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**PUBLIC FINANCE MANAGEMENT ACT IN COMPLIANCE WITH  
SUPPLY CHAIN MANAGEMENT OF THE SELECTED DEPARTMENT  
OF HOME AFFAIRS IN NORTH WEST PROVINCE**



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

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Graduation ceremony July 2018

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## DECLARATION

I, William Maesela Matlou, declare that this study titled, "**Public Finance Management Act in Compliance With Supply Chain Management of the Selected Department of Home Affairs in North West Province,**" is my own work carried out under the supervision of Prof Ravinder Rena. This mini-dissertation has not been submitted for any degree at any other university. All sources used in the study have been strictly indicated and acknowledged through references.

20 November 2017

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Signature

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Date

## ACKNOWLEDGEMENTS

All Glory goes to the Mighty King of Glory, Lord of Lord and King of the light Jesus Christ and Might God who was able to keep us from falling.

I devoted this opportunity to acknowledge the Mother of my two children, Tumi and Mosa Matlou, Ms Leah Mahlatse Matlou, who stood by me and supported me during this endeavour and period of my studies.

Special thanks go to my Supervisor, Professor Ravinder Rena, for the patient and in depth guidance he gave during this tough period. I also wish to give a vote of thanks to my employer in affording me the opportunity to further my studies at the North West University.

Not forgetting our fellow students or counterparts who keep us on the toes to continue to study even when studying is hard-hitting.

Last but not the least; special thanks go to our North West University for good support and leadership provided to enhance our skills and abilities.

I Thank You

William Maesela Matlou

## ABSTRACT

The drive of the study contrasts Public Finance Management Act (PFMA) in Compliance with purchasing unit of the selected Department of Home Affairs North West Government. Department of Home Affairs obtained poor Audit Outcome in the year 2014/2015 Financial year; moreover, the issue of non-compliance with legislative framework was prevalent as the main problem of the department's performance.

The study explored supply chain management policies, processes, procedures and activities; relevant sources were consulted and reviewed to find out about different authors who have researched on the issues of non-compliance pertaining to supply chain management practices.

The positivist method of approach used for the study employed a purposive sample group of 24 officials involved in Supply Chain Management (SCM) and the day to day procurement of goods and services to participate in this quantitative and qualitative study, using self-administered questionnaire, self-developed, open ended questionnaire and Likert scale to support the study. The descriptive and inferential techniques were adopted to probe further information from the study.

The findings from the discussion reveal that the policies, process and guidelines are in place, however, there is no uniformity in terms of the application of such policies. It was found that the department does not completely comply with the Supply chain Management Activities. There is still a problem of segregation of duties and lack of supervision of the officials. The researcher recommends that SCM practitioners should be supported with additional skills trainings in Supply Chain area. SCM Practitioners should be registered with professional bodies for further monitoring in line with the latest developments in the field. The entity should be allocated enough financial resources to address the non-compliance issues. The researcher recommends further study to cover all the Department of Home Affairs (DHA) 9 provinces Office's in South Africa. The department has to comply entirely as an entity not limited to individual Provinces.

**KEY WORDS**

Supply Chain Management, Public Finance Management Act, Department of Home Affairs North West Province.

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## LIST OF ABBREVIATIONS

ABBREVIATION	MEANING
ANCOVA	Analysis of Co-variance
ANOVA	Analysis of Variance
BAC	Bid Adjudication Committee
BAS	Basic Accounting System
BEC	Bid Evaluation Committee
BSC	Bid Specification Committee
BBBEEA	Broad Based Black Economic Empowerment Act
BEE	Black Economic Empowerment
CIDB	Construction Industry Development Board
CFO	Chief Financial Officer
CSD	Central Suppliers Database
DHA	Department of Home Affairs
ISM	Institute For Supply Chain Management
LCC	Loss Control Committee
PERSAL	Personnel and Salary Administration
PFMA	Public Finance Management Act
PPPFA	Preferential Procurement Policy Framework Act of 2000
RSA	Republic of South Africa
SCM	Supply Chain Management
SPSS	Statistical Package For Social Science
TR	Treasury Regulations

## LIST OF DEFINITIONS

CONCEPTS	DESCRIPTION
NON-COMPLIANCE	<p>Is defined as not acting in accordance to the law relating to finance and supply chain policies, which leads to the department not receiving a good audit report which causes challenge for service delivery.(In this context)</p>
COMPLIANCE	<p>Is defined as acting in accordance with the law relating to finance and supply chain framework.(In this context)</p> <p><i>Compliance</i> refers to acting in accordance with a legal obligation according Migiro and Ambe (2008:235).</p>
DISCLAIMER AUDIT REPORT	<p>Is defined as the statement by auditors during the audit which does express an opinion on the financial position of the entity. It indicates that the department did not comply with the requirement of the auditors; therefore auditors were unable to form an opinion or express their opinion on the accounts of the department hence the disclaimer audit report is issued to the department. (Kachelmeier <i>et al.</i>, 2016).</p>
PURCHASING FUNCTION	<p>It deals with the activities that have to be performed to ensure that suppliers provide goods and services to the firm at the right time and the right place and at the best possible price Hugo <i>et al.</i> (2002:4).</p>

SUPPLY CHAIN MANAGEMENT	According to Booth (2014:21), it is a series of activities that deliver on outcome to recipient, that recipient may be undertaken by a variety of entities, once again both internal. Refers supply chains include all activities recorded to the moving of commodities from the raw materials stage through to the product used by the end-user.
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## CHAPTER 1

### INTRODUCTION

#### 1.1 OVERVIEW

The purpose of the study was to determine Public Finance Management Act (PFMA) in Compliance with Supply Chain Management (SCM) of the selected Department of Home Affairs, North West Government.

It is viewed that Non-Compliant work behaviour can increase the problem in any existing organizations, Karjalainen *et al.* (2009:245); there is growing interest between organizations such as scientists, practitioners who intend to investigate the patterns of such behaviour contracted by Karjalainen *et al.* (2009:245). This study focuses on the supply chain management aspects. It looks mainly at the department concerned with reviewing the process of the component under the study; if the supply chain practitioners observe the processes when procuring goods and services, determine whether officials are adhering to the policies and legislation when procuring goods and service and relevant Procurement Committees are in place.

This chapter also provides the background of the problem of the study which probes similar studies. Secondly the study proceeds in outlining the problem statement, providing the objective of the study, formulating research questions, highlighting the benefits of the proposed study to the selected organizations, delimitations, assumptions and providing the conclusion of chapter one.

In order to put the study in to perspective the background provides the details of the problem below.

#### 1.2 BACKGROUND OF THE PROBLEM

The Department of Home Affairs (DHA), North West Province, received a disclaimer from Audit Findings during the year 2014 and 2015 financial years, in which non-compliance of legislative framework in Financial Management and Supply Chain Management was a predominant factor.

Therefore "Public Finance Management Act (PFMA) no 1 of 1999, section 45 (a) stated that Accounting Officers must put a Financial Management System and Internal Control System in place," hence the department experienced the challenges regarding the implementation of (3) Bid Committee Structure (BCS) which could have an impact on the compliance in the Supply Chain Management framework.

### **1.3 PROBLEM STATEMENT**

The Department of Home Affairs (DHA) North West Province experienced a disclaimer as a result of Audit Findings during the financial period 2014-2015 in which non-compliance of legislative framework in financial management and supply chain management was a predominant factor. During 2014-2015 as reflected in the Annual report, "Auditor general detected goods and services with a transaction value of above R500, 000 were not procured through a normal procurement procedure", which contravenes PFMA Act section 38 (1). Reflected in the Annual Report of Department of Home Affairs 2014-2015 financial period.

Non-compliance was identified starting with lack of a Supply Chain Bid Committee Structure, which entails of Bid Specification Committee, Bid Evaluation Committee and Bid Adjudication Committee, resulting in poor supply chain management and compliance. The second problem was inadequate implementation of some element of supply chain model such as lack of systematic reliable database system for rotation of suppliers, non-compliance with Travel Management Policies where the employees were not adhering to the policies, which resulted in unauthorised, irregular and wasteful expenditure.

Therefore non- adherence to the supply chain management policies led to the department contravening, Public Finance Management Act (PFMA) number 1 of (1999), as well as the Preferential Procurement Policy Framework Act of (2000).

Meanwhile the provincial procurement committee was not functional to evaluate and take action on the matter of non-compliance. Management attempted to send officials to the trainings and workshops by conducting in-house workshops during extended broad management meetings with hope for improvement. The management in attempting to resolve these matters further issued letters of non-compliance to the

responsible officials, yet no progress was made as the department still received poor audit report.

This study seeks to investigate why management failed to implement reasonable control measures resulting in repetitive non-adherence to the PFMA and SCM unit within the department in the public sector as identified by the Auditor General. This research hopes to assist in finding a solution to this problem. The researcher needs to learn about the outcome, to be part of the solution of the problem. The research questions and research objectives have been developed to assist in addressing this problem.

## **1.4 RESEARCH QUESTIONS / RESEARCH OBJECTIVES**

### **1.4.1 Key Research Question**

What are the reasons for non-compliance with PFMA in the SCM unit and how should management address it to ensure effectiveness?

### **1.4.2 Sub Questions**

- a) What is the role of the Supply Chain Manager in the prevention of non-compliance in the supply chain management unit?
- b) What are the reasons for non-compliance in the Supply Chain Management and Finance unit?
- c) Do supply chain practitioners have the necessary skills? Did training provide the required skills in supply chain management? If not why not?
- d) What resources are needed to address non-compliance in the Supply Chain Management and Finance unit?
- e) What actions should be taken by management to improve upon non-compliance in the Supply Chain Management and Finance unit?

### **1.4.3 Objectives**

- a) To clarify the role of Supply Chain Manager in terms of preventing noncompliance in the Supply Chain Management unit.
- b) To determine reasons for non-compliance with SCM and PFMA Acts.
- c) To determine the existence of adequate skills, training, knowledge, of the stakeholders in Supply Chain and Finance.

- d) To determine the resources needed to address non-compliance in supply chain management.
- e) To determine the actions needed to be taken by management to eliminate non – compliance in the supply chain management.

## **1.5 IMPORTANCE AND BENEFITS OF THE PROPOSED STUDY**

- a) To assist Home affairs department in North West in obtaining clean audit reports.
- b) Ensuring that the department becomes compliant with the legislative framework within Finance and Supply Chain unit.
- c) This study will benefit the suppliers, consultants, contractors and unit, in rendering efficient and effective service to the department, at the right cost, at the right material price, and delivered at the accurate lead time.
- d) Ensuring that all interested parties, stakeholders, employees and Management of DHA, value compliance by addressing noncompliance and making budget available to address noncompliance issues on matters when it matters most.
- e) Making interested parties aware that addressing non-compliance is not a once off matter but is continuous in every growing organisation; and addressing noncompliance is not limited to adhering to rules and regulation issues but also emphasising behavioural issues.

## **1.6 DELIMITATIONS AND ASSUMPTIONS**

- a) Delimitations refer to, what is included and what is not included in the study.
- b) The scope of the study refers to the parameters under which the study takes place.

### **1.6.1 Delimitations (Scope)**

- a) What is included: The purpose of the study was to assist in improving compliance in the selected department in North West relating to public finance and supply chain management.
- b) The study is conducted in the selected department of North West based in the Provincial Office.
- c) The scope of the study include supply chain officials, Finance officials and Director of Finance within the parameters.

### 1.6.2 Assumptions

- a) It is assumed that participants will answer the questionnaire honestly and factually, since all information provided will be verified afterwards.
- b) It is assumed that participants will respond honestly and be knowledgeable since the selected population comprises the relevant people under the study. Majority of the officials are working in the finance and supply chain management activities on a daily basis. Managers are making decisions based on the knowledge acquired for finance and supply chain matters.
- c) It is assumed that the solution to the problem of the study will have a positive influence in addressing even problems not included in the study.

## 1.7 CHAPTER LAYOUT

The study consists of five chapters outlined below

- a) **Chapter 1:** This chapter provides the preface; statement of the problem, objectives pertaining to the scope, the importance of the study, delimitations, assumptions and the summary.
- b) **Chapter 2: Literature review:** This chapter provides detailed objectives of SCM in respect of public and private sector, policies framework relating to SCM, roles and responsibilities of Accounting Officer and of Auditor General in the context of PFMA and SCM; the chapter covers the Supply chain models, Bid committee systems and challenges that causes non-compliance in the SCM.
- c) **Chapter 3: Research methodology and design:** Chapter 3 incorporated detailed description of the research design strategy and its justification thereof ; definition of research methodology; study area , population study, sampling size and sampling procedures, research instruments; data collection techniques ; data analysis technique ; Reliability and validity, Sample size as well as research process incorporated in the study.
- d) **Chapter 4: Data analysis and Results:** Offer the breakdown of the findings and the results of data collected. The outcomes are therefore analysed and interpreted using simple descriptive, inferential methods and content analysis. Justification of mixed method approached is provided thereof.
- e) **Chapter 5: Conclusion of the study with recommendation:** This chapter highlighted the findings of data collected, conclusions are drawn as compared

to the research objectives and the scope and working suggestions for and recommendation highlighted thereof.

## **1.8 CHAPTER SUMMARY**

The chapter emphasises challenges that confronted the department in 2014 to 2015 financial period in the past as highlighted by the Auditor General (AG) findings calling investigation to determine matters of compliance in respect of supply chain management prescripts and PFMA within the department. The problem statement has indicated that there is non-compliance of legislative framework in the SCM. The research questions have been highlighted. The importance, benefits, assumptions of the study and the chapter layout were outlined.

The next chapter will further expand the first chapter, which comprises of series of literature studies pertaining Supply Chain Management process from different authors, the objectives of the supply chain management, compliance on the side of the policy framework and challenges that causes non-compliance within the Supply Chain Management component.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 INTRODUCTION

In the previous chapter which reflected the background, the purpose of the study, problem statement, and other crucial concepts were clarified. The purpose of this literature review is to discover the work that has been done relating to the problem statement Brynard and Hanekom (2006), which in this study refers to Public Finance Management Act No 1 of 1999 (PFMA), in compliance with the supply chain process within the department. The approach sought for the literature review has been to scan and browse academic journals and articles on the search engine registered on the NWU library, as outlined by Saunders et al. (2009: 85).

The purchasing function is regarded as the most important function in every functional organisation. This is understood by Ameyaw *et al.* (2012:55) Stated "50- 70% of the national budget after personal emoluments is procurement related". Therefore, it is paramount to maintain compliance when purchasing goods and services.

The researcher probes whether Public Finance Management Act in compliance with Supply Chain Management has been adhered to by officials within the Department of Home Affairs in the North West. The review explores the general and primary objectives of the supply chain management process. It deals with the legislative framework in line with "Public Finance Management Act number 1 of 1999, Constitution of the republic of South Africa 1996, Preferential Procurement Policy framework of 2011, Treasury Regulations, Supply Chain Management Policy of the Department of Home Affairs and Travel management policy of the Department of Home Affairs". It works into the role and responsibilities of Accounting Officers and Auditor general in line with the Constitution and PFMA. Further discussion of literature is based on the SCM Models which is demand management, acquisition management, logistics management, risk management and supply chain management performance.

The literature review contains views on the Bid Committee structure or system, which entails, Bid Specification Committee, Bid Evaluation Committee and Adjudication Committee as per Accounting Officer guidelines. The review also covers challenges facing the supply chain management which contributes negatively to non-compliance in Supply Chain and PFMA.

The objectives of Supply Chain Management have been discussed below.

## **2.2 OBJECTIVES OF SUPPLY CHAIN MANAGEMENT FUNCTIONS**

The following objective tools adapted by Hugo *et al.* (2002:8). Underpin purchasing functions reflected in private and public arena.

- a) "To supply the entity with a flow of materials and services to meet its current and expected future needs".
- b) "To ensure steadiness of supply by maintaining effective relationship with existing sources and by developing other sources of supply either as alternatives or to meet emerging or planned needs".
- c) "To buy proficiently and sensibly, obtaining by ethical means the best value for every rand spent".
- d) "To maintain sound pleasant relationships with other functional areas and internal customers, providing information and advice as necessarily to ensure the effective operation of the organization as a whole".
- e) "To develop staff, policies, procedures and organizational structures that will ensure the achievement of purchasing objectives while minimising administrative costs".
- f) "To maintain an optimum balance of inventory that would ensure the desired level of customer services while minimising costs associated with the service levels".
- g) "To maintain and develop the quality of purchased products and services as well as internal service delivery by implementing quality assurance programmes within the organization with external suppliers".

- h) "To contribute to the development of entire business strategies by providing strategic supply inputs based on the monitoring of the firm supply environment and by ensuring strategy implementation throughout all the supply activities of broad business strategies of the entities".
- i) "To manage supplier base to ensure the availability of the supplier during the purchasing process. This may create a good relationship between the suppliers and the entity for future requirements of goods and services".
- j) "To develop the appropriate strategies to sources the key commodity to avoid the risks associated with non-availability and costs are limited".
- k) "To foster inter-functional relationships by, example, contributing to multifunctional teams and by providing outstanding customer service to the internal customers of the supply function".
- l) "To support the overall objectives of the firm by integrating supply objectives with corporate objectives while still pursuing the operational objectives of supply management".
- m) "To ensure that a timely, cost-effective and comprehensive information system is in place that will form the basis of all internal decisions related to supply and that will also support the information systems of the supply chains in which the organizations may be involved".
- n) "To obtain the optimum supply of goods and services from the market out there in terms of: quality, timeliness, cost while at the same time: minimising risks, accomplishing socio-economic objectives-including maximising competition and maintaining integrity", Pauw *et al.* (2002:229) .

According to the "National Treasury (2004:9) and Supply Chain Management guide for accounting officers/authorities; there are four major objectives of the Supply Chain Management which include the following:"

- a) "To transform Government Procurement and Provision practices into an integrated Supply Chain Management function".

- b) "Introduce a systematic approach for the appointment of Consultants".
- c) "Create a common understanding and interpretation of the preferential Procurement Policy".
- d) "Promote the consistent application of best practices thought Government's Supply Chain".

However, not all the objectives listed by any organizations are easily attainable; hence it is good to lay down objectives that provide direction to the firm. If any factors affect any firm in attaining their objectives, hence there are regulatory frameworks that govern institutions protecting them from non-compliance with the objectives of the supply chain. The regulatory frameworks in the level of non-compliance with the supply chain management are discussed by different authors below.

## **2.3 LEGISLATIVE FRAMEWORK RELATING TO COMPLIANCE IN SCM AND PFMA**

### **2.3.1 Constitution of the Republic of South Africa (RSA)**

"The constitution is the supreme law". Chapter 1 section (2) of the Constitution. It is assumed all acts relating to financial management must be subject to the constitution of the RSA. All citizens including financial officials, Supply Chain Management Officials (SCM) Chief Financial Officer (CFO), Accounting Officers and other role players must abide by or uphold the constitution of the country. All these officials are expected to take accountability and uphold the constitution. Chapter 3 ,S (40) ( 1 ) of the constitution passed in RSA in 1996 created three spheres of government, which is National government, Provincial government and Local government. These Government spheres were created to render service to the people of South Africa. Chapter 13 S (217) (1) of the Constitution stipulates that procurement should be done by a supply chain management system that is Fair, equitable, transparent, competitive and cost effective.

Chapter 10 s(195(1) of the constitution delivers public administration and management in all three spheres of government should be effective and efficiency in terms of the use of resources as well as being economically viable and accountable. The Constitution exhibited a pivotal role in setting up the doctrines of a sound financial management in the public sector arena. Therefore, Constitution that gives a basis to the values to General Recognised Accounting Principles (GRAP), uniform treasury norms and standards. Set internal control and operational procedure, borrowing, guarantees, procurement and omission of national and provincial revenue funds and further more.

Chapter 2 S (33) (1) constitution also provides an administrative act. The constitutions further outlines the South African past, where it provides safeguard and protects individuals against abuse of power by the officials of the government. The section provides the, values and principles as set out in the Constitution. The constitution gives effect to the Public Finance Management Act as explained below.

### **2.3.2 Public Finance Management Act (PFMA).**

Public Finance Management Act (Act No.1 of 1999) PFMA is regarded as one of the most significant pieces of legislation passed by the parliament in the South African government. The Act promotes good financial management in order to exploit service delivery through the effective and efficient use of limited resources.

PFMA , “To regulate financial management in the national government and provincial governments; to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those governments; and to provide for matters connected therewith”. “Further concession (Bolton, 2007) indicates that the Act grants procurement responsibilities of accounting officers within the framework of the relevant legislation, policies, norms and standards. Objectives of the Public Finance Management Act include the following”:

- a) To modernise the system of financial management in the government department.
- b) It is to enable the government officials, Managers to manage but, at the same time, be held accountable.
- c) It is to eradicate waste and corruption in the use of public resources.

The Public Finance Management Act of 1999, gives effect to sections 213,216,217,218 and 219 of the Constitution of the Republic of South Africa (Act 108 of 1996) for the National and Provincial spheres of Government. These sections required national legislation to establish National Treasury norms and standards to prescribe measures to ensure transparency and expenditure control in all spheres of governments, procurement and oversight over the various National and Provincial Department revenue funds.

It is agreed that PFMA objects to create a culture of performance by hiring Managers to manage, and at the same time holding officials answerable for the utilisation of allocated resources in delivering services. However, Fourie (2007), argued that PFMA moved from their effort in terms of the outputs and responsibilities, instead to the rule-driven approach of the old Exchequer Acts. Further, the Act indicates that there are still many cases of poor financial management and many factors affecting public financial management and accountability. In the other perspective, Fourier (2007) displays that PFMA as a policy document is well written, but its implementation and enforcement are not satisfactory.

The researcher on the contrary believes that PFMA is the Alpha and Omega or is the Bible of the public sector officials to use in performing their responsibilities. This implies that the failure of the officials to comply with the Act will result in non-compliance in terms of the Annual Audit Report. The Implication is production of poor accounting records. There is no way that PFMA has lost its meaning, instead it is the officials who are not applying the Act as required. This conceded by Xhati (2015) stating that all officials within the department are required to comply with the Public Finance Management Act, in order to provide effective services; managers who have the required knowledge are in a good position to implement PFMA. The PFMA will be complemented by Preferential Procurement Act as explained below.

### **2.3.3 Preferential Procurement Policy Framework Act of 2000 (PPPFA)**

"Act" "means a procurement policy contemplated in section 217(2) of the Constitution"; "means the Preferential Procurement Policy Framework Act No 5 of 2000 , according to Hlakudi (2013). The PPPFA Act was adopted to regulate preferential procurement in government in order to accelerate the award of procurement opportunities to companies that are historically disadvantage. Hlakudi (2013), indicates that as result of inconsistency or non-compliance with the PPPFA 2000, the new preferential procurement regulations (2011) were introduced to attempt to merge the two policies. Further, indicates PPPFA Act as an attempt to encourage transformation in companies by incorporation all the elements of the preferential procurement system".

South Africa has made some significant changes in the regulation of procurement in 2011, in terms of the preferential procurement policy Act. Its procurement systems were subjected to the Republic's Constitution. Regulatory frameworks within the constitution and the PPPFA (Act 5 of 2000) were established. These Frameworks required the Accounting Officers and Accounting Authorities, through PFMA (Act 1 of 1999), to conduct their procurement processes within the rules.

According to PPPFA, an organ of state must determine its preferential procurement policy and implement it within the following framework":

- a) "A preference point system must be followed".
- b) "80/20 point scoring system, up to 50 million".
- c) "80 are for points and 20 are for specific goals which are BEE level".
- d) "For the rand value of R0 to R2000 is for petty cash one quotation can be used".
- e) "For the rand value of R2000 to R30, 000 applies that there is no strictly tender process".
- f) "For the rand value of R30, 000 to R1000000 strictly tender process must be followed, normal tender process must be followed by this formula below".
- g) "90/10 point scoring system, above 50 million".

"Ps = points scored for price of tender under consideration".

"Pt = Rand value of offer tender consideration".

"P min = Rand value of lowest acceptable tender".

The researcher discussed Treasury Regulations as it is also important for officials to comply with Treasury regulations which is the application of the PFMA described below.

#### **2.3.4 Treasury Regulations**

According to Tshamaano (2012:13), Treasury Regulations intend to deliver the mandate to reputable systems of provisioning and procurement system. SCM was developed and promulgated for this reason, and further indicates Accounting Officer or Accounting authority of the institutions in the establishment of SCM units, which includes training of SCM practitioners, acquiring of goods and services, disposals and letting of state ethical standards.

The Treasury Regulations are the instructions issued by the National Treasury applicable to government department indicated in the Section 76 of PFMA. Those instructions may not be limited to the following:

- a) "Any matter that must be prescribed for departments in terms of this Act".
- b) "The recovery of losses and damages".
- c) "The handling of, and control over, trust money and property".
- d) "The rendering of free services;"
- e) "The writing off of losses of state money or other state assets or amounts owed to the state;"
- f) "Liability for losses and damages and procedures for recovery".
- g) "The cancellation of variation of contracts to the detriment of the state"
- h) "The settlement of claims by or against the state"
- i) "The waiver of claims by the state"
- j) "The remission of money due to the revenue fund, refunds of revenue fund, refunds of revenue and payments from the revenue fund , as an act of grace"
- k) "The alienation, letting or other disposal of state assets; and".
- l) "Gifts or donations by or to the state".

“The National treasury may take regulations or issue instructions applicable to departments concerning the following as prescribed in section 76 PFMA”.

- a) “The charging of expenditure against particular votes”.
- b) “Fruitless and wasteful, unauthorised and irregular expenditure.”
- c) “The treatment of any specific expenditure.”
- d) “Vouchers or other proofs of receipts or payments, which are defective or have been lost or damaged”.
- e) “Financial management and internal control”.
- f) “The determination of a framework for an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective;”.
- g) “Facilitation of the appointment of the audit committee”.

According to Ireland and Webb (2007) “ the strategic supply chain continues to be adopted by organizations as the medium for creating and sustaining a competitive advantage” .

The researcher conceded with the regulations and views of other researchers that the regulations provide guidelines but it is officials who need action to comply with the policies and regulations.

This is supported by outlining the supply chain management policy as explained to the following discussions.

### **2.3.5 Supply Chain Management Policy Framework Compliance with PFMA**

The document gives effect to section 217 of the constitution where it states that the organ of the state must acquire goods and services in a manner that is fair, equitable transparent, competitive and cost effective as envisage in the act” .This is conceded by Ambe (2009:428) stating that by adopting SCM Policy is to ensure uniformity in bid and contract documentation and options as well as bid and procedure standards, among others to promote standardization of the policy documentation.

The policy must comply with the PFMA and Treasury regulations and instructions regarding SCM, other applicable instructions in terms of the PFMA.

The policy need to comply with the PPPFA, Broad Based Black Economic Empowerment Act (BBBEEA). It should pursue specific preference, including socio-economic objectives through a preference point system for BEE, in accordance with the PPPFA and BBBEEA. It should include the implementation of efficient and effective supply chain management as an integral part of financial management as per Supply chain management guidelines).

The policy should apply to a particular government institution or an entity. Pauw *et al.* (2002:230) conceded that all government institution should implement and develop, document and enforce internal procurement practices and policies. Further indicates that there are a number of issues which managers should take in to account when introducing internal procurement practices and policies which include the following:

- a) "All aspects of procurement must be seen to be ethical and honest".
- b) "Strong and clear accountability arrangements must be in place".
- c) "Stringent transparency requirements must be met".
- d) "Procurement must be open to competition".
- e) "Procurement must be fair and impartial".
- f) "The interests of taxpayers, suppliers and customers must be paramount- they are usually paramount to the people".
- g) "Infringement reaction procedures must take place quickly and decisively".

The supply chain management framework also includes the adherence to the travel management policy as outlined in the following discussions.

### **2.3.6 Travel Management Policy in Compliance with PFMA**

The Travel Management Policy is intended to provide cost effective standards of travel that are consistent in terms of policy. The policy also includes guidelines on the hiring of conference venues services, travel and subsistence. All travellers in the organization are expected to comply with the Travel Management Policy provisions when scheduling business trips. All travel request forms must be completed in full and authorised by the delegated official. No booking shall be made for travel related services when a request form was not approved. According to "section 8 of the PFMA (Act 1 of 1999)", subsection

“8.2 an official of an institution may not spend or commit public money except with the approval (either in writing or by duly authorised electronic means) of the accounting officer or a properly delegated or authorised officer”. Managers must delegate the responsibility of authorizing to other levels/officials when they are not available to physically authorize the travel request.

Prior to approval of the travel request form both the traveller and the person authorizing must ensure that budget is available for the requested travel related services. In a case where budget is not available for required travel services, shifting of funds from other items should be done and finalized prior to the travel request being sent.

All requests must be submitted to supply chain management office within the prescribed period. The policy also outlines the procedure on the emergency request other than poor planning.

All non-compliance such as no shows, in the bookings, amount exceeding the cost of accommodation or any extras not covered by the Travel Management Policies must be recovered in terms of the PFMA Section 76( for further details refers to Treasury Regulations Chapter 12). The role of Accounting Officers in line with Public Finance Management Act is outlined below.

## **2.4 ROLE OF ACCOUNTING OFFICERS IN PFMA ACT CONTEXT**

The roles and responsibilities of the Accounting Officers are outlined in section 38 of PFMA in line with the public sector. According to Fourie (2007:737) the Act provides for the internal control procedures in order to limit fraud, incorrect allocation, irregular, unlawful, futile and inefficient expenditure”. The key responsibilities of the Accounting Officers are outlined as follows in line with the PFMA Act Chapter 5 s (38:37).

- a) “Must maintain effective, efficient and transparent systems of financial and risk management and internal control”.
- b) “Develop a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with

regulations and instructions prescribed in term of section 76 and 77 of the PFMA”.

- c) “Must develop an appropriate procurement and provisioning which is fair, equitable, transparent competitive and cost-effective”.
- d) “Develop a system for properly evaluating all major capital projects.
- e) Economic use of resources”.
- f) “Must prevent unauthorised irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct”.
- g) “Manage available working capital”.
- h) “Manage and safeguarding of assets”.

Fourie (2007:737) further indicates the responsibilities of accounting officer are to develop internal control in the following procedures:

- a) “Financial delegation which determines the level of a rank and the amount that a person can authorise for disbursements”.
- b) “Must include fraud prevention plan”.
- c) “Financial internal control procedures captured in a manual, including all relevant policies”.
- d) “Management of supply chain procedures indicating the procedures to be followed for procurement and the functioning of the bidding committee”.

Therefore we discuss the role and responsibilities of Auditor general in line with PFMA Act in the following paragraphs.

## **2.5 ROLE AND RESPONSIBILITIES OF AUDITOR GENERAL IN PFMA CONTEXT ACT**

Auditors are appointed “in terms of section 58(1) of the PFMA. They must perform the functions of office as Auditor in terms of section 20 of the public accountants and auditors Acts of 1991(Act no 80 of 1991)”.

The duties of AG are outlined as follows in terms of the Act (PFMA).

- a) “Must have the access at all reasonable times to the accounting records, including all books of the government institutions”.
- b) “May investigate whether there are adequate measures and procedures in the internal control of the public affairs”.

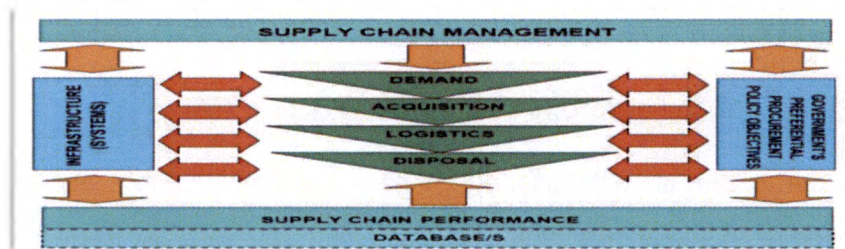
- c) "Must express an opinion on the financial statements of the government accounting records".
- d) "Must look at the materials aspects of the non-compliance relating to the records of the entity".
- e) "Must report to the executive authority any irregularities may occur during the audit".

Fourie (2007) indicates that the drive of the internal audit work is of assistance to Accounting Officer includes proficiency and competence, and by emerging references for enhancement or augmentation. According to Fourie (2007) the audit committee assesses the usefulness of the internal audit measures and assesses their discoveries, appraisal of the prevailing internal control measures. "National Treasury section 3, (1) 10" outlines the functions of the audit committee as follows.

- a) "Determine the effectiveness of the internal control systems".
- b) "Determine the effectiveness of the internal audit function".
- c) "Determine the risk areas of the institution operation to be covered in the scope of internal and external audit".
- d) "The institutions must comply with legal and regulatory provisions."
- e) "The activities of the internal audit function, including its annual work programme, coordination with the external auditors, the reports of significant investigations and the response of management to specific recommendations".

## 2.6 SUPPLY CHAIN MODELS

Supply chain management models comprise various elements linked in a specified process as shown in Figure 2.1.



**Figure 2.1: SCM Elements**

Source: Ambe and Badenhorst-Weiss (2012:11003).

Elements of the supply chain are discussed below as derived from the literature:

### **2.6.1 Demand Management**

The demand management is the first stage of the supply chain management process; it involves needs identification, procurement plan linked with the strategic plan of the organisation and budgeting process. According to the National Treasury (2004:25) it is regarded as the essential discipline in emerging unsurpassed practice within supply chain management. The Accounting Officer of a particular institutions responsibility; assist Accounting Officer with the needs assessments, it links the budgets with the requirements of goods and services, it ensures that needs form part of the strategic planning process, it identifies Economic order quantity, Lead times and commodity analysis.

### **2.6.2 Acquisition Management**

The acquisition process management outlines the buying process, evaluation of bid documentation, awarding of tenders and issuing of purchasing order as conceded in by Ambe and Badenhorst-Weiss (2012:11006). National Treasury (2004:11) describes the concepts acquisition management as traditionally, almost all the focus of procurement activity has been given to this stage. Acquisition Management unit ensures that bids are evaluated in accordance to the bids published criteria, all relevant cross functional members of the committee must be represented. The unit ensures that all relevant bids documentations are properly completed and signed. All relevant thresholds are adhered to example goods below R2000 including vat only one quotation is sourced between goods of value of R2001 to R30, 000 three quotations must be attached without strictly looking at the tender process. When goods are sourced from threshold of R30001 to R1000, 000 tender procedures must be strictly observed.

### **2.6.3 Logistics Management**

Logistic management is the process of receiving, certifying goods, rejecting non-compliance goods and recording stock as part of supply chain process. National Treasury (2004:86-88), defines logistic management as to connect, to coding items, setting of inventory levels, placing of orders , receiving and distribution or warehouse

management, expediting orders, transport management and vendor performance. It is recommended that there must be a unit specifically dealing with logistic management issues within the organization.

#### **2.6.4 Disposal Management**

The management of disposal is done through appointing disposal committee, disposing redundant goods, unserviceable obsolete goods, and creating databases of disposed items. It's recommended that the Accounting Officer appoint a disposal committee for each organization. According to National Treasury (2004:89), disposal is the final process when an institution needs to do away with unserviceable, redundant or obsolete movable assets. The committee identifies such items and decentralise them in one place, determines the cost effective methods of disposing and making endorsement to the Accounting Officer. The committee can recommend transferring such goods to another institution as a method of disposing or disposing of them by way of auction, or disposing them in a way of destroying assets. In case of disposing computer equipment, the relevant Department of Education has to be notified to make preparations for free transfer of such assets to educational institutions.

#### **2.6.5 Risk Management**

According to Ambe and Badenhorst-Weiss (2012:11006), Risk Management is the process of identifying risk within the Finance and Supply Chain field, by determining whether to avoid the risk, accepting the risk or transfer the risk and development of risk management plan. This was conceded in by National Treasury (2004:9) that, Risk management recognises that all the operations of an institution comprise some element of risk. Management should determine an acceptable level of risk in line with strategic goals of the organization to allow the risk. Further definition of risk is provided by Migiros and Ambe (2008:233), stating that risk refers to unintended or unexpected outcome of a decision or action. Similarly Naidoo (2002:117), defines risks as uncertain events which, left unchecked, could have negative effect on the performance of the department and Indicates that risk management can be viewed as, understanding the departmental objectives, identification of risk, assessing of risk and monitoring and evaluation of risk. In case of Supply Chain Management it is necessary to look at the pricing factor of goods and services, currency fluctuations and rates,

detection of fraud and corruption in awarding of contracts and tenders and identification of irregular expenditure and recover the money in terms of the Public Finance Chapter ten.

### **2.6.6 Supply Chain Management Performance**

The monitoring process adopted by the National Treasury (2004:91) and each department has customised the policy to suit their needs to implement supply chain performance". Supply chain performance determines whether the set or desired objectives have been attained. "Supply chain performance look at the issues such as , achievement of goals; compliance to norms and standards; saving generated, store efficiency, cost variance per item; contract breach, cost efficiency of procurement process, consistency with the policy, principle of co-operative governance as expounded in the constitution and economic disparities". Organization bid structure is discussed in the following topic.

## **2.7 BID COMMITTEE SYSTEM/STRUCTURE**

The supply chain management unit function with the number of the bid committee systems to acquire goods and services as per Bid committee policy. All goods and services must contracted in accordance with the system that is fair, equitable, transparent, competitive and cost effective as per the legal regulation of public procurement in South African Constitution Section 217 Bolton (2009:58).

### **2.7.1 Role Players in Bid Committee System**

- a) End-user- is the person who initiates the request to acquire goods and service.
- b) Committee members from cross function team, Finance, Human resources etc.
- c) Accounting Officer, Head of Department or Chief Director.
- d) Programme /Cost Centre Manager: according to Pauw *et al.* (2002:67) manages the vote or budget which is projected to purchase commodity or render a services.
- e) Supply chain management unit/directorate

In terms of the PFMA every Accounting Officer or Accounting Authority must delegate officials within his/her institutions, to deal with supply chain management functions. National Treasury further instructs Accounting Officer to establish a separate Supply Chain Management unit within the office of that institution, Chief Financial Officer, to implement the institution supply chain management system. Component is accountable for Supply Chain Management functions. The unit also serve as secretariat during the bid committee administration.

- a) Chief Financial Officer: is selected as the chairperson of the bid committee system if there is no dispute. If there are disputes the Accounting Officer may appoint any person with the relevant expertise.
- b) Legal expert: Accounting Officer can appoint legal expert internally or externally to advice on the bid committee system.

### **2.7.2 Bid Specification System (BSC)**

According to Bolton (2009:63), the Bid Specification Committee (BSC) is responsible for the compilation and drafting of specification for the procurement of goods and service by the government entities. Bolton (2009), indicates that BSC may also when appropriate include members who are external specialist advisors. The BSC committee must comply in line with the General Conditions of Contract and if the Bid is related to the construction it must also comply with the Construction Industry Development Board (CIDB).

Bolton (2009) proposed the following requirements in the compilation of the Bid documentation as required by the preferential procurement Act policy.

- a) "Bid documentation must declare any conflict of interest they may have in the transaction for which the bid is submitted".
- b) "Certificates stating that the bidder has no undisputed commitments".
- c) "Particulars of any contracts awarded to the bidder by an organ of state in the past 5 years and particulars with regard to any materials non-compliance or dispute regarding the execution of such contract".

- d) "A statement whether it is expected that any portion of the goods and services will be sourced from outside South Africa and if so the portion will be transfer outside South Africa".
- e) "Specification must be drafted as unbiased".
- f) "In drafting the specification it must not create trade barriers in contract requirements".
- g) "Specification must prescribe a specific criteria, 80/20 or 90/10 point scoring system".
- h) "They must include the closing dates and briefing dates".

The researcher supports the contents made by the author and in addition the researcher indicates that the specification committee must be precise and clear, the chairperson must be an official from the Demand management division. Specification must be approved by the Accounting Officer or the committee with the delegation from the Accounting Officer as per Procurement Policy. The bid specification submit the written specification documentation to the bid evaluation committee for further consideration or stages.

### **2.7.3 Bid Evaluation Committee System (BEC)**

The purpose of Bid Evaluation is to determine if the proposal received from the supplier adheres or complies with specifications and / or terms of reference and if such a supplier has the capability and skill to supply the goods/service as required. The bid highest on points, but not necessarily the lowest submitted price, should be selected for awarding of the contract as per procurement policy.

According to Bolton (2009:67), The Bid Evaluation Committee (BEC) is responsible for the evaluation of bids submitted in response to a public invitation for bids. Bolton states that the committee must as far as possible; consist of officials from the departments requiring the goods or services and at least one SCM practitioner. Further indicates criteria as follows:

- a) "The experience and track record of the bidder".
- b) "Technical knowledge and capacity of the bidder".
- c) "The possession of appropriate licenses and permits".
- d) "The ability of the bidder to comply with the delivery schedule".

- e) "The bidder record of business ethics and integrity".
- f) The capacity to perform the work.
- g) Qualifications and competence of the personnel of the bidder.

However Lai *et al.* (2004), provide another consideration different from Bolton (2009) by outlining the following procedure for bids evaluations in displaying the following important aspects.

- a) "Degree of response to the bid documentation".
- b) "Construction organization design".
- c) "Firm honour and competence".
- d) "Bid prices and the amounts used for materials".
- e) "Range for reducing cost".
- f) "Comprehensive evaluation and examination".
- g) "Level of qualification of the project manager".

The bid evaluation committee is responsible to make recommendation to the bid adjudication committee in the form of a report as per procurement policy.

#### **2.7.4 Bid Adjudication Committee (BAC)**

The bid adjudication committee is the highest decision body for purchasing of goods and services or any other project embarked by the department in terms of the Preferential Procurement Policy Framework Policy Act of 2000 as amended in 2011. Bolton (2009).

The bid adjudication committee must consider the report and recommendations of the Bid Evaluation Committee; this will depend on the delegations of the committee, Bolton (2009:78), further indicates that if the committee cannot make the final award they will make recommendation to the Accounting Officer or Provincial Manager if it is in provincial Department, in municipality it will be Municipal Manager. The committee comprised of senior officials, and the chairperson is the Finance Director or Chief Financial Officer in the bigger department. If the chairperson is not available the committee is eligible to elect the interim chairperson. In considering the report, the bid adjudication committee must act independently from the bid evaluation committee.

The PPPFA Policy allows the members in the committee to reject or recommend further on the decision brought from the Evaluation committee reports, and the bid adjudication, must look at the following issues to award the contracts

- a) Consider the reports from Bid Evaluation Committee which includes.
- b) Date of meeting, bid number and description.
- c) Date of closure.
- d) List and number of bids received on closing date.
- e) List of qualifying bids.
- f) List of disqualifying/rejected bids and reasons thereof,
- g) Recommendable bid and reasons thereof.
- h) Sheets indicating points obtained.
- i) Ensure that recommendations of the secretariat must be clear and to the point.
- j) Attachment of specific Act should be the reference from the Acts.

#### **2.7.5 ROLE OF SECRETARIAT IN BID COMMITTEE SYSTEM**

Role of secretariat from SCM unit as per Supply Chain Management policy must include the following:

- a) Convey bid meetings.
- b) Keep and record the minutes of the Bid adjudication committee.
- c) Keep the register.
- d) Is without the voting power in awarding the bid or tender.
- e) Ensure that the chairperson signs all the adopted minutes.
- f) File all the minutes.

#### **2.8 CHALLENGES FACING THE SCM CONTRIBUTING TO NON-COMPLIANCE**

The discussion below seeks to propose the challenges causing non-compliance in Supply Chain in line with Public Finance Management Act as supported by literature review in Figure 2.2 below.

Figure 2.2: Challenges facing SCM Management



Source: Researcher own design

Figure 2.2 Pyramid displaying challenges facing the SCM leading to non-compliance with PFMA and SCM policy. Sources primary data

### 2.8.1 Lack of Proper Knowledge, Skills and Capacity.

Lack of knowledge, skills and capacity is suggested as one of the key factors to look at as contributory reasons for non-compliance with SCM and Finance unit, according to Ambe and Badenhorst-Weiss (2012:250), who also stated that “skills and capacity shortages have been identified as the single greatest impediment to the success of public procurement in south Africa”.

Ambe and Badenhorst-Weiss (2012) in the same article imply that “many SCM actors in the South African public sphere have attended a number of training workshops on Supply chain management, but they still lack the appropriate knowledge for proper implementation.” This has been argued by MacCarthy (2006:4) who contends that there is a lack of capacity and knowledge by Supply chain management actors to handle procurement processes that have led to bad governance.

The researcher agrees with the views of McCarthy. However the researcher views the word actors as a subjective statement assigned by both authors, because most actors are seen not people who are originally appointed as role players of Supply chain

management, instead the word role players should be imputed. Role players in Supply Chain must take full responsibility.

Ameyaw *et al.* (2012:63), recommend training of procurement officers, suppliers, contractors and consultants in order to have an understanding in procurement process. Yet Tukamuhabwa (2012:38), argues that if the workforce is not adequately educated in procurement matters serious consequences which will result in breaches of codes of conduct. This suggests that if the training and workshops are conducted without transferring of skills, it is regarded as fruitless expenditure which contravenes Public Finance Management Act (PFMA) Number 1 of 1999; therefore management should take rational steps to prevent these transgressions in supporting the views of both authors.

Matters of non-compliance have been mentioned by Boer and Telgen (1998) “non-compliance problem affects not only the third world countries but also countries in the European Union”- Further, the view of Gesuka and Namusonge (2013:3), contend that compliance in public procurement is still a major issue, . When there is lack of skills, knowledge and capacity these will contribute to “non-compliance with the policies and regulations, as discussed below.

### **2.8.2 Non –Compliance with the Policies and Regulations**

Non-compliance with the policies and regulations within Finance and Supply Chain Management on its own derails the commitment of compliance, are the views supported by Mathee (2005) and Ambe and Badenhorst-Weiss (2012:250). Mathee (2005) agreed that non-compliance with the policies and regulations such as lack of suitable bid committee system, the use of controversial suppliers, approval of bids for improper explanations and not adhering to procurement thresholds are sufficient reasons to warrant non-compliance in Supply Chain and Finance.

According to Gesuka and Namusonge (2013:6) suggests that “compliance with the formal elements gives an indication of knowledge of the rules” . Both authors also maintain that public purchasers will comply with the rules if they perceive them as clear. On contrary Fiorino and Bhan (2016:2), agree that lack of familiarity with the procurement rules resulted lack of compliance.

Supply Chain Management unit is governed by policies and regulations to ensure that supply chain management process is followed appropriately. However this unit is more vulnerable to non-compliance of such policies in place. Ambe and Badenhorst-Weiss (2012:250) again note that there are insufficient controls and procedures for evaluation of bids, nomination of committee members not aligned to Acts; and insufficient motivation for deviations from SCM procedures.

Therefore, when there is no compliance in policies and regulations, Political and corruption factor tap in as reasons as outlined below.

However Dlamini and Ambe (2012:285), "argued that the obtainability of policies and procedures do not lead to compliance, since in certain situation policies become unclear, fragmented or nonspecific". Further indicate that policies sometimes may deprive the organization an opportunity for a new innovation, as people are afraid to do the new things with the fear of contravening the policies.

### **2.8.3 Political and Corruption in Supply Chain**

These study conducted by Ameyaw *et al.* (2012:55) identifying various bottlenecks to the Ghana public procurement law in launching the "Public Financial Management Reform Programme" in order to expand financial management in Ghana, discovered the Political Factor as a solution to influence decision in implementing proper financial management.

Some of the bottlenecks are identified in the review by Annual Reports of 2005, according to Ameyaw *et al.* (2012:56), are "inadequate funding, deficient staff strength, and logistical limitations as barriers to the smooth operations of the authority". However, in addition to that "Political interference with the procurement processes poses a challenge to the implementation process and public procurement reforms reported by World Bank report", Ameyaw *et al.* (2012:58) and corruption in public "procurement of goods and services" contribute to "non-compliance with supply chain process".

Again "lack of transparency and accountability were recognized as a major threat to integrity in public procurement as suggested by OECD 2007a, Gesuka and Namusonge (2013:7), and little effort has been made to combat corruption, by the

Philippine government when they established inter-Agency Committee in 1997 to act as Umbrella and organising body, Jones (2007:18).

The researcher agrees that corruption may cause non-compliance in public procurement, but laments that corruption is not found only in government institutions, but equally is not revealed in private sector and other structures of public services. Therefore the researcher does not fully agreed with Gesuka and Namusonge (2013), views. The following discussions are on code of ethics as advanced reasons for non-compliance by different authors.

#### **2.8.4 Code of Ethics for Supply Chain Practitioner**

The officials in Supply Chain Management need to adhere to the code of professional conduct and ethics when dealing with the suppliers and performing their duties as Supply chain practitioners. According to Karjalainen *et al.* (2009:245), contend with that, a purchaser may have a vested interest in a supplier, and the purchaser may place his own interests above those of his employer. Bolton (2006), demonstrated that “the organs of the state must procure goods and services in a manner which is fair, competitive, equitable, cost effective and transparent”.

The Public Finance Management Act allows the officials in Finance and Supply Chain to exercise accountability when executing their functions as discussed below.

#### **2.8.5 Accountability and Transparency**

The main purpose and objective of the Public Finance Management Act number 1 of (1999) is to promote accountability when dealing with public funds. The officials in Supply Chain in Home Affairs are accountable to the Head of procurement and the Head in procurement is accountable to Director Finance and the Director is accountable to Provincial Manager, as goes further below.

Provincial Manager is accountable to Director General in the National Office of Home Affairs up to the level of Parliament which is accountable to the public. Therefore according to Gesuka and Namusonge (2013:3), due to the colossal amount of money involved in government procurement and the fact that such money comes from the public there is need for accountability and transparency. To seek improvements to the accountability and administration of the procurement function, the government expects department and agencies to exploit fully procurement's potential to add value to the

program delivery, purchasing Australia 1995 as conceded Kokor (2015). The researcher asserts that the issue of accountability involves every official within the area of his or her responsibility. This is conceded Booth (2014:2), stating that the supplier may be responsible for the service but the procuring organization is always going to take accountability. For example, of British Airways in August 2005 when it's catering suppliers, reduced work in an effort to reduce UK running costs. This led to 900 flights being grounded, 100,000 travellers delayed resulting in an estimated loss of 45million dollars .Lack of Accountability and transparency may attract the media and Publicity as discussed below as the factor.

#### **2.8.6 Media Publicity**

Tukamuhabwa (2012:36), states that, "The media play a critical role in corporate compliance". And added that in Malaysia, wide publication of tenders in the media such as newspapers and websites could help reduce corruption by increasing transparency and participation, thereby enhancing public procurement compliance Tukamuhabwa (2012), maintains that when media exposure reduces the incidence of wrongdoing through press coverage that highlights instances of wrongdoing .

This researcher argues that non-compliance exists irrespective of the media exposure as people need the limelight from the media coverage, and the media also needs to be transparent and accountable for the issues reported and need not take sides on the issues involved in non-Compliance In the Supply Chain and Finance.

#### **2.8.7 Poor Planning and Budgeting**

Budgeting and planning for material goods has been a major challenge. Ambe and Badenhorst-Weiss (2012:251), indicate that poor planning and budgeting have also affected the implementation of Supply chain management and PFMA. Therefore, this is supported as there is such a need to link the demand with the budget to address non-compliance by Supply Chain Manager. According to Thai (2009), since the procurement process takes long, it is important to encourage the planning as soon as the institutions have identified their needs. Whereas Hugo *et al.* (2002:16) argue that planning for SCM must take in to consideration the external factors or the environment such as customers, suppliers and other officials in supply chain management.

### **2.8.8 Lack of Monitoring and Evaluation**

According to Lopez-Acevedo *et al.* (2010) , good monitoring and evaluation provide a basis for sound governance and accountability, by public policies in supply chain management. They further indicate that lack of monitoring and evaluation is associated with the absence or the poor presence of a control environment which makes it difficult to implement and comply with the supply chain management process. This is conceded to Stemele (2009), stating that there is lack of monitoring and evaluation as needed.

### **2.8.9 Organizational Culture and Compliance**

Organizational or corporate culture is the set of values, norms, beliefs, attitudes and assumptions that may not have been expressed but shape the ways in which people behave and the way things are completed ( Gesuka and Namusonge (2013:7). These authors conceded that the way departments or organizations are practising the culture may have a great influence and as well play a dominant part in adherence with the process and related results. They believe that rules and regulations in supply chain management are influenced by the culture. Therefore, organizational culture affects public procurement compliance.

## **2.9 CHAPTER SUMMARY**

This chapter has provided argument's from different authors on the matters of non-compliance mentioned in the literature study as well as detailed objectives of Supply Chain Management as per policies, how legislative frameworks govern compliance in SCM, with specific reference to the Constitution of the Republic of South Africa, followed by overview of Public Finance Management Act and other Acts relating to Supply Chain Management. The Supply Chain Management Policy in line with the PFMA and the Constitution, National Treasury regulations relating to provisioning and acquisition of goods and services, has all been discussed.

This chapter also covers the role and responsibilities relating to Accounting Officer and the Auditor General in line with the PFMA contexts. The section on the Supply

Chain Models which includes; demand management, acquisitions management, logistic management, disposal management, risk management and supply chain management performance as per Accounting Officer guidelines and Procurement Policy. This chapter outlines the bid committee system or structure, which includes bid specification, evaluation committee, adjudication of bids and the role of secretariat in the bids from the literature reviewed.

This chapter is concluded by reviewing the different challenges facing supply chain management which could lead to non-compliance with Public Finance Management Act and other related Acts subsequent to the Supply Chain Management. The next chapter is Chapter three; provide discussion on the research methodology. The chapter outlined methods, process, procedures and techniques of how this study has been undertaken.

## CHAPTER 3

### RESEARCH METHODOLOGY

#### 3.1 INTRODUCTION

This chapter explains how the research problems have been studied while perceiving why particular research designs, strategy and techniques are often prescribed. The chapter furthermore describes how the study has been undertaken including other matters of importance such as sampling strategy, research instrument, how data collection procedure unfolds, data analysis, validity and reliability and a summary of the research design.

The intention is to look at the various methods that apply in the research under study. Research *methodology* illustrates the system, process, procedure or strategy that can be used as described in the chapter. The research methodology is related to the research questions, objective as well as problem statement.

##### 3.1.1 The Research Approach

Research can be conducted in various manner and incorporate both theoretical and methodological approaches as conceded by Burney (2008:6).

The generic research approach in the scientific research is the deductive and inductive research approaches, according to Bryman (2014) .

The deductive theory denoted the most shared view of the nature of the relationship between theory and research. Based on what is known about a particular domain, in theory and practice the researcher deduces a hypothesis that must then be subjected to empirical scrutiny, whereas inductive research theory, as the researcher infers the implications of his or her finding for the theory that prompted the whole exercise. Research design strategy is discussed in the next paragraph.

### 3.2 RESEARCH DESIGN

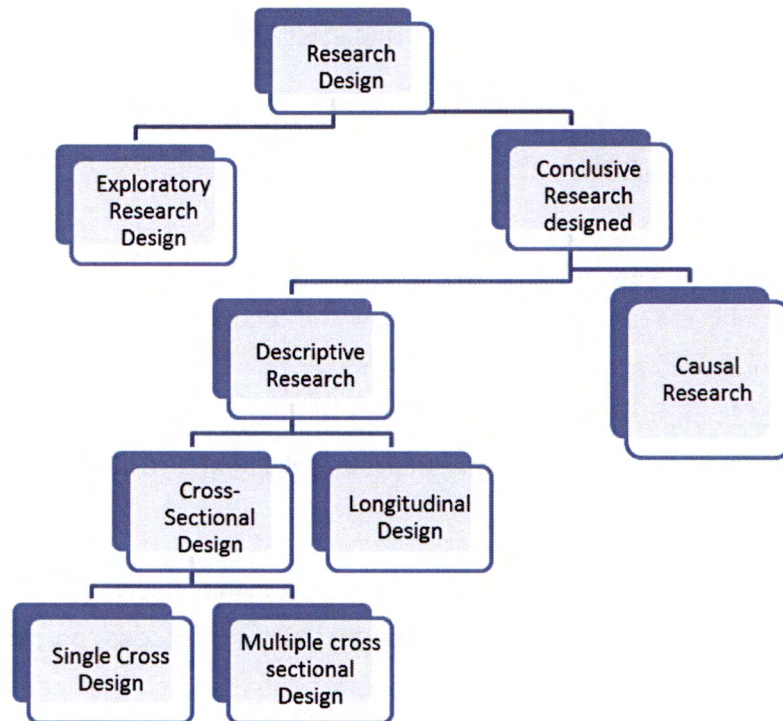


Figure3.1: Source (Creswell & Clark, 2007)Research design diagram

Figure 3.1 displays different types of design strategy used by Creswell and Clark (2007) and also outlined by Bryman (2014:100) which are defined below.

Saunders *et al.* (2009:595), describe research design as the general plans of how will the one go about in answering the research questions and the problem statement. Whereas,(Creswell & Clark, 2007:4) see research design as a plan of action whereby the philosophical perspective is linked to specific research methods depicted above in Figure 3.1. They also see research design as a blueprint of how one anticipates conducting the research.

The nature of the study undertaken by a researcher allow for qualitative or quantitative research approach, or with other methods explained below.

### **3.2.1 Explorative Designed Approach**

Exploratory research design tactic does not target to provide the final verdict irrefutable outcome to the researched questions and problem statement but simply discovers the research topic with the variable levels of profundity. According to Mouton and Marais (1988), an explorative approach to research aids the research to get better understanding of the research problem or phenomenon. This research design is relevant to the study since the design will help the researcher to have a better understanding of the research problem. Explorative designed approach will help the researcher to explore and understand the level of compliance of Supply Chain Management in line with the PFMA Act framework.

### **3.2.2 Conclusive Research Design**

Conclusive research design is characteristically proper and better planned than exploratory research. It is mostly used for study that is based on large representative and samples, and the data obtained are subjected to quantitative analysis approach. Conclusive research designs may either apply to descriptive or causal and descriptive designs and may be either cross-sectional or longitudinal study. Therefore, the researcher viewed this type of the design as not suitable for the type of the study needed in this research since the design represents a large amount of representatives, whereas the study is focused on selected and suitable qualifying officials suitable to response the research questions and the problem under study.

### **3.2.3 Casual Inquiry**

Casual research strategy is normally used where a study is based on a single variable or factor. This study design is not suitable for the present study the study is looking at more than one variable, non-compliance as variable and the Supply Chain Management framework and Public Finance Management Act.

### **3.2.4 Panel Data**

Panel data identified as longitudinal data or cross-sectional time series data in certain exceptional suitcases; data is derived from a usually small number of populations over time on a usually large number of cross-sectional units like individuals, households, firms or governments (Bryman and Bell 2011). Cross-

sectional approach research collects data at a single point in time, whereas in longitudinal approach, the researcher collects data over time, meanwhile longitudinal studies sometimes lasting many years. (Bryman and Bell 2011). The benefit of longitudinal studies is that researchers are able to detect developments or changes in the characteristics of the target population at both the group and the individual level. The study can take the form of observations for a period of past years, whereas cross-sectional studies can be done more quickly than longitudinal studies. The researchers start with cross-sectional approach first and establish whether there are links or associations between certain variables. Both approaches are observational studies, where the researcher is able to record information about the problems under study without manipulating the environment. According to Bryman and Bell (2011:106) cross-sectional strategy allows the researcher to collect both the qualitative data and quantitative data and it is only probable to examine relationships between variables not causality, because the researcher cannot manipulate any of the variables.

In this study the researcher used *cross-sectional design* as the key research design strategy. The research methodology is described below.

### **3.3 RESEARCH METHODOLOGY**

The research methodology outlines how the research is done or conducted. According to Saunders *et al.* (2009:595), Methodology is the theory of how research should be undertaken, including the theoretical and philosophical assumptions upon which research is based and the implications of these for the method. There are different sorts of research methodology which are quantitative, qualitative research method or mixed method. This study uses both qualitative approach and quantitative approach as it is applicable to answer the problem statement and the research questions. The study seeks to explore more knowledge based on human perspective and opinions of the individuals. That applies to qualitative method.

The qualitative research approach is outlined by Bryman (2014:31), as emphasising words not numbers, using inductive approach, building theory, rejecting the practices

and norms of the natural scientific model and of positivism in particular, in promoting social reality. This is concerned by Bryman (2014) states that qualitative methodology means that there is no manipulation of numbers. The method describes people's opinion.

(Brynard, 2006) uphold that qualitative methodology permits the researcher to know the people personally by seen their daily struggles. Brynard (2006) further indicate that methodology focuses on the process of research and decision that the researchers have to take to perform the study.

The study uses in part quantitative approach which is deductive reasoning. According to Bryman (2014) quantitative research approaches tend to :

- a) "Adopt a deductive approach to the relationship between theory and research and therefore the emphasis is on testing of theories".
- b) "The methods incorporate the practices and norms of the model of the natural sciences and of positivism in particular".
- c) "Embody a view of social reality as an external objective reality". Therefore the researcher uses this approach as some of the questions are analysed using Statistical Package For The Social Science (SPSS Version24), Which requires measurement, standard procedures. The numbers in this regard simplify the reporting patterns. The other challenge on hand is that there is no specific software to assist the research in coding except SPSS.

### **3.4 STUDY AREA**

The study was carried out in the Department of Home Affairs in North-West – Mafikeng Provincial Office. The respondents were chosen carefully based on their expertise in the relevant units under study within the area of their functions.

### 3.5 STUDY PARTICIPANTS

The target participants of this study are the Provincial Manager's Office (PMO) consisting of Supply Chain Practitioners (3), Procurement Committee Members (6) Finance Officers(2) , Expenditure officer (1), Transport officers (2) Assistant Directors (3) , Deputy Director (1), Director (1) , Chief Director (1) , Personal Assistant to Director (1) and Interns (4).

The total number of participants of the study is 24 officials, 16 females and 8 males.

According to Johnston (2014) a population is the total set of items or people that a researcher is interested in studying. The population under study is made up of who possess the characteristics of the dynamics and technicalities occurring under SCM unit. Table No: 3.1 below reflect the summary of the units of study.

**Table 3.1: Units of study**

Division/Unit	Designation	Number	Gender
Finance & Support	Director Finance	1	Male
	Personal Assistant	1	Female
Supply Chain Unit	Assistant Director	1	Male
	Senior Provisioning Officer	2	Female(2)
	Provisioning Clerk	1	Female
Procurement committee Members	Office Managers (Civic services)	5	2 Males , 3 Females
	District Coordinator	1	Female
Finance Unit	Assistant Director	1	Female
	Senior State Accountant	2	Male (2)
	State accountant	1	Female

Asset Management	Assistant Director	1	Female
	Interns	4	Female(4)
PMO office	Chief Director	1	Female
Transport	Admin clerk	2	Males (2)
Total units		24	

Source: Primary data

### 3.6 SAMPLE SIZE AND SAMPLING PROCEDURE

The researcher used purposive sampling technique (non-probability sampling technique) for data collection (Bryman and Bell 2011). The respondents were purposively selected based on their level of expertise, judgemental and characteristic suitable for this study. The main drive of purposive sampling was to focus on particular characteristics of the population. The target population includes Supply Chain Practitioners (3), Procurement Committee Members (6) Finance Officers(2) , Expenditure official (1), Transport officials (2) Assistant Directors (3) , Deputy Director (1), Director (1) , Chief Director (1) , Personal Assistant to Director and Interns (3).

The total number of units of the study is 24 officials. The characteristics of the units of the study are 15 females and 9 males.

The researcher also includes the use of Census as sampling strategy as this strategy looks at the expert opinions of the units of study, and employing both qualitative and quantitative approaches. Census is defined as examining the entire population according to Bryman (2014). This strategy is supported by Saunders *et al.* (2009) who states that Census is a suitable method advanced for the study because it enables the researcher to collect and analyses data from every possible population under the study. A census is a study of every unit, everyone or everything, under population. This strategy is suitable based on the population of the study, who are manageable in terms of the small number. All the population is derived from same area of the operation.

### 3.7 RESEARCH INSTRUMENT

Research instrument are measurement tools designed to obtain data. (Bryman, 2014). Structured open ended questionnaires were utilised as the main tool for the data collection for this study. The questionnaire was divided in to two parts. Section A is the personal information of the respondents and Section B includes both structured and open ended questionnaires. Section B 1 seeks to determine the reasons for non-compliance in supply chain management and justification thereof, Section B2 sought to determine the role of supply chain management in order to prevent non-compliance. Sections B3 and B4 pursue to understand the training, needed for the supply chain management practitioners and explore strategies covering the policies, process and suggestions that can be used to improve supply chain management compliance. The responses were assigned weightings based on five point Likert scale (Strongly disagree 1, disagree, 2 not applicable 3, agree 4, and strongly agree 5).

The questionnaires were all distributed to the respondents on the 22 August 2017; all the respondents were informed to return the questionnaires on the 28 August 2017. All questionnaires were returned on the agreed time frame. The five officials were stationed outside the Provincial Office therefore, email was used to reach them and they did respond through by an email on the agreed time framework.

### 3.8 DATA COLLECTION PROCEDURE

“Questionnaires are General term including all data collection techniques in which each person is asked to respond to the same set of questions in a predetermined order” by (Saunders *et al.*, 2009:599).

The researcher did not use other methods such as interviews since the officials and management indicated that they would not be comfortable to provide full information when they are being interview due to fear of being interviewed. Therefore an introductory letter was written to Director Finance and support of Department of Home Affairs seeking the consent to undertake the study. The purpose of the study was

explained to the respondents with instruction to complete the questionnaires. Therefore the data were collected using questionnaire developed and distributed to the employees of the department responsible for Supply Chain Management and other relevant structures in Finance, involving 24 officials in the department.

The researcher used self-administered questionnaires. Which is define as “data collection technique in which each respondent reads and answers the same set of questions in a predetermined order without an interviewer being present”(Saunders *et al.*, 2009:362). Use of self-administered questionnaires was convenient because questionnaire were administered electronically using the internet. The respondents chose to respond back by email or print out the questioner and hand over personally or allowed the researcher to collect them in agreed time per individuals.

The questionnaire was kept simple and straight forward to avoid confusion. The respondents were assured that the information collected would remain confidential and be the property of the university. This was implemented in order to gain first-hand information. All questionnaires were completed and returned by the respondents.

### **3.9 DATA ANALYSIS PROCEDURE**

Data Analysis is the process or systematic application of statistical and /or logical techniques to describe and illustrate, summarize and recap, and evaluate data.(Bryman, 2014). In this study the researcher will be using both qualitative and quantitative methods approach to analyses data to address the research problem statement and questions.

The researcher used a thematic content analysis techniques (TCA) , which allowed the researcher to get hidden and deep information from the respondents for analysis (Wilbraham, 1995).

The technique allowed the researcher to get deep information from the respondents to address the research problem. Analysis procedure went as follows. Summarizing the key points and words, analyzing data in tabling format and interpreting thereof and comparing data with the research questions and objectives. The completed questionnaires were checked and edited to ensure the completeness, consistency and readability. Thereafter the information was arranged in formats to be analyzed easily. Descriptive analysis or Univariate analysis was used for quantitative analysis data.

Univariate analysis refers to the analysis of one variable at a time. The researcher used frequency table, providing the count or number of respondents and the percentage belonging to each of the categories for any type of variable (Bryman, 2014).

The quantifiable data that apply to quantitative methods from the questionnaires were coded in a "Statistical Package for Social Sciences" (SPSS version 24).

Other methods used include inferential statistics, Phi and Cramer Method (Bryman, 2014). The concept is explained below.

"Inferential statistics are techniques that allow the researcher to use these samples to make generalizations about a particular phenomenon or populations from which the samples were drawn"(Bryman, 2014). It is therefore pivotal that the sample accurately represents the population. The process of achieving this is called sampling. "Inferential statistics arise out of the fact that sampling naturally incurs sampling error and thus a sample is not expected to perfectly represent the population". Inferential statistic comprised of the following methods.(Bryman, 2014)

- a) "Cross-tabulation"
- b) "Pearson correlation coefficient"
- c) "Analysis of variance (ANOVA)"
- d) "Analysis of Co-variance ( ANCOVA)"
- e) "Chi-square Test"
- f) "Hypothesis Testing"
- g) "Estimation ( using confidence intervals)"
- h) "T-test"

The researcher used Cross- tabulation methods on the above methods; "Cross tabulation is a simple, easily understandable first step in such quantitative data analysis. Cross –tabulation displays the distribution of one variable within each category of another variable, it can also be termed as bivariate distribution, since it shows two variables at the same time" (Bryman, 2014).

Phi and Cramer Method defines the relationship between two variables. This statistics is normally accompanied by statistician called eta which expresses the level of association between the two variables.

### 3.10 RELIABILITY

Reliability is the extent to which a test would give consistent results if applied more than once to the same population under the study, (Bryman, 2014). The use of reliability applies to both quantitative and qualitative research methods. Methods implies mainly quantitative research study where great prominence is positioned under recapping, testing and coming up with the identical outcomes and types of reliability studies. (Bryman, 2014).

- a) "Stability – In this case the reliability is measure of consistency over time and over samples which are the same or similar".
- b) "Equivalence- is the form of test which is equivalent to a test that yields the same results, or where the researcher made the same interpretations from a specified set of data (inter-rater reliability)".
- c) "Internal consistency, in this study is where the test is administered once only and reliability established by splitting the test in half, and hoping the respondent will score similarly on both shares of the test (split half method)".

When the two researchers independently studying the identical situation. Following comparison were found by the Author. (Bryman, 2014).

- a) The researchers will choose to make observations using the same population on different occasions, to determine if they will get the same result.
- b) Determine if the respondents were requested to fill the questionnaire for second time if response will be the same from the same population. In this instance the result may be not be the same suppose the respondents were asked of their experience and qualification for the following year, surely changes may be incurred.
- c) If one used the structured observations programmed, come up with the same outcomes.
- d) If the reliability appears high the researchers come up with one conclusion
- e) Meanwhile conclusions are not the same investigations must be done to find out about the variances.
- f) Cronbach's Alpha reliability is concerned with positive correlations. Method will be suitable when using quantitative researched method to address the research

questions and the problem of study .Information is reliable when the same amount of questions is asked and expects the consistent amount of answer.

### 3.11 VALIDITY

Validity is used in research studies to measure the quality of information provided by the researcher. Validity tells us whether an item measures or describes what it is supposed to measure or describe, (Bryman, 2014).Information can still be reliable but only to find that is not valid. Example is that the information about the qualification and experience can still change when the test is repeated to the same population of the study in the time series studies.

There are different types of Validity

- a) Criterion Validity is concerned with “degree to which a measure relates to some external criteria”. (Bryman, 2014:26) .The validity refers the truthfulness of the information.
- b) Internal validity  
According to Bryman (2014:26),“internal validity is concerned with the question of whether a conclusion that incorporates a causal relationship between two or more variable holds water”. Example, if one suggests X cause can we be sure that it is X that is responsible for the variation in Y and not some other variable? Internal validity raises the question: how confident can we be that the independent variable really is at least in part responsible for the variation that has been identified in the dependent variable”?
- c) External validity  
External validity explaining generalization on inferences specific to scientific research method, is normally based on the experiments validity. Example; normally scientists use the animals like chimpanzee when they want to test whether a particular medicine can work in a human being , since by science we are likely to be like monkeys, in doing that the researchers will be experimenting .

d) Ecological validity

Is type of research that involves or captures the real life or modern life styles of the people, based on people opinions, values, attitudes and knowledge that they have accumulated on the subject matter.

### 3.12 ETHICAL CONSIDERATION

The researcher received ethical clearance from North West University Research Department, to conduct research on determining non –compliance in supply chain management in, Department of Home affairs North West Province. The researcher also received a permission to conduct research under study. The research process has been summarised below.

### 3.13 THE RESEARCH PROCESS IMPLEMENTED IN THE STUDY

Table 3.2 display the layout applied of research process. It outline the study, research design strategy, population, sampling techniques, Data collection method, data analysis procedure, study limitation and Ethics.

**Table 3.2: Layout of the research process**

<b>Study purpose</b>	To determine Compliance of PFMA in line with SCM
<b>Research design</b>	Descriptive and exploratory study
<b>Research approach</b>	Deductive and inductive approach Both methods
<b>Research strategy</b>	Cross sectional design strategy
<b>Population</b>	24 officials in the department of home affairs
<b>Sampling strategy</b>	Purposive sampling, Census
<b>Assumptions</b>	Reliability and validity
<b>Data collection method</b>	Structured questionnaires and open ended questions
<b>Data analysis</b>	Descriptive and content analysis , SPSS 24
<b>Ethics</b>	Is achieved by informed consent , NWU ethics guidelines and confidentiality undertaken by the researcher
<b>Limitations</b>	The study is limited to Department of Home Affairs in North West Province.

**Source:** Adapted from (Ambe & Badenhorst-Weiss, 2012:188)

### **3.14 CHAPTER SUMMARY**

The structured questionnaires and open ended questions were applied to collect data from SCM practitioners and Management of Home affairs in Mafikeng provincial Office. The government department encounters non-compliance in supply chain management during the time of Audit. The researcher conducted the study in the department within his portfolio and requested the respondents to complete the questionnaire in order to determine the level of the compliance within the section. The study is concluded by explaining the important concepts such as reliability, validity and layout of the research process of the study. The next chapter is chapter Four comprised of data analysis and interpretation of the result, using descriptive, inferential and Cramer methods.

## CHAPTER 4

### DATA ANALYSIS AND INTERPRETATION OF RESULTS

#### 4.1 INTRODUCTION

This chapter highlights the analysis of data, interpretation and discussion of major findings based on the topic under the study. Data were collected using self-administered questionnaire. The questionnaire was distributed to the 24 respondents within the Department of Home Affairs, North West Province. The respondents were carefully selected based on their expertise from Supply Chain Unit, Finance Unit and Procurement Committee Members from cross functional units in the Province of North West, Director Finance and Provincial Managers of the Province.

A total of 24 questionnaires were returned, all were valid. This suggests that there were no invalid questionnaires. The analyses consist of descriptive analysis, inferential statistics analysis and Cramer V method. The analysis was compiled using the Statistical Package for Social Science (SPSS) Version 24, using the descriptive statistics in a table format and inferential statistics.

The questionnaire was adopted in this analysis and the table subheadings provide significant meaning, to the data.

#### 4.2 DESCRIPTIVE STATISTICS ANALYSIS

**Table 4.1: Gender wise classification of employees.**

Gender	Frequency	Percentage
Male	9	37.5
Female	15	62.5
Total	24	100.0

Source: Primary data

Table 4.1 indicates that 62.5% of the employees are female, while 37.5% of the employees are males. This implies that the demographic profile shows that more females than males participated in this application.

**Table 4.2: Classification of the respondents based on their positions.**

		Frequency	Percentage
Valid	Chief Director	1	4.2
	Director	1	4.2
	Assistant Director	5	20.8
	Senior State Accountant	2	8.3
	State Accountant	1	4.2
	Admin Clerk	2	8.3
	Other	12	50.0
	Total	24	100.0

Source: Primary data

Table 4.2, indicates 50% of employees were occupying the other positions under Other category which includes, Interns, Senior Admin Officers in the Office of the Provincial Manager and local office Manager, at level 9 and 12 at the district office representing the Procurement Committee, 8.3% represent Admin Clerk, 4.2% represent state accountant, 8.3% represent Senior State Accountant, 20.8% represent Assistant Director, 4.2 % represent Director and Chief Director respectively. This implies that all the respondents have been equally representative and their professional inputs were measured in determining non-compliance in Supply Chain Management.

**Table 4.3: Ethnic group.**

		Frequency	Percentage
Valid	Black	21	87.5
	Coloured	2	8.3
	White	1	4.2
	Total	24	100.0

Source: Primary data

Table 4.3 indicates that the most group under organization employees are black, making 87.5 %; 8.3% of the coloured community and followed by 4.2% in the white category. It is found that there is no employee representing Indian community. The results indicate that there is still a need to balance the race in the next recruitment in

order to comply with the “Employment equity Act, No 55 of 1998”. The Act promotes equal opportunity and fair treatment in employment.

**Table 4.4: Qualification of the respondents.**

		Frequency	Percentage
Valid	Grade 12	5	20.8
	Diploma	15	62.5
	Degree	3	12.5
	Postgraduate diploma	1	4.2
	Total	24	100.0

Source: Primary data

Table 4.4, Indicates 62.5% have diploma, 20.8% have only Grade 12, 12.5% possess degree, while 4.2% have postgraduate diploma. It could therefore be concluded that majority of the employees have post matric qualification, this could help the department to use their expertise and knowledge to contribute in addressing non-compliance in Supply Chain Management.

**Table 4.5: Age of respondents.**

		Frequency	Percentage
Valid	Below 25 years	1	4.2
	Between 25 to 40	11	45.8
	Between 40 to 55	8	33.3
	Above 55	4	16.7
	Total	24	100.0

Source: Primary data

Table 4.5, indicates that the ages majority of the respondents were between 25 to 40 reflecting 45.8%, followed by age group between 40 to 55 years at 33.3 %, above 55 age group with 16.7 % and the smallest age group below 25 years at 4.2%. This shows that there is balance between the youth at the work place and the veteran or matured employee's .This means that the organization is in good position in terms of maintaining their work force.

Table 4.6 below the results show that 41.7% have 15 years and above, of work experience, followed by 29% of employees who have 5 to 10 years of experience, 25% of employees have less than 5 years of experience and 4.2% of employees having 10 to 15 years. This shows that majority of the employees are having

experience above 15 years. These employees may be able to share their experience with the new employees to increase the capacity of their work in the supply chain management.

**Table 4.6: Employees based on their experience**

		Frequency	Percentage
Valid	Less than 5 years	6	25.0
	5 to 10 years	7	29.2
	10 to 15 years	1	4.2
	Above 15 years	10	41.7
	Total	24	100.0

Source: Primary data

**Table 4.7: Official does not always comply with SCM Policies and Regulations.**

		Frequency	Percentage
Valid	Strongly Disagree	4	16.7
	Disagree	8	33.3
	Not Applicable	5	20.8
	Agree	3	12.5
	Strongly agree	4	16.7
	Total	24	100.0

Source: Primary data

Table 4.7 indicates that 33.3% of employees disagree with the statement that employees do not comply with policies and regulations, while 16.7% strongly agree with the statement, another 12.5% agree, and 20.8% feel that is not applicable to them and 16.7% strongly disagree with the statement. This contradicts the literature review where the literature indicates non-compliance of policies and regulations in supply chain management by officials.

**Table 4.8: Officials do not always comply with the travel management policies.**

		Frequency	Percentage
Valid	Strongly disagree	5	20.8
	Disagree	7	29.2
	Not Applicable	4	16.7
	Agree	5	20.8
	Strongly agree	3	12.5
	Total	24	100.0

Source: Primary data

Table 4.8 indicates that the 29.2% of officials disagree with the statement of non-compliance with the travel management policies, 20.8% of employees strongly disagree, while only 20.8% agree that there is non-compliance with the travel policy followed by 12.5% who strongly agree with the statement and 4% highlighted as not applicable to them. This implies that not all officials are complying with the travel policies even when the majority believe that there is compliance. The respondents in their justification believe that non-compliance occurred from emergency requests.

**Table 4.9: Officials do not always comply with the PFMA.**

		Frequency	Percentage
Valid	Strongly disagree	4	16.7
	Disagree	7	29.2
	Not applicable	4	16.7
	Agree	5	20.8
	Strong Agree	4	16.7
	Total	24	100.0

Source: Primary data

Table 4.9 indicates that 29.2% and 16.7% disagree and strongly disagree that employees are not complying with the Public Finance Management Act, while 20.8% and 16.7% agree with the statement and only 16.7% official's state as not applicable. Unfortunately the result controverts the findings of the "Auditor General of South Africa" in the Annual report of Department of Home Affairs 2014 and 2015 financial year period where non-compliance with the PFMA is the predominant factor.

**Table 4.10: The department does not have an effective SCM monitoring system.**

		Frequency	Percentage
Valid	Strongly disagree	3	12.5
	Disagree	7	29.2
	Not Applicable	4	16.7
	Agree	8	33.3
	Strongly agree	2	8.3
	Total	24	100.0

Source: Primary data

Table 4.10, shows that 33.3% and 8.3% of employees trust that the organization does not have effective monitoring system in the SCM. This might be due to the lack of effective Enterprise Resources Planning System (ERP) used by Supply Chain

Manager to monitor the transactions in the section. Whereas 16.7% and 12.5% believe that there is still monitoring apart from the ERP system.

**Table 4.11: The department does not always have enough resources to address non-compliance in the SCM.**

		Frequency	Percentage
Valid	Strongly disagree	4	16.7
	Disagree	8	33.3
	Not applicable	3	12.5
	Agree	6	25.0
	Strongly agree	3	12.5
	Total	24	100.0

Source: Primary data

The result in Table 4.11 indicates that 33.3% and 16.7% of employees have contrary views to the statements of lack of enough resources to address non-compliance by indicating disagree and strongly disagree respectively. The data show that 25% and 12.5% agree with the statement. The majority of employees do not agree with the statement. This could mean that Equipment, Budgeting, and Human Capital are not a concern to the department in experiencing noncompliance. The problem could be poor planning and lack of commitment affecting non-compliance.

**Table 4.12: The department experience conflict of interest within SCM.**

		Frequency	Percentage
Valid	Strongly Disagree	4	16.7
	Disagree	6	25.0
	Not applicable	4	16.7
	Agree	9	37.5
	Strongly agree	1	4.2
	Total	24	100.0

Source: Primary data

The result in Table 4.12 shows that 37.5% of employees believe that there is conflict of interest existing in doing their functions, 16.7% strongly disagree with the statement, 25. %, disagree, and only few officials stated not applicable. This could mean that officials are conniving with the suppliers to influence the decisions, while there are other employees who are committed to ensure compliance. There is a need for continuous vetting of officials and suppliers on a continuous basis.

**Table 4.13: Lack of adequate capacity.**

		Frequency	Percentage
Valid	Strongly disagree	2	8.3
	Disagree	3	12.5
	Not applicable	6	25.0
	Agree	10	41.7
	Strongly agree	3	12.5
	Total	24	100.0

Source: Primary data

Table 4.13 indicates that majority of employees agree and strongly agree that capacity is challenged to address non-compliance with 41.7% and 12.5% respectively, while 25% believe is not applicable to them, 12.5% and 8.3% disagree and strongly disagree respectively. This implies that personnel might be promoted, retire and resign without any replacement due to the austerity measures from high levels of authority. This can lead to or affect the unit negatively in terms of performance.

**Table 4.14: Lack of training in the SCM.**

		Frequency	Percentage
Valid	Strongly disagree	1	4.2
	Disagree	6	25.0
	Not applicable	3	12.5
	Agree	12	50.0
	Strongly agree	2	8.3
	Total	24	100.0

Source: Primary data

The researcher found in Table 4.14 that majority of employees believe that lack of training is contributing to non-compliance with 50% agree, 8.3% strongly agree, while 25%, 4.2% disagree and strongly disagree respectively, followed by 12.5% not applicable. This might lead to changes in operations, policies and new central database system is being in place. Most of the respondents indicate that they needed to be trained on Logis procurement system, supporting the literature review and problem statement where management intend to train the officials but show no sign of improvement.

**Table 4.15: Employees were asked if there was lack of supervision.**

		Frequency	Percentage
Valid	Strongly disagree	3	12.5
	Disagree	5	20.8
	Not applicable	5	20.8
	Agree	9	37.5
	Strongly agree	2	8.3
	Total	24	100.0

Source: Primary data

Table 4.15 result indicates that majority of employees with the rate of ( 37.5%) agree that there is no supervision in Supply Chain Management, while 8.3% strongly agree; followed by 20.8% who disagree and not applicable and 12.5 % who also disagree with the statement. This might be that management styles used by management are not effective in micro managing their staff. Another factor might be management is always not at work attending executive meetings.

**Table 4.16: The department experience poor planning.**

		Frequency	Percentage
Valid	Strongly disagree	2	8.3
	Disagree	5	20.8
	Not applicable	5	20.8
	Agree	9	37.5
	Strongly disagree	3	12.5
	Total	24	100.0

Source: Primary data

The majority of employees agree and strongly agree respectively (37.5% and 12.5%) in Table 4.16, that poor planning might cause non-compliance in the supply chain management. However, few employees think contrary to the statements where 8.3% and 20.8% strongly disagree and disagree respectively. Poor planning might arise due to incompetence of the line function management, or lack of further training in project management.

Table 4.17 below, indicates that most of the employees agree and strongly agree (41.7% and 4.2%) respectively that there is no accountability. Yet 12.5% and 20.8% do not agree with the statement. This might mean that there is no accountability as outlined by Public Finance Management Act amongst employees. There is no clear reporting line and accountability when contravening the policies.

**Table 4.17: The department experience lack of accountability.**

		Frequency	Percentage
Valid	Strongly disagree	3	12.5
	Disagree	5	20.8
	Not applicable	5	20.8
	Agree	10	41.7
	Strongly agree	1	4.2
	Total	24	100.0

Source: Primary data

**Table 4.18 Three Bid Committee System exists in the Province.**

		Frequency	Percentage
Valid	Strongly disagree	1	4.2
	Disagree	4	16.7
	Not applicable	3	12.5
	Agree	14	58.3
	Strongly agree	2	8.3
	Total	24	100.0

Source: Primary data

Table 4.18 indicates that majority of employees agree and strongly agree (58.3% and 8.3%) that three Bid Committee System (BCS) exists within the organization. Whereas is viewed by few employees who still believe that there is no Complete structure of BCS (4.2%) and (16.7%). This contradicts the information provided in the literature review and problem statement that lack of segregation of duties is due to non-availability of three BCS, which is Specification Committee, Bid Evaluations and Bid Adjudication Committee as per procurement policy.

The researcher found that in Table 4.19 below majority of employees agree and strongly agree (37.5% and 8.3%) that database is updated annually. A few employees believe that database is not updated (25%). This implies that database system is rotational in terms of the commodity and suppliers who are rendering services to the organization. This gives the organization advantage of managing its supplier database.

**Table 4.19: Supplier database updated annually.**

		Frequency	Percentage
Valid	Disagree	6	25.0
	Not applicable	7	29.2
	Agree	9	37.5
	Strongly agree	2	8.3
	Total	24	100.0

Source: Primary data

**Table 4.20 : Bid Committee members do not understand their functions.**

		Frequency	Percentage
Valid	Strongly disagree	2	8.3
	Disagree	6	25.0
	Not applicable	7	29.2
	Agree	8	33.3
	Strongly agree	1	4.2
Total		24	100.0

Source: Primary data

Table 4.20 indicates that majority of employees trust that 33.3% and 4.2% of members of the Bid Committee do not understand their functions; While 8.3% and 25% disagree and strongly disagree. This might mean that members of the Bid Committee are still new and need trainings.

**Table 4.21: Our suppliers always adhere to delivery dates.**

		Frequency	Percentage
Valid	Strongly disagree	2	8.3
	Disagree	5	20.8
	Not applicable	4	16.7
	Agree	12	50.0
	Strongly agree	1	4.2
Total		24	100.0

Source: Primary data

Researcher found that majority of employees ( 50% and 4.2%) agree and strongly agree as displayed in Table 4.21 that our suppliers deliver within the delivery dates while 8.3% and 20.8% strongly disagree and disagree. This implies that goods and

service are delivered at the right time and at right place and the right cost as per procurement policies and the Constitution s (217).

**Table 4.22: Suppliers always deliver according to our specification.**

		Frequency	Percentage
Valid	Disagree	5	20.8
	Not applicable	4	16.7
	Agree	14	58.3
	Strongly agree	1	4.2
	Total	24	100.0

Source: Primary data

Table 4.22 indicates that the majority of employees (58.3% and 4.2%) agree and strongly agree that service providers comply with the specification. About 20.8% disagree. This means that goods and services are delivered at the right place, right cost and right time according to the preferential procurement policy act of 2001 as amended in 2011 and 2017 and Constitution s (217) respectively.

**Table 4.23 Officials understand the role of supply chain management.**

		Frequency	Percentage
Valid	Disagree	7	29.2
	Not applicable	4	16.7
	Agree	10	41.7
	Strongly agree	3	12.5
	Total	24	100.0

Source: Primary data

Table 4.23 indicates that majority of employees (41.7% and 12.5%) agree and strongly agree that officials understand the role of supply chain management. However, few employees (29.2%) disagree with the statement. This could be concluded that employees in Supply Chain Management could interpret and understand the available policy governing the division such as Public Finance Management Act No 1 of 1999. Table 4.24 below, indicates that majority of employees (4.2% and 41.7%) strongly disagree and disagree respectively that there is segregation of duties in the supply chain management while 25% and 16.7% agree and strongly agree. This cannot over emphasize that segregation of duties might be due to poor planning, or lack of supervision which may result in non-compliance with the PFMA No 1 of 1999 and PPPFA NO 2000.

**Table 4.24: There is a segregation of duties in the supply chain management.**

		Frequency	Percentage
Valid	Strongly disagree	1	4.2
	Disagree	10	41.7
	Not applicable	3	12.5
	Agree	6	25.0
	Strongly agree	4	16.7
	Total	24	100.0

Source: Primary data

**Table 4.25 Officials in the SCM unit understand what must be done to prevent noncompliance in the section.**

		Frequency	Percentage
Valid	Disagree	9	37.5
	Not applicable	3	12.5
	Agree	9	37.5
	Strongly agree	3	12.5
	Total	24	100.0

Source: Primary data

Table 4.25 indicates that majority of employees (37.5% and 12.5%) agree and strongly agree that officials know what is expected of them to prevent non-compliance in the supply chain, While 37.5% of employees disagree with the statement. This implies that officials may still improve and ensure that non-compliance is prevented within the unit of supply chain management.

Table 4.26 below indicates 41.7% and 8.3% of employees agree and strongly agree that the department is reporting "fruitless and wasteful expenditure monthly", while 29.2% and 20.8% of employees do not agree with the statement and 20.8% of employees indicate not applicable. This could mean the department is in compliant with the Treasury regulation 12 in conjunction with the PFMA 1 of 1999, stating that all fruitless and wasteful expenditure must be reported to the Accounting authority and recovered from responsible officials.

**Table 4.26: All irregular, fruitless and wasteful expenditure are reported monthly in the SCM and Finance.**

		Frequency	Percentage
Valid	Disagree	7	29.2
	Not applicable	5	20.8
	Agree	10	41.7
	Strongly agree	2	8.3
	Total	24	100.0

Source: Primary data

**Table 4.27: All creditors who supply goods and services are paid within 30 days.**

		Frequency	Percentage
Valid	Disagree	2	8.3
	Not applicable	4	16.7
	Agree	12	50.0
	Strongly agree	6	25.0
	Total	24	100.0

Source: Primary data

In Table 4.27 the results shows that majority of employees (50% and 25%) agree and strongly agree respectively. While 8.3% of the employee, disagree and 16.7% non-applicable. This implies that the department is able to make payment within 30 days as per PFMA section 38. This will promote Small Medium Enterprises (SME) to be sustainable in rendering services.

### **4.3 INFERENTIAL STATISTICAL ANALYSIS AND SYMMETRIC MEASURES**

This study discusses the results that apply significant association with biographic information using the Cramer's Method. Statistical significance basically means we complete that the relationship is really there, it is not a coincidental incidence.

"Cramer's rule is a mathematical method of involving the elements of the coefficient, for calculating a unique solution for a given system of linear equations". (Bryman, 2014). This study therefore uses Cramer's V for applied significance to determine

whether a relationship between the two variables does exist or is significant. The statistical significance is determined with Chi-square test.

The statistical significance will be equate to 95% confident and less confident by 5 %, therefore,  $p < .05$  that an association was not due to chance.

For the purpose of this study these guidelines are applied in each case

- a) Small effect :  $p = 0.1$
- a) Medium effect  $p = 0.3$
- b) Large effect  $p = 0.5$

Frequently, an association with  $p \geq 0.5$  is considered as nearly significant (Bryman, 2014).

**Table 4.28: Education and officials do not comply with SCM policies and Regulations.**

**Crosstab**

Count		Official do not always comply with SCM Policies and Regulations					Total
		Strongly Disagree	Disagree	Not Applicable	Agree	Strongly agree	
What is your highest Education	Grade 12	1(20%)	1(20%)	3(60%)	0	0	5
	Diploma	0	7(47%)	2(13%)	2(13%)	4(27%)	15
	Degree	3(100%)	0	0	0	0	3
	Postgraduate diploma	0	0	0	1(100%)	0	1
Total		4(17%)	8(33%)	5(20%)	3(13%)	4(17%)	24

Source: Primary data

**Symmetric Measures**

		Value	Approximate Significance
Nominal by Nominal	Phi	1.156	.001
	Cramer's V	.667	.001
N of Valid Cases		24	

Source: Primary data

For this inquiry a Cramer's V coefficient of .667 was used, since the table consisted of uneven numbers of rows and columns. This coefficient designated a large effect and even though not statistically significant, it was most probably due to the minor

populations' size. When inspecting the cross tabulation in Table 4.28 it is detected that 47% of officials with diploma did not agree with the statement of employee do not comply with policies and regulations within the unit, while 13% of officials with diploma agree with the statement. The overall rating is that 33% of officials disagree with the statement and 13% agree with the statement. This implies that there is a compliance with the policies according to the majority of employees in the department.

**Table 4.29: Gender and Official does not always comply with SCM Policies and Regulations.**

Crosstab							
Count							
		Official do not always comply with SCM Policies and Regulations					Total
		Strongly Disagree	Disagree	Not Applicable	Agree	Strongly agree	
Please indicate your gender	Male	1(11%)	2(22%)	4(44%)	1(11%)	1(11%)	9
	Female	3(20%)	6(30%)	1(6%)	2(13%)	3(20%)	15
Total		4(17%)	8(33%)	5(20%)	3(13%)	4(17%)	24

Source: Primary data

#### Symmetric Measures

		Value	Approximate Significance
Nominal by Nominal	Phi	.454	.293
	Cramer's V	.454	.293
N of Valid Cases		24	

Source: Primary data

In this inquiry, the phi coefficient was 0.454, denoting a large effect. While not statistically significant, it was most probably due to the minor sample size. When viewing Table 4.29, a cross tabulation maximum of 44% of the male participants state not applicable and Maximum of 30% of Female disagrees, state that it is not applicable when asked if the officials ask that they do not always comply with SCM policies and regulations and the Minimum of 11% of Male and 13% agree with the statement. The overall 33% maximum disagrees with the statement and 13% minimum agrees with the statement. The majority of people seem not to understand this question hence they stated that this is not applicable. It also shows that they do not have information on what is transparent on the day to day activities of their work.

**Table 4.30 Education and Official do not always comply with the Public Finance Management Act.**

Crosstab							
Count		Official do not always comply with the Public Finance Management Act					Total
		Strongly disagree	Disagree	Not applicable	Agree	Strong Agree	
What is your highest Education	Grade 12	1(20%)	1(20%)	3(60%)	0	0	5
	Diploma	1(6%)	5(33%)	1(6%)	4(26%)	4(26%)	15
	Degree	2(67%)	1(33%)	0	0	0	3
	Postgraduate diploma	0	0	0	1(100%)	0	1
Total		4(17%)	7 (29%)	4(17%)	5(20%)	4(17%)	24

Source: Primary data

#### Symmetric Measures

		Value	Approximate Significance
Nominal by Nominal	Phi	.928	.056
	Cramer's V	.536	.056
N of Valid Cases		24	

Source: Primary data

In this inquiry, the researcher used Cramer's V coefficient of .536, in which the result indicates the coefficient of large effect, even though not statistically significant, was probably due to the small population sample.

In looking at the cross tabulation of Table 4.30, it is observed that 8 officials possessing diploma agree and strongly agree with the statement that officials "are not complying with Public Finance Management Act, While 6 officials with diploma disagree and strongly disagree with the statement and 1 with diploma mentioning not applicable . The overall rating was that 9 (37%) officials agree with the statement while 11(46%) in aggregate disagree and strongly disagree with the statement.

**Table 4.31 Education and the department do not have an effective SCM monitoring system**

**Crosstab**

Count

		The department does not have an effective SCM monitoring system					Total
		Strongly disagree	Disagree	Not Applicable	Agree	Strongly agree	
What is your highest Education	Grade 12	1(20%)	1(20%)	3(60%)	0	0	5
	Diploma	0	5(33%)	1(7%)	7(47%)	2(13%)	15
	Degree	2(67%)	1(33%)	0	0	0	3
	Postgraduate diploma	0	0	0	1(100%)	0	1
Total		3(13%)	7(29%)	4(17%)	8(33%)	2(8%)	24

Source: Primary data

**Symmetric Measures**

		Value	Approximate Significance
Nominal by Nominal	Phi	.979	.028
	Cramer's V	.565	.028
N of Valid Cases		24	

Source: Primary data

For this inquiry, a Cramer's V constant of .565 was used. This coefficient denotes a large effect and not statistically significant; it was most probable due to the small population size. When observing the cross tabulation in Table 4.31, it is noted that 7 officials who are in a possession of diploma agree that the department does not have effective SCM monitoring system whereas 5 who possess diploma do not agree. The overall rating is that 10 officials agree and strongly agree on aggregate with the statement and 10 officials on aggregate disagree and strongly disagree, whereas 4 stated not applicable. This means that there are 50:50 equal chances of the statement.

**Table 4.32 What is the length of your experience at the department and there is a segregation of duties in the supply chain management**

**Crosstab**

Count

		There is a segregation of duties in the supply chain management					Total
		Strongly disagree	Disagree	Not applicable	Agree	Strongly agree	
What is the length of your experience at the department	Less than 5 years	1(17%)	1(17%)	1(17%)	2(32%)	1(17%)	6
	5 to 10 years	0	4(57%)	1(14%)	2(29%)	0	7
	10 to 15 years	0	0	0	1(100%)	0	1
	Above 15 years	0	5(50%)	1(10%)	1(10%)	3(30%)	10
Total		1(4%)	10(42%)	3(13%)	6(25%)	4(17%)	24

Source: Primary data

**Symmetric Measures**

		Value	Approximate Significance
Nominal by Nominal	Phi	.674	.536
	Cramer's V	.389	.536
N of Valid Cases		24	

Source: Primary data

In this inquiry, the researcher used a Cramer V coefficient of 0.389 which indicates medium effect as well as not statistically significant due to the small population sample. In observing the cross tabulation of Table 4.32, officials with above 15 years of service 5(50%) disagree that there is a segregation of duties in supply chain management office while 3(30%) strongly agree that there is a segregation of duties. Segregation of duties might be due to poor planning.

**4.4 ANALYSIS OF RESULT USING QUALITATIVE PROCEDURE**

The respondents did respond on the qualitative issues and out of 24 respondents, only 11 officials did manage to justify their responses, while 13 officials left the justification of their responses blank or not applicable. Out of the few responses, the researchers managed to code the information and select the themes and formulate report using

the content analysis, the summary of the views of the officials is provided below as part of the analysis

**Table 4.33 Content Analysis**

CODE	CATEGORY	THEMES
1	Policies and Regulations and process	<ul style="list-style-type: none"> <li>▪ Lack of uniformity of the policies</li> <li>▪ Policies govern supply chain , PFMA, PPPFA,TR and other directories</li> <li>▪ Segregation of duties limits complete understanding of the SCM process</li> <li>▪ Not following the policies of SCM by officials</li> </ul>
2	Education	<ul style="list-style-type: none"> <li>▪ Most of the officials do not have post matric qualification resulting competency</li> </ul>
3	Change Management	<ul style="list-style-type: none"> <li>▪ Resistant to change especially the old employees.</li> </ul>
4	Role of SCM and Finance	<ul style="list-style-type: none"> <li>▪ Officials cannot differentiate SCM and Finance, when they need assistance they just ask anyone within the two components</li> </ul>
5	Irregular Expenditure	<ul style="list-style-type: none"> <li>▪ Lack of accountability</li> </ul>
6	Training Attain	<ul style="list-style-type: none"> <li>▪ Logis literacy</li> <li>▪ Supply chain management attended but no certification provided</li> <li>▪ Bas training</li> <li>▪ Emerging management development course</li> <li>▪ Advanced management development course</li> </ul>
7	Training needed	<ul style="list-style-type: none"> <li>▪ Supply chain management</li> <li>▪ Logis reporting</li> <li>▪ Logis order</li> <li>▪ Logis payment processing</li> <li>▪ Bas and Logis</li> <li>▪ Lack of training of interns is still a challenge</li> <li>▪ Logis literature</li> <li>▪ Scoa (Standard Chart Of Accounts)</li> </ul>

		<ul style="list-style-type: none"> <li>▪ Persal ( Personnel and Salary Administration</li> <li>▪ Sundry payment</li> </ul>
8	Bid committee	<ul style="list-style-type: none"> <li>▪ Lack of segregation of duties</li> <li>▪ Tender process create and increases problem and corruption</li> </ul>
9	capacity	<ul style="list-style-type: none"> <li>▪ Shortage of staff in supply chain</li> <li>▪ Poor planning</li> <li>▪ Lack of accountability, Managers do not take ownership and responsibility, hence fingers are always pointed to the next person, senior managers also do not render sufficient support</li> <li>▪ Lack of supervision</li> </ul>
10	strategies to address non compliance	<ul style="list-style-type: none"> <li>▪ Officials in the organization must not do business with the state as this will bring conflict of interest</li> <li>▪ Receiving a list of suppliers from Central suppliers database(CSD)</li> <li>▪ Deciding on product specification</li> <li>▪ Requesting quotations from suppliers</li> <li>▪ Generating an order for the best quotations</li> <li>▪ Receiving delivery of goods or services</li> <li>▪ Receiving valid invoices</li> <li>▪ Monitoring financial transgressions and follow policies and procedure in SCM</li> <li>▪ Implement openness and transparency in the SCM process</li> <li>▪ Regular communication and feedback is important</li> <li>▪ No hesitation to discipline those who are implicated in corruption</li> <li>▪ Policies must be clear and precise</li> <li>▪ Controls are there to ensure that 30 days payment is made.</li> </ul>
11	Database	<ul style="list-style-type: none"> <li>▪ Database is not updated annually</li> </ul>
12	Challenges/causes of non-compliance	<ul style="list-style-type: none"> <li>▪ Emergencies request are the ones that increase non-compliance, sourcing one quotations instead of a minimum of 3 quotes</li> <li>▪ Lack of planning or poor</li> <li>▪ Lack of knowledge of applicable policies</li> <li>▪ Bad attitude of officials towards their work , thus delivering bad quality of work</li> </ul>

		<ul style="list-style-type: none"><li>▪ Comfort zone, not prepared to learn new things</li><li>▪ Limited resources</li></ul>
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Source: Primary data

#### **4.5 SUMMARY OF THE CHAPTER**

This chapter presented a detailed discussion of the analysis of research data composed from the forms. The replies from Department Of Home Affairs officials were received relating to demographic information and questions relating to objectives. The analysis applied in this chapter is descriptive statistics and inferential statistics and content analysis for qualitative research as outlined in the research methodology. The recommendations and limitations are discussed in Chapter 5.

## CHAPTER 5

### CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 INTRODUCTION

This chapter comprises the evaluation of research points, conclusions, recommendation to address non-compliance in the Supply Chain Management and Public Finance Management Act.

#### 5.2 CONCLUSION

The researcher concludes the chapter by attesting to the department not complying in certain areas required by Public Finance Management Act of 1 of 1999, (PFMA) where the department is lack accountability, supervision, proper planning; delegation leading to non-compliance with legislative framework within Supply Chain Management. This will continue to attract audit queries if not addressed as a whole. Managers need to use PFMA as a working tool to help them to manage.

The Supply Chain Management practices play a vital role in adding value to each stage of the process from Demand management, Acquisition management, Logistics process and Disposal process per Procurement Policy, these stage need compliance.

The conclusion drawn from the study is presented under the various objectives following.

##### **5.2.1 Objective One (1): To clarify the role of Supply Chain Manager in terms of preventing non-compliance in the SCM.**

It has been found from the quantitative study that several officials understand the role of Supply Chain Management. In the qualitative study it has been found that the officials are in confusion, to understand the functions of the Supply Chain Manager. This is shown when employees bring documents that are submitted to Finance Office to Supply Chain Manager Office. The employees

of the department cannot distinguish between the work of Finance Manager and Supply Chain Manager. This result in delaying the services as documents end up being troops at the wrong section before it can reach the relevant officials in the Supply Chain Management or Finance Management.

### **5.2.2 Objective Two (2): To determine the reasons of non-compliance in Supply Chain Management and PFMA**

From the study, various questions were posed to the respondents to determine if there was compliance in various legislations that govern supply chain management. The first policy legislation in the supply chain management was the Travel Management Policy document. Majority of the officials in answering the questionnaire agreed that officials were in compliance with Travel Management Policy of 2016, while there was a comment in the qualitative questionnaire that non-compliance of Travel Management Policy occurred when there was emergency or urgent request where officials needed to be booked. Secondly policy documentation compliance of Public Finance Management Act No 1 of 1999 (PFMA) found that the department had been complying in terms of PFMA, as the majority of employees did agree that fruitless and wasteful expenditure were reported on a monthly basis, service providers delivered goods and services within the stipulated delivery period, and were complying in terms of specification determined by demand management unit.

However, it has been found that the department is not complying in segregation of duties, no capacity of staff in the Supply Chain Management in both the quantitative and qualitative questionnaire employees agreed that there was poor planning; lack of supervision of management, lack of accountability, and the members of the bid committees did not understand their functions. This poses a serious risk for the department in complying with the overall functions of the Supply Chain Management.

From the study it is concluded that there is the area of non-compliance in Supply Chain Management, as confirmed by the respondents, and supported by the Auditor General Report found as indicated in the department Annual report of 2014 and 2015 financial period.

**5.2.3 Objective Three (3): To determine the Adequacy of Skills, training, knowledge, of the stakeholders in Supply Chain and Finance.**

As per this objective, the conclusion is drawn that majority of officials need to be trained in the area of Supply Chain Management. The trainings that they have undergone, such as Logis literacy, and Supply Chain Management courses have no certification provided, as training, Emerging Management Development course and Advanced Management Development course.

The officials also indicated the courses that needed to be attended in the supply chain management are, logis reporting, logis order, logis payment processing, and training of interns, Logis literature, SCOA, Persal and Sundry payment. It is observed that some of the trainings such as BAS and Persal are not specific for supply chain but officials have interest in such training as they are related to the functions performed in supply chain management.

**5.2.4 Objective Four (4): To determine the resources needed to address non-compliance in Supply Chain Management.**

It has been found from the study that the department does have the resources to address non-compliance in supply chain management. The department does have good policy documentation to implement and address non-compliance; the budget is available to train officials in order to be effective to address non-compliance; there is also budget to purchase work stations such as computers, table and chairs.

**5.2.5 Objective Five (5): To determine the actions needed to be taken by management to combat non-compliance in the Supply Chain Management.**

It has been found that some of the actions suggested by the officials to address non-compliance are as follows; in the qualitative questionnaires, Officials in the organization must not do business with the state as this could lead to conflict of interest; avoid receiving a list of suppliers from Central Suppliers Database(CSD),deciding on product specification, requesting quotations from suppliers, generating an order for the best quotations, receiving delivery of

goods or services, receiving valid invoices, monitoring financial transgressions and follow policies and procedure in supply chain management, in implementing openness and transparency in the supply chain process, communication and feedback is important. There should be no hesitation to discipline those who are implicated in corruptions, policies must be clear and precise and controls must be there to ensure that 30 days payments are made.

### **5.3 RECOMMENDATIONS**

There is a need for officials in Supply Chain Management and Finance to comply with the legislative framework. National Treasury develops policies, procedure manual and guidelines for the effectiveness of financial management process.

The researcher recommends the following:

- a) The Department of Home Affairs (DHA) in North West Province needs to invest and allocate adequate resources to address non-compliance within the area of Supply Chain Management.
- b) Develop, review, and implement policies within Supply Chain Management.
- c) Ensure that policies and procedure manuals implemented are in line with the National Treasury requirements.
- d) Department of Home Affairs, North West Province, needs to establish compliance unit to coordinate compliance activities.
- e) The DHA in the province must ensure that there is mounted tender box and utilised to secure the quotations process of acquiring goods and services.
- f) National Treasury and Department of Public Service and Administration need to promote Supply Chain Profession within government institutions, Officials with Diplomas and Degrees need to register with the Professional body such as Institute for Supply Management (ISM). ISM is the largest supply chain management association internationally and well integrated organizations. This body must regulate all irregularities occurring in the name of supply chain, conduct their own investigation, and revoke the membership and qualification of the individuals who are corrupting and mal-practising within the government

departments in order to minimise non-compliance in Supply Chain Management.

- g) DHA need to encourage officials to comply with Travel Management Policies.
- h) The organization needs to develop and formulate Loss Control Committee (LCC).
- i) Poor planning should not be promoted within public sector but corrected by sending the key personnel in Supply Chain Management to attend Project Management course work.
- j) Lack of supervision was one of the key findings, management should be in a position to capacitate their officials to do their work when they are away with the meetings and outreach programmes.

#### **5.4 SCOPE FOR FURTHER RESEARCH**

Since this study was limited only to the Department of Home Affairs in Mafikeng, North West Province. It is therefore suggested that the National Department of Home Affairs ought to be considered whenever the research of this nature is conducted, where the study will focus on all the Provinces in the country. This will assist the department to comply completely as a whole in line with the Public Finance Management Act No 1 of 1999 (PFMA) and other prescripts relate to Supply Chain Management such as Preferential Procurement Policy Framework Act of 2000.

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**APPENDIX A:**

**- Data collection instrument(-s) -**

## APPENDIX A: QUESTIONNAIRE

**Dear respondents**

This questionnaire seeks to beseech data on experience, knowledge and attitude about supply chain management in compliance of Public finance management act within your department. The study is merely for academic purposes and nothing else. You have been prudently selected to participate in this study with hope that your contribution will yield good results on this work. You did not have to disclose your names.

**Instructions: Please respond by ticking in the relevant box (X)**

### SECTION (A) PERSONAL INFORMATION

### SECTION (B) SUPPLY CHAIN MANAGEMENT COMPLIANCE ACTIVITIES

**Note**

- (i) Open ended questionnaires are included to provide further clarity on the questions ask
- (ii) I will gratefully provide clarifications and explanations to any questions that needed clarity

### SECTION A: PERSONAL INFORMATION

**1. Please indicate your Gender?**

MALE	FEMALE
------	--------

**2. What is your job title?**

Chief Director	Director	Deputy Director	Assistant Director	Snr state Accountant	State Accountant	Admin Clerk
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**Others**

**Please Specify:-**

---

**3. What is your race**

Black	Coloured	Indian	white
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#### 4. Please indicate your age category?

Below 25 years		Between 25 to 40		Between 40 to 55		Above 55	
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#### 5. What is your level of Education

Grade 12		Diploma		Degree		Postgraduate diploma	
----------	--	---------	--	--------	--	----------------------	--

#### 6. What is the length of your experience at the department?

Less than 5 years		5 to 10 years		10 to 15 years		Above 15 years	
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### SECTION (B) SUPPLY CHAIN MANAGEMENT COMPLIANCE ACTIVITIES (Rate as follows)

**B1 Please indicate the extent to which your department comply with the following statements as the reasons for non-compliance in the supply chain management (SCM)**

	(Strongly disagree=1 Disagree =2 Not applicable =3, Agree =4, strongly agree =5)					
1	Officials do not always comply with SCM policies and regulations	1	2	3	4	5
2	Officials do not always comply with the travel management policies	1	2	3	4	5
3	Officials do not always comply with the Public Finance Management Act(PFMA) in the context of SCM framework	1	2	3	4	5
4	The department does not have an effective SCM monitoring system	1	2	3	4	5
5	The department does not always have enough resources to address non-compliance in the SCM	1	2	3	4	5
6	The department experience conflict of interest within SCM	1	2	3	4	5
7	Lack of adequate capacity	1	2	3	4	5
8	Lack of training in the SCM	1	2	3	4	5
9	Lack of supervision in the SCM	1	2	3	4	5
10	The department experience poor planning	1	2	3	4	5
11	The department experience lack of accountability	1	2	3	4	5

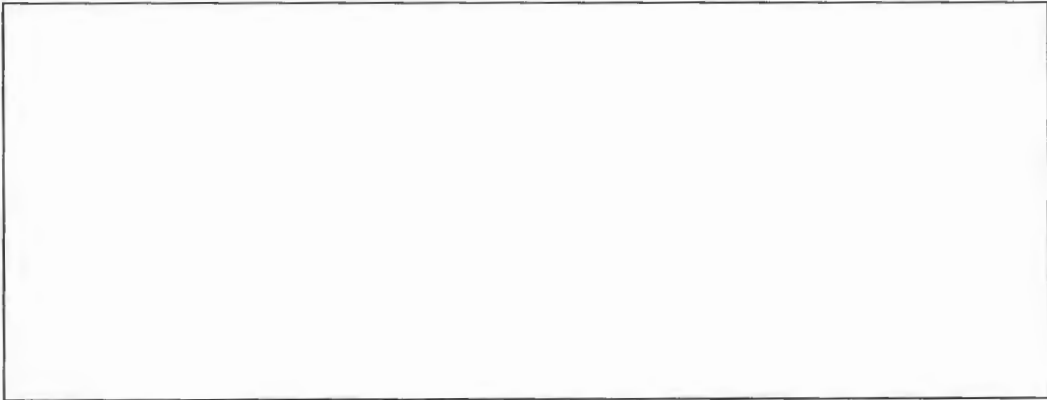
12	3 Bid committee system exist in the province	1	2	3	4	5
13	Supplier database updated annually	1	2	3	4	5
14	Bid committee members do not understand their functions	1	2	3	4	5
15	Our suppliers always adhere to delivery dates	1	2	3	4	5
16	Suppliers always delivery according to our specification					

**Please provide justification for the responses relating the reasons for non-compliance**

## **B2 Role of supply chain management to prevent non-compliance**

	(Strongly disagree=1 Disagree =2 Not applicable =3, Agree =4, strongly agree =5)					
1	Officials understand the role of supply chain management	1	2	3	4	5
2	There is a segregation of duties in the supply chain management	1	2	3	4	5
3	Officials in the SCM unit understand what must be done to prevent noncompliance in the section	1	2	3	4	5
4	All irregular ,fruitless and wasteful expenditure are reported monthly in the SCM and Finance	1	2	3	4	5
5	All creditors who supply goods and services are paid within 30 days	1	2	3	4	5

**Please provide justification for the responses relating to the role and strategies to prevent non compliance**

A large, empty rectangular box with a thin black border, intended for the user to provide justification for their responses.

**Thank you for your time. Have a nice day**

**APPENDIX B**  
**- Informed consent form -**

## APPENDIX B: LETTER OF INFORMED CONSENT FORM

Letter of Introduction and Informed Consent

NWU School of Business and Governance

### **PUBLIC FINANCE MANAGEMENT ACT IN COMPLIANCE WITH SUPPLY CHAIN MANAGEMENT OF THE SELECTED DEPARTMENT OF HOME AFFAIRS IN NORTH WEST PROVINCE.**

Research conducted by:

Mr. M.W Matlou (26871424)

Cell: 071 612 7236

Date: 14 August 2017

Dear Participant

You are invited to participate in an academic research study conducted by William Maesela Matlou and here at the Department of Home Affairs North West Province, Masters Student from the School/Department (Graduate School of Business and government at the North- West University- (Mafikeng Campus).

The purpose of the study is to improve compliance in supply chain management in line with the Public Finance Management Act).

Please note the following:

- This is an anonymous study survey as your name will not appear on the questionnaire. The answers you give will be treated as strictly confidential as you cannot be identified in person based on the answers you give.
- Your participation in this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.
- Please answer the questionnaires that will be brought to you. This should not take more than 20 minutes of your time.
- The results of the study will be used for academic purposes only and may be published in an academic journal. We will provide you with a summary of our findings on request.
- Please contact my study leader, Prof Ravinder Rena, Ravinder.rena@nwu.ac.za (018) 3892496 if you have any questions or comments regarding the study.

Please indicate that:

- You have read and understand the information provided above.
- You give your consent to participate in the study on a voluntary basis. (Please tick)

 YES

**Date of consent: 14 August 2017**

-----

Signature of the participants

**APPENDIX C**  
**- Application for ethical clearance -**

## APPENDIXC: ETHICAL CLEARANCE LETTER



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

Private Bag X8001, Potchefstroom,  
South Africa, 2520

Tel: (018) 299-4900

Faks: (018) 299-4910

Web: <http://www.nwu.ac.za>

**Institutional Research Ethics Regulatory Committee**

Tel: +27 18 299 4849

Email: [Ethics@nwu.ac.za](mailto:Ethics@nwu.ac.za)

### ETHICS APPROVAL CERTIFICATE OF PROJECT

Based on approval by the Human Resource Research Ethics Committee (HRREC) on 16/05/2017, the North-West University Institutional Research Ethics Regulatory Committee (NWU-IRERC) hereby approves your project as indicated below. This implies that the NWU-IRERC grants its permission that, provided the special conditions specified below are met and pending any other authorisation that may be necessary, the project may be initiated, using the ethics number below.

<b>Project title:</b> Public Finance Management Act Compliance in the supply chain management unit of a selected department of North West Province.																														
<b>Project Leader/Supervisor:</b>	Prof R Rena																													
<b>Student:</b>	MW Matlou																													
<b>Ethics number:</b>	<table border="1"> <tr> <td>N</td><td>W</td><td>U</td><td>-</td><td>0</td><td>0</td><td>4</td><td>6</td><td>8</td><td>-</td><td>1</td><td>7</td><td>-</td><td>A</td><td>9</td> </tr> <tr> <td colspan="3">Institution</td> <td colspan="4">Project Number</td> <td colspan="2">Year</td> <td colspan="3">Status</td> </tr> </table>			N	W	U	-	0	0	4	6	8	-	1	7	-	A	9	Institution			Project Number				Year		Status		
N	W	U	-	0	0	4	6	8	-	1	7	-	A	9																
Institution			Project Number				Year		Status																					
<small>Status: S = Submission; R = Re-Submission; P = Provisional Authorisation; A = Authorisation</small>																														
<b>Application Type:</b> Master's																														
<b>Commencement date:</b> 10/05/2017				<b>Expiry date:</b> 10/05/2020				<b>Risk:</b>		N/A																				

#### Special conditions of the approval (if applicable):

- Translation of the informed consent document to the languages applicable to the study participants should be submitted to the HRREC (if applicable).
- Any research at governmental or private institutions, permission must still be obtained from relevant authorities and provided to the HRREC. Ethics approval is required BEFORE approval can be obtained from these authorities.

#### General conditions:

While this ethics approval is subject to all declarations, undertakings and agreements incorporated and signed in the application form, please note the following:

- The project leader (principle investigator) must report in the prescribed format to the NWU-IRERC via HRREC:
  - annually (or as otherwise requested) on the progress of the project, and upon completion of the project
  - without any delay in case of any adverse event (or any matter that interrupts sound ethical principles) during the course of the project.
  - Annually a number of projects may be randomly selected for an external audit.
- The approval applies strictly to the protocol as stipulated in the application form. Would any changes to the protocol be deemed necessary during the course of the project, the project leader must apply for approval of these changes at the HRREC. Would there be deviated from the project protocol without the necessary approval of such changes, the ethics approval is immediately and automatically forfeited.
- The date of approval indicates the first date that the project may be started. Would the project have to continue after the expiry date, a new application must be made to the NWU-IRERC via HRREC and new approval received before or on the expiry date.
- In the interest of ethical responsibility the NWU-IRERC and HRREC retains the right to:
  - request access to any information or data at any time during the course or after completion of the project;
  - to ask further questions, seek additional information, require further modification or monitor the conduct of your research or the informed consent process.
  - withdraw or postpone approval if:
    - any unethical principles or practices of the project are revealed or suspected,
    - it becomes apparent that any relevant information was withheld from the HRREC or that information has been false or misrepresented,
    - the required annual report and reporting of adverse events was not done timely and accurately,
    - new institutional rules, national legislation or international conventions deem it necessary.
- HRREC can be contacted for further information via [Estie.Emtoch@nwu.ac.za](mailto:Estie.Emtoch@nwu.ac.za) or 018 289 2873.

The IRERC would like to remain at your service as scientist and researcher, and wishes you well with your project. Please do not hesitate to contact the IRERC or HRREC for any further enquiries or requests for assistance.

Yours sincerely

Prof LA

Du Plessis

Prof Linda du Plessis

Chair NWU Institutional Research Ethics Regulatory Committee (IRERC)

Digitally signed by  
Prof LA Du Plessis

Date: 2017.05.26  
10:06:59 +02'00'

## APPENDIX D: PERMISSION TO CONDUCT RESEARCH



# home affairs

Department:  
Home Affairs  
REPUBLIC OF SOUTH AFRICA

CNR CARRINGTON & SHIPPARD STREET, MAFIKENG, 2745

Dear Director Finance and Support

I am currently a registered student for a Master of Business Administration at the North West University 2017.

As part of the program the student is expected to Conduct Mini-Dissertation which is work based challenge with solutions that the researcher will be part of the implementation thereof, but the student need to get permission from his superior, and the attached will be the letter from the University of North West addressing the issues of ethics and code of conduct.

I have already submitted my draft research proposal which entails, the following.

### TOPIC

**Public Finance Management Act Compliance in the Supply Chain Management in the selected Department of Home Affairs in North West Province.**

### PROBLEM

**The problem of Non-Compliance with the legislative framework within Supply Chain.**

### OBJECTIVES

To determine the causes of noncompliance in the Supply Chain and Finance.

To determine adherence with the code of ethics and professionalism for Supply Chain Practitioner.

To determine whether the officials in Supply Chain and Finance are adhering with the legislative framework applicable to Finance and SCM.

To determine the skills, knowledge of the role players in the Supply Chain and Finance matters.

**REQUEST TO DIRECTOR FINANCE AND SUPPORT**

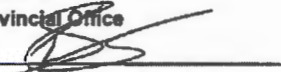
That Director Finance grants Mr Matlou Permission to conduct the research, which already forms part of his studies as is the official in the Finance and Supply Chain at North West Provincial Office. He will conduct the research in line with his duties.

**Approved/Not-Approved**

**Director Finance & Support**

**North West Provincial Office**

**Signature** \_\_\_\_\_

A handwritten signature in black ink, appearing to be 'M. Matlou', is written over a horizontal line.

**APPENDIX E: DECLARATION OF PROFESSIONAL EDIT**

P. O BOX 5826  
Mmabatho  
2735

---

13<sup>th</sup> Nov 2017

**CERTIFICATE OF LANGUAGE EDITING**

**TITLE OF DISSERTATION**

Public Finance Management Act Compliance in the Supply Chain Management in the selected Department of Home Affairs in North West Province.

**SUBMITTED BY**

William Maesela Matlou

**FOR THE DEGREE OF**

MBA


(Master of Business Administration)

**IN THE**

Faculty of Commerce and Administration  
North-West University  
Mafikeng Campus

Has been edited for language and other technical details by:

**Prof. S. A. Awudetsey**

  
.....  
Prof S A Awudetsey  
0722371390

APPENDIX F: TURNITIN REPORT NWU

# William Matlou Turnitin Report

*by* Dr Francis Lugayizi

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**Submission date:** 10-Nov-2017 01:03PM (UTC+0200)

**Submission ID:** 877683198

**File name:** DESSERTATION\_DRAFT\_09\_NOV\_2017\_MATLOU\_MW.doc (1.09M)

**Word count:** 19900

**Character count:** 110123

## William Matlou Turnitin Report

### ORIGINALITY REPORT

<b>6%</b>	<b>4%</b>	<b>1%</b>	<b>4%</b>
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

### PRIMARY SOURCES

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<b>3</b>	<b>Submitted to University of KwaZulu-Natal</b> Student Paper	<b>&lt;1%</b>
<b>4</b>	<b>Submitted to Mancosa</b> Student Paper	<b>&lt;1%</b>
<b>5</b>	<b>Submitted to Heriot-Watt University</b> Student Paper	<b>&lt;1%</b>
<b>6</b>	<b>digitalcommons.fiu.edu</b> Internet Source	<b>&lt;1%</b>
<b>7</b>	<b>ulspace.ul.ac.za</b> Internet Source	<b>&lt;1%</b>
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<b>9</b>	<b>Submitted to University of the Free State</b> Student Paper	<b>&lt;1%</b>

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13	<a href="http://repository.up.ac.za">repository.up.ac.za</a> Internet Source	<1%
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<b>31</b>	<b>lrd.yahooapis.com</b> Internet Source	<1 %
<b>32</b>	<b>Amponsah, Owusu, Vigre Håkan, Torben Wilde Schou, Imoro Braimah, and Robert Clement Abaidoo. "The impact of farmers' participation in field trials in creating awareness and stimulating compliance with the World Health Organization's farm-based multiple-barrier approach", Environment Development and Sustainability, 2015.</b> Publication	<1 %
<b>33</b>	<b>Submitted to Tarleton State University</b> Student Paper	<1 %
<b>34</b>	<b>Submitted to Universiti Teknologi MARA</b> Student Paper	<1 %
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<b>31</b>	<b>lrd.yahooapis.com</b> Internet Source	<1 %
<b>32</b>	<b>Amponsah, Owusu, Vigre Håkan, Torben Wilde Schou, Imoro Braimah, and Robert Clement Abaidoo. "The impact of farmers' participation in field trials in creating awareness and stimulating compliance with the World Health Organization's farm-based multiple-barrier approach", Environment Development and Sustainability, 2015.</b> Publication	<1 %
<b>33</b>	<b>Submitted to Tarleton State University</b> Student Paper	<1 %
<b>34</b>	<b>Submitted to Universiti Teknologi MARA</b> Student Paper	<1 %
<b>35</b>	<b>www.gtac.gov.za</b> Internet Source	<1 %
<b>36</b>	<b>prr.hec.gov.pk</b> Internet Source	<1 %
<b>37</b>	<b>www.info.gov.za</b> Internet Source	<1 %
<b>38</b>	<b>www.projectsparadise.com</b> Internet Source	<1 %
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