12% disagrees, this means that the accounting officer understands the linkages but still a large number of respondents are on neutral that means they do not know if the accounting officer knows the linkages or not.

Communication also needs to be practiced as the analysis shows that a large number of respondents are on neutral of which they should be able to see on the work of the accounting officer if the linkages are understood or not. Accountants (2012) added that management of the department needs to ensure that at all times communication is there in all levels to ensure that internal control principles are applied and known. There should be a linkage between the APP, AR and the budget of the department (National Treasury, 2007).

Table 4.7 will explain the responses of the officials regarding policies and procedures of the department in terms of Performance Management and AoPO.

Table 4.7: Policies and procedures are in place at the North West Province Department of Health in managing performance and AoPO.

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)
Senior management of the department enters into performance agreement which is linked to the performance bonus (N = 49)	0	4.08	18.37	55.10	22.45
The department has a Performance Management Unit (N = 49)	0	2.04	10.20	69.39	18.37
The department has a performance management policy (N = 49)	0	0	18.37	61.22	20.41
The performance management policy clearly outlines systems of performance management (N = 49)	0	4.08	24.49	61.22	10.20
Average Response (%)	0	2.55	17.86	61.73	17.86

77.55% agrees that senior management of the department enters into performance agreement which is linked to the performance bonus while 18.37% is neutral and 4.08% disagrees with the statement.

Based on the analysis it means that the senior management of the department does enter into such contract but the problem being that there are no results to show for it. The non-performance of management then takes us to lack of consequence management which can mean that management doesn't adhere to legislation (PFMA, 1999). The performance management unit assists the department to achieve the set targets as directors who sign the performance agreements that are linked to the APP have a mandate of targets that relate to community needs that have to be achieved. The accounting officer of the department is accountable for establishing and maintaining the systems to manage performance information and the performance agreements entered into should reflect these responsibilities.

The results of the analysis further shows that the department has a Performance Management Unit based on 87.76% which is the highest percentage that agrees, a 10.20% which is neutral and 2.04% that disagrees which means that the unit does exist. It also needs to be kept in mind that the existence of a unit doesn't mean that work is being done and legislation is adhered to. The department is not getting a clean audit opinion, Audit Reports (2011/12 – 2014/15) yet there performance contracts are linked to the bonuses of management. All this can imply that the targets that are set are not SMART, that they are not being attained or there is not enough evidence to give for purposes of AoPO.

81.63% agrees that the department has a performance management policy with 18.37% neutral and none of the respondents disagrees, based on the results of the analysis it means that the department has an existing policy and that the performance management policy clearly outlines systems of performance management.

71.42% of respondents agree that the performance management policy clearly outlines systems of performance management and 24.49% that is on neutral and 4.08 that just disagrees. If the policy exists but the department is not reaching its objective all this mean that it is just a document that was formulated but it's not in use or the officials do not know what they are supposed to do. Tholumuzi (2005) adds on to say that the policy of the department needs to be reflected as a mission and vision that the department set.

The PFMA (1999) emphasizes that department has to have policies and should implement them, Miller., et. al (1994) agrees with the statement of implementing the policies and not only having them for compliance sake.

Section C

Table 4.8 (qualitative data analysis)

Table 4.8 explains the responses of the open end questions formulated and were asked during the pilot study held with the employees of the department to see their understanding relating to the running of the department.

Statement	Yes (%)	No (%)	Not sure (%)
Does the department have written financial policies and PFMA and Treasury Regulation? (N = 47)	97.87	0	2.13
Is there lack of experienced, knowledgeable, skilled and qualified managers? (N = 48)	64.58	31.25	4.17
Are directors performance bonuses linked to their performance contracts? (N = 46)	65.22	4.35	30.43
Are the accounting officers constantly changing and acting on the position? (N = 44)	61.36	38.64	0

According to Miller., et. al (1994) policy development is created to ensure that the responsibility to serve the public interest in the development of comprehensive public health policies is exercised with 97.87 % of the respondents answering yes that the department has written financial policies and PFMA and Treasury Regulation and only 2.13% were not sure.

A large number of respondents (64.58%) say that there is lack of experienced, knowledgeable, skilled and qualified managers in the department of Health in the North West province. This may mean that the department will not be able to attain the set objectives because they do not know what they are doing. General reports 2011/12 of the Auditor General continues to state that deficiencies of lack of training have been identified and should all this be done according to legislation they can assist in ensuring that the effectiveness of financial management in the public sector

will be attained (van Wyk, 2004). Based on the analysis it assumes that there are financial policies in existence in the Department of Health (DoH).

65.22% answered yes that director's performance bonuses linked to performance contracts, 4.35% said no and 30.43 were neutral. The accounting officers constantly changing and acting on the position question was answered with 61.36% saying yes and 38.64 saying no, based on the analysis it can be assumed that the accounting officers of the department are constantly changing. The above statement can have a significant impact on the attaining of the departments objective because the accounting officer that would have set the objective might not be the one who get to see that they are carried out.

Section D: Reliability Analysis

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

Table 4.9: Consistency of the Cronbach's alpha.

Dimension	Cronbach's Alpha (α)	No. of Items
Importance of the AoPO in facilitating service delivery in the DoH.	0.806	5
Importance in managing performance with respect to the AoPO.	0.654	7
Management experience and skills on managing performance as per prescriptions of the PFMA in the North West Province DoH.	0.833	7
Policies and procedures of the department in terms of Performance Management and AoPO.	0.789	4

The Cronbach's alpha coefficients in Table 4.9 above are close to 1, suggesting that the items in the scale have relatively high internal consistency.

SECTION E: T – Test between Two Independent Samples

The purpose of the t-test is to compare the average responses of two populations. Samples are selected randomly from these populations and the variances of the population’s responses are assumed to be equal. The population’s responses are also assumed to be normally distributed. The difference of opinions (views) between the two populations is statistically significant if the p-value is less than 0.05 level of significance.

Table 4.10: Comparing perceptions (views) of young and old respondents concerning the challenges of incompetence in terms of AoPO

Key: 1 = strongly disagree, 2 = Disagree, 3 =Neutral, 4 = Agree, 5 = strongly agree

Item	Age group	Sample Size	Mean	p-value
AoPO becomes difficult to audit unless the employees and accounting officer take charge of their responsibilities	31yrs and above	19	3.84	0.042
	30yrs and below	28	4.36	

The Statistical Software Package (SPSS 23) was used to perform a t-test between two independent samples (young and old respondents) in Table 4.10. Since the p-values is less than 0,05 level of significance, it means that there is a significant difference of opinions concerning the challenges of incompetence in terms of AoPO. The mean score (3.84) of the old respondents is lower than that of the young respondents (4.36). This indicates that old respondents tend to slightly agree with the item listed in Table 4.10, whereas young respondents tend to strongly agree. This shows that management of the DoH needs to ensure that everyone knows what is required of them. Officials needs to know what AoPO is and how SMART criteria of targets filter into AoPO.

Table 4.11: Comparing perceptions (views) of less and more experienced respondents in the Department concerning the AoPO and Performance Management

Key: 1 = strongly disagree, 2 = Disagree, 3 =Neutral, 4 = Agree, 5 = strongly agree

Items	Work experience	Sample Size	Mean	p-value
The accounting officer understands the characteristics of AoPO	5yrs and above	15	4.07	0.014
	Less than 5yrs	30	3.43	
The accounting officer understands the linkages between the Annual Performance Plan (APP) and Annual Report (AR)	5yrs and above	15	4.07	0.026
	Less than 5yrs	30	3.43	
The performance management policy clearly outlines systems of performance management	5yrs and above	15	4.07	0.037
	Less than 5yrs	30	3.60	

The statistical software package (SPSS 23) was used to perform a t-test between two independent samples (less and more experienced respondents) in Table 4.11. Since the p-values are less than 0,05 level of significance, it means that there is a significant difference of opinions concerning the AoPO and performance management. The mean scores of the less experienced respondents are lower than those of the more experienced respondents. This indicates that the less experienced respondents tend to slightly agree with the items listed in Table 4.11, whereas the more experienced respondents tend to strongly agree.

Section F: Correlation Analysis

Spearman's rank rho test

This test is concerned with the relationship between two ranked variables (X and Y). The relationship is statistically significant if the p-value is less than 0.05 level of significance.

The coefficient of Spearman's rank correlation is given by

$$r = 1 - \frac{6 \sum D^2}{N(N^2 - 1)}$$

Where

D = differences of ranks of corresponding values of X and Y

N = number of paired values in the data

$$-1 \leq r \leq 1$$

Key: 1 = strongly disagree, 2 = Disagree, 3 =Neutral, 4 = Agree, 5 = strongly agree

Table 4.12: Spearman's rank correlation between educational qualification and views of respondents on AoPO

Items		
AoPO becomes difficult to audit unless the employees and accounting officer take charge of their responsibilities	Correlation coefficient(r)	0.456
	p - value	0.001
Hiring competent, skilled and qualified candidates can assist the department to get a clean audit opinion under AoPO	Correlation coefficient(r)	0.335
	p - value	0.023
Appointment of qualified and experienced officials can assist in enhancing the opinion of AoPO	Correlation coefficient(r)	0.372
	p - value	0.010

SPSS version 23 software package was used to perform the correlation analysis and the results are shown in Table 4.12. Since all the p-values are less than 0.05 level of significance, then the correlation between the educational qualification and views of respondents about the items listed in Table 4.12 is significant

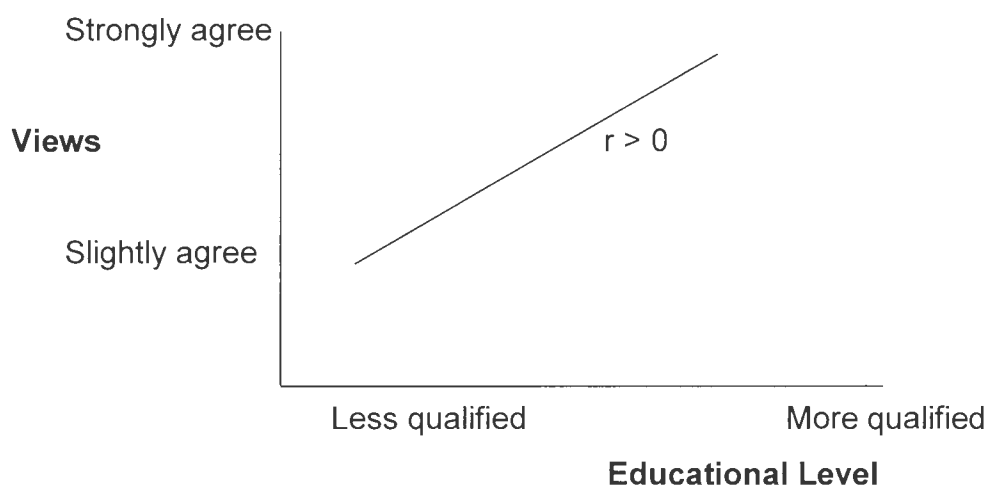


Figure 4.4: Views of respondents versus educational level ($r > 0$)

Figure 4.4 justifies the research finding that positive correlation coefficients imply that more qualified respondents tend to strongly agree with the listed items, whereas less qualified respondents tend to slightly agree.

Table 4.13: Spearman's rank correlation between the work experience in the Department and views of respondents on AoPO and performance management

Items		
Employees understand the importance of setting pre-determined objectives	Correlation coefficient(r)	0.316
	p - value	0.036
The accounting officer understands the characteristics of AoPO	Correlation coefficient(r)	0.294
	p - value	0.050
The accounting officer takes effective and appropriate steps to ensure that the department gets a clean audit under AoPO	Correlation coefficient(r)	0.336
	p - value	0.024
The director in the Performance Management Unit (PMU) has a minimum of a junior degree and relevant experience in the field of study	Correlation coefficient(r)	0.304
	p - value	0.042
The department has a performance management policy	Correlation coefficient(r)	0.333
	p - value	0.025

Items		
The performance management policy clearly outlines systems of performance management	Correlation coefficient(r)	0.447
	p - value	0.002

Since all the p-values in Table 4.13 are less than 0.05 level of significance, then the correlation between the work experience in the Department and views of respondents about the items listed in Table 4.13 is significant.

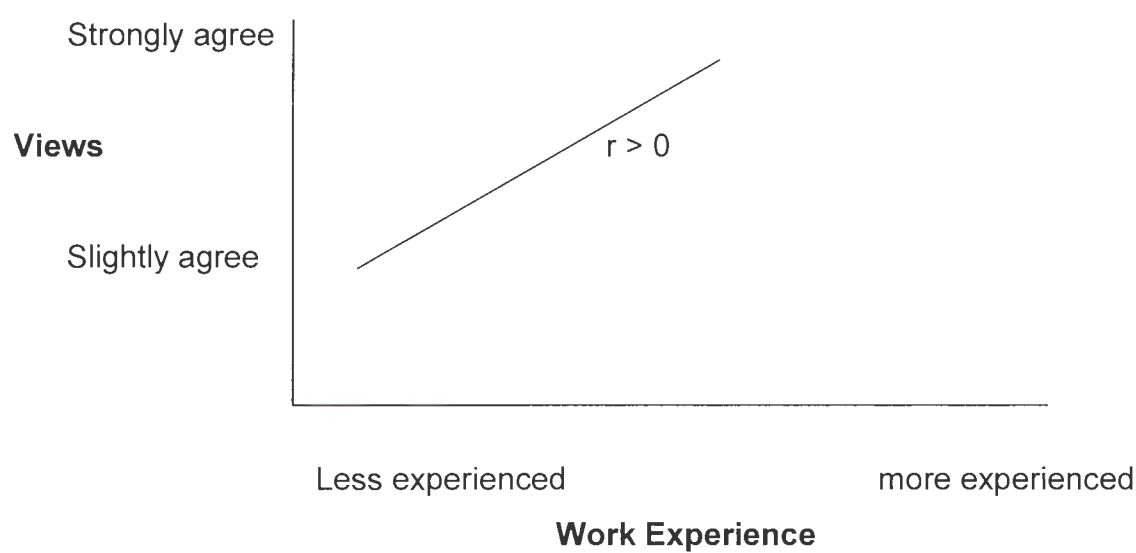


Figure 4.5: Views of respondents versus work experience (r > 0)

Positive correlation coefficients imply that more experienced respondents in the Department tend to strongly agree with the listed items, whereas the less experienced respondents tend to slightly agree, as given on Figure 4.5.

4.1. Conclusion

In conclusion, the results of the analysis of the questionnaire under section A gives the relationship between different variables that were used and it was noted that the respondents were mainly young professional where the majority were below 30 years. Qualification and experience played a role on the audit results.

Section B looked at the challenges which showed that the differences that are not addressed continue to be a problem and political influence continues to be a problem in department. Hiring of competent staff to drive the department to achieve its objectives needs to be prioritised. The existence of the unit does not mean that it is fully functioning as seen in the opinion that it is not changing.

Section C set to elicit responses from the research participants that where answered by respondents during the pilot study. The majority believe that there is a gap of skills, experience and qualifications in the management of the department. This can also be a contradiction to the prescripts of the PFMA (1999) which states that the officials of the department have to be competent and hold appropriate qualifications which require continuous training and development. The continuous changes in staff and the number of officials in acting capacity as management is seen to have a major impact because the person who set the objective is not there to see them going through or managing them. Such gaps evidently cause a lot of strain in the department. The summary, conclusion and recommendation chapter will be done in the last following chapter.

Chapter Five: Summary, conclusion and recommendations

5.1. Introduction

The chapter sums up all the chapters of the study where literature was compiled and data collected. The analysis of the data collected assisted the study so to make a final conclusion and also look to see if the officials of the department understand what AoPO and its importance are. The study ensured that it comes with recommendations that assist the department of health to obtain a clean audit opinion under AoPO.

Moreover the chapter re-looks the objectives that the study set to achieve to measure the attainment of this in the research process. The study was conducted to ensure that the department finds a permanent solution to the problem at hand. It also established the policies in place and established compliance with PFMA prescripts.

5.2. Research methodology and design

The questionnaires used to conduct a qualitative and quantitative study (mixed method) were distributed only to the officials of the DoH in the North West, finance office that works with data collecting, verifying and storing of data that would have evolved from the pre-determined objectives set by the department of health in the Annual Performance Plan and reported on the Annual Report on a yearly basis. Those officials working in finance sections in the sub-districts, and the officials working in the head office with the development, monitoring and evaluation of the annual performance plan of the NWPDoh participated in the study. For this study, the researcher disseminated a self-administered questionnaire to 75 officials but only 60 were received back with 10 spoiled and 15 were not returned.

5.3. Audit of Pre-determined Objective compliance

When it comes to AoPO, compliance with laws and regulations has to be the main contributing factor to the department getting a clean audit opinion. Compliance with laws and regulations in terms of AoPO means that PFMA and PAA have been complied with. According to Smith and Strydom (2013) in terms of the PFMA, the Annual report of a department, trading entity, public entity or constitutional institution has to present its business, its financial results, its performance against

predetermined objectives and its financial position as at the end of the financial year concerned. The PAA (2004) again highlights that the information relating to the performance against predetermined objectives is subject to audit by the Auditor General in terms of Section 20(2)(c) of the Public Audit Act, 2004 (Act No. 25 of 2004). The above shows that importance of AoPO which needs to be done on a yearly basis.

A planning process of identifying community health issues, recurring community needs and surveying the resources to meet them and setting targets that meet the SMART criteria (Specific, Measurable, Achievable, Realistic and Time bound) should be put in place and be followed to accomplish the purpose of the proposed programme (Miller., et. al., 1994). Roos., (2012) mentions that the second step defines the appropriate standards and targets for each of the objectives developed, together with a strategy towards achieving an objective which is specified as a planned output of performance to be achieved within a set time.

It is not only about SMART objectives being set but also about the perception of the employees and how they see the importance of the process. Bruce (2011) stated that most performance indicators focus, unfortunately, on outputs rather than outcomes. As Nombembe (2013) has highlighted the concepts of internal and external audit have a great impact upon the attitudes held by the medical profession about audit. Absence of information or wrong information results in poor and uniformed decisions, poor planning, evaluation and impact assessment with resultant duplicated efforts, less productivity and waste of time and resources.

The issue of record-keeping receives a considerable amount of what is called “deserved” attention in AGSA general reports. In principle the measuring of performance involves comparison between the actual information achieved with performance measures developed beforehand. The process should not only stop at comparing but also look at the causes for the occurrence of the deviations and variances that need to be provided by the department. Roos, (2012) believes that performance measuring can only succeed if it leaves an adequate audit trail.

Monitoring of the set targets is also a problem as many departments including Health, set the targets and then relax. In January 2009 a monitoring and reporting system was introduced and departments, including the department of Health, were asked to develop key indicators to allow for accurate monitoring of their services. These departments struggled to fulfil this request due to their lack of technical monitoring and evaluation knowledge and in some cases bureaucratic unwillingness to be transparent (Goldman, Engela, Akhalwaya, Gasa, Leon, Mohamed and Phillips, 2012).

After the Department has done proper planning not for compliance sake and the monitoring phase, management has to take pride in their roles and responsibility to ensure that all that is needed is done and they can report at the end of the financial year. (Roos, 2012) supplemented by stating that departments are requested to break down their planned annual key performance targets into quarterly targets to avoid waiting for last minute reporting and to also reduce the load of work on reporting in the APP.

Siswana (2007) further add that departments are also expected to report quarterly on the progress that they have made towards achieving the planned targets in the APP. In this vein, the DoH is also required to submit a report that outlines the challenges and responses relating to the output as stated. The mistake evident in the department was that the cost of services and performance information were not; if that can be made a priority then accountability and service delivery would take a noticeable outlook.

The quality of data reported in Annual and Quarterly Performance Reports remains poor despite performance reporting being a legal requirement of the PFMA (1999) and Treasury Regulations (Quarterly Performance Reports 2008/09). Various reasons for poor quality of performance information data have been given by the Auditor General as follows: lack of electronic systems, the skills shortage in the information management, capacity constraints, short turnaround times allowed to submit data, no procedure manuals providing guidance on daily data gathering strategies and not keeping daily statistical time sheets (National Treasury, 2007).

5.4. Findings based on the study

The objectives addressed here focus on those problems identified which led to respondents offering negative responses to the questions asked. According to the analysis conducted on chapter four it was noted that AoPO is understood by the employees of the department once the accounting officer takes charge of their responsibility looking at the experience and age group of the officials. It emerged that the majority of them are below 30 years, and also most have only a junior degree.

A combination of the low level of experience and qualification may have led to the employees not knowing what is expected of them. They were also unable to interpret information that they work with. The highest qualifications that dominate are junior degrees followed by national diplomas then a small percentage who are honours holders. Educational qualifications matter and the officials of the department of health need to study further. The majority have work experience that falls between two to four years. Lotriet (2015) observed that many officials of public service departments lack appropriate competencies which contributed to the qualified audit report.

Objective 1:

To determine if the North West Province Department of Health is aware of the importance of the AoPO in facilitating service delivery.

It can be concluded that the employees of the department are not aware that the targets that the department set affect the service delivery to the community as majority disagreed that they are aware that AoPO facilitates service delivery. In that case money allocated to the department is not used for correctly set targets because it simply means that the set targets do not talk to service delivery. This means that the set targets in the DoH have nothing to do with the community because the employees do not know that they have an impact on service delivery. When asked whether or not the methods used to collect, verify and store information are in place the half of the respondents were neutral meaning that they do not know.

Objective 2:

To determine if the North West Province Department of Health is aware of the importance of managing performance with respect to the AoPO.

The majority of the respondents showed that they do not know the importance of setting predetermined objectives. It is a major problem according to AGSA general reports (2011/12) that departments fail to set SMART objectives which defeats the purpose of AoPO. The majority of the respondents do not agree that the differences and variances between the Annual Performance Plan and the Annual Report are addressed when identified. This evidently caused the department to fail getting a clean audit opinion. The problem is that there are inconsistencies and the department failed to give proper evidence as to what had transpired during the year.

Political influence and abuse of power leads to a high turnover of officials and essential high posts not being filled contributes badly to the running of the department which can be supported by the findings in the (2011/12 general report). Majority of the respondents are in agreement that political influence and abuse of power are factors that contribute to the department not getting a clean audit opinion under the AoPO.

Lotriet (2015) further stresses that there are some elements of the political leadership from administrations that are trusted with government resources but these divert such resources to personal and business use instead of acting as custodians of the government. This is apparently a corruption problem that shall haunt the department until there is a turnaround strategy that stops patronage and entertaining politics.

A department needs to have a stable direction with senior management positions filled so that consequence management is practised. This appointment of leaders and decision-makers assists the department with segregation of duties and responsibility being placed in the hands of a correct, competent and skilled heads (2011/12 General report). The responses show that hiring competent people could assist the department which means that currently the department is not hiring competent people.

Lotriet (2015) stated that many officials in public service departments lack appropriate competencies and such could be attributed to their youth which would militate against them having acquired enough working experience. By appointing qualified and experienced officials the department would have a better chance of getting a clean audit opinion.

Objective 3:

To establish whether the management of the North West Province Department of Health have enough skills and experience to manage performance as per prescriptions of the PFMA.

The accounting officer is not doing enough to show the officials that effective and appropriate steps to ensure that the department gets a clean audit under AoPO are taken. A high percentage of the respondents indicated that they do not agree. This means that nothing is being done because officials should at least have inside information as to what is happening and should have seen people who are not working being suspended being held accountable for misconduct.

If officials are not working that constitutes a misconduct that can result in irregular, unauthorized or fruitless and wasteful expenditure which could have been avoided. Such prompts the accounting officer to act professionally as per the prescripts of legislation (PFMA, 1999). A leader has to be someone who knows what is it that they are doing so that the subordinates follow in the correct footsteps.

The responses also show that they are not even sure that there is consequence management, (2011/12 general report) shows the finding as one of the findings identified by the Auditor General.

Objective 4:

To determine the policies and procedures in place at the North West Province Department of Health in managing performance.

Even though the performance policies are said to be in place by the respondents, the opinion does not seem to change for the better. This means that the policies are not reviewed, not in use or not used correctly. Performance is not properly managed as set down according to the PFMA, (1999).

Complying with policies in the department apparently is inconsistent and such could have led to the department not achieving a clean audit opinion. From the analysis, it is clear that the responses show a high percentage in the opinion that little has changed in terms of consequence management because the department does not adhere to setting the predetermined objectives.

Section C of chapter 4 is the qualitative part where the questions formulated asked respondents during the pilot study to explain the root causes that hamper the department from getting a clean audit opinion under the AoPO. A high percentage agree that policies exist but there is still no change with regards the level of experience and the work experience especially considering the age of the respondents.

The lack of experience amongst the officials suggests the need for these employees to enhance their knowledge by studying further. The performance bonuses are linked to performance agreements but there is no progress where consequence management has to be enforced. It also emerged that the constant changing of the accounting officer and the number of acting positions affects the responsibility conundrum where no one is specifically answerable to service delivery targets.

2011/12 general report stated that internal audit does not review performance management processes and its reporting. An organization has to have employees that are on a permanent basis so that the strategy drawn on the onset of the financial year is fully implemented. Overall on all the objectives this can be contributing reason as to why the department is not getting a clean audit opinion under AoPO.

5.4. Findings based on the literature review

- 🚧 Interpretation of information during the introduction of clean audit where Powell, et al, (2014) explained that 3 operational documents would have contributed in confusing managers to uphold a clear view of the particular mission and objectives for the DoH(2.15).
- 🚧 Failing to comply with legislation of which Makwethu (2014) added that the majority of the departments do not always comply with key legislation like recurring irregular, unauthorised and fruitless and wasteful expenditure, non-compliance to Supply Chain Management.

- ✚ Information reported not being reliable and not useful (table 2-2).
- ✚ Lack of dedicated resources (people and systems) to effectively report on predetermined objectives.
- ✚ Inadequate performance management systems which include the lack of policies and procedures on how to collect, collate, store and report on data.
- ✚ A lack of clearly defined roles and responsibilities at all auditees.
- ✚ Senior manager vacancies result in the limited review and monitoring of information reported on.
- ✚ No review by internal audit and audit committees of performance management processes and reporting.
- ✚ The lack of involvement of the relevant executive authorities at public entities in their portfolios resulted in a lack of direction and ultimately little or no priority given to reporting on predetermined objectives.

5.5. Answers to the research questions

Based on the findings of this study, it was shown that the officials of the DoH are not aware of the importance of the AoPO in facilitating service delivery as given in Chapter 4, table 4.4. Officials also do not know the importance of AoPO and believe that management of the department is not competent because if they were there would be proof of change in the opinion of AoPO.

The policies are said to be in existence but there is no impact showing that they are in use or not. The continuous recommendations on how to deal with pre-determined objectives are not implemented by the department. The non-delivery of essential services by the department of health suggests that there is a likelihood of an increase in protests by communities. The main question is thus answered because the objectives that we wanted to meet are not met by the DoH therefore the opinion of AoPO is likely not to change.

5.6. Limitations

The study was focused only on the department of Health in the North West Province and the AoPO audit opinion. There is a need to look into other types of audits in the public sector that the Auditor General audits but does not issue an audit opinion for each.

5.7. Recommendations

The results from the analysis show that there are policies in place but somehow the persistent problem remains which means that there are other factors that need to be looked at. The senior manager vacancies need to be filled with 61.36% respondents agreeing to the statement and believing that this move would assist the department in getting a clean audit opinion. The AG needs to know what is being done, the importance of the decisions and actions and why AoPO exist. The following could be done:

- 📌 Setting SMART objectives needs to be a priority and policies and procedures on how to collect, collate, store and report on data have to be in place.
- 📌 Management of the department needs to ensure that the policies of the department are implemented effectively.
- 📌 Management ought to ensure that policies of the department are reviewed and updated annually and in accordance to PFMA.
- 📌 Officials have to be taken for training to enhance their skills.
- 📌 Vacant positions in the department have to be filled.
- 📌 Roles and responsibilities of officials ought to be clearly defined.
- 📌 Quarterly and annual assessment of performance management has to be done.
- 📌 Dedicated resources (people and systems) ought to effectively report on predetermined objectives.
- 📌 Consequence management has to be applied across the board.
- 📌 Officials need to be work shopped and educated about AoPO so that they can understand why there is a need for setting SMART targets.
- 📌 Accounting officer ought to ensure that officials in clinics, hospitals and Community Health Centres needs to understand the linkages between what they do and the department's set targets.
- 📌 Recommendations in the audit reports by the AGS ought to be taken seriously and monitored.
- 📌 Differences and variances between the Annual Performance Plan and the Annual Report have to be seriously addressed as soon as these are identified.

- 🌈 Politics should not influence the administrative decisions in the running of the department of health.

5.8. Conclusion

A department needs to have a stable direction with senior management positions being filled so that consequence management can be effectively practised. Such a move would also assist the department with separation of duties and responsibility being placed in the hands of a correct, competent and skilled head (2011/12 General report). In South Africa service delivery is one of the problems that affect the communities and nothing seems to be done about it due to vacant and unfilled senior manager positions in the departments. The study revealed that there are a number of contributing factors that play an important part in the decisions on a non-clean audit report and this need to be corrected in the immediate future should the department want to meet its objectives.

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7.1. Annexures

7.1.1. Annexure A: Questionnaire.

7.1.2. Annexure B: Approval letter for conducting the study.

7.1.1. Annexure C: Certificate for editing.

Annexure A: Questionnaire

Section A
Biographical Data

1

Age group	
Between 18 and 30 years	
Between 31 and 40 years	
Between 41 and 50 years	
Between 51 and 60 years	
61 years and above	

2.

Highest qualification	
Grade 12	
National diploma	
Junior Degree	
Honours degree	
Master's degree	
Doctorate	

3.

Work experience in the Department	
0 to 1 year	
2 to 4 years	
5 to 10 years	
11 to 20 years	
21 to 30 years	
31 years and above	

Section B

1. Importance of the AoPO in facilitating service delivery					
Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Employees are aware that set targets affects service delivery					
Measures for collecting, verifying and storing information are in place					
The department report on Pre-determined objectives set					
The Public Finance Management Act talks about the AoPO.					
AoPO is a critical matter in the Public Finance Management Act (PFMA).					
There are measures in place to ensure that employees are aware of AoPO.					
The DoH is doing all in its power to address the needs of the community when setting SMART pre-determined objectives.					

2. Importance in managing performance with respect to the AoPO					
Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
AoPO becomes difficult to audit unless the employees and accounting officer takes charge of their responsibilities					
The department has clear policies					

and procedures on guidance of what AoPO is.					
The department has Standard Operating procedures on setting SMART targets.					
Employees understand the importance of AoPO.					
Employees understand the importance of setting pre-determined objectives.					
Differences/ variances between the Annual Performance Plan and the Annual Report are addressed when identified.					
Employees of the department don't always comply with policies and procedures in place.					
Caused of the continuous disclaimer audit opinion is due to political influence and abuse of power.					
Hiring competent, skilled and qualified candidates can assist the department to get a clean audit opinion under AoPO.					

3. Management experience and skills on managing performance as per prescriptions of the PFMA in the North West Province Department of Health					
Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The accounting officer understands the characteristics of AoPO.					
The accounting officer takes effective and appropriate steps to ensure that the department gets a clean audit under AoPO.					
Officials who deliberately not perform their duties as per the performance contract are held liable by the accounting officer.					
The accounting officer know that the pre-determined objectives of the department have to be SMART					
Continuous changing and acting of accounting officers makes it unstable for the department to not have direction					
Appointment of qualified and experienced officials can assist in enhancing the opinion of AoPO.					
The director in the Performance Management Unit (PMU) has a minimum of a junior degree and relevant experience in the field of study.					
Management of the department is trained in performance management.					

The accounting officer understands the linkages between the Annual Performance Plan (APP) and the Annual Report (AR)					

4. Policies and procedures are in place at the North West Province Department of Health in managing performance and AoPO.					
Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Senior management of the department enter into performance agreement which is linked to the performance bonus.					
The department has a Performance Management Unit.					
The department has a performance management policy.					
The performance management policy clearly outlines systems of performance management.					

Section C

Self-administered questions

- 1. Does the department have written financial policies and PFMA and Treasury Regulation if YES, why do you say that?
.....
.....
- 2. Is there lack of experienced, knowledgeable and skilled and qualified managers if YES, why do you say that?
.....
.....
- 3. Are directors performance bonuses linked to their performance contracts if YES, why do you say that?
.....
.....
- 4. Are the accounting officers constantly changing and acting on the position if YES, why do you say that?
.....
.....

Annexure B: Approval letter for conducting the study.



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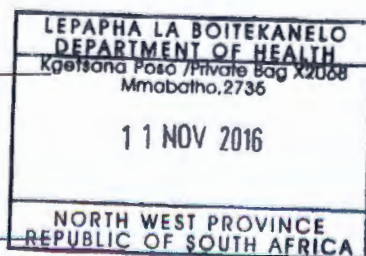
Subject : **Research Approval Letter- Investigating the causes of persistent qualified audit opinion under the audit of predetermined objectives in the North West Province Health Department.**

This letter serves to inform the Researcher that permission to undertake the above mentioned study has been granted by the North West Department of Health. The Researcher is expected to arrange in advance with the chosen facilities, and issue this letter as proof that permission has been granted by the Provincial office.

This letter of permission should be signed and a copy returned to the department. By signing, the Researcher agrees, binds him/herself and undertakes to furnish the Department with an electronic copy of the final research report. Alternatively, the Researcher can also provide the Department with electronic summary highlighting recommendations that will assist the department in its planning to improve some of its services where possible. Through this the Researcher will not only contribute to the academic body of knowledge but also contributes towards the bettering of health care services and thus the overall health of citizens in the North West Province.

Kindest regards


Dr. FRM Reichel
Director: PPRM&E



11/11/2016
Date

Researcher

Date



Healthy Living for All

Annexure C: Certificate for editing



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12th May, 2017

TO WHOM IT MAY CONCERN

CERTIFICATE OF EDITING

I, Muchativugwa Liberty Hove, confirm and certify that I have read and edited the entire thesis **The failure of the North West Province Department of Health to achieve a clean audit opinion under the Audit of Predetermined Objectives**, by **Malebo Keeleng Lethoko**, student number **20878532**, submitted in partial fulfilment of the requirements for the degree **Master of Business Administration** at the Mafikeng Campus of the North-West University.

Malebo Keeleng was supervised by **Professor Wedzerayi Musvoto**, of the North-West University.

I hold a PhD in English Language and Literature in English and am qualified to edit academic work of such nature for cohesion and coherence.

The views and research procedures detailed and expressed in the thesis remain those of the researcher/s.

Yours sincerely

Dr M.L.Hove

Original details: Dr M.L.Hove (22055215) C:\Users\22055215\Desktop\CERTIFICATE OF EDITING.docm
12th May, 2017

File reference: Dr M.L.Hove

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