

ABSTRACT

The Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) (as amended by Act No. 29 of 1999) is one of the most important pieces of legislation passed by the first democratic government in South Africa. The Act promotes the objective of good financial management in order to maximise service delivery through the effective and efficient use of the limited resources. The key objectives of the Act are to modernise the system of financial management in the public sector; enable public sector managers to manage, but at the same time be held more accountable; ensure the timely provision of quality information; and eliminate the waste and corruption in the use of public assets.

The Act, which came into effect from 1 April 2000, gives effect to Sections 213 and 215 to 219 of *The Constitution of the Republic of South Africa, 1996* for implementation at the national and provincial spheres of government. These sections require national legislation to establish a national treasury; to introduce uniform treasury norms and standards; to prescribe measures to ensure transparency and expenditure control in all spheres of government; and to set the operational procedures for borrowing, guarantees, procurement and oversight over the various national and provincial revenue funds. The Public Finance Management Act adopts an approach to financial management that focuses on outputs and responsibilities rather than the rule-driven approach of the previous Exchequer Acts. The Act is part of a broader strategy on improving financial management in the public sector. The Public Finance Management Act replaced or superceded the various national and provincial Exchequer Acts and the Reporting of Public Entities Act.

The study concerns itself with the evaluation of compliance with the Public Finance Management Act by the Department of Labour in Limpopo. The objective of the study is to analyze and assess the implementation and execution of the Public Finance Management Act (PFMA), and to evaluate the compliance of Public Finance Management Act by the Department of Labour in Limpopo Province.

Quantitative research methodology was chosen for this study. Data collection strategy used was questionnaires. The researcher employs a strategy of inquiry, such as survey, to investigate a research question. The findings of this research were that communication barrier and lack of training in financial related matters is a challenge for the Department of Labour in Limpopo. The researcher also found that the Accounting Officer at DoL Limpopo did not introduce a system of internal audit under the control and direction of an Audit Committee as it is a prerequisite of the Public Finance Management Act.

DEDICATION

This study is dedicated to my wife, Martina, my daughter, Changu, who just brought joy to my life, my sisters, Wendy and Brenda, and to my father Seaparo, for their support and inspiration. To my late mother who accepted to deliver me into this world, cared, instilled discipline and showed direction, and taught me a lesson of life and success, I say thank you for raising me up with love, compassion and dedication. Today, the seed you planted is showing great colours. To my nieces, Puisano, Peniel, Ngoako and Judith copy from your uncle. Lastly, to Almighty GOD who provided me with the source of power, strength and stability. Your continued blessings are so amazing to my life.

ACKNOWLEDGEMENT

I would like to express my sincere gratitude and appreciation to my supervisor, Dr Tshikwatamba, who devoted his time, positive attitude and guidance towards the completion of this research. Thanks to the University of Limpopo for having granted me the opportunity of furthering my studies at post-graduate level. Furthermore, I like to thank Professor M.H Kanyane for his advice and encouragement to undertake a study within the public finance management. To the Provincial Executive Manager (PEM) of the Department of Labour in Limpopo, Mr. Albert Tshidavhu and the Department of Labour, thanks for the permission granted to conduct an empirical study. To regional managers of the Department of Labour in Limpopo thanks for coordinating the questionnaire activity. I would also like to express my heartfelt thanks to my wife who kept the candle burning at all times, not to mention my colleagues, staff members at the Department of Labour, who participated in the study. To my sisters and my father I am grateful to you all.

ACRONYMS

Acronym	Full name
AMDP	Advanced Management Development Program
AMP	Asset Management Policy
ASM	Assistant Manager
BAS	Basic Accounting System
BU	Business Unit
BUM	Business Unit Manage
CFO	Chief Financial Manager
CSO	Client Service Officer
CSS	Client Satisfaction Survey
DG	Director General
DoL	Department of Labour
DORA	Division of Revenue Act
DPSA	Department of Public Service and Administration
ESP	Employment Service Practitioner
GIS	Geographic Information System
HQ	Head Quarters/ Head Office
LC	Labour Center
MSS	Management Support Services
OHS	Occupational Health and Safety
PEM	Provincial Executive Manager
PFMA	Public Finance Management Act
PVS	Placement Verification Survey
RM	Regional Manager
SCOA	Standard Code of Accounting
SCM	Supply Chain Management
SOHSC	Security Occupational Health and Safety Committee
TR	Treasury Regulations
GCC	General Conditions of Contracts
3E's	Efficiency, Effectiveness and Economy
MTEF	Mid-Term Expenditure Framework
LMIS&P	Labour Market Information Statistics and Planning
ZBB	Zero Based Budget

TABLE OF CONTENTS

DECLARATION	i
ABSTRACT	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
ACRONYMS	v
TABLE OF CONTENTS	vi
Chapter 1	1
ORIENTATION OF THE STUDY	1
1.1. Introduction	1
1.2. Background of the study	1
1.2.1. Context and Content	2
1.3. Motivation of the study	3
1.4. Problem statement	4
1.5. The Research Topic	6
1.6. Aim of the Study	6
1.7. Objectives of the study	6
1.8. Research questions	7
1.9. Significance of the study	7
1.10. Study Area	8
1.11. Definitions of Concepts	12
1.11.1. Financial management	13
1.11.2. Vote	13
1.11.3. Compliance	13
1.11.4. Budget	13
1.11.5. Accounting Officers	14
1.11.6. Money and Finance	14
1.11.7. Policy	14
1.11.8. Validity	15
1.11.9. Reliability	15
1.12. Research Methodology	15
1.12.1. Secondary Sources	16
1.12.2. Primary Sources	16
1.12.3. Research Design	16
1.13. Limitation of the study	17
1.14. Sequences of chapters	17
1.15. Conclusion	18
Chapter 2	19
LITERATURE REVIEW	19
2.1. Introduction	19
2.2. Legislative framework for Public Financial Management	20
2.2.1. Constitutional Mandate	21
2.2.2. Public Finance Management Act	23

2.2.3. Treasury Regulations	27
2.2.3.1. Internal controls	27
(a) Internal auditing	29
2.2.3.2. Planning and budgeting	31
2.2.3.3. Asset and liability management	32
2.2.3.4. Banking and Cash management	32
2.2.3.5. Accounting and reporting	34
2.2.4. Policy and Procedures	35
2.2.4.1. Financial management policies	36
a. Responsibilities of financial management and functionaries	36
i. Role of the SCM office	37
ii. Role of the Chief Financial Officer (CFO)	37
iii. Role of the Asset Managers	38
iv. Role of the Asset Officials	38
v. Stores Personnel	38
2.2.4.1.1. Supply Chain Management (SCM) Framework	39
i. Demand management Policy	41
ii. Acquisition management Policy	41
iii. Logistics management Policy	42
iv. Disposal management Policy	42
2.2.4.1.2. Supply Chain Management Policy of the Department of Labour	42
(a) Objectives of the SCM Policy of DoL	44
(b) Legal Requirements of the SCM policy	45
(c) Principles of the SCM policy	45
2.2.4.1.3. Risk Management Policy	46
2.2.4.1.4. Asset Management Policy (AMP)	47
2.2.4.1.5. Security Occupational Health and Safety Policy	48
2.2.4.1.6. Resettlement Policy	48
2.2.4.1.7. Debt Management Policy	52
2.2.5. Budgeting and MTEF	53
2.2.5.1. Government budget	54
2.2.5.2. Managing a budget and budgeting by objectives	56
2.2.5.3. Role players in department budgeting	56
2.2.5.3.1. Responsibility manager	57
2.2.5.3.2. Programme manager	57
2.2.5.3.3. Programme co-ordinator	58
2.2.5.3.4. Departmental accountant	58
2.2.5.3.5. Chief financial officer (CFO)	58
2.2.5.3.6. Departmental budget advisory committee	58
2.2.5.3.7. Accounting officer	59
2.2.5.3.8. Executive authority	59
2.2.5.4. Phases and processes of budgeting	60
(i) Preparation phase	60
(ii) Approval phase	60
(iii) Execution phase	61
(iv) Control phase	61

2.2.5.5. Budgets forming the expenditure budget	62
2.2.5.5.1. Main budgets	62
2.2.5.5.2. Part appropriation budget	62
2.2.5.5.3. Supplementary budget	63
2.2.5.5.4. Additional budget	63
2.2.5.5.5. Capital budget	63
2.2.5.6. Zero-Based budgeting (ZBB)	64
2.2.5.7. Managing expenditure by government institutions	65
2.2.5.7.1. Fundamentals of managing expenditure.	65
2.2.5.7.2. Operation of managing expenditure	65
2.2.5.7.2.1. Harmonizing control and flexibility	65
(a) Pre-approval spending (Section 29)	66
(b) Use of funds in emergency situations (Section 16 and 25)	66
(c) Adjustments budget (Section 30 and 31)	66
(d) Virement (section 43 and TR 6.3)	67
(e) Expenditure funded from rollovers (Section 30(2)(g) and 31(2)(g) of the PFMA, and TR 6.4)	67
(f) Transfer of functions (Section 42 of the PFMA and TR 6.5.3)	68
(g) Executive directives (Section 64)	68
2.2.5.7.2.2. Payments and grants	69
2.2.5.7.2.3. Cash flow management	69
2.2.5.8. Mid-term expenditure framework (MTEF)	70
2.2.5.8.1. What is the Medium Term Expenditure Framework?	70
2.2.8.2. The Medium Term Budget Policy Statement (MTBPS)	71
2.3. Division of Revenue Act (DORA)	71
2.3.1. Transfer payments and conditional grants	72
2.4. Conclusion	73
Chapter 3	75
RESEARCH METHODOLOGY	75
3.1. Introduction	75
3.2. The research design	76
3.2.1. Quantitative	76
3.2.2. Descriptive survey	77
3.2.3. Survey	77
3.3. The population and sampling methods	78
3.3.1. Sampling	78
3.4. Data collection methods	80
3.4.1. Administration of questionnaires	81
3.4.2. Format of the questionnaire	82
3.4.3. The validity and reliability of the instrument used to collect data.	82
3.4.3.1. Validity	83
3.4.3.2. Reliability	84
3.5. Analysis of data	84
3.6. Ethical considerations	85
3.6.1. Permission to collect data	85

3.6.2. Confidentiality and anonymity	85
3.6.3. Benefits	85
3.7. Conclusion	86
Chapter 4	87
DATA ANALYSIS	87
4.1. Introduction	87
4.2. Analysis and interpretation of data	87
4.2.1. Participants' demographic profile	88
4.2.1.1. Gender	89
4.2.1.2. Age category	90
4.2.2. Respondents according to ethnicity and age group	91
4.2.3. Experience in DoL v/s Experience in current position	92
4.2.4. Qualifications obtained and training attended by participants	93
4.2.5. Training	94
4.2.6. Evaluating the effective implementation of Public Finance Management Act.	97
4.2.7. Access to Public Finance Management Act	99
4.2.8. Procedures on expenditure	103
4.2.9. Training on accountability	104
4.2.10. Budgeting Process	105
4.2.11. Elimination of acts of corruption and fraud	108
4.2.12. Maintenance of effectiveness, efficiency and transparency in financial and risk management	110
4.2.13. Internal auditors	113
4.2.14. Mechanisms to eliminate theft, losses, wastage and misuse of assets	115
4.2.15. Miscellaneous	116
4.3. Conclusion	118
Chapter 5	119
CONCLUSION AND RECOMMENDATIONS	119
5.1. Introduction	119
5.2. Summary	119
5.3. Findings	120
5.4. Recommendations	123
5.5. Suggestion for further research	123
5.6. Conclusion	123

LIST OF TABLES

Table 1.1. Distribution of the population of Limpopo by District	10
Table 3.1. A revised Sample according to the size of the office	79
Table 3.2. The number of questionnaires administered and the response rate	80
Table 4.1. Age and gender matrix	90
Table 4.2. Formal and Informal training matrix	95
Table 4.3. Views of participants responded "never" in figure 4.7.	99
Table 4.4. Participants referral to Public Finance Management Act	101

Table 4.5. Suggestion as to what DoL Limpopo should do during budgeting process	107
Table 4.6. Suggestion on elimination of corruption and fraud	109
Table 4.7. Means of control used by DoL Limpopo to check financial activities	114

LIST OF FIGURES

Figure 1.1. Map of Limpopo Province and neighbouring countries and provinces	9
Figure 1.2. Percentage (%) of population of Limpopo by Age Group and Gender	11
Figure 1.3. Map of the Limpopo province by districts	12
Figure 2.1. Public financial legislative frameworks	21
Figure 2.2. Process of budgeting	60
Figure 4.1. Participants per office	87
Figure 4.2. Gender of participants	89
Figure 4.3. Participants according to ethnicity and age group	91
Figure 4.4. Experience in DoL v/s current position	92
Figure 4.5. Placement 2005/06	93
Figure 4.6. Educational Level according to age group	94
Figure 4.7. Evaluation of financial policies	98
Figure 4.8. Access to Public Finance Management Act	100
Figure 4.9. Policies and guiding tools regulating finances of DoL Limpopo	102
Figure 4.10. Participants opinions on procedures for spending	104
Figure 4.11. Training on accountability	105
Figure 4.12. Budgeting process	106
Figure 4.13. Financial and Risk management	111
Figure 4.14. Access to financial report of DoL Limpopo	113
Figure 4.15. Full time internal auditors	114

BIBLIOGRAPHY	125
---------------------	-----

ANNEXTURE A: Questionnaire

ANNEXTURE B: Request for permission letter

ANNEXTURE C: Approval letter from Department of Labour Limpopo

ANNEXTURE D: A letter to guarantee confidentiality and anonymity

**EVALUATING COMPLIANCE OF PUBLIC FINANCE
MANAGEMENT ACT BY THE DEPARTMENT OF LABOUR
IN LIMPOPO PROVINCE**

by

NGOAKO JACOB MOAGI

RESEARCH DISSERTATION

Submitted in fulfillment of the requirements for the degree of

MASTERS OF PUBLIC ADMINISTRATION

in the

**FACULTY OF MANAGEMENT AND LAW
(Turfloop Graduate School of Leadership)**

at the

UNIVERSITY OF LIMPOPO

SUPERVISOR: Dr N.E. Tshikwatamba

2009

CHAPTER 1

ORIENTATION OF THE STUDY

1.1 Introduction

Public Finance Management System in South Africa experienced many challenges before the 1994 democratic dispensation. These challenges include mismanagement of public funds, misappropriation or embezzlement of public funds, and compliance with financial legislations. These challenges were motivated by the change of systems in public financial management and approaches thereof. As most of the financial policies pre 1994 were ushered by the Exchequer Act, the introduction of the Public Finance Management Act No 1 of 1999, and amended by Act 29 of 1999, increases the frustration and challenges of compliance by public institutions and government departments. These challenges and frustrations hovered over officials who served the old system (pre-1994) and bridged over to the new democratic system.

This study presents the research undertaken to document compliance with the Public Finance Management Act by the Department of Labour (DoL) in Limpopo. A literature search was done to evaluate compliance of Public Finance Management Act by the DoL Limpopo, and the challenges facing the department in the process of complying with the Act. Quantitative Research Design was used in this study to investigate compliance with Public Finance Management Act in DoL Limpopo.

This chapter focus on the background of the study, aim and objectives of the study, problems associated with the study, significance and motivation of the study, and crucial concepts were clarified to communicate meanings as applied in the study. Following this section is the context and content in which public funds are managed in the new dispensation (post 1994).

1.2 Background of the Study

The Public Finance Management Act (PFMA), 1999 (Act No.1 of 1999, as amended by Act 29 of 1999) is one of the most important pieces of legislation passed by the democratic government in South Africa. This Act promotes the objectives of good financial management in order to maximize service delivery through the effective and efficient use of the limited resources. The key objectives of the Act include modernizing the system of financial management in the public sector; enabling public sector managers to manage, but at the same time be held more

accountable; ensuring the timely provision of quality information; and lastly, eliminating the waste and corruption in the use of public assets.

The Public Finance Management Act (PFMA) came into effect from 1 April 2000, to effect Sections 217 and 218 of *the Constitution of the Republic of South Africa, 1996*. Sections 217 and 218 set the operational procedures for borrowings, guarantees, procurement and oversight over the various national and provincial or municipal revenue funds. The Public Finance Management Act adopts an approach to financial management, which focuses on outputs and responsibilities rather than the rule driven approach of the previous Exchequer Acts, which are replaced or superseded by Public Finance Management Act.

1.2.1 Context and content

A public institution cannot implement its mandate without finances. All public institutions are however dependent upon the citizens for their income. Legislative directives have to be followed in the procurement and expenditure of money in the public sector. Section 216 of the *Constitution of the Republic of South Africa, 1996* requires the National legislation to establish a National Treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government, i.e., National, Provincial, local thereby introducing generally recognized accounting practice; uniform expenditure classifications; and uniform treasury norms and standards. The National Treasury effects tremendously in the Public Finance Management and the Public Finance Management Act.

The issue of expenditure control remains a challenge to many “Accounting Officers” as Annual Reports from government departments depict utilization of allocated money exceedingly utilized or underutilized. These challenges persist over the years and it has been customary that most departments in the public service and provinces fail to comply with the Public Financial Management Act.

The Director-General, as an Accounting Officer, is required to inform and advise the Minister (elected official) on a variety of issues that pertain to their department, implement policy and ministerial decisions efficiently and effectively in a way that provide value for money. The Director-General is fully accountable to the political head and, where appropriate, parliament. He/she must co-ordinate, control, manage and communicate all tasks and functions within the department and carry out his/her duties by providing advice so as to give the political head the

broadest possible basis for policy consideration and determination (Presidential Review Commission, 1998). With this context, the implementation of the Public Finance Management Act will be evaluated in the Department of Labour to ascertain some of these requirements.

The Minister of Labour, as the political head, is responsible for policy matters and outcomes. This includes seeking parliamentary approval and adoption of the departments' budget vote. The Director-General (DG) as the head of administration is therefore responsible for the outputs and implementations, and is accountable to Parliament for the management of the implementation of that budget. The Department of Labour (DoL) is a national department; each province has its provincial office that is under the supervision of the Provincial Executive Manager (PEM) who reports directly to the Deputy Director General: Service Delivery.

PEM is responsible and accountable for the outputs and implementations of the budget in his/her province while the DG is accountable and responsible for the entire department. The Act vests four key responsibilities, namely:

[T]he operation of basic financial management systems, including internal controls in departments and any entities they control; to ensure that departments do not overspend their budget; to report on a monthly and annual basis, including the submission of annual financial statements two months after the end of a financial year; and to publish annual reports in a prescribed format which will introduce performance reporting.

The DG and the PEM, together with the managers in various units and regional offices within Limpopo, are obliged to make effort to carry out their responsibilities. However, most regional centres (service delivery points) and business units (support services) of the DoL are not complying with the provision of Public Finance Management Act.

1.3 Motivation of the Study

This study is motivated by an oversight of accountability and audit qualifications received by the Department of Labour in Limpopo. DoL Limpopo continues to receive audit qualification reports lamenting on issues of the same nature. This study is, therefore, undertaken to find out how can the DoL Limpopo best address issues of complying fully with the Public Finance Management Act and ensure that there are no recurrence of issues highlighted in the Auditors-General reports. Furthermore, the study is motivated by the budgeting process of the Department of Labour in Limpopo, of which most of the Regional Managers (RMs) and Business Unit Managers (BUMs)

are complaining that allocations of funds does not cover all the needs of the Labour Centre or Business Unit. Lack of spending does result in lack of service delivery. The budget of the government thereof is regarded as the Operational Plan that represents how financial resources are utilized to deliver services to the people. Pauw *et al.*, (2002:62) support this view by indicating that budgeting is part of the organizational planning process, which begins with the aim and the mission of an institution, and thus a budget is a financial plan that sets out how the government aims to achieve its objectives. Budget serves as a planning process in which funds within the vote represents the financial component of the Strategic and Operational plans or business plans of the department.

1.4 Problem Statement

Lack of control of resources on compensation of employees, keeping of records for overtime claimed; issued vouchers for previous financial year recorded in the current financial year; private phone calls that are not accounted; expenditure incurred for goods and services not budgeted; creditors payment period not adhered to serves as component of the problem statement informing the study. Non-adherence to regulations were also identified on approval for state guarantee; leave register; attendance register not signed; fixed assets not detailed; asset management; appointed service providers not in the register list; and petrol usage quantity for trips taken (Audit matrix for the Provincial offices of DoL for 2005/06 financial year).

Above all, the Auditor-General report queried the spending pattern of the department that led to an over expenditure on some of the votes while under spend on other votes. Veriments were not properly done as it is required by legislation. Absence of proper documents authorizing transfer of funds from one vote to the other remains a serious challenge. The DG and the PEM responsible for Limpopo Province had to explain why funds are transferred without following the correct procedures. Without further qualifying the audit opinion expressed above, attention is drawn also to the following:

[the] independent checks and reconciliation which pointed at the travelling and subsistence expenditure; monitoring as a result of lack of a proper management monitoring framework; performance information (specifically the measurable objectives and the measures/indicators); physical security of resources inventory; policy frameworks; and performance audit.

(Annual Report of the DoL 1 April 2005 to 31 March 2006:48-49)

The problem of non-compliance to the prescripts of the Public Financial Management Act (PFMA) was identified in various business unit and labour centres of the Department of Labour in Limpopo Province. This problem is an issue of concern which embraces the South African institutions and government departments at all spheres. Most departments exceeded their budget allocations because ministry's oversight the spending pattern and the procedures laid by the Public Financial Management Act. Departments should spend meeting their obligatory mandates on goods and services and devote the budgeted monies to the acquisition of such goods and delivery of services. The way the departments spends or utilizes the public funds should be in line with the stipulated provisions of the Public Finance Management Act.

At the most, the Directors-General's explanation on why departments do not comply fully with the Public Finance Management Act before the Parliamentary Standing Committee on public accounts remains unsatisfactory. Non-compliance to the provisions of the Public Finance Management Act and receiving audit qualifications showcase poor financial management, and defeat the ultimate objectives of the Public Finance Management Act in enhancing the quality of service delivery. According to Kanyane, in Mafunisa and Maserumule (2004:49), over-expenditure affects other high-priority, budgeted activities because there will be unavailability of funds in the account" (Mafunisa & Maserumule, 2004:49). One of the traditional cornerstones of democracy is that each political representative and all public officials are subject to accountability. Lack of effective implementation of Public Finance Management Act in the Department of Labour compromises accountability and responsibility. This means that public functionaries are required to be more accountable and this has been lacking within the Department of Labour. Spiro (1969:14–22) identifies the primary connotations of accountability as a responsibility, cause and obligation. Spiro further explains that any functionary is responsible to own line management for the efficient and effective execution of his duties and responsibilities. In this regard, it can therefore be contended that public institutions and persons responsible for the management and administration of public funds are accountable to the taxpayers for the efficient and effective execution of their tasks (Gildenhuys 2006:56–57).

The problem arising in this study therefore is the implementation of the Public Finance Management Act by the DoL in Limpopo Province. The Provincial Executive Manager, business unit managers and regional managers are often unable to operate within their budgetary allocations as they over spent on their budget. Central to these challenges is the lack of financial policies to operationalize the Act. In terms of Section 39(1) (b) of the Public Finance

Management Act, the Accounting Officer (AO) is responsible for ensuring that effective and appropriate steps are taken to prevent unauthorized utilization of public moneys.

1.5 The Research Topic

The topic, as stipulated above, i.e., “*Evaluating compliance of Public Finance Management Act by the Department of Labour in Limpopo Province*”, is appropriate and relevant to the sphere of public financial dispensation. The topic falls within the ambit of the totality of generic administrative functions of “finance”. The topic is researchable and there are various sources that could support the progression of the study.

1.6 Aim of the Study

The aim of the study is to evaluate compliance of Public Finance Management Act in the Department of Labour in Limpopo Province. Furthermore, the study aim to establish the course of non-compliance and recommend possible solutions that could assist the Department of Labour in Limpopo to receive unqualified audit report from the office of the Auditor-General. The study also aims at encouraging the public officials at all levels in the Department of Labour, Limpopo to bureaucratically apply and implement the Act. In carrying out this study, the aims as indicated are the yardstick towards the completion of this work.

1.7 Objectives of the Study

The main objective of the study is to analyse and assess the implementation and execution of the Public Finance Management Act (PFMA), and to evaluate compliance with the Public Finance Management Act by the Department of Labour in Limpopo Province. To help achieve the main objective of the study, the secondary objectives of the study are as follows:

- Analysing and assessing the effective implementation and execution of the Public Finance Management Act.
 - (i) Provide an overview of the Public Financial Management Act;
 - (ii) Analyze the effective implementation and execution of allocated public funds;
 - (iii) Assess the departmental elementary tools (policies); and
 - (iv) Suggest possible strategy for the effective support of implementing Public Finance Management Act.

- Evaluating the compliance of Public Finance Management Act by the Department of Labour in Limpopo Province.

- (i) Evaluate the budgetary process of DoL in Limpopo Province;
- (ii) Evaluate whether the strategic plan and operational plan are interrelated and aligned to the budget;
- (iii) Evaluate the methodology of spending the public money by DoL in Limpopo Province;
- (iv) Evaluate the budgetary control and risk management plan of DoL in Limpopo; and
- (v) Evaluate measures taken to continuously improve on complying with Public Finance Management Act and prevent non-compliance.

1.8 Research Questions

Following the above discussion, the following research questions are pertinent to the study:

- (i) Why are there challenges in the department with regard to the implementation of the Public Finance Management Act?
- (ii) How does the department ensure effectiveness in the implementation of the Public Finance Management Act?
- (iii) What steps are taken by the department to prevent fruitless and wasteful expenditures, irregular expenditures and unauthorized expenditures?
- (iv) Are the prescripts of the implementing tools (policies) aligned to the Public Finance Management Act implementative and user friendly?
- (v) Is the Public Finance Management Act a user-friendly tool to be used in South African governmental departments?

Research questions are crucial in guiding any investigation and these questions provided guidance and direction as this study unfolded. The following section provides a snapshot of the study area where the cram was undertaken.

1.9 Significance of the Study

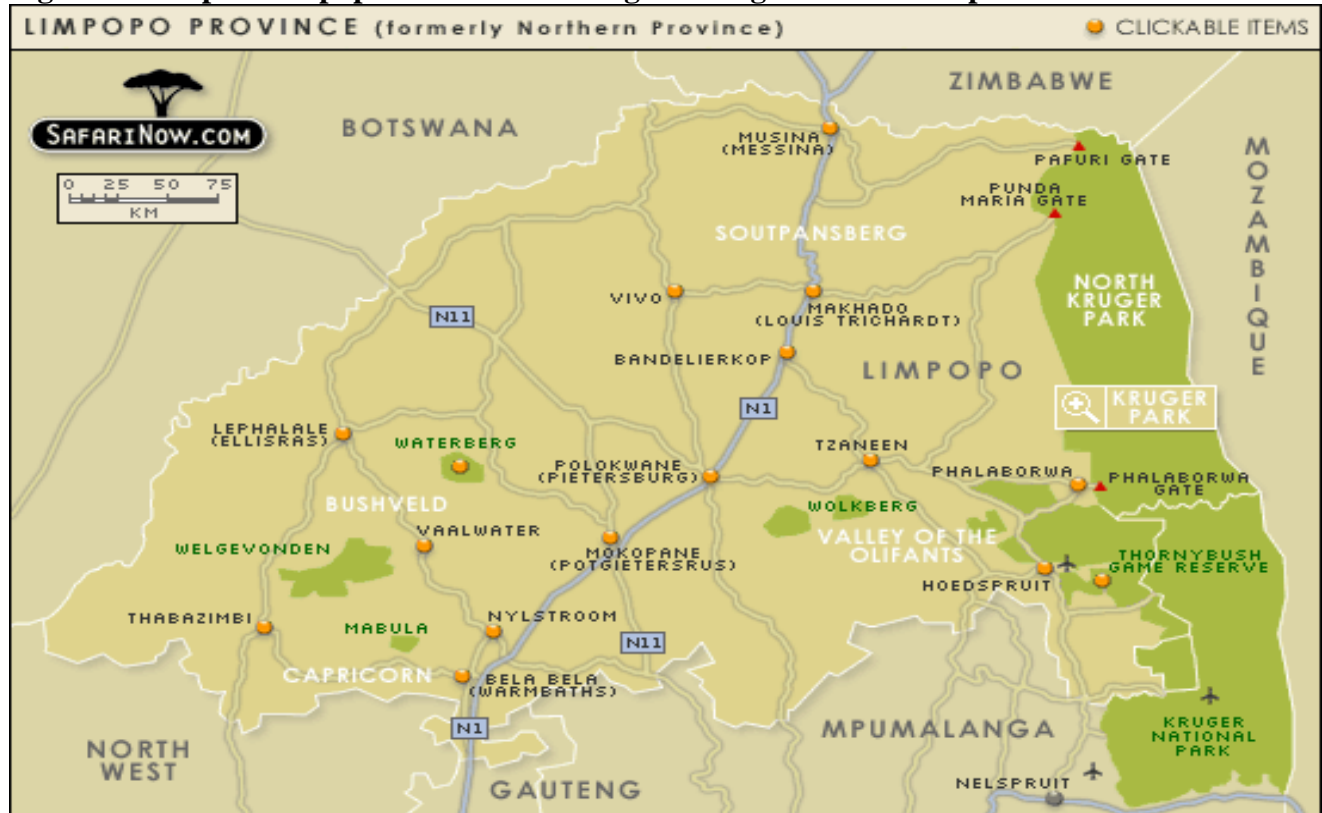
Public accountability is of particular importance in the case of public finance. The executive authorities are required to be subjected to the constitution in order to ensure that public accountability is maintained. In order to ensure that the executive authority can be called upon to render account, the legislature in turn renders account in public to the voters and taxpayers. According to Cloete (1986:187), the cornerstone of democracy is that anyone in a position of public authority must be liable to render account of his public activities and can be called upon to

answer for his deeds in public. It seems as if the officials of the Department of Labour in Limpopo do not understand that they are equally accountable for their actions and/or decisions with the executive authorities of the Department of Labour in Limpopo. This misunderstanding leads to audit qualifications, which in turn portray a negative picture of the department in as far as compliance of Public Finance Management Act is concerned. It is noteworthy to indicate that the study intends to promote and encourage full compliance of Public Finance Management Act by public institutions.

The study, therefore, is likely to contribute to the new knowledge of upholding public accountability thereby engaging and alerting officials of DoL Limpopo in the study. Most importantly, the study aims to sensitize the authorities to skill and impart knowledge to officials on matters dealing with the public funds. It is assumed that this study enabled the officials of the Department of Labour in Limpopo to identify and take corrective financial measures which could uphold full compliance of Public Finance Management Act. These measures could prevent recurrence of qualified audit reports from the office of the Auditor-General. Thornhill (1984:144) indicate the responsibilities of the state auditor or Auditor-General as determining the manner in which the executives' authority has executed its financial activities which include *inter alia* the efficient expenditure of public funds as well as the effective utilization of stock, equipment and personnel.

1.10 Study Area

The study took place in Limpopo province and the map providing for the geographical demarcation is attached herein. The Limpopo Province is one of the provinces in South Africa which emerged due to the provision of the sections of the *Constitution of the Republic of South Africa* (Act 108 of 1996). The Limpopo Province is in the most northern province of South Africa. According to Statistics South Africa (2006), Limpopo Province covers an area of 125 755 square kilometres, which that represents 10.3% of the total area of South Africa. As indicated in Figure 1.1, the province shares borders with the Gauteng Province (the industrial centre of the country) in the south, Mozambique in the east through the Kruger National Park (a world conservation icon), Zimbabwe in the north and Botswana in the west. The proximity of the province to Gauteng, the Kruger National Park, Zimbabwe, Mozambique and Botswana, puts the province in a strategic position as a gateway to Africa and its resources, and affords the chance to unleash the economic potential of this great continent.

Figure 1.1 Map of Limpopo Province and neighbouring countries and provinces

Source: Limpopo Government: Department of Finance and Economic Development

In 1994, Limpopo was referred to as the smallest provincial economy in the country after the Northern Cape and the poorest after the Eastern Cape. This, however, is no longer the case. The economic growth rate in Limpopo has accelerated considerably and Limpopo has become known as the fastest growing provincial economy in the country. Mining, Tourism and Agriculture have been identified as the main driving forces for economic development and prosperity together with their associated manufacturing industries. According to a discussion document released by Stats SA, the contribution from Limpopo to the national economy has been increasing steadily from 5.7% in 1995 to 6.5% in 2002 (Stats SA Discussion Paper, Nov 2002; page 20).

The province constitutes a multitude of cultural diversity and tribes that include the Pedis, Vendas, Tsongas, Ndebeles, English and Afrikaners. The English and Afrikaners are in the minority while the Pedis, Vendas and Tsongas are in majority. The Ndebeles are fairly the smallest group. The population of Limpopo increased from 4.9 in 1996 to 5.2 million (11% of the population of South Africa) in 2001. This implies an annual population growth rate of 1.3% (see Table 1.1 below).

Table 1.1 Distribution of the population of Limpopo by District

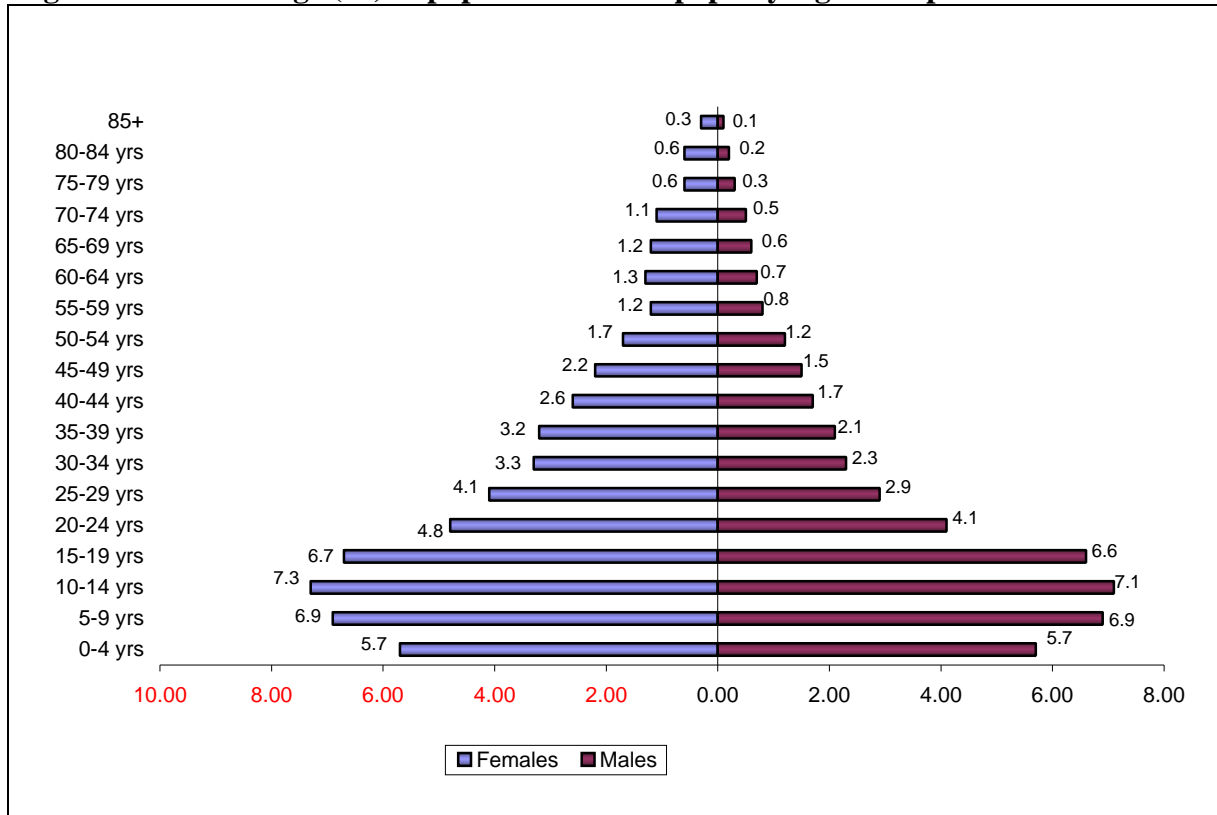
DISTRICT	1996	2001	Average annual growth rate (%)
Bohlabela	632,859	595,203	-1.20
Capricorn	1,063,179	1,154,690	1.66
Mopani	872,179	964,230	2.03
Sekhukhune	717,650	745,568	0.76
Vhembe	1,097,630	1,199,880	1.79
Waterberg	548,673	614,158	2.28
Total	4,932,164	5,273,630	1.30

Source: Development Index Framework: Limpopo in Limpopo Growth and Development Strategy (2005:4)

The age distribution of the population in Limpopo resembles the typical broad-base pyramid of developing countries, with a large portion of the population in the younger age groups and a steadily decreasing proportion in the older age groups (Figure 1.2). The population of the Limpopo Province is, however, younger than that of the country as a whole. This implies a unique educational, recreational and developmental interventions challenge, but also offers an opportunity for growth.

Another distinctive feature of the province is that Limpopo has the highest female/male ratio in the country. Females account for 54, 6% of the population in the province while the national average is 52.2%. The population of Limpopo ranges between zero (0) and eighty-five (85) years as shown in Figure 1.2 below. Most of the people in Limpopo are within the bracket of the economically active group, followed by children who are of school age. Figure 1.2 shows the percentages of the population of Limpopo Province by age group and gender.

Figure 1.2: Percentage (%) of population of Limpopo by Age Group and Gender:



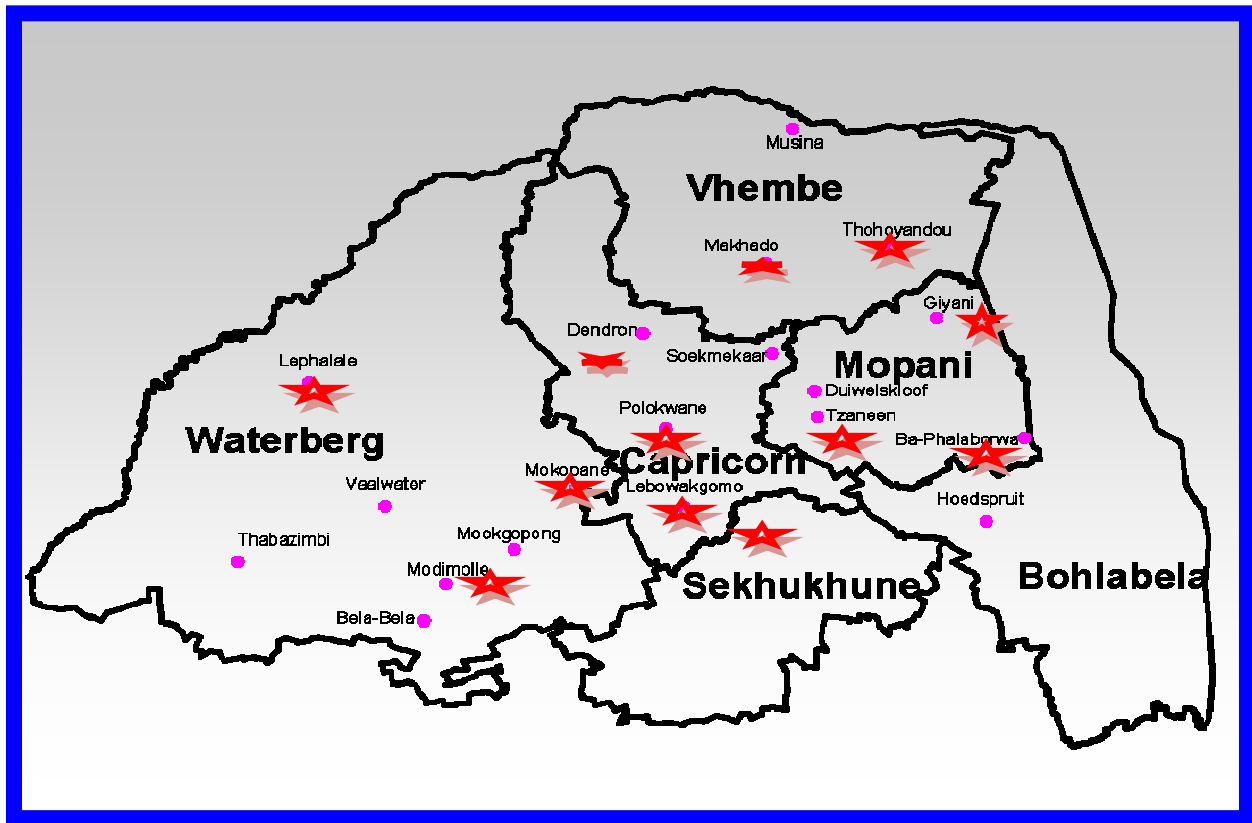
Source: Statistics South Africa: Census 2001

The population, age and gender profile of the province should be seen within the context of the skills level within the province. Approximately 76% of its economically active population are only qualified to do unskilled and semi-skilled labour with only approximately 3,5% being highly-skilled. The Sekhukhune District has the least number of highly-skilled individuals, namely, 2,5% of its economically active population.

As a province proud of the Baobab trees, it is divided into six districts as shown in the subsequent map, Figure 1.3 below. The district depiction of Limpopo Province is meant to locate Labour Centres (LC) in the province. Districts are included as Capricorn District (with Polokwane LC, Seshego LC, Lebowakgomo LC and Provincial Office) at the heart of the province, Waterberg District (with Modimolle LC, Mokopane LC and Lephalale LC), Sekhukhune District (with Jane Furse LC), Mopani District (with Tzaneen LC, Giyani LC, and Phalaborwa LC) and Vhembe District (with Makhado LC and Thohoyandou LC). Bohlabela District is in terms of the new demarcations falls under Mpumalanga Province. The Department of Labour has scattered its regional offices or Labour Centers in five of the districts of Limpopo.

Phalaborwa Labour Center or Regional Office is tasked and responsible for servicing Hoedspruit in Bohlabela District.

Figure 1.3 Map of the Limpopo province by districts



Source: GIS Project Solution, 2001

The red star pasted in the map signifies the location of the Labour Centres or Regional Offices in Limpopo Province. Jane Furse in the Sekhukhune District; and Seshego in the Capricorn District are not indicated in the map though the Department of Labour has located offices at those areas for the purpose of fostering service delivery. With this study area depiction, the Department of Labour has established satellite offices at Bela Bela and Thabazimbi, which are in the Waterberg District; Dendron and Mankweng, which are in the Capricorn District; Musina in the Vhembe District; and Hoedspruit in the Bohlabela District. All these satellite offices are under the care of the Labour Centres that are in their close proximity.

1.11 Definitions of Concepts

The following definitions are defined to communicate meanings as applied relevant to the study. Other terms that are not explained would have their meanings conveyed within the text where it necessary.

1.11.1 Financial Management

‘Financial management’ refers to the allocation and control of public money by the government institution whereby economy, efficiency and effectiveness are promoted (Gildenhuys, 2006:11). Wherever ‘financial management’ is used as a phrase in this study, the meaning communicated will be in accordance with the abovementioned. It is the allocation of public finance by the Department of Labour to promote effective and efficient as well as the economic utilization of public financial resources.

1.11.2 Vote

In terms of the Public Finance Management Act, 1999 as amended, a ‘vote’ means one of the main segments into which an appropriation is divided and which specifies the total amount that is usually appropriated per department: the Department of Labour in the context of the study. The question of vote is approved by Parliament or a provincial legislature. The budget of the Department of Labour is also divided into various votes within the main. These votes are used for effective management of budget most at operational level.

1.11.3 Compliance

Compliance is understood to be adherence to the law, directives and policies. In the context of this study, it is compliance to the provision of the Public Finance Management Act and policies drafted to implement the provision of the Act. In the context of this study, the Department of Labour is expected to comply with the Public Finance Management Act, National Treasury Regulations as well as own policies. It should, however, be mentioned that while compliance is important, Public Finance Management Act requires that the Department of Labour, like any other department, should manage public funds not only to comply with legislation, but to ensure that service delivery is attained.

1.11.4 Budget

A budget, in the ordinary sense of the word, is a financial plan that contains the estimates of revenue and expenditure over a certain period of time (Gildenhuys, 1993:392). According to Cowden (1969:283), the word ‘budget’ is derived from the French word ‘bougette’, which means a small bag or portfolio. Dimock, Dimock and Fox (1983:359) hold that the word ‘budget’ is derived from the ‘... Middle English word for pouch or purse...’ and that, in Britain, the term was used to describe the leather bag in which the Chancellor of the Exchequer carried the statement of the government’s needs for resources to the Houses of Parliament for the parliamentary

session. A budget is a financial plan outlining how a public institution spends resources in order to realize specific public goals (Vocino & Rabin 1981:232). In the context of this study, it is the budget of the Department of Labour compiled within the stipulation of the Public Finance Management Act and the National Treasury Regulation.

1.11.5 Accounting Officers

In terms of the Public Finance Management Act, 1999 as amended, Accounting Officers are the Head of the Department and the Chief Executive Officer. In this study, Accounting Officer refers to the Director-General of the Department of Labour, and the Head of the Department is with specific reference to the Department of Labour.

1.11.6. Money and Finance

According to the encyclopaedia *Encarta*, “money” is any medium of exchange that is widely accepted in payment for goods and services and in settlement of debts. Money also serves as a standard of value for measuring the relative worth of different goods and services (Pauw, Woods, Van der Linde, Fourie & Visser, 2002:2). Pauw *et al.*, (2002:3) extend the meaning of ‘money’ to include the assets that have been bought. Finance is the science of managing money and other assets; therefore it basically looks at anything that has to do with money and the market. The Department of Labour is allocated funds within the budgetary imperatives of the national government. Such funds get translated into “money” when the department pays its service providers who supply goods and services within the supply chain management requirements.

1.11.7. Policy

A policy is a deliberate plan of action to guide decisions and achieve rational outcome(s). De Coning, in Cloete and Wissink (2000:3), defines policy as “a statement of intent”. Renney (1968:7) defines policy as “a declaration and implementation of intent”. Baker, Michaels and Preston (1975:12-15) define policy as “a mechanism employed to realise societal goals and to allocate resources. On the other hand, Starling (1979:4) defines policy as “a kind of guide that delimits action”. In this study, policies are contextualised in the realm of finance. In view of the definitions as provided, ‘policies’ refers to financial policies of the Department of Labour. The financial policies in question are the deliberate plans of action to guide financial related decisions of the department and thus serve as the declaration and implementation of intent.

1.11.8. Validity

According to Fowler (1993:259), validity means truthful in relation to the outcome of the study following scientific inquiry. Struwig and Stead (2003:18) support the statement of Fowler by referring to ‘validity’ as the truth or trustworthiness of the findings, thus the findings of the research as indicated in Chapter five.

1.11.9. Reliability

Bostwick and Kyte (1981:113-120) define reliability as the accuracy or precision of an instrument; as the degree of consistency or agreement between two independently derived sets of scores; and as the extent to which independent administrations of the same instrument yield the same (or similar) results under comparable conditions. The data presented in Chapter four are reliable and have been gathered within the ethical consideration applicable to research.

1.12 Research Methodology

The word methodology comes from the word method, which refers to procedures or ways of doing things in an orderly manner. Mahlase (2000:1) suggests that method is a way followed by a scientific inquiry in order to reach a valid and reliable conclusion. It explains and gains insight into understanding intensive collection of narrative data. In the study in question, there are certain procedures followed, i.e., getting permission from the authorities and these procedures are well articulated in Chapter three. Haralambos and Holborn (1995:809) indicate that any academic subject requires a methodology to reach its conclusions. It must have ways of producing and analysing data so that theories can be tested, accepted or rejected. Mouton (1998:38) argues that the methodological dimension refers to “the knowledge of how” or knows how to do things or the total set of “means” those scientists employ in reaching their goal of valid knowledge.

The researcher applied a scientific quantitative research method. Quantitative research typically seeks to generalize to a large population. It is hypothetically more objective and less interpretive. Wiersma (1991:86) states that, as might be implied from the name, in quantitative research we attempt to quantify variables and, to the extent possible, partition them according to the various sources or causes. In this study, data were obtained in a numerical form and converted, analysed and interpreted in meaningful words. Leedy (1997:104) supported the statement by arguing that quantitative study is an “inquiry into a social or human problem, based

on testing a theory composed of variables measured with numbers and analysed with statistical procedures, in order to determine whether the predictive generalizations of the theory hold true”.

1.12.1 Secondary Sources

Secondary sources provide second-hand information. According to Welman, Kruger and Mitchell (2005:41) secondary data include books and journal that constitute the subsequent publications of primary literature. Useful information will be obtained from various publications such as textbooks, journals and previous studies on the subject. Information not obtained from publications that are relevant to the specific study purpose will be gathered through the use of questionnaires directed at the target group of this study. Secondary sources were used to determine the effective implementation of the Public Finance Management Act and to investigate why the Department of Labour in Limpopo is not fully complying with the Public Finance Management Act. Furthermore, sources were used to ascertain the attitude of the Department of Labour in Limpopo towards the implementation of the Public Finance Management Act. Various authors, books, periodicals, government reports including Auditor-General reports and internal auditor’s reports, Acts, policies, websites and other documents were consulted in an attempt to gather information so that the study can be concluded truthfully. Computer searches for relevant materials and speeches of the Minister and the Director-General have also been undertaken. The following sub-sections provide a brief description of these sources.

1.12.2 Primary Sources

The primary source is the written or oral account of a direct witness of, or a participant in an event (Welman & Kruger, 2001:35). According to Welman, Kruger and Mitchell (2005:41), primary data sources are the first occurrence of a piece of work. The primary sources of evidence were collected empirically through the collection of data in the form of the questionnaire. The presentations of empirical findings are presented in Chapter four with analysis and interpretation.

1.12.3. Research Design

Burns and Grove (1997:49) argue that research design is a blueprint for the conduct of a study that maximizes control over factors that could interfere with the study’s desired outcome. Research Design refers to the planning of scientific inquiry – designing a strategy to finding out something. As a plan, Research Design deals with matters such as selecting participants for the research and preparing for data collection activities that comprise the research process. Research

Designs tend to be quite specific to the type of research (Wiersma, 1991:81; Babbie, 1998:89 and Leedy, 1997:93)

A strategy of inquiry such as quantitative descriptive survey was used to investigate a research question. Surveys include cross-sectional and longitudinal studies using questionnaires or structured interviews for data collection. Such is conducted with the intention of generalizing the views, opinions and observations of the sample population. When conducting research to investigate a research question, data are collected from objects of the enquiry. Eventually, the results obtained shed light on the tenability of answering the research question.

It was, therefore, crucial to connect the Research Design (survey) that was used as a roadmap to answer the research question. The Research Design guided and instructed this study towards reaching the goals of the study. As Webb and Auriacombe (in Thornhill, 2006) put it, “a Research Design is basically a set of guidelines and instructions on how to reach the goal that the researcher has set for himself/herself”. These guidelines and instructions should be followed in addressing the research problem (Mouton, 1996:108).

1.13 Limitation of the Study

The study is limited to the financial management of the Department of Labour in Limpopo as it seeks to evaluate compliance with the Public Finance Management Act. Generalization of the research result is to be limited to the Department of Labour in Limpopo Province. Therefore, this study will need to be duplicated to other geographic areas prior to generalization to the National Department of Labour.

1.14 Sequences

The proposed study is divided into structure of sequences that is herein presented. Chapter one deals with the “Orientation to the Study”. Introductory discussions related to the aim and the objectives of the study are indicated in this chapter. This includes the question of the motivation; research questions, as well as the area of the study, among other aspects discussed herein the chapter in question.

Chapter two deals with “Literature Reviews” to provide the theoretical framework related to the studies. The constitutional framework governing the Public Finance Management Act, the imperatives related to National Treasury Regulations as well as the institutional policies and

procedures are discussed herein. The essence of budgetary allocations and equitable shares are all discussed in Chapter two.

Chapter three deals with “Research Methodology” and the question of the design is discussed in this chapter. The question of population and sample and data collection and analysis are explained in this chapter.

Chapter four relates to “Data Analysis”. Data that have been collected through the questionnaire is analysed and presented in tables and graphs. Correlation was used as a means of enhancing analysis.

Chapter five presented the summary, findings, conclusions and recommendations. The conclusion presented is an overall one in that it is broader than the chapter based conclusions. The findings are presented based on the selected aspects of importance to the study.

1.15 Conclusion

This chapter outlines the background of the study with emphasis on the constitution and the Public Finance Management Act. Problems associated with the study were highlighted. The aims and objective of the study were outlined. The Research Design, limitations of the study and research programmes or sequence of chapters were described. Crucial concepts were defined and Limpopo as a province was also introduced. In Chapter two, an overview of literature on public finance legislative framework is discussed.

CHAPTER 2

LITERATURE REVIEW

2.1. Introduction

In Chapter one, background to the study, purpose of the study, problems associated with the study, Research Design, research programmes and crucial concepts were clarified. In this chapter, literature review on legislative framework of Public Financial Management will be discussed.

The field of finance is broad and dynamic. It directly affects the lives of every person and every organization globally. Finance and economics cannot be separated as they are closely related to each other. In the public sector, economics involves the study of public finance, government policies and its role in the industrial sector of the economy. Financial managers and executive managers must be able to understand and use the economic theories as guidelines for efficient and effective financial management. This view is supported by Gitman (2003:10) when stating that “financial managers must understand the economic framework and be alert to the consequences of varying levels of economic activities and changes in economic goals”.

Officials in all areas of responsibility within the organization are required to interact with the Public Finance Management Act in order to deliver effective services. They need to follow the correct procedures to secure finances for their organizations in order to carry out their mandate. All managers in the organization, regardless of their job descriptions, work with financial personnel to justify labour power requirements, negotiate operating budgets, deal with financial performance appraisals, and sell proposals on the basis of their financial merits. Managers who understand the financial decision-making process will be better able to address financial concerns and will therefore more often get the resources they need to attain their own goals (Gitman, 2003:8-9).

Virtually, individuals and organizations earn or raise money and spend or invest money. Finance therefore is concerned with the process, institutions, markets and instruments involved in the transfer of money among individuals, businesses and governments. In the definition of concepts in Chapter one, money is been referred to as a medium of exchange for payment of goods and

services. Pauw *et al.*, (2002:3) extends the meaning of ‘money’ to include the assets that have been bought.

Public managers are accountable and responsible for their activities and need to utilize assets of the government to provide goods and services to the public (people). In the public financial management context, all assets must be safeguarded; utilized economically, efficiently and effectively; recorded appropriately and accounted just like money in its liquid form. The Public Financial Management Act 1 of 1999 (as amended) confers specific responsibilities on Accounting Officers. The Act vests four key responsibilities, which are, namely, the operation of basic financial management systems, including internal controls in departments and any entities they control; ensure that departments do not overspend their budgets; report on a monthly and annual basis, including the submission of annual financial statements two months after the end of a financial year; and publish annual reports in a prescribed format, which will introduce performance reporting.

2.2. Legislative Framework for Public Financial Management

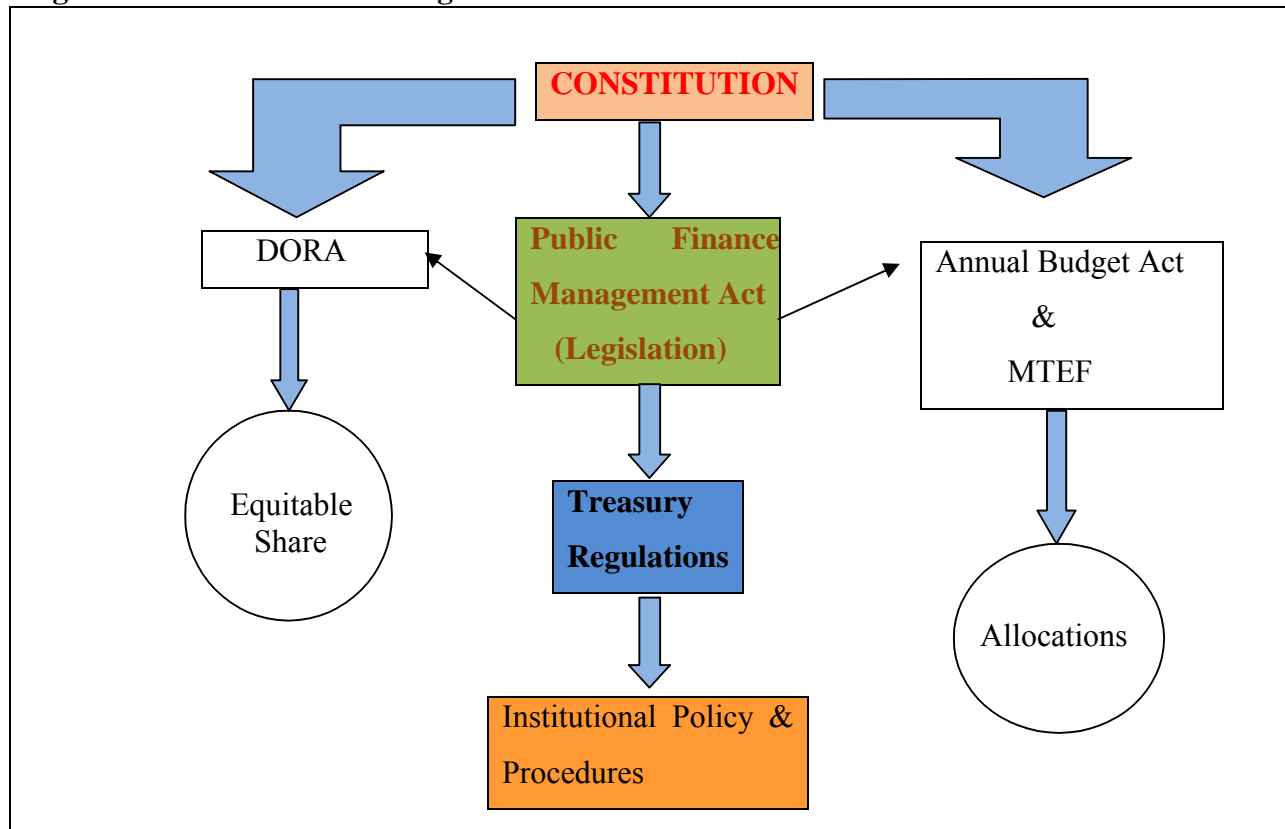
The muscles of the legislature lies in the fact that it makes laws that must be followed by all the citizens, including itself as the law making body. These laws remain valid, even under the new government, until they are repealed by Parliament or the provincial legislature and/or contradicted by other valid laws that are passed. A legislature is not allowed to draft and pass laws which are against the Constitution, 1996.

The legislature in public financial management of South Africa has an executive function. The legislature has the powers and functions of raising taxes, allocating expenditure, regulating public finances and overseeing public finances. Being the legislature, Parliament carries out the functions of raising taxes, allocating expenditure and regulation of public finances by means of legislation.

The legislative management of public finances has the implication that public managers must have some skills in the interpretation and application of legislation. Legislation in the field of public finance is outlined in Chapter 13 of the Constitution, 1996. In Figure 2.1 below, the constitution is depicted at the top as the supreme law of the country. From the constitution flow, firstly, the Public Finance Management Acts, and then the regulations. Institutional policies and procedures are at the lower level. This legislative flow as depicted in Figure 2.1 explains vividly

that the lower levels may not be in conflict with the higher levels. Public finance policies and procedures will be void and unenforceable if they are not in line with the Public Finance Management Act. Following is a discussion on the legislative framework of the public finance in South African public institutions.

Figure 2.1 Public Financial Legislative Frameworks



Source: Adapted from Pauw et al., 2002:38

The literature review is largely based on the model indicated in the financial legislative framework as indicated in Figure 2.1 above. This model guides the flow of literature review and structure thereof. The model therefore assists in providing the legislative framework that evaluates compliance of the Public Finance Management Act by the Department of Labour in Limpopo Province.

2.2.1. Constitutional mandate

The constitution is according to Cloete (1992:79) the “first policy statement of the state” which derives the development, processes and procedures, and mandates of government departments and institutions. *The Constitution of the Republic of South Africa, 1996*, is the supreme law of the country. This constitution was drawn up by the Constitutional Assembly (CA) and reaffirms South Africa as a constitutional State. No other law or government action can replace the

provisions of the constitution. In terms of Section 40 (1) of the constitution, the government of South Africa is divided into three distinctive spheres of government, namely, local, provincial and national government. Each sphere of government has a distinctive financial obligations and/or functions which must be fulfilled.

These spheres of government have the machineries which enables them to render the services to the people. These machineries are funded by the public money to render such services directly or indirectly, fairly and equitably to the people irrespective of race, gender, sex, marital status, ethnicity, sexual orientation, age, disability, religion conscience, belief, culture, language and birth. These government machineries are thereof expected to be accountable and responsible for their activities, actions and expenditures. Section 195 (1) (d) of the *Constitution of the Republic of South Africa, 1996*(p111) provide that “services must be provided impartially, fairly, equitably and without bias” by public institutions to the people of South Africa. In contrast, public institutions as government machineries have no reason to exist other than to render services to the people as members of the State.

The so called “Chapter nine institutions” support the constitutional democracy. In terms of Section 181 (1) of the Constitution, 1996, the Public Protector, South African Human Rights Commission, Commission for the Promotion and Protection of the Rights of Culture, Religious and Linguistic Communities, Commission for Gender Equality, **the Auditor-General**, and the Electoral Commission are the state institutions strengthening the constitutional democracy in the Republic.

According to Chapter nine, Sections 181 (2), these institutions are independent, and subject only to the constitution and the law. The constitution requires these institutions to be impartial and to exercise their powers and perform their functions without fear, favour or prejudice. These institutions are accountable to the National Assembly, and must report on their activities and performance of their functions to the Assembly at least once a year (Section 181 (5)) (Republic of South Africa, 1996:103).

The Auditor-General plays an important role in public finance matters. The duties and powers of the Auditor-General are outlined in Section 62 of the Public Finance Management Act. In terms of Section 62 (1) (4), the Auditor-General has the power to investigate any public entity or audit the financial statements of any public entity. The Auditor-General may claim reasonable cost of

performing the duties and exercising the powers in terms of this section from the public entity concerned. Furthermore, the Auditor-General is required by Parliament to report annually on specific and general findings regarding the accountability of public entities. Revenues in the National Revenue Fund and expenditures of the public funds must be audited so that the owners of the money, who entrusted others to care and control such funds, must be well informed.

The primary fund or direct source of public money in South Africa is the National Revenue Fund which is established under the provisions of the constitution. Section 213 (1) of the Constitution (Republic of South Africa, 1996:124) provide that there is a National Revenue Fund into which all money received by the national government must be paid, except money reasonably excluded by an Act of Parliament. In terms of Section 11 of the Public Finance Management Act 1 of 1999 (Republic of South Africa, 1999:12), all monies received by the national government must be paid into the National Revenue Fund and the National Treasury is in charge of the National Revenue Fund. The subsequent section is a discussion on the Public Finance Management Act.

2.2.2. Public Finance Management Act

One of the most significant pieces of legislation to grace the corridors of public institutions is the Public Finance Management Act 1 of 1999 as amended by Act 29 of 1999. This Act lays out the guidelines of public financial management at all levels of government. It forms the primary reference source for any Accounting Officer. Thus, the regulations set out in the Act, however, are not only intended for the Accounting Officer or the financial manager. Each public servant should take note of the Act in order to ensure conducts that are within the boundaries of the Public Finance Management Act.

Public Finance Management Act is one of the most important legislation passed by the first democratic government in South Africa. The Act promotes the objective of good financial management in order to maximise delivery through the efficient and effective use of resources. The aim of the Public Finance Management Act is to modernise the system of financial management in the public sector. It represents a fundamental break from the past regime which was not transmitting light to good financial management system, hierarchical systems of management, poor information and weak accountability. The Act lays the basis for a more effective corporate governance framework for the public sector.

The key objectives of the Public Finance Management Act 1 of 1999 as amended are to modernise the system of financial management, enable public sector managers to manage, but at the same time be more accountable, ensure the timely provision of quality information, and eliminate waste and corruption in the use of public assets. These objectives will assist to analyse and assess the implementation and execution of the Public Finance Management Act, and to evaluate the compliance of Public Finance Management Act by the Department of Labour in Limpopo Province. These objectives will be utilized to derive at the specific questions which will be compiled in the questionnaire.

Public Finance Management Act 1 of 1999 as amended gives effect to Sections 213, 215, 216, 217, 218 and 219 of the *Constitution of the Republic of South Africa*, 1996 for the national and provincial spheres of government. These sections require national legislation to establish a National Treasury, to introduce generally recognised accounting practices, to introduce uniform treasury norms and standards, to prescribe measures to ensure transparency and expenditure control in all spheres of government, and to set the operational procedures for borrowing, guarantees, procurement and oversight over the various national and provincial revenue funds. The Act adopts an approach to financial management that focuses on outputs and responsibilities, rather than the rule-driven approach of the Exchequer Acts. The Public Finance Management Act 1 of 1999 as amended is part of a broader strategy on improving financial management in the public sector (Republic of South Africa, 1999: i).

Public Finance Management Act 1 of 1999 gives effect to section 216 (1) of the Constitution of the Republic of South Africa, 1996. This requires the national legislation to:

establish a National Treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government, by introducing generally recognised accounting practice, uniform expenditure classifications, and uniform treasury norms and standards.

The constitution confers extensive powers on the national government to determine the financial management framework over all organs of State, in all spheres of government. In terms of the explanatory memorandum of the Act (Public Finance Management Act), the National Treasury is expected to monitor and enforce the norms and standards, and should play a financial oversight role over other organs of State in all spheres of government (Republic of South Africa, 1999: viii).

The powers and functions entrusted to the National Treasury are in terms of Section 6 (1) of Public Finance Management Act, 1999 to “promote the national government’s fiscal policy framework and the coordination of macro-economic policy; coordinate intergovernmental financial and fiscal relations; manage the budget preparation process; exercise control over the implementation of the annual national budget, including any adjustments budget; facilitate the implementation of the annual Division of Revenue Act; monitor the implementation of provincial budgets; promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of departments, public entities and constitutional institutions; and perform the other functions assigned to the National Treasury in terms of this Act” (Republic of South Africa, 1999:16-17).

The Public Finance Management Act 1 of 1999 also gives effect to Section 213 of the Constitution on the management of the National Revenue Fund, any exclusions to depositing money received, and the authorization required before incurring any expenditure (Republic of South Africa, 1999: ii). The control of the National Revenue Fund is vested on the National Treasury, which must enforce compliance with the provisions of Section 213 of the constitution. According to this section, all money received by the national government must be paid into the Fund, except money reasonably excluded by this Act or another Act of Parliament; and that no money may be withdrawn from the Fund except in terms of an appropriation by an Act of Parliament; or as a direct charge against the Fund. It is only the National Treasury that may withdraw the money from the National Revenue Fund.

In terms of Section 13 of the Public Finance Management Act, 1999 as amended all the money received by the national government must be paid into the National Revenue Fund, except money received by Parliament, national public entity, South African Reserve Bank, the Auditor-General, the national government from donor agencies (to paid into the Reconstruction and Development Programme (RDP) Fund), national department operating a trading entity, and a constitutional institution. Moneys received by Parliament, national public entity listed in Schedule 2 or 3, the South African Reserve Bank or the Auditor-General must be paid into a bank account opened by the institution concerned.

Chapter four of the Public Finance Management Act, 1999 as amended deals with the budget processes. The budget process gives effect to Section 215 of the constitution on the timing and content of national and provincial budgets, and the reporting requirements that will promote

greater transparency in the implementation of a budget. It outlines what adjustments budgets must deal with, and outlines the minimum content for multi-year budget (Republic of South Africa, 1999: iii). Section 215 of the Constitution, 1996 notes that budgets and the budgetary process “must promote transparency, accountability and the effective financial management of the economy, debt and the public sector” (Republic of South Africa, 1996:125).

The Public Finance Management Act, 1999 also ensures that all national and provincial institutions and entities have accounting officers. In terms of Section 36 of the Act, “every department and every constitutional institution must have an Accounting Officer”. As the administrative head, the Director-General (DG) or the head of department must be the Accounting Officer for the department. The Chief Executive Officer (CEO) of the constitutional institution must be the accounting officer for that institution. At the research site, the Accounting Officer is the Provincial Executive Manager (PEM) of the Department of Labour in Limpopo Province

Generally the responsibilities of the accounting officer in terms of Section 38 of the Public Finance Management Act, 1999 are that he/she must ensure that the institution has and maintains effective, efficient and transparent systems of financial and risk management and internal control; a system of internal audit under the control and direction of an audit committee comply with and operating in accordance with prescribed regulations and instructions; an appropriate procurement and provisioning system which is fair, equitable, transparent, complete and cost-effective; and a system for properly evaluating all major capital projects prior to a final decision on the project.

The Accounting Officer is also responsible for the effective, efficient, economical and transparent use of the resources. He/she must take effective and appropriate steps to collect all money due; prevent unauthorised, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct; and manage available working capital efficiently and economically. He/she must ensure that the system of financial management and internal control is carried out within the area of responsibility of other officials. He/she is also responsible for the effective, efficient, economical and transparent use of financial and other resources within the officials’ area of responsibility. He/she must take effective and appropriate steps to prevent any unauthorised expenditure, irregular expenditure, and fruitless and wasteful expenditure and any under collection of revenue due.

The Public Finance Management Act, 1999 deals also with the financial misconduct and the procedures for disciplining those public officials alleged to be guilty of financial misconduct. It also includes a provision for criminal prosecution to apply where there is gross financial misconduct. In terms of Section 81 (1):

an Accounting Officer commits an act of financial misconduct if that Accounting Officer wilfully or negligently fails to comply with the requirements of Sections 38, 39, 40, 41 or 42; or makes or permits an unauthorised expenditure, an irregular expenditure or a fruitless and wasteful expenditure.

In terms of Section 83 (4), “financial misconduct is a ground for dismissal or suspension”. An Accounting Officer is, in terms of Section 86 (1), guilty of an offence and liable on conviction to a fine or imprisonment for a period not exceeding five years.

2.2.3. Treasury regulations

The Public Finance Management Act lay down the basic rules for public financial management. In carrying out the effect of Section 216 of the constitution, the Public Finance Management Act provides for the treasury control. The detailed regulation of the use of allocated funds is found in the Treasury Regulations (TR) that came into effect on 5 June 2000. This TR of 2000 was amended by the Minister of Finance, in terms of Section 76 of the Public Finance Management Act. The amended stipulates that “Treasury Regulations take effect from the 27 May 2002” (Republic of South Africa, 2002:4).

These regulations cover the whole field of practical management, without being unduly detailed. They range from internal control to planning and budgeting, asset and liability management, banking and cash management, and accounting and reporting, among other things (Pauw *et al.*, 2002:44). Although the executive, in form of the National Treasury, promulgated these regulations, they must be consistent with the Public Finance Management Act. These above mentioned ranges of the Treasury Regulations are among others discussed thoroughly in the following sub-sections

2.2.3.1. Internal Controls

Government departments often function according to the plan as mandated by the section of the Constitution. As machineries they are funded to pursue the realisation of the sections of the Constitution. Managers assigned in those departments are obliged to develop measures and instruments that will continuously monitor all the activities undertaken by the department and

need to identify deviations and relevancy in time and bring about the necessary modifications or corrections. As most government departments are vast and complicated with bulk of accountability and responsibility entrusted to them, they need to be staffed with drivers who have good control mechanisms. According to Crous (in Kroon, 2004:443), control involves a systematic process through which managers can compare real performance with plans, standards and objectives and take corrective action if deviations occur.

Managers can plan, organise and staff their respective departments efficiently and maximally but still not be able to carry out the objective as planned. According to Crous (in Kroon, 2004:443), the primary aim of control is to ensure that activities are undertaken in such a way that objectives are successfully achieved. Crous (in Kroon, 2004:443-444) further states that control is necessary because of the following:

- It prevents crises;
- It leads to standardised actions to increase efficiency;
- It prevents malpractices, theft and waste;
- It results in delegation because subordinates who are delegated to can be controlled effectively;
- It brings about performance appraisal of all workers;
- Quality is standardised; and
- Environmental change results in activities not being carried out according to plan.

In the public sector, the exercise of control can have one objective, namely, to ensure that account is given in public for everything the authorities do or neglect to do, so that all the citizens can see exactly what is being done or not being done to further their individual and collective interests. Control in the public sector, therefore, culminates in meetings of legislatures that are open to the public and form the climax of the process of administration and, in fact, of the political life of the citizenry (Cloete, 1992:188).

According to Cloete (1992:188) control in the public sector consists of two parts, *viz*:

- (i) Internal control, which is exercised by the executive, and
- (ii) Giving account in the meetings of the legislatures.

Internal control is part and parcel of the work of the political office-bearers who are responsible for the executive institutions and the officials appointed in the public institutions and/or departments.

Cloete (1992:189) pointed out that control is exercised by institutional situation created by policy-making; organisational arrangements; determination and recording of work procedures; financial arrangements; and prescribed conduct rules of politicians and public officials. Furthermore, control is exercised in the institutional situation by the use of formal control measures, which ensure that everything that the functionaries do is in fact aimed at achieving the set objective (Cloete, 1992:189).

According to Cloete (1992:190), formal control measures are characterised by written reports, inspection and investigation, auditing, Cost Accounting, Cost Comparisons and Cost Analysis, and statistical returns. Written reports are probably the best known traditional control measure in the public sector as they advantageously provide tangible documentary evidence of whatever takes place. The advantage of an inspection or an investigation *in loco*, according to Cloete (1992:190-191), is that it takes place in the actual work environment, with the result that it can readily be established whether any action taken did, in fact, serve a useful purpose. Auditing is one of the traditional control measures that undoubtedly will always be used. While auditing is concerned with the legal correctness of transactions Cost Accounting, Cost Comparisons and Cost Analysis evaluate standard transactions objectively at operational level. Statistical returns serve as functional internal control measures when coupled with Cost Accounting as they can measure productivity.

(a) Internal Auditing

According to Marshall (1976:173), “internal auditing is a control instrument....” This instrument can be used to check the regularity and legitimacy of the financial administration of the department. The scope and nature of internal auditing varies as they are determined by the Accounting Officers. Some internal auditors are used mainly for checking financial transaction while other internal auditors are used to check compliance with the law and proper recording of transactions. Marshall (1976:174) maintains that the nature and scope of internal auditing depend upon the perceptions of the Chief Financial Officer and his status in the authority hierarchy of the local bureaucracy.

In terms of sub-regulation 3.2 paragraphs 3.2.5 and 3.2.6 of the Treasury Regulations, the purpose, authority and responsibility of the internal audit function must, in consultation with the Audit Committee, be formally defined in an audit charter and be consistent with the Institute of Internal Auditors' (IIA) definition of internal auditing. Internal audit must be conducted in accordance with the standards set by the Institute of Internal Auditors (Treasury Regulations, 2002:9).

The Department of Labour has the Internal Audit team that is stationed at head office in Pretoria and provide services also to the provincial offices. The purpose of the Department of Labour's Internal Audit is, therefore, to provide audit services by evaluating the adequacy and effectiveness of all control measures implemented by management against the risks faced by various programmes (Department of Labour, Annual report 2005/06)

Internal auditing is necessary for the continuous checking of all financial transactions. In order to ensure that all moneys are duly accounted for, it is essential to conduct a day-to-day check or audit of the numerous transactions involved. Without this safeguard, any system of financial control would be incomplete (Cowden, 1969:343). In terms of sub-regulation 3.2 (3.2.8), an internal audit function must assess the operational procedure and monitoring mechanisms over all transfers made and received, including transfers in terms of the annual Division of Revenue Act (Treasury Regulations, 2002: 10).

Gildenhuis (1993:173) contends that the latest perception is that internal auditors should not only check the financial transactions for regularity and legitimacy, but should also be more constructive by investigating the results of the expended resources and reporting on this too. Gildenhuis (1993:173) further explains that the new approach is to undertake simultaneously both a financial audit and a performance audit so as to check that value is received for the money spent.

The Chief Financial Officer supports the Accounting Officer with the audit function by doing what Gildenhuis (1993:173) called an efficiency audit; an audit where the results of the budget programmes are compared with the objectives and targets of the approved budget and one which also identifies the reasons for unsuccessful results, and bringing these to the attention of the Chief Financial Officer so that he can take the necessary corrective actions. Sub-regulation 3.2

(3.2.12) support the view of Gildenhuis by indicating that the internal audit function must assist the Accounting Officer in achieving the objectives of the institution by evaluating and developing recommendations for the enhancement or improvement of the processes through which objectives and values are established and communicated; the accomplishment of objectives is monitored; accountability is ensured; and corporate values are preserved.

Sub-regulation 3.2 further indicates in paragraph 3.2.11 that internal audit function must assist the Accounting Officer in maintaining efficient and effective controls (Treasury Regulations, 2002:10). Internal Audit functions are thus performed by the Audit Committee as prescribed in sub-regulation 3.1 of the Treasury Regulations, 2002.

2.2.3.2. Planning and budgeting

Government institutions and departments operate in an environment guessed with quantum leap. The political environment changes the world and fills it with sudden changes. These changes consequently bring uncertainties with the future. Planning, as a result, is needed to reduce the risks and uncertainties, though it is not possible to eliminate these risks completely. Planning is in essence necessary for the successful existence and progress of government institutions and departments. According to Pauw *et al.*, (2002:92) the planning process starts with the aim or mission of an institution. Once the institution has formulated the Mission Statement, it devises a strategic plan indicating the broad goals that it must strive to achieve. Sub-regulation 5.1 (5.1.1) of the Treasury Regulation (TR), requires that “the Accounting Officer of an institution must prepare a Strategic Plan for the forthcoming Mid Term Expenditure Framework (MTEF) period for approval by the relevant executive authority”.

Budget is a gadget of planning in the public sector. Therefore, budgeting is part of an institution’s planning process. The budget process plays a key role in providing services to the people. This view is supported in Gildenhuis (1993:391) by indicating that budget process in the public sector fulfils the same task as an economic market because it establishes what public services will be supplied to the public, what individuals or groups will receive the public services, how these public services will be delivered, and how and with what the costs of the services are to be financed. The Accounting Officer of a department must comply with any annual budget circulars issued by the relevant treasury (TR, 2002:16).

2.2.3.3. *Asset and liability management*

An asset, in financial terms, is, according to Pauw *et al.*, (2002:132), anything an entity owns and which is durable and has some lasting benefit. This includes immovable assets (e.g., land and buildings), movable assets (e.g., machinery and vehicles), intangible assets (e.g., goodwill and patents), investments (e.g., fixed deposit and shares) and current assets (e.g., cash on hand, cash at bank, trading stock and debtors)

Sub-regulation 10.1 of TR, 2002 assert that the Accounting Officer of an institution must take full responsibility and ensure that proper control system exist for assets and that preventative mechanisms are in place to eliminate theft, losses, wastage and misuse; and stock levels are at an optimum and economical level. The Accounting Officer must further ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the institution's assets.

Section 76 (1) (k) of the Public Finance Management Act, 1999 states that the National Treasury must issue regulations or instructions applicable to departments, concerning the alienation, letting or other disposal of State assets. Disposal and letting of assets are regulated in the Treasury Regulations in terms of sub-regulation 10.2. Paragraph 10.2.1 contain that disposal of movable assets must be at market-related value or by tender or auction, whichever is most advantageous to the State, unless determined otherwise by the relevant treasury. In paragraph 10.2.2, any sale of immovable State property must be at market-related value, unless the relevant treasury approves otherwise. The letting of immovable State property (excluding State housing for officials and political office bearers) are regulated in paragraph 10.2.3 and must be at market-related tariffs, unless the relevant treasury approves otherwise. No State property may be let free of charge without prior approval by the relevant treasury.

2.2.3.4 *Banking and cash management*

The treasury is vested with the responsibility for the effective and efficient management of the public money. The treasury must ensure that its revenue fund always has sufficient money to fund the departments so that services to the public can be expedited. In terms of paragraph 15.1.3 (TR, 2002:39), each revenue fund consists, at any point in time, of all cash balances of the fund, derived from the relevant treasury's operating, investing and financing activities.

Cash management deals with the flow of cash and the investment of surplus funds. It encompasses the collection and disbursement of public money and the use of those funds between the time of receipt and disbursement in a manner consistent with the public interest. These funds are valuable public resources which should work for the community. For effective cash management, the most important requirement is for all taxes and other revenue to be promptly collected and deposited in a bank account as soon as they become due (Gildenhuis, 1993:555).

All public monies must be kept into the bank account as configured for the National Revenue Fund. In terms of Sections 11(3) and 21(2) of the Public Finance Management Act, 1999 as amended, money is paid into a revenue account by depositing it into a bank account of the fund in accordance with the requirements as may be prescribed. Paragraph 15.2.1 (TR, 2002:39) states that the bank account for the National Revenue Fund (NRF) comprises an Exchequer bank account, a Paymaster-General bank account with the South African Reserve Bank, the four tax and loan accounts with commercial banks, and any other bank account opened to facilitate the management of the National Revenue Fund (NRF).

In terms of Regulation 15 (15.10) of the TR, the Accounting Officer is responsible for establishing systems, procedures, processes and training and awareness programmes to ensure efficient and effective banking and cash management. For the purpose of the TR, sound cash management in terms of paragraph 15.10.1.2 includes the following:

- (a) collecting revenue when it is due and banking it promptly;
- (b) making payments, including transfers to other levels of government and non-government entities with due regard for efficient, effective and economical programme delivery and government's normal terms for account payments;
- (c) avoid prepayments for goods or services (i.e., payments in advance of the receipt of the goods or services), unless required by the contractual arrangements with the supplier;
- (d) accepting discounts to effect early payments only when the payment has been included in the monthly cash flow estimates provided to the relevant treasury;
- (e) pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the government are collected and banked promptly;

- (f) accurately forecasting the institution's cash flow requirements so that the National Treasury can optimise its central cash management responsibilities on behalf of the government;
- (g) timing the in and outflow of cash;
- (h) recognising the time value of money, i.e., economically, efficiently and effectively managing cash;
- (i) taking any other action that avoids locking up money unnecessarily and inefficiently, such as managing inventories to the minimum level necessary for efficient and effective programme delivery, and selling surplus or underutilised assets;
- (j) performing bank reconciliations on a daily basis to detect any unauthorised entries;
- (k) ensuring that dishonoured warrant vouchers and cheques are followed up immediately; and
- (l) the separation of duties to minimise the incidence of fraud.

The objectives of cash management, according to Gildenhuis (1993:545), are to ensure the safety of public resources; to maintain liquidity when needed; to increase funds available for investment; and to obtain the highest feasible yield on public funds. Mikesell (1986:469) continues by outlining the process of cash management as “controlling the cash collection and disbursement process, managing the available cash balances, and short-term investment of those balances”. Each of these elements is controlled by legislation or regulation that restricts the Accounting Officer in his/her cash management system.

2.2.3.5. Accounting and reporting

In terms sub-regulation 15.9 paragraph 15.9.1, each treasury must account daily for the cash movements of all bank accounts in the books of its revenue fund. Accountability is central to the management of public money. Accounting Officers who are working with the public money must be accountable or answerable for the safe keeping and disbursement of public money. Utilising the public money should be to the benefit of the public. The Treasury is consequently entrusted in terms of Section 6 of the Public Finance Management Act, 1999, as amended, with the powers and functions of keeping, regulating and controlling the public funds. Gildenhuis (1993:125) indicates that the treasury was created by way of legislation to control the financial administration of State department on behalf of the legislature and the executive authority. The most important function of the treasury is to guardian all moneys belonging to the State (Gildenhuis, 1993:129).

Pauw *et al.*, (2002:29) concur that as a basic principle of the management of public money, accountability requires that use of public money should be transparent. Therefore, reporting of activities in the public sphere is of key importance. The Public Finance Management Act specifies a variety of reports to support financial management in national and provincial government. These reports include monthly reports, quarterly reports and annual reports. Reporting is most valuable when there is agreement on expectations (Pauw *et al.*, 2002:202).

2.2.4. Policy and Procedures

It is intriguing for senior public servants to understand that good governance is essential in the public sector. Therefore, good public policy management is inextricably linked to good governance. In South Africa, there are policy frameworks that spell out the broad principles and values that enable the policy-makers to set up guidelines and procedures for the management of public affairs. The aim of government is therefore to provide a safe, democratic and orderly environment that is conducive to sustainable growth and the development of the general public. This depends, according to Cloete and Wissink (2000: v), among other things, on the relevance and quality of the design and implementation of policies that provide the platforms for such aims.

The rationale for the design and development of public policy is because public functionaries need to improve the processes and procedures to be used in accelerating excellent service delivery. Improving public service delivery requires a well-developed understanding of the political and administrative dynamics of policy-making. Various normative, philosophical or even ideological assumptions, principles, values, models and paradigms can subconsciously or sometimes openly influence both the processes and the substance of public policies (Cloete & Wissink, 2000:v).

Indeed, nothing can be done in any matter in the public sector before a policy on it has been drafted by the legislature or other competent institutions, to declare that action must be taken in the matter to reach one or more objectives. According to Cloete (1992:51), when a policy has been provided and objectives declared, the other generic administrative processes can be commenced with, along with the managerial, auxiliary, instrumental functions and functional activities.

However, the administrative processes should deliver the results before the other groups of functions can be put into effect, e.g., nothing can be done before the financing process has made money available, the organising processes has created institutions, the staffing processes has provided personnel, work procedures have been determined, and checking (control) has been provided for, to ensure that every action is aimed at the attainment of the policy objectives (Cloete, 1992:51).

The preceding paragraphs outlined the need for good governance and operation of government institutions through policies, as controlling and guiding tool. The following section broadly concentrates on financial policies that the Department of Labour Limpopo utilizes, and later on these section's processes of public policy is discussed.

2.2.4.1. Financial Management Policies

The aim of the Department of Labour is to play a significant role in reducing unemployment, poverty and inequality, through policies and programmes developed in consultation with role-players. Furthermore, the DoL aims at improving economic efficiency and productivity; skills development and employment creation; sound labour relations; eliminating inequality and discrimination in the workplace; and alleviating poverty in the workplace; to play a significant role in enhancing employment and protecting and enhancing worker rights and benefits; enhancing occupational health and safety awareness and compliance in the workplace; as well as nurturing the culture of acceptance that worker rights are human rights (Annual Report: Department of Labour, 1 April 2003 to 31 March 2004).

As the financial management policies of the Department of Labour shall be discussed, efforts will first be put on explaining the responsibilities of financial management and functionaries where the roles and responsibilities of stakeholders involved are outlined. It is then that the financial management policies are dealt with in relation to the financial policies of the Department of Labour in Limpopo.

a. Responsibilities of Financial Management and Functionaries

There are various roles and responsibilities played by the SCM office and the officials of the Department of Labour in Limpopo on financial related matters. The roles and responsibilities are discussed in the following sub-sections. Much emphasis is put on the role and

responsibilities of the SCM office, Chief Financial Officer, asset manager, asset officials and store personnel.

i. Role of the SCM office

The SCM Office is a centre of SCM and maintains excellence and helps in the development of SCM policies and procedures, establishes contracts, manages bid processes effectively, provides a procurement services, assistance and advice to officials (Accounting Officer's Supply Chain Management Policy (2006:14). The Supply Chain Management office of the Department of Labour in Limpopo is established under the umbrella of this policy.

These core responsibilities of the SCM office of DoL Limpopo encompass maintaining and monitoring contracts for DoL Limpopo; assist end-users with the developing of bid specifications, bid evaluation methodologies and plans, and the briefing and debriefing of bidders; and managing DoL Limpopo's moves towards electronic commerce. To enable the SCM Office to administer DoL Limpopo's bid and SCM processes more effectively, the department must operate within a set of monetary value limits for general procurement set out in Part 2 of the Accounting Officer's Supply Chain Management Policy document and in terms of the Acquisition Management Delegations as approved and delegated by the Accounting Officer. The SCM Office is responsible for ensuring that DoL's SCM Policy and Procedures is effectively implemented, and for guiding the Department in its operations (Accounting Officer's Supply Chain Management Policy, 2006:14-15).

ii. Role of the Chief Financial Officer (CFO)

The Chief Financial Officer (CFO) reports directly to the Director General, and is responsible and accountable to him for the achievements of the department's yearly budget within the projected spend. The CFO is responsible for the effective contribution by Directorate Finances in striving to achieve the department's vision, mission and associated Strategic Objectives, through effective management of the department's assets and resources. To this end, the CFO is responsible for the regular reporting, of these aspects, to the Director General and Treasury. In order to ensure the achievement of the above, the CFO is accountable to the Director General for the planning, procurement, and effective control of all department assets. By default this implies that the CFO is responsible for the pro-active monitoring, control and auditing of department assets (Asset Management Policy, 2006:5).

iii. Role of the Asset Managers

Asset Managers are responsible and accountable for the successful undertaking, execution and completion of all internal asset audits, asset register maintenance and asset verification for those Organisational Levels as within their area of responsibility as allocated to them. In order to ensure the achievement of the above, Asset Managers are accountable to the Executive Manager (EM) on Asset Management for the effective planning, resource scheduling and pro-active control of all activities and associated tasks executed within their allocated environments, within the department, and the subsequent reporting to the CFO (Asset Management Policy, 2006:).

iv. Role of the Asset Officials

Asset Officials are responsible for the effective execution of the asset register data maintenance through the capturing and updating of all asset data throughout its life cycle, subsequent to the asset being procured and registered on the Asset Register, for those Organisational Levels as within their area of responsibility as allocated to them (Asset Management Policy, 2006:6). Over and above administration tasks and those activities indicated above, Asset Officials have three prime roles and functions to fulfil, within the Asset Management environment. Firstly, Asset Clerks are responsible for the capturing of all the accounting data for assets entering the organisation. This typically covers data such as purchase order number, price, vendor, invoice number, warranty etc. Secondly, Asset Clerks are responsible for the capturing of all the accounting data for assets leaving the organisation for maintenance, repair, etc. Thirdly, Asset Clerks are responsible to ensure that any assets leaving the premises for whatsoever reason has been duly authorised. This includes assets being transferred between Department of Labour Offices or Sites, to other government departments or to private companies for auction and/or disposal. Asset Officials are also responsible to ensure the effective execution of all Quality Control mechanisms to ensure the technical integrity of asset data generated and captured (Asset Management Policy, 2006:6-7).

v. Stores Personnel

Stores Personnel are responsible for the effective execution of the asset cataloguing activities for all new assets procured for the department, in order to register the asset on the Asset Register. This entails the application of the asset's barcode label, in the correct position, as well as the item identification and correct allocation of the asset's description (noun and modifier) as well loading this data onto the Asset Register (Asset Management Policy, 2006: 7).

2.2.4.1.1. Supply Chain Management (SCM) Framework

This framework sets out the philosophy behind the adoption of an integrated Supply Chain Management (SCM) function across the department and assists stakeholders to understand the responsibilities this implies. The policy explains the impact of the changes at each step of the SCM cycle.

The introduction of an integrated supply chain management function intends to address the division between the current outdated procurement and provisioning processes in government that caused the present system to be inefficient in the method of procurement, for example:

- ◆ Procurement and provisioning procedures are rule driven, and value for money is almost always equated to the lowest bid price – the emphasis is on monitoring inputs;
- ◆ Procurement and provisioning activities are not linked to budgetary planning;
- ◆ Asset management is limited to control of inventory, rather than on ensuring a satisfactory return to the community for the funds invested;
- ◆ Bid documentation is not uniform, causing uncertainty to bidders and practitioners;
- ◆ The Preferential Procurement Policy Framework Act, No 5 of 2000 (PPPFA) and its associated Regulations are complex and difficult to implement correctly, and procurement practitioners are not adequately trained in their application; and
- ◆ The costs and outcomes of the PPPFA are not fully quantified, hence it is impossible to evaluate the merits of the system.

In September 2003, Cabinet adopted a SCM policy to replace the outdated procurement and provisioning practices (described above) across government with a SCM function that will be an integral part of financial management and will conform to international best practices. The new arrangements promote uniformity in SCM processes and also in the interpretation of government's preferential procurement legislation and policies, which should themselves be seen in the context of other related legislative and policy requirements. Above all, these arrangements mean that responsibility and accountability for SCM-related functions will be devolved to accounting officers.

The very substantial divide between the current outdated procurement and provisioning practices in government and the new integrated SCM function necessitates a phased implementation

approach. This Policy is intended to facilitate a general understanding of the changes to SCM practices. It must be seen as a step to assist the Accounting Officer in the smooth implementation of supply chain management within the Department. The Policy will be supplemented on a regular basis to keep abreast as the development of the supply chain management function within government progresses.

An informal approach has been followed to make the Policy as user friendly as possible. The SCM Policy is not a substitute for legislation and cannot be used for legal interpretations. Nor does it in any way detract from the responsibilities Parliament and the legislatures expect the Accounting Officer to fulfil in terms of the Public Finance Management Act, 1999 (Act 1 of 1999 as amended by Act 29 of 1999) (Public Finance Management Act), as well as the Preferential Procurement Policy Framework Act, Act 5 of 2000 (PPPFA).

To ensure that procurement operates effectively and standards are above reproach, DoL Limpopo has acknowledged the need for values and a code of conduct to govern procurement behaviour and the need to ensure the value-adding capacity of the SCM Office. To ensure that officials involved in the SCM process apply their responsibilities in terms of Section 45 of the Public Finance Management Act, 1999. The values and code of conduct are premised on the belief that all members of staff who are involved in the procurement function must possess high levels of professional ethics and have the highest standards of personal integrity.

DoL Limpopo expects a standard of behaviour in relation to procurement based on open, honest and co-operative business relations with colleagues and suppliers; confidentiality of both government and commercial information; avoidance of conflict of interest or a perception of bias; disclosure of possible conflicts of interest, whether real or capable of being perceived, to the Head of the Department as soon as they arise; fair dealing and impartiality in the conduct of bid evaluations; and the highest possible standard of professional competence and the encouragement of similar standards among all DoL officials (Accounting Officer's Supply Chain Management Policy, 2006:13).

Supply Chain Management makes provision for four elements namely: demand management, acquisition management; logistics management and disposal management. These elements are developed by the Department of Labour as guiding tools or policies within the Supply Chain

Management framework in their respective competencies and are each discussed in brief hereunder.

i. Demand Management Policy

Demand management policy guide the initial phase of the Supply Chain where the SCM Practitioner must prior to the invitation of a bid/quotation accurately estimate the costs for which the invitation for a bid/quotation is to be made. It also determines the preference point system to be used. The policy further make determinations on deliverables and/or performance indicators in terms of which a service provider awarded a contract will be assessed. It provides guidelines on conducting a needs assessment to ensure that goods or services are acquired in order to deliver the agreed requirement. Determine specifications to promote uniformity; and ensure that all requirements are to be linked to the budget.

Demand management policy requires uniformity on all contracts and guides that contracts must be based on the General Conditions of Contracts (GCC) applicable to a specific discipline issued by National Treasury. Any aspect not covered can be dealt with in the special conditions of contract. These conditions should form an integral part of the bidding documents.

ii. Acquisition Management Policy

Acquisition management policy is basically supported by Treasury. When a contract has to be arranged for goods and services which do not form part of the normal line functions of the institution, or when an institution does not have the capacity to arrange a specific contract, the relevant Treasury may be approached to assist in this regard. In terms of assessing the market the SCM office should manage the acquisition of assets by deciding on the manner in which the market will be approached as well as the total cost of ownership of the asset to the department.

The development of HDIs/SMMEs and other newcomers to the procurement process should be considered. Labour intensive methods and promoting of BEE businesses should be applied. Maximum participation of black owned businesses must be applied (Departmental BEE policy)

Obtaining goods and/or services does not imply that these requirements should be procured from outside sources only. As part of acquisition management, all possible methods of obtaining the requirements should be investigated, such as obtaining the goods and / or services by means of a transversal term contract; whether other institutions satisfy the requirements at a better price; are

the requirements available on the list of redundant/obsolete material/goods from other institutions.

The optimum sourcing strategy and technique should be used, taking due cognisance of the nature of the commodity or service required, the conditions of delivery, among others, just-in-time delivery, the prospective suppliers and the goals to be promoted as contemplated in the Preferential Procurement Policy Framework Act 5 of 2000 .

iii. Logistics Management Policy

The Logistic management policy deals with, among others, the coding of items, setting of inventory levels, placing of orders, receiving and distribution, stores and warehouse management, expediting orders, transport management, and vendor performance. These processes also activate the financial system to generate payments.

iv. Disposal Management Policy

Disposal management policy is concerned with the obsolescence planning of redundant assets. A data base of redundant assets needs to be maintained by the department. All identified redundant items must be inspected for re-use and/or repair. A disposal strategic plan needs to be in place and be managed for the department. The following aspects must be managed by SCM office in DoL Limpopo:

- Obsolescence planning
- Maintaining a data base of redundant material
- Physical disposal process
- Values of disposal assets

The accounting officer must appoint a disposal committee to deal with disposals at Provincial Office of DoL Limpopo to make recommendations with regards to the disposal of any asset. The accounting officer is considering the recommendation of the appointed committee. Regular disposal board meetings must take place to ensure optimal utilization of assets and to take disposal actions in time.

2.2.4.1.2. Supply Chain Management Policy of the Department of Labour

The Supply Chain Management system of the department replaces the previously outdated Procurement System used by the department. The successful implementation of this new policy relies on the following embedded knowledge:

- A basic understanding of the constitution
- A broad understanding of the Public Finance Management Act and regulations pertaining to the Act and how it applies to procurement
- A comprehensive understanding of procurement administration policies, systems and procedures as contained in the Preferential Procurement Policy Framework Act (Act 5 of 2000) and the regulations pertaining to the Act),
- Regulations in Terms of Section 76 (4)(c) of the Public Finance Management Act, 1999 (Act No 1 of 1999 as amended by Act 29 of 1999) (Public Finance Management Act): Framework for Supply Chain Management,
- Supply Chain Management: A Guide to Accounting Officers,
- Broad Based Black Economic Empowerment Act,
- A broad understanding of the Code of Conduct for Supply Chain Management practitioners (Practice Note 4 of 2003) and corruption measures.
- A general understanding of:
 - The Competition Law and Regulations
 - The National Small Businesses Act
 - SITA Act (Act 88 of 1998)
 - Trade Policy
 - Labour issues
 - Safety Health and Environment
 - Public / Private / Partnerships
 - New partnerships for Africa's Development
- Provision of strict financial control in terms of Section 76 (4) and 38 of the Public Finance Management Act, the Chief Financial Officer must promulgate financial regulations in terms of which Supply Chain Management will function efficiently and effectively. All fraudulent and/ or any form of financial mismanagement is therefore eliminated in terms of provisions from the Public Finance Management Act and Treasury Regulations. The system also ensures that all contractors are registered with SARS regarding their tax obligations.
- Supply Chain Management will ensure the stimulation and development of SMME'S and HDI'S by awarding tenders in terms of development objectives and price mechanisms such as the point scoring bid adjudicating procedures. The SCM system will also promote joint ventures / consortiums between SMME'S and larger companies.

Breaking down large contracts into smaller parts for effective participation of the marginalized sector of society onto the contraction or industrial projects will also be promoted.

- To ensure the promotion of the Broad Based Black Economic Empowerment Policy, economic transformation must take place in order to enable meaningful participation of black people in the economy. An ongoing transformation process in the racial composition of ownership and management structures in new and existing enterprises must be promoted.
- With this system it is Government's intent to modernize the management of the public sector, to make it more people friendly and sensitive to meeting the needs of the communities it serves. With this system the responsibility for decisions is placed in the hands of the Accounting Officer. The accountability chain is the most critical driver for improving financial management in the department.
- In addition the award and management of contracts is an area where fraud and corruption has been found in the past and the departments fraud prevention plan must reflect this, through cost-effective use of control measures and procures and an ethical culture. (Accounting Officer's Supply Chain Management Policy, 2006: 6-8).

The Department of Labour in Limpopo took these knowledges embedded in the said policies into consideration when formulating its SCM policy and ensured that such policies are in line with the financial legislative framework as indicated in figure 2.1. Policies are developed to bring matters of the Constitution and the Public Finance Management Act into practice.

a. Objectives of the SCM Policy of DoL

There are four major objectives in the SCM policy of the Department of Labour (DoL). These objectives are to (1) transform all old government procurement practices into integrated SCM function; (2) introduce a systematic approach for the appointment of consultants; (3) create a common understanding and interpretation of the PPPFA; and (4) promote the application of "best practices" throughout the Supply Chain (Accounting Officer's Supply Chain Management Policy, 2006: 9).

The reforms of the policy intend to promote efficacy in procurement and provisioning systems and practices that enable DoL to deliver the required quality and quantity of services to its clients. The establishment of uniformity in procedures, policies, documentation and contract options and the

implementation of sound systems of control and accountability should form the cornerstone of institutional reform. A SCM division of the Department of Labour in Limpopo in conjunction with the relevant Treasury is responsible for the implementation and reporting on Supply Chain Management. This unit provincially is established in the office of the Management Support Services (MSS) under the sub-unit of finance.

DoL Limpopo recognizes that in a climate of rapid change and stringent fiscal objectives the it must manage the SCM function so as to remain focused on its core functions and objectives; adopt procurement practices that take the advantage of available economies of scale and improve risk management in high value and/or high risk procurement activities; and position DoL Limpopo to take advantage of emerging technologies such as electronic commerce and the use of electronic funds transfer when paying suppliers' accounts.

To achieve this, DoL Limpopo will consolidate its procurement through a Sub Bid Adjudication Committee, Departmental Bid Adjudication Committee and the respective Evaluation Committees established at Head Office and Provinces (Accounting Officer's Supply Chain Management Policy, 2006: 9). This approach is best suited to DoL's operations and the need to satisfy public scrutiny and high accountability standards in providing services to the public. Moreover, in order to strengthen the capacity to continuously improve resource use and performance, DoL Limpopo must remain focused on opportunities for streamlining operating circumstances without compromising accountability and ethical standards.

(b) Legal Requirements of the SCM Policy

Section 38 of the Public Finance Management Act sets out the general responsibilities of the Accounting Officer, one of which is to ensure that the department has and maintains 'an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective'. To meet those requirements DoL Limpopo must fully comply with the SCM Framework, issued in terms of Section 76(4) (c) of the Public Finance Management Act and published as Chapter 16A of the Treasury Regulations dated 15 March 2005.

(c) Principles of the SCM Policy

'Value for money' remains the core principle essential for SCM outcomes in DoL Limpopo as it is justifying the objectives of the Public Finance Management Act. While not a criterion in

itself, it is nonetheless the basis for comparing procurement alternatives and offers from suppliers in order to identify the one that meets the needs in the most cost-effective manner when all costs and benefits are taken into account.

In achieving value for money DoL Limpopo base the SCM outcomes around the core principles of government procurement. This means DoL Limpopo according to Accounting Officer's Supply Chain Management Policy (2006: 12) is committed to:

- (a) ensuring transactions achieve the highest value for money for the State;
- (b) providing suppliers with the opportunity to compete for business in an open and transparent manner;
- (c) encouraging effective competition through procurement methods suited to market circumstances; and
- (d) to maintain laid down quality standards.

In addition, ethics and fair dealing considerations require DoL Limpopo to conduct procurement so as to ensure that:

- (a) suppliers are dealt with even handed;
- (b) the department is not compromised through acceptance by officials of gifts or hospitality;
- (c) conflicts of interest are identified and managed; and
- (d) there is scrupulous use of public property.

It is within these principles that the SCM policy promotes the prescripts of the Public Finance Management Act. Matters of fraud and corruption as contained in the Public Finance Management Act are principled in the SCM policy of the DoL as issues of ethics were considered. The principle of "Value for money" therefore promotes efficiency, effectiveness and economy as these 3 E's are addressed in the Public Finance Management Act.

2.2.4.1.3. Risk Management Policy

As part of the activities of the SCM Office, better risk management in procurement should be allowed. The aim for the development of the SCM policy by the department is to share risks, assigning responsibility for each particular risk to DoL, Limpopo and its officials or to the supplier/contractor, depending on who is best able to manage that risk.

Risk needs to be addressed when buyers are first defining their requirements. In complex or high value procurement, SCM Practitioners need to adopt a systematic approach to identifying, analyzing, evaluating and monitoring procurement risks. This can involve a risk management plan, especially for procurement where bids must be invited as set out in the Acquisition Management Delegations. Programme Managers should include such a plan in the specifications/requirements forwarded to the Departmental Bid Adjudication Committee through the SCM Office.

Section 38 (1) (a) (i) of the Public Finance Management Act provides that the higher end of the risk management spectrum must apply in the department to promote effectiveness, efficiency and transparency, and measures for proper internal control. The Department of Labour should perceive risk management as a fundamental part of the corporate governance structure.

2.2.4.1.4. Asset Management Policy (AMP)

The objectives of the Asset Management policy (AMP) is to provide effective guidelines with regards to the management of departmental assets; enable the department to meet its service delivery objectives efficiently and effectively by achieving the best possible match of assets with programme delivery strategies; safeguard the assets of the department and to ensure the effective use of existing resources; emphasise a culture of accountability over the department's assets, ensure that effective controls are communicated to management and staff through clear and comprehensive written documentation; ensure that preventative measures are in place to eliminate theft, losses and misuse; and ensure compliance with the appropriate accounting practices, National Treasury's Asset Management Guidelines and the Public Finance Management Act (Asset Management Policy, 2006: 4).

This policy is mandated by Section 38 of the Public Finance Management Act, 1999 which places the responsibility on the accounting officer for financial and risk management of the department as well as the effective and efficient use of the resources thereof. The section further specifically tasks the accounting officer with the management, including the safeguarding and maintenance, of assets, and the management of liabilities. Treasury Regulation 10.1 (issued in terms of Section 76) requires the accounting officer to ensure that processes, manual or electronic, and procedures are in place for the effective, efficient, economical and transparent use of the department's assets. It further places the full responsibility on the Accounting Officer for

ensuring that control systems are in place to ensure the prevention of theft, losses, wastage and misuse of assets.

2.2.4.1.5. Security Occupational Health and Safety Policy

The purpose of this policy is to comply with a set of Security and OHS rules by which all employees of the DoL must abide. These rules would indicate to staff members on how to conduct themselves in the handling of Security and OHS matters. The Director-General bears the overall responsibility for the provision and maintenance of all Security OHS practices in the department. However, Security OHS may be delegated in writing to the Head of Security for an effective administration thereof.

The implementation of the various Security OHS measures and procedures is primarily the responsibility of each and every member of the department. Responsible managers must ensure that all personnel, property and information under their control are safely secured at all times. Any discrepancies and incidents must be reported via the Security OHS structures to the Office of the Executive Manager: Security Services. The directorate security together with the assistance of the Security Occupational Health and Safety Committee (SOHSC), are responsible for managing and coordinating of all security OHS matters of the department.

Security Manager appointed by the DG in terms of Minimum Information Security Standard (MISS) and Public Service Act 103 of 1994 as amended. He/she is responsible for the total security function, administration and management of security. Security Manager refers to the Executive Manager: Security Services (HO) and the Provincial Security Manager (Province).

The DoL Limpopo has valuable information that needs to be protected. The information range from memos, financial documents, minutes of the meetings, correspondences etc. Therefore applicable security measures must be respected and meticulously adhered to. It is the responsibility of the Managers and staff members to ensure that where information is exempted from disclosure, security measures are applied in full.

2.2.4.1.6. Resettlement Policy

The objectives of the Resettlement Policy of the DoL is to guide the employer (DoL Limpopo) to generally meet the actual resettlement costs within the country, incurred by an employee and his or her immediate family when such an employee is transferred at State expense; and/or is newly

appointed and has to relocate to his/her place of work; and/or is, in the interest of the State, employed at a place other than his/her normal place of work owing to certain service requirements; and/or his/her services are terminated in terms of the Public Service Act, 1994, due to normal retirement or death or voluntary severance package or premature retirement. This policy applies to all permanent employees of the department and their immediate family or household (Resettlement Policy, 2005:1).

The costs associated with the transfer according to the Resettlement Policy (2005: 2-3) are only payable in cases where costs are incurred due to travel and subsistence, and transportation and storage of household and personal effects. If the employer requires an employee to transfer to a new place of work, the employer shall assist the employee with the associated costs. The DoL Limpopo shall meet the reasonable actual costs an employee incurs for travel and subsistence during one pre-visit of not longer than two (2) working days, by an employee and/or a member of her or his immediate family to the new place of work before the date of the transfer; the move of the employee and her or his immediate family to the new place of work.

Payment of subsistence expenses are restricted to a maximum of two days plus reasonable travelling time unless substantial reasons for extension can be submitted, in which case the period of time can be extended according to circumstances. Corroborative proof of substances bought must accompany claims. According to the Resettlement Policy (2005:2), employee shall use the most economical form of transport. If it is not possible for the employee to use the most economical transport, prior approval must be obtained for alternative transport. If an employee on resettlement interrupts or lengthens his/her journey for his/her own interest (i.e., takes another route than the shortest one or make use of other means of transport than what has been approved) travel and subsistence expenditure can be compensated to him/her up to the amount to which he/she would have been entitled in terms of the policy (e.g., by bus instead of by air).

With regard to the expenses covering the household and personal effects of the employee and her or his immediate family, the employer shall be met from the budget of the receiving office. These expenses shall include reasonable actual costs of transport to the new permanent accommodation, storage, packing and unpacking, and all-inclusive insurance cover (Resettlement Policy, 2005:3).

The conditions for the payment of costs as a result of travel and subsistence, and transportation and storage of household and personal effects are subject to the contract for the transport expenses and insurance costs of the personal effects of an employee and/or her/his household been concluded between the employee and the firm concerned and not between the department and firm.

The policy stipulates that the employee must submit a list of his/her personal effects together with the quotations. Three fully specified quotations must be submitted by employees with consideration of the availability of officially registered Black Economic Empowerment (BEE) transport contractors. The onus rests with the employee to ensure that the quotations correctly cover and specify all circumstances and requirements associated with the services during transfer. The quotation with the highest point score shall be accepted unless there are good reasons not to accept it.

A transferred employee must ensure that quotations are obtained directly from individual conveyers and that such conveyers should not be informed of the names of the other firms, which were approached by him/her. It is strictly prohibited that a firm which is approached for a quotation be allowed to obtain quotations on the behalf of the employee. The department can obtain additional quotations when it deems necessary over and above those, which the relevant employee obtained.

In order to bring about savings it is desirable to co-ordinate the conveyance of transferred employees' personal effects departmentally as far as possible. An employee must ensure that he/she is in possession of the original insurance policy before the transporting of his/her personal effects and the onus rests on the employee to make sure that the personal effects are packed, transported and/or stored in accordance with policy.

Storage at the old or new place of work for up to 3 months is only meant, as an aid when an employee really experiences problems in obtaining accommodation at his/her new place of work, which meets his/her reasonable and fair family, needs. Where an employee necessarily stores part of his or her personal possessions because the accommodation which he/she temporarily obtained is too small, the expenses related to the storage and insurance can be paid.

If no storage facilities exist at the old or new headquarters, the personal effects can be transported at State expense to the nearest appropriate place where storage facilities are available and later be transported from there to the new place of work. Quotations must include monthly storage tariffs. The expense of the transporting of personal effects from one place of storage to another cannot be paid from State funds, except when the moving thereof is un-avoidable and/or brings to pass saving. The expenses for the treatment of such effects (e.g., moth poison, oil, etc) during storage can be paid from State funds.

The Department of Labour in Limpopo shall provide or pay for interim accommodation on measures strictly connected with the non-availability of suitable permanent accommodation or where unforeseen problems are experienced with the transporting, unpacking or unloading of the employee's personal effects. If the employee and her or his immediate family must unavoidably rent interim furnished accommodation at the old and/or new place of work, the employer shall meet reasonable actual costs.

With regard to interim accommodation, a maximum period of 2 months has been approved and consideration will be given in exceptional cases with sufficient motivations for the third month. Receipts regarding purchase of prepared meals must include the name of the business, description of meals, time and date. Those employees occupying rented accommodation with fitted kitchen facility can be considered for reasonable purchase of groceries on a daily basis. In cases where private boarding and lodging is utilized, the normal fixed daily subsistence allowance as annually revised by the Department of Public Service and Administration and payable in circumstances where actual expenses are not claimed, shall be paid for each member of the immediate family who utilizes the private boarding and lodging up to a maximum of three (3) members.

The policy further covers for expenses incurred due to back payment of concurrent expenses for renting, accommodation and/or domestic employee's wages can be made when an employee is transferred at short notice (less than one month). For abnormal subsistence expenses, though they are not a standard transfer benefit, abnormal subsistence and travel expenses that originate from school interests of children, expenses of an employee whose children reside at his/her previous place of work, new school, uniforms and related costs. Continued payment of a home owner allowance to an officially transferred employee, if an employee received a home owner allowance at his/her old place of work.

A single amount to meet incidental expenses arising from resettlement is paid if furnished accommodation is permanently occupied. An amount equal to 25% of an employee's basic monthly pensionable salary as on the date of resettlement shall be paid. If an unfurnished accommodation is occupied permanently, an amount equal to an employee's basic monthly pensionable salary as on the date of resettlement shall be paid (Resettlement Policy, 2005:10).

2.2.4.1.7. Debt Management Policy

The objective of the policy is to prevent any financial losses by ensuring sound financial control by timeously recovering all departmental debts. Furthermore, the policy is aimed at ensuring the promotion of transparency, accountability, efficient and effective financial management. The debt management policy creates a uniform procedure in respect of recovering departmental debts.

In principle, no departmental debts shall be deducted from an employee prior to being duly informed of such debt. In practice letters must be served to employees who owe the department to pay his/her debt. Debtors must respond within 10 days from the date of receipt in writing to acknowledge the debt and indicate measures of settling the debt.

In case where an employee leaves the services of the employer, the supervisor of such employee according to paragraph 3.2 of the Debt Management Policy (2006) must inform the relevant Human Resource Management unit and the Directorate: Financial Management of any departmental debts of an employee who retires or giving a notice of intent to terminate his/her services. This is done to ensure that monies owed to the department by such employees are recovered.

In the event a debtor is no longer with the department, the department shall recover the balance or monies owed from the pension benefit. Paragraph 4.1.3 (i) of the Debt Management Policy (2006) the debt of the person who is no longer in the service of the department shall be recovered from any other emolument due to the debtor and the balance from the pension benefits. If the debtor dies while owing the department and his pension benefit cannot cover all the debt, recovery shall be made from his/her estate (paragraph 4.1.5 of the Debt Management Policy, 2006).

A debtor who is still in the employ of the department may forward a written submission to the Manager: Financial Management as prescribed by financial delegations to repay the debt in instalments (paragraph 4.2.1 of the Debt Management Policy, 2006). Monies erroneously paid to any institution or individual or contractor shall be recovered from the institution or individual or contractor. Failure to pay the department within a stipulated time, interest shall be charged on all debts owed to the department at an interest rate determined from time to time by the Minister of Finance with the exception debts exempted by the Public Finance Management Act and the Treasury Regulation.

In terms of paragraph 11.4 of the Treasury Regulation, an Accounting Officer may write-off a debt owing to the State if he/she is satisfied that all reasonable steps have been taken to recover the debt and the debt is irrecoverable; or he /she is convinced that recovery of the debt would be uneconomical or the recovery would cause undue hardship to the debtor or his/her dependants; would be to the advantage of the State to effect a settlement of its claim or to waive the claim. In terms of this policy paragraphs 6.2 and 6.3 the Executive Manager: Legal Services shall recover debts with interest and recommend write offs where it is proper to do so and the Chief Financial Officer will approve the write off on the recommendation of the Executive Manager: Legal Services. All debts written off must be disclosed in the annual financial statement.

2.2.5. Budgeting and MTEF

It was outlined above that public funds belongs to the people; therefore it must be used in ways that are in the public interests. The purpose of public money is to obtain goods, services and assets for the efficient and effective use in the best interests of the people. In this regard, public expenditure must therefore be used in delivering services to the people. Pauw et al., (2002:14-15) support this statement by indicating that “the purpose of public money is to obtain goods, services and investments for its owners, the people. All public expenditure must therefore bear fruit for the People. It may never be wasted. Public expenditure must be appropriate and effective”.

The government as is entrusted by the people to manage the public money, it is also expected to provide services to the people through its various organs, that is government departments. These departments are allocated money so that they comply with their constitutional mandate. Indeed public institutions have one reason to exist. Pauw et al., (2002:59) indicate that the existence of each public institution can be justified by the outputs that they produce to meet the benefits or

outcomes that the people or their governments desire. One or more activities produce these outputs. The undertaking of all activities requires resources and these resources need money. Therefore, budgeting is a result of the need for resources that will be used in producing outputs to satisfy prioritised needs.

Parliament and provincial legislatures in South Africa must appropriate money for each financial year for the requirements of the state and the provinces respectively. In accordance with section 27 of the Public Finance Management Act, 1999 “the Minister must table the annual budget for a financial year in the National Assembly before the start of that financial year or, in exceptional circumstances, on a date as soon as possible after the start of that financial year, as the Minister may determine” and the “MEC for finance in a province must table the provincial annual budget for a financial year in the provincial legislature not later than two weeks after the tabling of the national annual budget” (Republic of South Africa, 1999: 37).

The annual budget must be in accordance with the prescribed format and must at least, in terms of Section 27 of Public Finance Management Act, 1999, contain the estimates of all revenue expected to be raised; estimates of current expenditure for that financial year per vote and per main division within a vote; estimates of interest and debt servicing charges, and any repayments on loans; estimates of the capital expenditure per vote and per main division within a vote for that financial year and the projected financial implications of that expenditure for future financial years; estimates of all direct charges against the relevant Revenue Fund; proposals for financing any anticipated deficit for that financial year; indication of intentions regarding borrowing and other forms of public liability that will increase public debt during that financial year and future financial years; and any other information as may be prescribed, including any multi-year budget information (Republic of South Africa, 1999: 37-38).

2.2.5.1. Government Budget

Government budget is regarded as the operational plan that point out how it will use financial resources to effect delivery of services to the people. According to Pauw *et al.*, (2002:61), budget set out the taxes to be paid, how the money will be spent, and the services that will be delivered. A budget can be seen as a financial plan that sets out how a government will achieve its objectives. Therefore, the budget serves as the following (Gildenhuys, 1993:391-412; and Botes, 1994:223-224):

- A planning process in which the budget represents the financial component of the strategic and operational plan or business plan;
- A management process in which the budget serves as a plan of action as well as control over and reporting on expenditure;
- An instrument for promoting and ensuring financial co-ordination due to a set of measurable objectives and outputs;
- A policy formulating instrument whereby the budget determines which services should be rendered with the available funds, as well as the priorities of services;
- A policy declaration instrument stating the financial implications of the following year's policy;
- A basis for accountability whereby the Auditor-General's report and the departmental annual reports are tabled in the legislature and discussed by the committee on public accounts; and
- A means to determine the funding requirement for public expenditure.

Chapter Four of the Public Finance Management Act on the budget process gives effect to Section 215 of the constitution on the timing and content of national and provincial budgets, and the reporting requirements that will promote greater transparency in the implementation of a budget. It outlines what adjustments budgets must deal with, and outlines the minimum content for multi-year budgets. This section also contains a clause on unfunded mandates.

In terms of Sections 26 and 27 of the Public Finance Management Act, Parliament and each provincial legislature must appropriate money for each financial year for the requirements of the State and the provinces, respectively. The Minister and the MEC for finance in a province must table the annual budget for a financial year in the National Assembly before the start of that financial year. An annual budget must be in accordance with the format prescribed by the National Treasury and must contain

- ❖ estimates of all revenue expected to be raised during the financial year to which the budget relates;
- ❖ estimates of current expenditure per vote and per main division within a vote;
- ❖ estimates of interest and debt servicing charges, and any repayments on loans;
- ❖ estimates of capital expenditure per vote and per main division within a vote for that financial year and the projected financial implications of that expenditure for future financial years;

- ❖ estimates of revenue excluded from the relevant Revenue Fund for that financial year
- ❖ estimates of all direct charges against the relevant Revenue Fund and standing appropriations for that financial year;
- ❖ proposals for financing any anticipated deficit for that financial year; and
- ❖ an indication of intentions regarding borrowing and other forms of public liability that will increase public debt during that financial year and future financial years.

When the annual budget is introduced in the National Assembly, the Accounting Officer of the Department of Labour is obliged to submit to Parliament, as may be appropriate, measurable objectives for each main division within the department's vote. The National Treasury is in terms of the Act required to coordinate these submissions and consolidate them in one document.

2.2.5.2. Managing a Budget and Budgeting by Objectives

Public funds can be managed effectively through a budgetary system. Managing a budget refers to financial management that is unlimited to every official in terms of Section 45 of Public Finance Management Act, 1999 (29 of 1999) as amended. This includes adherence to the 3e's, namely, economy, efficiency and effectiveness. Before spending the public money on a project or purchasing any goods and/or services, the financial manager must do financial and economic analysis before committing funds to the project or procuring such goods and/or services. Thorough management of public money is essential and it takes a good management of a budget to deal cleanly with the public money.

Budgeting by objectives is a way of identifying objectives, to which financial values are attached. A system of budgeting by objective ensures that choices for the use of scarce financial resources are made more effectively. Traditional budgets did not place enough emphasis on planning and coordination aspects. Budgeting by objectives system ensures a far greater degree of direction and provides for long-term planning and reporting (Van Der Waldt & Du Toit, 1997:304).

2.2.5.3. Role players in Department Budgeting

There are several role players who play an important role in the compilation of a government budget. Pauw *et al.*, (2002:66) considered the responsibility manager, programme manager, programme co-ordinators, departmental accountant, Chief Financial Officer, departmental budget

advisory committee, Accounting Officer, and executive authority. The following section shall briefly outline the roles and responsibilities of each player.

2.2.5.3.1. *Responsibility Manager*

The responsibility manager might be, for example, a director, a deputy director or Chief Executive Officer or Provincial Executive Manager. As a key role player in the budgetary process, the responsibility managers are of significant importance, since the day-to-day management of line function activities, and the subsequent direct expenditure of public money on those activities, vests in them. The functions or tasks for which a responsibility manager is responsible are derived from the objectives, programmes and sub-programmes of the entity. Besides the normal line activities, the basic role of responsibility managers is the administration of human, physical and financial resources relating to the activities assigned to them, in order to obtain the sought after financial results and business benefits. The responsibility managers are expected to ensure that the maximum results - output - are obtained with the minimum costs – inputs (Pauw et al., 2002:66-67).

2.2.5.3.2. *Programme Manager*

According to Pauw *et al.*, (2002:67) the financial responsibilities of programme managers include the following:

- Evaluating and consolidating the various budget inputs from responsibility managers,
- Making recommendations on these inputs,
- Ensuring prompt submission to higher authorities, and
- Controlling expenditure at programme level.

In addition to these responsibilities, a programme manager fulfils an important role in the medium-term planning for the programme and the preparation of a three-year budget framework. At the national and provincial levels, this is part of the so-called *Medium Term Expenditure Framework* (MTEF). A programme manager does this by assigning available resources so that the ‘correct’ or ‘best’ balance between the various activities is achieved, with all the conceptual and practical difficulties involved in that. Lastly, the programme manager reports on the State of expenditure of the programme to top management and the departmental budgetary advisory committee, if such a committee exists (Pauw *et al.*, 2002:67).

2.2.5.3.3. Programme Co-ordinator

The responsibility of the programme co-ordinator is to supervise the programme manager. They assist the accounting officer in ensuring that departmental policies and objectives are correctly prioritized among programmes within the budgetary process and allocations. They must also see to it that outputs are met, corrective steps are taken during the year to achieve performance, and that authorized amounts per programme are not exceeded (Pauw *et al.*, 2002:68).

2.2.5.3.4. Departmental Accountant

A departmental accountant supports the functions of the programme and responsibility managers. A departmental accountant's functions include the following:

- Ensuring that the accounting processes are effective;
- Ensuring that the accounting records – i.e., source documents – relating to expenditure and revenue are kept;
- Ensuring that expenditure and revenue are assigned the correct allocations in the budgets;
- Interpreting relevant legislations and instructions relating to accounting and financial reporting, attending to queries of the Auditor-General; and
- Ensuring that the financial records are closed in time after the end of the financial year and the reports are provided to the Auditor-General (Pauw *et al.*, 2002:68).

2.2.5.3.5. Chief Financial Officer (CFO)

The Accounting Officer of the department must appoint a CFO to serve on the management team of the department (Treasury Regulations, 2002:2.1). The CFO, therefore, is directly responsible to Accounting Officers to assist them in discharging their rather onerous duties in terms of the Public Financial Management Act and the annual Division of Revenue Act (Dora). The duties of the CFO relate to the effective financial management of the institution; the exercise of sound budgeting and budgetary control practices; the operation of internal controls and the timely production of financial reports (Treasury Regulations, 2002: 2.1.3).

2.2.5.3.6. Departmental Budget Advisory Committee

The departmental budget advisory committee has a number of functions. According to Pauw *et al.*, (2002: 69-70) the committee is responsible for the following:

- Jointly evaluating the various needs of the department as derived from the mission statement and the overall objectives of the department;

- Formulating a departmental plan of action – a strategic plan – according to the objectives and availability of funds;
- Setting measurable outputs and priorities for the various objectives of the department;
- Evaluating budget submissions – such as the draft budget, the draft adjustments budget and the financial statements – to the authorities;
- Advising on the department’s MTEF, which is the multi-term budget planning for the department for the next three years;
- Monitoring the state of expenditure and revenue;
- Reporting on the financial performance and position to the executive authority and the treasury;
- Evaluating the economy effectiveness and efficiency with which objectives are met – the performance of the department;
- Reporting to the executive authority and the treasury an achievements;
- Co-ordinating audit reports and implementation of corrective steps as proposed by the internal audit component or the Auditor-General; and
- Ensuring that the information provided in the annual report is accurate.

2.2.5.3.7. Accounting Officer

The Accounting Officer is basically responsible for the administration of State funds under the control of the department. The Accounting Officer must identify, in consultation with the minister, the services the institution will render, prioritise the needs of its clients, and prepare the strategic plan of the institution (Treasury Regulation, 2002:5.1). Furthermore, the Accounting Officer (AO) must ensure that the institution renders services in an economic, efficient and effective way, ensure that budget submissions cover transfers to other institutions on the vote, submit the draft budget for the executive authority, submit measurable objectives for each programme within the budget to the legislature (Public Finance Management Act (4)).

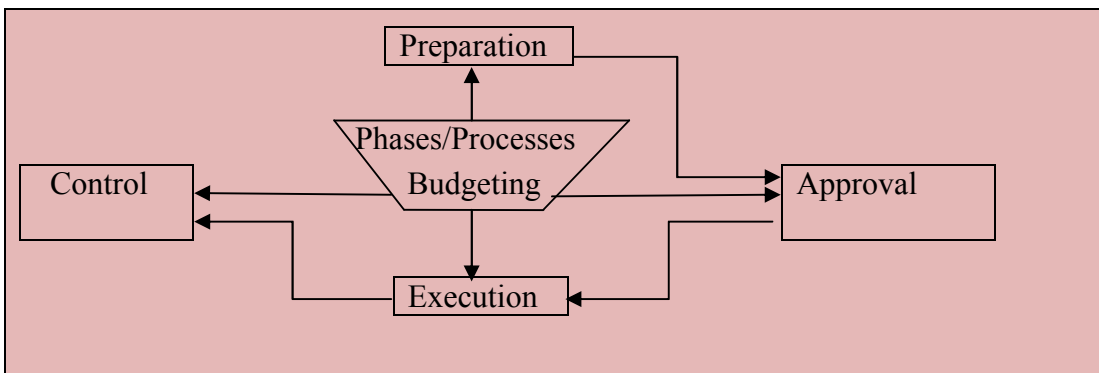
2.2.5.3.8. Executive Authority

The Accounting Officer must obtain the approval of the executive authority (for example, the minister) responsible for the particular vote before the draft budget may be submitted to treasury. The minister is responsible for ensuring that the departmental budget reflects the political priorities of the government of the day. The minister must defend the departmental budget within the executive and in the legislature (Pauw *et al.*, 2002:71)

2.2.5.4. Phases and Processes of Budgeting

As a set of institutionalized procedures, a budget includes a whole range of decisions. It is a complete set of events determined at fixed intervals. As pointed out in Figure 2.2 below a budget consists of four clearly distinguishable processes. Gildenhuis (1993:468) mentioned the four phases as preparation, approval, execution and control.

Figure: 2.2. Process of Budgeting



Source: Own Source

(i) Preparation Phase

In the preparation phase both the executive and the officials play a central role in ensuring that all the pieces necessary are available. Treasury usually dominates this phase. The preparation phase deals with issuing the instruction which serves as guidelines by the budget department or treasury; preparation of draft expenditure budget by the operational department; reviewing the draft budget by the budget department or treasury; consideration of draft budget by the political executive; and final draft budget which is a consolidation of all the departmental draft budget consisting of an explanatory memorandum prepared by the politicians charged with finance, a summarized schedule of the expenditure per budget vote, schedules defining particulars of each budget vote, and supporting and substantiating documents which can be taken into consideration when a budget is to be approved.

(ii) Approval Phase

The legislature in South Africa is in practice entrusted with approving the budget. The legislature plays a role in budget approval. In practice after the documents of the draft budget have been approved by the executive authority, they are submitted to the legislature for consideration and approval. Gildenhuis (1993:483) support this view when saying that “...the legislature of a democratic country should be the only institution which approves the raising of taxes and their expenditure. Therefore the budget of revenue and expenditure must be submitted to the

legislature for approval". As a result the executive and the administrative authorities are compelled to approach the legislature for the granting of funds in order to execute their programmes.

(iii) Execution Phase

In executing an approved budget the amounts voted are expended on the delivery of services to the public (Gildenhuis, 1993:488). In this phase, the officials are entrusted with the public money and are held accountable thereof for the spending to the legislature. In principle the expenditure must be in line with the approved budget. In supporting this view, Gildenhuis (1993:488) held that expenditure must be made in terms of the approved budget and standing regulations.

Legislation prohibits departments from expending more funds than those provided for in the budget. Expenditure of less than the approved budget vote might be an indication of more efficient administration, but it could just as well be an indication of the fact that the services envisaged were not fully rendered or that the original estimate was too high. Budget departments should control the relationship between the actual expenditure and the approved budget votes regularly. Approved budget serves as an instrument to ensure that departmental programmes are executed efficiently and effectively. In the execution phase, the approved budget is used to direct departmental activities towards achieving programme objectives according to the budget programme, and to ensure that the expenditure does not exceed the approved budget votes (Gildenhuis, 1993:488).

(iv) Control Phase

The control phase runs concurrently with the execution phase. It is complete once the legislature has accepted the reports of the Auditor-General. Pauw *et al*, 2002:78 dictates that control runs concurrently with all phases because the budget itself is an *ex ante* control measure—meaning a control measure before the fact. Gildenhuis (1993:491) further indicate that in order to utilize the budget as a control instrument effectively, it is essential that auditing and evaluation take place during the executive phase. The aim thereof is to ensure high standards of operations by the operational department. Continuous control within public institutions is important as it serve to prevent theft of the public money, fraud and wastage. Furthermore it ensures correctness of financial transactions and promotes compliance with policies, regulations and legislations.

The control process may therefore be regarded as a function to determine whether the execution of tasks, projects and programmes has been done in accordance with certain programmes and schedules, and in terms of prescribed standards and specifications. Control focus on the operational efficiency and effectiveness of public activities, that is, on the full realization of objectives with the minimum expenditure of money. Van der Waldt and Du Toit (1997:201) support this view by defining control as a process that ensures that actual activities corresponds to planned activities. This is an ongoing process that evaluates all the phases of a budget.

2.2.5.5. Budgets forming the Expenditure Budget

There are various budgets forming part of the expenditure budget. Those budgets include the main budget, a part appropriation budget, a supplementary budget and an additional budget. These budgets will be discussed in brief hereunder.

2.2.5.5.1. *Main Budgets*

The main budget is the main operating programme by which the administrative authority has to programme and execute its activities. According to Thornhill (1984:19) the main budget may be regarded as the executive authority's main proposals for expenditure for a particular financial cycle of 12 months.

The main budget consists of both revenue and an expenditure budget though they are two different or separately independent crafted documents. In practice the expenditure budget is drafted first and then follows the revenue budget. Only after the expenditure budget is finalized and approved would the revenue budget be proposed. Proposals in the main budget cover the largest part of the expenditure proposals even though it is impossible to reflect or detail everything in the main budget. Thornhill (1984:20) support this view by indicating that it should be borne in mind that various considerations result in the main budget not giving a true reflection of the proposed public activities – in practice it would be impossible to include every detail in the main budget.

2.2.5.5.2. *Part Appropriation Budget*

The measures taken annually to provide for provisional appropriation is the part appropriation budget which is approved by parliament before the start of the financial year concerned (Thornhill, 1984:20). Part appropriation budget only provides for the continuation of existing services and the execution of existing policies, and the expenditure later becomes part of the

main budget. The part appropriate budget serves as an essential measure to extend the appropriation of funds which have been approved in the main budget.

2.2.5.5.3. Supplementary Budget

The main budget is drafted about six months prior to the start of the financial year to which it refers. The budget documents are printed about three months prior to the start of the financial year and about six months prior to approval of the main budget. As a result of the passage of time between the date on which the monetary proposals are printed in the budget document and the date on which they are considered by the legislature, revision of the proposals is sometimes necessary (Thornhill, 1984:22). The amendments made by the supplementary budget to the amounts already provided for in the main budget may be divided into unforeseen expenditure and the expenditure as a result of policy changes. The supplementary budget therefore serves as an opportunity to make amendments to the printed main budget (Gildenhuis, 1993:431).

2.2.5.5.4. Additional Budget

Thornhill (1984:23) maintains that amendments could be made to the main budget in an orderly way through utilization of the additional budget. As the name suggest, funds in addition to those already approved in the main budget are requested in the additional budget for new activities which were originally not taken into account when the main budget was drafted, and for existing activities for which the main budget has provided insufficient funds. Gildenhuis (1993:432) state that the additional request in the additional budget could be due to essential additional services or essential adaptations to existing programmes.

2.2.5.5.5. Capital Budget

Capital expenditure is defined by Pauw et al. (2002:238) as an expenditure that establishes benefits which go beyond the current accounting period. Capital expenditure is made for obtaining and creating assets which may be utilized for quite a number of years in future and which serve as instruments for delivering public services. The impact of capital expenditure extends further than the current financial year.

The related costs associated with capital expenditure are exceptionally high and therefore decisions in this regard should be taken carefully. Government spends considerable sums of money on capital expenditure projects every year. It is therefore within the ambit of section 38(1)(a)(iii) and (iv) that the accounting officer for the department are instructed to ensure that

the entity has and maintains a system for properly evaluating all major capital projects prior to a final decision on the project.

The Department of Labour nationally has embarked on a big project named the IBS strategy which never materializes though the public money has as a result been spent in an attempt to plan and execute the project. This however implied lack of planning, commitment and accountability by the then accounting officer—Director General. That is why section 38 requires a system for proper evaluation of all major capital projects.

Capital budget require a clear and systematic decision-making processes to be in place and further require the integration of physical and financial programming. The decision making process commence with the proposal to undertake a particular capital project or make a particular capital purchase. This proposal should emanate from an organization's strategic planning and the MTEF exercise. Gildenhuis (1993:444) indicate further that the capital budget process creates the formal mechanism for considering and accepting capital projects within current political, social, economic and financial restraints.

2.2.5.6. Zero-Based Budgeting (ZBB)

In zero-based budgeting the budget commence from a base of zero. There is no reference made to the previous years' expenditure. This budgeting technique can be applied to the whole Department Of Labour in Limpopo or to one unit of the department or to a single project initiated by the department.

Although ZBB can be recommended as one of the technique of budgeting, there are advantages and disadvantages attached. The advantages of using ZBB according to Adam (2004:44) are that:

- all items to which ZBB is applied are reviewed;
- unnecessary items are not included in the budget;
- the items with the highest priority are approved; and
- ZBB is flexible as it can be applied o only selected parts of the budget

Adam (2004:45) outlines the disadvantages of using ZBB as including:

- time it takes to analyse the projects and determine priorities;
- a project that is poorly motivated may receive a lower priority than it should; and
- there are certain functions that have to be approved because of their nature.

Budgeting from zero implies a route of budgeting not based on the figures of the previous budget period. If Zero Based Budget were to be applied to the whole of the Department Of Labour's budget in Limpopo, it would take time to analyse every item from a base of zero, therefore basic principles should be applied only to certain projects.

2.2.5.7. Managing Expenditure by Government Institutions

This section shall deal with the elements of expenditure and cash management. The researcher will discuss the fundamentals of managing expenditure, and the operations of managing expenditure.

2.2.5.7.1. *Fundamentals of Managing Expenditure.*

Expenditure must be incurred only in accordance with the purpose approved by the legislature in an appropriate vote, unless it is a direct charge or a transfer specified in Dora. Reasonable care must be exercised to prevent and detect unauthorized, irregular, fruitless and wasteful expenditure (Pauw *et al.*, 2002:144).

The Public Management Finance Act, 1999 as amended requires each accounting officer to ensure the personnel cost can be met within the budgetary allocation of the department. The expenditure management must be directed at achieving economy, effectiveness and efficiency and avoid unauthorized, irregular, and fruitless and wasteful expenditure. If unauthorized, irregular, and fruitless and wasteful expenditures are discovered, they must be reported immediately to the accounting officer for disclosure in the monthly report. The accounting officer must then take the necessary steps to attempt to recover resulting losses or damages. The amount of such expenditure must be disclosed as a note to the annual financial statement (Pauw *et al.*, 2002:144).

2.2.5.7.2. *Operation of Managing Expenditure*

According to Pauw *et al.*, (2002:145) there are three aspects of managing expenditure which include harmonizing control and flexibility, payments and grants, and cash flow management. These aspects will now be briefly discussed hereunder.

2.2.5.7.2.1. *Harmonizing Control and Flexibility*

All managers in the public institutions are accountable for the expenditures of the public money, therefore, careful consideration need to be taken in ensuring that expenditures are incurred within

the legislative framework of the Public Finance Management Act and other rules prescribed in terms of the constitution. Managers in charge of the public money must restrict their expenditure to what the legislature has authorized (Pauw *et al.*, 2002: 145).

There need to be a control measure in accordance with the philosophy of public financial management. For effective control over the public funds, authorities need to tight the 'nut' and ensure that no one utilizes the funds meant for public improvement for his/her own benefit. The question we need to ask ourselves is whether the 'nut' or 'control measures' of the current financial legislation is too tight or too loose. The Public Finance Management Act and Treasury Regulations provide at least seven "nuts tighter" which are outlined and explained below.

(a) Pre-approval Spending (Section 29)

The provision of Section 29 of the Public Finance Management Act allows the public managers much flexibility. In an event the annual budget is not passed before the start of the financial year to which it relates, funds may be withdrawn to pay for government activities. The withdrawals of such monies to pay for those government activities may not exceed the sum appropriated for a vote in the previous financial year and may only be spent on objects already approved in budgets for the previous year. These withdrawals are not appropriation but direct charges. Section 29 legalizes expenditure incurred prior to a budget being passed, but places certain limitations on such expenditure.

(b) Use of Funds in Emergency Situations (Sections 16 and 25)

In situations that are the consequences of the catastrophe of nature, the government might be coerced to spend money not authorized by a budget. This is done to prevent serious harm to the public interest or to assist the casualties of the natural disaster. In such cases, the Minister of Finance or the MEC for finance of the province affected or struck by the disaster may authorize certain withdrawals from the relevant revenue fund (Section 25).

(c) Adjustments Budget (Sections 30 and 31)

Sections 30 and 31 deal with national and provincial adjustments budget, respectively. The Minister of Finance and an MEC for finance may table adjustments to budgets as and when necessary. Pauw *et al.*, (2002:146) further indicate that adjustments budget is not meant to provide for expenditures that have been forgotten in budget submissions, nor to cover over-spending. They provide for, among other things, unforeseen and unavoidable expenditure. The

adjustments budget is also used to turn direct charges into appropriation, and to make provision for virement. Departments need to apply these sections must submit a memorandum to the relevant treasury, the cabinet secretariat and any treasury subcommittee of the cabinet.

(d) Virement (Section 43 and TR 6.3)

Pauw et al., (2002:147) define *virement* as the use of a saving for another purpose than was originally budgeted for within an institution. Managers within the department manage allocations to profit from savings, using *virement*. *Virement* encourages managers to bring about savings and some see it as a way out when expenditure patterns exceeded the planned budget.

In terms of Section 43 (1), an Accounting Officer may utilize a saving under a main division of a vote to defray excess expenditure under another main division, though the Treasury has the power to direct otherwise. Section 43 (2) direct that savings so utilized may not exceed eight percent of the amount appropriated under that vote. If this transaction takes place the accounting officer must report this process to the executive authority and the relevant treasury within seven days.

Virement is subject to limitations. Therefore, it may be used for personnel expenditure or new transfers and allocations earmarked by the relevant treasury for a specific purpose. Pauw et al., (2002:147) indicate that it is not an easy way out of undisciplined spending habits. The fact that the eight percent is defined in terms of the savings main division means that savings on lesser programmes will not contribute much to shortfalls in bigger programmes. Regulation 6.3 indicates that for the purpose of section 43 (1) of the Public Finance Management Act, the personnel expenditure and the transfers to other institutions may not be increased without approval of the relevant treasury.

(e) Expenditure Funded from Rollovers (Section 30(2)(g) and 31(2)(g) of the Public Finance Management Act, and Treasury Regulations 6.4)

The authorization of expenditures by the annual budget and other appropriation legislation is for a period of a specific financial year. In terms of Treasury Regulations 6.4.1, funds appropriated but not spent in a particular financial year may be rolled over to a subsequent year subject to approval of the relevant treasury.

The recent practice in terms of unexpended funds for the financial year may be appropriated again in the next year, hence ‘rollover’. Unspent appropriated funds may be rolled over to a subsequent year in certain circumstances, subject to approval by the relevant treasury. According to TR 6.4.1, approval may be made guided by the following limitations:

- (a) capital funds may be rolled over to finalize projects still in progress or for other capital purposes;
- (b) transfers and payments for subsidies may not be rolled over for purposes other than originally voted for; and
- (c) a maximum of five percent of a department’s current expenditure may be rolled over.

Requests for rollovers must be submitted to the relevant treasury on the date as stated in TR 6.4.2. The purpose for which the funds were appropriated; the rationale for unexpended funds; proposed changes; and disbursement schedule must be indicated the National Treasury.

(f) Transfer of Functions (Section 42 of the Public Finance Management Act and TR 6.5.3)

When functions are transferred from one institution to another, the allocated money as well as assets and liabilities must go along too. Section 42 of the Public Finance Management Act compels the transferring accounting officer to supply the receiving accounting officer with a list of the assets and liabilities to be transferred as well as substantiating records and personnel records. The shifting of funds between votes is appropriated in the adjustments budget. The transfer of functions from one institution to the other or from one sphere of government to another is subject to the prior approval of the relevant treasury for any funding arrangements. TR 6.5.3 stipulate that before seeking formal approval from the Minister of Public Service and Administration or the Premier of a province for any transfer of functions to another sphere of government, the transferring accounting officer must first seek the approval of the relevant treasury or treasuries on any funding arrangements.

(g) Executive Directives (Section 64)

The final instance of permissible unauthorized expenditure by an accounting officer is the case in which the accounting officer incurs expenditures that, although unauthorized by the legislature, are expressly directed by the political head of the department. Section 64 (2) places the responsibility of unauthorized expenditure resulting from a directive upon the Accounting Officer, unless the Accounting Officer has informed the executive authority in writing of the

likelihood of such unauthorized expenditure. The Accounting Officers can then incur responsibility for what are basically illegal instructions by the political head of the department. This could lead to financial misconduct in terms of Chapter 10 of the Public Finance Management Act and to penalties being imposed in terms of section 86 of the Public Finance Management Act. The Act does not provide for financial misconduct by the executive authorities or political head but the accounting officer.

2.2.5.7.2.2. *Payments and Grants*

In the case of intergovernmental transfer payments and conditional grants are regulated in terms of the Division of Revenue Act (DORA). The transferring accounting officer must ensure that all funds are deposited in the provincial revenue fund. The receiving accounting officer must account for the money received and the manner in which it is spent. Transfers or grants not authorized in terms of an appropriation Act or DORA constitute unauthorized expenditure, unless they are direct changes.

2.2.5.7.2.3. *Cash Flow Management*

According to Pauw *et al.*, (2002:150) good cash flow management requires information on available cash, expected revenue inflows, expected capital and operating outflows, and financing flows. One important aspect of cash flow management is the bank account configuration. The National Revenue Fund, through which all national departments operate, has quite a simplified bank account configuration. In terms of TR 15.2.1 the bank account configuration for the National Revenue Fund comprises an Exchequer bank account, a Paymaster-General bank account with the South African Reserve Bank, the four tax and loan accounts with commercial banks, and any other bank account opened to facilitate the management of the National Revenue Fund.

Daily payments by all national departments are cleared through the Paymaster-General Account provided by the South African Reserve Bank. This account is cleared on a daily basis by transferring the required money from the 'exchequer account'. The National Treasury runs a system to support the analysis of cash movements on this bank account of the national department. The daily extent to which the monthly approved drawing is unused is also monitored on this system.

2.2.5.8. Mid-term Expenditure Framework (MTEF)

The MTEF was introduced as a cornerstone of the South African government's budget reform in 1998. The MTEF is a set cycle of three years spending plans for both the national and provincial governments that is published by the Minister of Finance as part of the budget every year. Pauw *et al.*, (2002:77) conclude that the MTEF is the outcome of the spending plans after a process of technical work, consultation and dialogue, which occurs within each national and provincial government between the governments and the legislatures, and between the government and civil society in various forums.

2.2.5.8.1. What is the Medium Term Expenditure Framework?

The purpose of an MTEF is to indicate the size of the financial resources needed during the medium term (3-5 years) in order to carry out existing policy commitments. The Medium Term Expenditure Framework (MTEF) was adopted in 1998 as part of a wide package of budget reforms which included the Intergovernmental Fiscal Relations Act of 1977 (IGFRA). That year for the first time, the annual budget included 3-year spending plans. Although only the single upcoming fiscal year is voted on by Parliament each year, the government presents numbers for the following two years as well. The MTEF is a tool to encourage cooperation across ministries and planning over a longer horizon than the immediately upcoming fiscal year. This holistic approach is preferable to piecemeal, reactive, short- term decisions that ordinarily characterize budgeting.

The MTEF enhances stability by letting provinces and national ministries know what resources will likely be available to them. This allows government planning to be more credible and accurate. It encourages investment, by making taxation, interest rates, and government spending more predictable.

Furthermore, it improves transparency and generates public discussions. It also outlines future spending by providing a signal to civil society and public at large of government's priorities and how it intends to implement its vision. The MTEF facilitates programme evaluation. The future predictions also provide a baseline for assessing the effectiveness of the past year's programmes.

<http://209.85.135.104/search?q=cache:4WpaRKuleHEJ:www.idasa.org.za/gbOutputFiles.asp%3FWriteContent%3DY%26RID%3D832+mtef&hl=en&ct=clnk&cd=1&gl=za>

2.2.8.2. The Medium Term Budget Policy Statement (MTBPS)

The MTEF is the framework of medium-term budget planning. When budget documents refer to the MTEF, they are referring to the expenditures for the present financial year and the two following years. The Medium Term Budget Policy Statement (MTBPS) should be differentiated from the MTEF. The MTBPS is the written document used as the policy base for this framework. It is the policy underlying the figures and is published separately. The MTBPS is published by the National Treasury in October–November, five months before the following year’s budget is tabled in Parliament. For example, the government’s policy framework for the 2002 Budget was published in the Medium Term Budget Policy Statement of 30 October 2001.

This document does three things, namely: (1) Delineates the equitable division of revenue between the three spheres of government; (2) Gives the rationale for that division in terms of macroeconomic context and assumptions, and; (3) Provides spending estimates for the next three years. These spending projections then serve as a starting point for planning the next year’s detailed budget. For example, the forward estimates announced in the 2001 MTBPS (published in October 2001) are used as the baseline for determining the 2002/03 budget. Appropriate adjustments are made to these baseline numbers if policies are altered, government priorities shift, or the macroeconomic environment changes unexpectedly. The finalised budget numbers and projections for the next three years are then announced in February when the budget is tabled in Parliament.

<http://209.85.135.104/search?q=cache:4WpaRKuleHEJ:www.idasa.org.za/gbOutputFiles.asp%3FWriteContent%3DY%26RID%3D832+mtef&hl=en&ct=clnk&cd=1&gl=za>

2.3. Division of Revenue Act (DORA)

The purpose of the Division of Revenue Act is to provide for the equitable division of revenue anticipated to be raised nationally among the national, provincial and local spheres of government and the responsibilities of all three spheres pursuant to such division; and to provide for matters connected therewith. Section 214 (1) of the *Constitution of the Republic of South Africa, 1996* requires an Act of Parliament to provide for the following:

- (a) the equitable division of revenue raised nationally among the national, provincial and local spheres of government;

- (b) the determination of each province's equitable share of the provincial share of that revenue; and
- (c) any other allocations to provinces, local government or municipalities from the national government's share of that revenue, and any conditions on which those allocations may be made.

The objects of this Act are to provide for the equitable division of revenue anticipated to be raised nationally among the three spheres of government; promote better co-ordination between policy, planning, budget preparation and execution processes between and within the different spheres of government; promote predictability and certainty in respect of all allocations to provinces and municipalities in order that such governments may plan their budgets over a multi-year period; promote transparency and equity in the resource allocation process; and promote accountability by ensuring that all allocations are reflected on the budgets of receiving provinces and municipalities.

If the Minister of Public Service and Administration (DPSA) or a Premier of a province makes a determination regarding the transfer of a function between departments in terms of the Public Service Act, 1994, that determination must accompany a request for the transfer of funds. In terms of the Treasury Regulations 6.5.4 the transfer of functions to provinces and municipalities must be dealt with in terms of the Division of Revenue Act.

2.3.1. Transfer Payments and Conditional Grants

Transfers are an important part of the intergovernmental system in South Africa. Since 1994, a number of different forms of transfers have been introduced, including those made as conditional grants to other spheres of government, or as transfers to public entities, constitutional institutions, NGO's and households. These transfers comprise more than half the expenditure on the national budget.

Both the income and expenditure aspects of any transfer must be considered. The transferring accounting officer must ensure that all funds are deposited in the provincial revenue funds or, in the case of a municipality, into an authorised bank account. The receiving accounting officer must account for the money received and the manner in which it is spent. The Public Finance Management Act and DORA both clarify these accountability and responsibilities. Arrangement for auditing the recipient entity must be considered by the transferring accounting officer, as

these may determine the degree of caution and oversight necessary before any funds can be released.

Transfers or grants not authorised in terms of an appropriation Act and/or DORA constitute unauthorised expenditure. Accounting officers transferring grants must ensure that a grant to another sphere of government complies with DORA; a grant to a public entity within the sphere (but not a constitutional institution) or a private institution, is in terms of the Act; and a grant to a constitutional institution whose source of funds is protected once budget are approved by parliament (Guide for Accounting Officer, October 2000:46).

Accounting Officers transferring grants must eliminate any ambiguity as to which department or municipality will be audited for spending such transfers. The basic considerations are that the allocation must be on the budget of the entity responsible for spending, and which will be audited unless otherwise approved by the relevant treasury, the spending department should be the beneficiary province or municipality. Original documents must be kept with the responsible spending entity, for audit purposes. Procurement must be in terms of the responsible spending entity's procedures. The spending entity is expected to take over ownership and future maintenance responsibilities (Guide for Accounting Officer, October 2000:46-47).

Transfers by provincial accounting officers to municipalities must be reported monthly in terms of DORA, and provincial treasuries are expected to ensure that normal cash management arrangements apply. The accounting officers of departments making or receiving grants to or from other spheres of government in terms of the annual DORA must comply with the reporting requirements of the Act, which includes a requirement to monitor the actual expenditure of funds. These reports should be submitted together with the monthly reports required by the Public Finance Management Act, as part of a single reporting process. As principled no transfer or grant or agency payments can be made outside the terms of the DORA (Guide for Accounting Officer, October 2000:48).

2.4. Conclusion

This chapter provided an overview of literature on the legislative framework of public finances, with specific reference to the Constitution of the Republic of South Africa, 1996, the Public Finance Management Acts, Treasury Regulations, institutional policies and procedures, the Medium Term Expenditure Framework and the Division of Revenue Act.. Various concepts and

processes related to financial management were clarified and discussed, with a view to investigate the problems experienced at the research site with regard to financial management. The characteristics of sound financial management that emerged from the literature review were outlined with a view to subsequent use. Good planning, consultation, monitoring and reporting promotes the better utilization and compliance with the Public Finance Management Act. The research methodology is discussed in Chapter three in order for the researcher to reach a valid and reliable conclusion.

CHAPTER 3

RESEARCH METHODOLOGY

3.1. Introduction

In Chapter two, literature review regarding sound financial management and the public finance legislative framework was considered. In this chapter, the research design and methodology is discussed. The aim of this chapter is to describe the research paradigm within which the empirical investigation to evaluate compliance of Public Finance Management Act by the Department of Labour in Limpopo was conducted. It also serves as a means of reporting the procedures that were followed to collect and interpret research data. In addition to those procedures, the chapter focuses on the measures that were taken to promote the validity (i.e., the truth or trustworthiness of the findings) and reliability (i.e., the extent to which test scores are accurate, consistent or stable) of the research findings.

The research methodology is described in terms of design, method, population, instruments and procedures used for data collection as well as procedures used during data analysis. The research design chosen enabled the researcher to achieve the aims and objectives of the study. As indicated earlier the aim of the study is to evaluate compliance of Public Finance Management Act as an instrument or tool to sound financial management system, and/or a requirement to ensure financial accountability.

The objectives of the study as indicated in chapter one is to assess the implementation and execution of the Public Finance Management Act, and to evaluate the compliance of Public Finance Management Act by the Department of Labour in Limpopo Province. To achieve the main objective of the study, the secondary objectives of the study were to:

- Analysing and assessing the effective implementation and execution of the Public Finance Management Act.
- Provide an overview of the Public Financial Management Act;
- Analyze the effective implementation and execution of the allocated public money;
- Assess the departmental complementary tools (policies);
- Suggest possible strategy for the effective support of implementing Public Finance Management Act.
- Evaluating the compliance of Public Finance Management Act by the Department of Labour in Limpopo Province.

- Evaluate the budgetary process of DoL in Limpopo Province;
- Evaluate whether the strategic plan and operational plan are interrelated and aligned to the budget;
- Evaluate the methodology of spending the public money by DoL in Limpopo Province;
- Evaluate the budgetary control and risk management plan of DoL in Limpopo; and
- Evaluate measures taken to continuously improve on complying with Public Finance Management Act and prevent non-compliance.

The methodology and the design of the study are as discussed in this chapter and these include all aspects related to the population and sampling.

3.2. The Research Design

A Research Design is defined by Mouton (2001:55) as a plan or blueprint of how one intends conducting the research. Accordingly, a Research Design focuses on the end product, formulates a research problem as a point of departure and focuses on the logic of the research. Huysamen (1993:10) offers a closely related definition of design as “the plan or blueprint according to which data are collected to investigate the research hypothesis or question in the most economical manner”. The blueprint and the plan are discussed in this chapter. As part of the plan, permission to conduct the study was requested and granted from the authorities in terms of Annexure A as attached in this study. A quantitative descriptive survey was used to investigate compliance of Public Finance Management Act as an instrument or tool utilized to maximize sound financial management system by officials of the Department of Labour (DoL) in Limpopo Province as part of the blueprint.

The survey designs are classified together because, logically, they belong to the same cluster. Fouché and De Vos in De Vos, Strydom, Fouché and Delpont (2002:142) maintain that they are often of a more quantitative nature, requiring questionnaires as a data collection method. A brief classification of these methodological concepts follows and it is indicated that in its design, the study followed a quantitative model of investigation as discussed in detail in the subsequent slots.

3.2.1. Quantitative

The study followed a quantitative approach as compared to the qualitative approach. In this regard, it is committed to the use of objective methods and procedures that would increase the likelihood of testing a hypothesis where applicable. Quantitative research is a form of conclusive research involving large representative samples and fairly structured data collection procedures. Quantitative research examines constructs or variables that are based on the hypotheses and those constructs are measured. Struwig and

Stead (2003:4) support this view and state that, to conduct a quantitative research, the constructs studied must be measured.

In this study, an attempt is made to establish the cause and effect relationship (causal relationship) between constructs. It is therefore pivotal to establish what cause the Department of Labour in Limpopo not to comply fully with the Public Finance Management Act. The effect for non-compliance is also considered. The frequent use of independent and dependent variables by quantitative researchers is evidence of the widespread tendency to establish causal relationship between variables (Struwig & Stead, 2003:5). Quantitative research is a formal, objective, systematic process to obtain information and describe variables and their relationships (Burns & Grove, 1993:26).

3.2.2. Descriptive Survey

In the context of this study, descriptive survey was used to describe specific responses of the officials of the Department of Labour regarding evaluation of compliance of Public Finance Management Act as a tool or instrument to promote sound financial management. Furthermore, it is used to describe the inability of the department to comply fully with the Public Finance Management Act. Burns and Grove (1993:293) describe the purpose of a descriptive survey as providing the opinion of respondents regarding the phenomenon studied. Descriptive research provides an accurate account of characteristics of a particular individual, event or group in real life situations.

3.2.3. Survey

Polit and Hungler (1991:189) defined the survey as designating any research activity in which data is obtained from a specific population for the purpose of examining characteristics, opinions or intentions of that population. According to Polit and Hungler (1991:193), the advantages of using the survey method is that it is flexible, is useful for the discovery of new insights as well as for pointing out typical responses, can be applied to many people, and provides data about the present and what people are thinking, doing and anticipating. The views, opinions and responses obtained from the participants or respondents in this study are generalized with the percept of evaluating compliance of the Public Finance Management Act by the Department of Labour in Limpopo.

3.3. The Population and Sampling Methods

Population comprised the officials or employees of the Department of Labour in Limpopo. It is actually the study object which may be individuals, groups and/or organization. Samples comprise a representativeness

of the population. According to Spector (1981:2), a sample is a “subgroup of the total population, specifically those individuals chosen from the population that will be involved in an experiment or are to be respondents in a survey”. Polit and Hungler (1995:43) define population as the totality of all subjects that conform to a set of specifications. Population, on the other hand, is a term that sets boundaries on the study units. The population in this study comprises all officials/employees of the Department of Labour in Limpopo Province. According to the Staff establishment document of the Department of Labour in Limpopo (2006), the organization has a population of 395 (N=395) employees. When collecting data for quantitative studies it is impossible or impractical to consult all the officials of the Department of Labour in Limpopo as indicated. Consequently, data were obtained from a planned sampling indicated in Table 3.1 below. Struwig and Stead (2003:109) note that obtaining information from a sample is often more practical and accurate than obtaining the same information from an entire universe or population. The population that was involved in this study includes officials/employees attached to Limpopo provincial office and the following Labour Centers: Modimolle, Lephalale, Mokopane, Polokwane, Seshego, Lebowakgomo, Jane Furse, Phalaborwa, Makhado, Tzaneen, Giyani and Thohoyandou. All these service delivery points are situated within Limpopo Province as indicated in the map of Limpopo as shown earlier in Chapter 1.

3.3.1. Sampling

Sampling is a process of selecting a portion of the population to represent the entire population (Polit & Hungler, 1991:654). A sample thus comprises the elements of the population considered for actual inclusion in the study. It is a subset of measurements drawn from a population in which the researcher is interested. The sample used in this study included the employees occupying the position of Provincial Executive Manager (PEM), Business Unit Managers (BUMs), Assistant Managers (ASMs), Regional Managers (RMs), Employment Service Practitioners (ESPs), Team Leaders, Supervisors, and Clerks at level 5. The researcher required 90% of the sample used to be either employed by the Department of Labour in Limpopo or be in their current positions as at 2005/06 financial year. A non-probability sampling methods used in this study was quota sampling because the sample is close to the replica of the population of the Department of Labour in Limpopo for the financial year 2005/06. A cross-section of the population was involved in this study, in that particular categories of persons were sampled in the relevant population. The categories, according to Van Der Waldt (1984:80), can be gender, age and occupation. According to Welman and Kruger (2001:62), the advantage of non-probability samples is that they are less complicated and more economical (in terms of time and financial expenses) than probability samples.

Initially, forty (40) respondents were sampled from the population of the employees of the Department of Labour, Limpopo. Due to high esteem, enthusiasms and willingness to participate in the research, the

researcher revised the sample to eighty (80) as depicted in Table 3.1 and ended up interviewing seventy-five (75) respondents from the population of the DoL Limpopo (see Table 3.2). The Employment Service Practitioners (ESPs) approached the researcher through field workers to participate in the research. Though the research sample was planned carefully at the planning phase of the research project, the researcher felt not to be restricted to change the plan to accommodate the unforeseen for the successful execution of the research project. The more the respondents the more a researcher comes closer to results that are reliable. The planned sample size was revised to include and accommodate all clerks at Level 5 and ESPs at level 8. Field workers were therefore limited to the revised sample as shown in 3.1 below. The response rate as depicted in Table 3.2 was amazingly 94%. This proves that this kind of a research was long overdue as the researcher increased the sample size by 100%. The consideration was that it would be unfair to delimit interested participants from partaking in the research as they might input more knowledge in the study that shall add value into the discipline.

Table 3.1: A revised Sample according to the size of the office

<i>Regional Office</i>	<i>Size of L/C</i>	<i>Planned Sample</i>	<i>Revised Sample</i>
Provincial Office		6	16
Seshego	Small	2	4
Polokwane	Large	3	7
Jane Furse	Small	2	4
Lebowakgomo	Medium	3	5
Lephalale	Medium	3	5
Modimolle	Medium	3	5
Mokopane	Medium	3	5
Phalaborwa	Medium	3	5
Giyani	Medium	3	5
Tzaneen	Large	3	7
Thohoyandou	Large	3	7
Makhado	Medium	3	5
Total		40	80

Table 3.1 indicates Labour Centres or offices with their respective sizes that took part in the study. The table further notes the sample size according to offices of the Department of Labour in Limpopo.

Table 3.2: The number of questionnaires administered and the response rate

Respondents	Administered	Returned	Response Rate (%)
PEM, BUMs, RMs, ASMs, team leaders, supervisors, ESPs, CSOs and MSS clerks	80	75	94%

Table 3.2 indicates the respondents who participated in the study and the number of questionnaires that were administered and returned. The return rate of the questionnaire is shown in a form of percentages.

3.4. Data Collection Methods

The gathering of the required data, to be descriptive/quantitative, was made possible by virtue of the use of questionnaires. A questionnaire in this study was instrumental in collecting data about the subject of a research. As such, original information was obtained from the officials of the Department of Labour in Limpopo who responded to the questionnaire. Welman and Kruger (2000:71) differentiate between primary data and secondary data by explaining “secondary data consists of information that already exists somewhere, having been collected for another purpose”. Welman and Kruger also point out that “primary data consists of original information gathered for the specific purpose. The discussion on the primary and secondary data is presented in Chapter one.

Quantitative data collection methods often employ measuring instruments (Delpont in De Vos, Strydom, Fouché & Delpont, 2002: 165). As mentioned above, data collection methods used herein include questionnaires. An interviewer-administered questionnaire was used to collect data through the utilization of field workers or data collectors who administers the questionnaires to the respondents.

According to Polit and Hungler (1991:193), a questionnaire is a tool for gathering self-report information from the respondents about their attitudes, knowledge, beliefs and feelings. After an in-depth literature review, the questionnaire was designed by incorporating aspects from the literature reviewed. As a result, the items included in Section B of the questionnaire were mainly based on the Public Finance Management Act (Act No.1 of 1999 as amended by Act 29 of 1999) and the Treasury regulations of June 2000 and May 2002 (as amended). The advantages of questionnaires are that participants respond to them with confidence and the assurance that their responses remain anonymous (Leedy, 2001:198)

It has been noted that the response to the questionnaire is voluntary; therefore the questionnaires were designed to maintain the interest of the respondents. Questions were structured briefly, clearly and the vocabulary and style used were understandable to the respondents. The questionnaire contained precise and clear instructions on how to answer questions, and were divided into two logical sections. The questionnaires were formulated in simple English language which were precise and to the point (see Annexure A). The formulation of the questions was completely structured—where the respondents chose one or more answers, partly structured — where the respondents chose an answer and/or give their own response and unstructured — where the respondents provides their own answers. All unstructured questions

were clustered and coded. As this research is quantitative in nature, the researcher designed a closed ended questionnaire that was coded. According to Welman and Kruger (2001:200), once data have been collected, we have to make sense of it. In order to do this, we must organise and code it so that we can analyze it. Coding means that we want to analyze statistically and decide on the different code values such a variable level presents (Welman & Kruger, 2001:200)

3.4.1. Administration of questionnaires

Field workers were identified at 12 Labour Centers in Limpopo province. All field workers were identified based on the research knowledge they gained during the Client Satisfaction Survey (CSS) and the Placement Verification Survey (PVS). Due to insufficient time and finance the researcher could not gather all the field workers in one place and provide training. As a result the researcher conducted training using technology (that is, E-Mails and telephones). As such all field workers gained knowledge on how to complete and administer the questionnaire. All field workers were requested thereafter to complete a sample questionnaire and sent it back to the researcher to verify if field workers complete the questionnaire correctly.

A total number of 9 (nine) trained field workers administered the questionnaire at 12 Labour Centres (LCs). The researcher administered the questionnaire at the provincial office of the Department of Labour in Limpopo, Seshego and Lebowakgomo. The researcher distributed the questionnaire to the field workers electronically as they are based at Labour Centres that are scattered in the province. The researcher preferred this means of delivery as it is the fastest and the most cost-effective method of delivery.

As the questionnaire was developed using Microsoft Word, the researcher managed to block all pages using password so that field workers may not temper with the format and/or content of the questionnaire. The field workers were requested to print the required number of questionnaire as they were sent to them electronically using e-mailing. They then conducted interviews and sent the filled-in questionnaires back to the researcher using officials visiting the Provincial Office.

Face-to-face interviews with the participants were conducted and all completed questionnaires were collected and returned to the researcher. Only 12 respondents took part using electronic system as they were away from their work station. In cases of electronic interview, the researcher personally guided the respondents telephonically on how to complete the questionnaire as it was unblocked and the researcher was just cautious that the respondents must not temper with the questions and format of the questionnaire.

3.4.2. Format of the questionnaire

The questionnaire consisted of two sections, namely, Section A and Section B.

The first section (Section A) of the questionnaire focused on the general information of the respondents that included their work profile. Respondents were requested to indicate their ages, number of years working in the DoL, professional qualifications and position in the organogram of the department. Section A consisted of eleven (11) closed-ended questions and three (3) open-ended questions that were structured and coded.

The second section (Section B) intended to find the respondents' views about the financial practices of DoL in Limpopo, assess whether Public Finance Management Act (PFMA) is effectively implemented and executed by the Department of Labour in Limpopo. Section B consisted of 13 (thirteen) closed-ended questions and 8 (eight) open-ended questions that were clustered and coded.

3.4.3. The validity and reliability of the instrument used to collect data

A questionnaire was used as a tool for gathering information from the respondents. As such measures were taken to ensure the validity and reliability of the research findings. Burns and Grove (1987:294) mention that validity of an instrument is the determination of the extent to which the instrument actually reflects the abstract concept being examined. Reliability of a research instrument is the degree of consistency with which the instrument measures the attribute it is supposed to be measuring. Reliability can be equated with the stability, consistency or dependability of a measuring tool (Polit & Hungler, 1991:242). The validity question was in relation to this study manifest itself as follows:

3.4.3.1. Validity

In a quantitative research, the investigator is more concerned with numbers and converting those numbers into statements that address the research question. Validity in quantitative research includes the application of statistics to questionnaire construction, as well as the use of statistical hypothesis testing (Struwig & Stead, 2003:18). In contextualizing validity, the truthfulness or trustworthiness of the findings are observed from the response of the research questions. This study must respond to the research question by reaching a conclusion that can be trusted when evaluated.

In addition to what Fowler, Struwig and Stead state above, Bellis (2000:137) indicates that test, exams or others must test what was supposed to be tested and not something else. He further adds by stating that the assessment strategy should not place emphasis on oral abilities. This denotes that the researcher has to be given a fair and honest interpretation of the phenomenon. The interpretation should be deducted from the

viewpoint of the respondents of the questionnaire. To enhance validity of the research findings, the responses of the participants are captured in an excel spreadsheet, and are analyzed and interpreted against the literature.

A valid measuring instrument, Bostwick and Kyte (1981:104-105) write, has been described as doing what it is intended to do, as measuring what it is supposed to measure, and as yielding scores whose differences reflect the true differences of the variable being measured rather than random or constant errors. This, however, indicates that validity has two parts, which include the instrument measuring the concept in question, and the accurately measured concept. According to Bostwick and Kyle (1981:105), content validity is a judgmental process.

3.4.3.2. Reliability

Reliability is therefore similar to dependability, stability, consistency, predictability, accuracy and generalizability. Fowler (1993:258) supports the statement by providing the meaning of reliability as equated to consistency. Reliability, as described above, is the extent to which test scores are accurate, consistent or stable. A test score's validity is dependent on the score's reliability since if the reliability is inadequate, the validity will also be poor. It is, therefore, important to determine a score's reliability before you examine its validity. In this research, a test score has a high reliability among the PEM, BUMs and RMs on examining compliance of Public Finance Management Act by the DoL, Limpopo. Though information provided by other respondents is reliable, it is compared with those of the managers and literature reviewed in order for the researcher to arrive at a reliable conclusion.

3.5. Analysis of Data

According to De Vos (1995:301), data analysis is the process of bringing order, structure and meaning to the mass of collected data. McMillan and Schumacher (1997:501) further state that data analysis involves the process of analyzing, coding and interpreting the data that have been collected. Data collected from the respondents of the DoL, Limpopo were analyzed using graphs and tables.

The researcher used a spreadsheet programme developed in Microsoft Excel for recording raw data on the computer. The spreadsheet was used as a tool to capture data collected through questionnaires. All returned completed questionnaires were numbered following the questionnaire number as indicated in the

administration cluster column of the spreadsheet. Responses on each questionnaire were recorded horizontally under separate headings. Data in Section A of the questionnaire were disaggregated according to occupation; years in the DoL, Limpopo; years in the current position; age; race; sex; educational level; and training received. In the analyses, variables of the same nature were categorized, coded and analyzed. Coding data means a simple and consistent way of representing each observation and making them easier to be entered into the software for further analysis.

Data were analyzed by grouping them and presenting them in the form of tables and graphs. In analyzing data, the researcher used data tabulation whereby raw data were converted into information. Information in this case refers to ‘meaningless data’ that have been converted into useful units. Struwig and Stead (2001:150) indicate that a researcher may have many completed questionnaires, but until they are tabulated and analyzed they remain useless.

The researcher edited and encoded data for the purpose of eliminating errors in the raw data, and placed data into the appropriate categories. Incomplete answers provided by the respondents were detected and categories for open-ended questions were established. The categories deal with the different dimensions of the research problem and address the formulation of the objectives of the study.

The researcher also used descriptive statistics to summarize data or give a description of the data obtained from the respondents. In this research, the researcher describe the respondents in terms of employment status (DoL: Limpopo employee), gender, experience, occupation etc. Struwig and Stead (2001:158) mentioned that the purpose of descriptive statistics is to provide an overall, coherent and straightforward picture of a large amount of data.

3.6. Ethical Considerations

There are aspects pertaining to ethical considerations for a research of this nature. In observance of the research ethics undertaken in the research project, permission to source data from the respondents was obtained, confidentiality of the responses and anonymity of the participants were guaranteed and issues of benefiting monetary value for partaking in the study were clarified. Hereunder are detailed aspects considered to be ethical.

3.6.1. Permission to Collect Data

On 29 July 2008, permission to conduct a research was requested from the Provincial Executive Manager through a letter with reference number: N J Moagi-9230917 (included as Annexure B to this dissertation).

Permission was granted on the 11th of August 2008 preceding an in-depth study of the research proposal and the questionnaire (included as Annexure C to this dissertation).

3.6.2. Confidentiality and Anonymity

A letter that guaranteed the confidentiality and anonymity of the respondents was sent to all the field workers together with the questionnaire included as Annexure D to this dissertation. The researcher requested field workers to produce the letter and read it to the respondents or participants prior to the completion of a questionnaire. To ensure anonymity, the names of the respondents were not recorded or required anywhere in the questionnaire.

To ensure confidentiality, the respondents or participants were reassured that the information provided in the questionnaire will be treated as strictly confidential and will be used only for the purpose of this study. Though the research report will, in the future, be published, it would only comprise tables, graphs, figures, percentages and facts obtained from analyzing and interpretation of the responses from the completed questionnaires. The researcher concluded that confidentiality would be effective if the research report contains no person's name and/or institution's name.

3.6.3. Benefits

All participants were informed by a letter that guaranteed confidentiality and anonymity that they would receive no monetary benefits from participating in the study. The research findings could benefit the Department of Labour in Limpopo in terms of providing inputs for improving compliance of Public Finance Management Act 29 of 1999 as amended.

3.7. Conclusion

This chapter discussed the quantitative method as an applicable research approach to this study. The sampling method and the procedures that were followed when data were collected and analyzed were tinted. Chapter 4 presents the analysis of data obtained from the questionnaires completed by the respondents targeted from the Department of Labour: Limpopo.

CHAPTER 4 DATA ANALYSIS

4.1. Introduction

In Chapter three, the research methodology, sampling, data collection and data analysis techniques were discussed. The purpose of this chapter is to present the analysis and interpretation of the responses of the participants to questions asked in the questionnaire. The researcher compared the responses of the participants with the literature findings with an aim to investigate the respondents understanding of the systems of public finance and the Public Finance Management Act. Data in this chapter are presented in a form of tables and graphs or figures, percentages and facts, and it is also analyzed and interpreted. The terms participant and respondent shall in this chapter be used interchangeably.

4.2. Analysis and Interpretation of Data

As this study is quantitative in nature, the researcher used a questionnaire to collect data as indicated earlier. The research findings according to the participant's opinion are presented in this section. These findings emerged from the responses of the questions asked in the questionnaire. The collected data ascertained that all the participants are currently employed by the Department of Labour in Limpopo. Before the demographic profile of the participants is analysed and interpreted, the researcher wants to present offices of the Department of Labour in Limpopo that participated in the study.

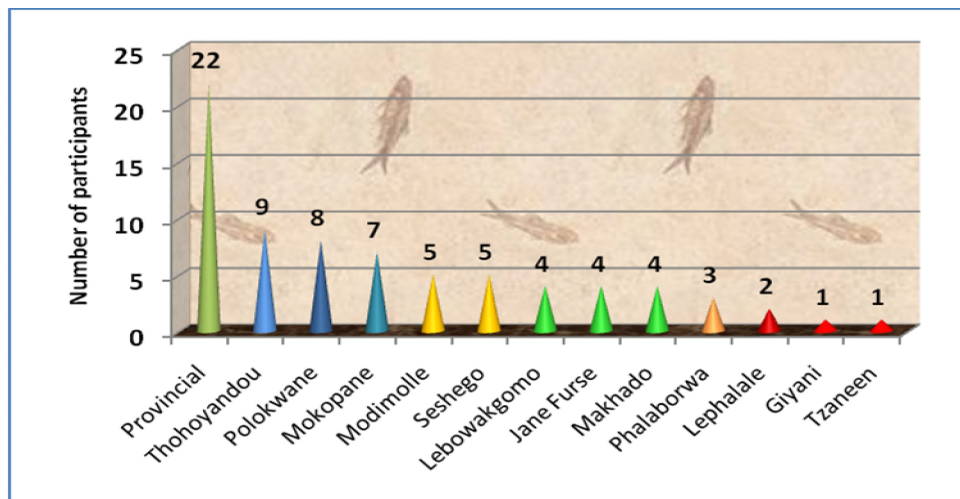


Figure 4.1 Participants per office

Figure 4.1 represented the number of participants per office. In discussion pertained to population and sampling it was indicated that data will be obtained from a sampling of forty ($n=40$) employees in twelve (12) labour centres and provincial office of the Department of Labour in Limpopo. In a revised sample, as shown in Table 3.1, data were requested from a sample of eighty ($n=80$) officials of the Department of Labour in Limpopo. The graph above indicate that the researcher manage to obtain data from seventy-five ($n=75$) participants in all offices of the Department of Labour in Limpopo. This result is supported by Table 3.2 that explains the number of questionnaires administered to the officials of DoL Limpopo and the respond rate.

Figure 4.1 shows that most of the participants are from the provincial office of the DoL Limpopo. A number of twenty-two (22) participants were managed at the provincial office. This high number is as a result of the volume of employees in the provincial office. Following the provincial office is the large labour centres in the province. A number of nine (9) participants were managed at Thohoyandou Labour Center followed by Polokwane Labour Center with eight (8) participants. Medium labour centres such as Mokopane with seven (7) participants and Modimolle with five (5) participants conquered Tzaneen Labour Center, which is large, with only one (1) participant.

Lebowakgomo LC, Jane Furse LC and Makhado LC reported four (4) participants each. The Seshego LC, which is the smallest labour center in the province, managed five (5) participants, thus superseding Giyani LC and Tzaneen LC which reported only 1 participant each. Table 3.1 in Chapter three shows the size of Giyani LC as medium. This means that Giyani LC, Tzaneen LC, Makhado LC, Phalaborwa LC and Lephalale LC were supposed to have more participants than Seshego LC. As a result, the researcher

concludes to respect the decision of employees who were not willing to participate in the study. Information obtained from the participants represented the entire universe or population of DoL Limpopo.

4.2.1. Participants' Demographic Profile

The demographic profile reflects the personal data of the participants. It was noted in the section of data collection method that quantitative data were obtained from the participants who are employees of the Department of Labour in Limpopo. Here in this chapter, quantitatively collected data of the participants are numerically reflexed and presented in figures and tables. The demographic profile of the respondents considered in the study includes gender, age, race or ethnic group. Experience, training and educational qualifications are interrogated later in this section. In the section to follow is a profiled data of the respondents.

4.2.1.1. Gender

During data collection, a total of seventy-five (75) completed questionnaires were responded and returned. Representation of the respondent's sexes was taken into cognizance. The extent of determining reliability of the instrument used to collect data was evaluated on the basis of sex to see if it yields the same results under comparable conditions.

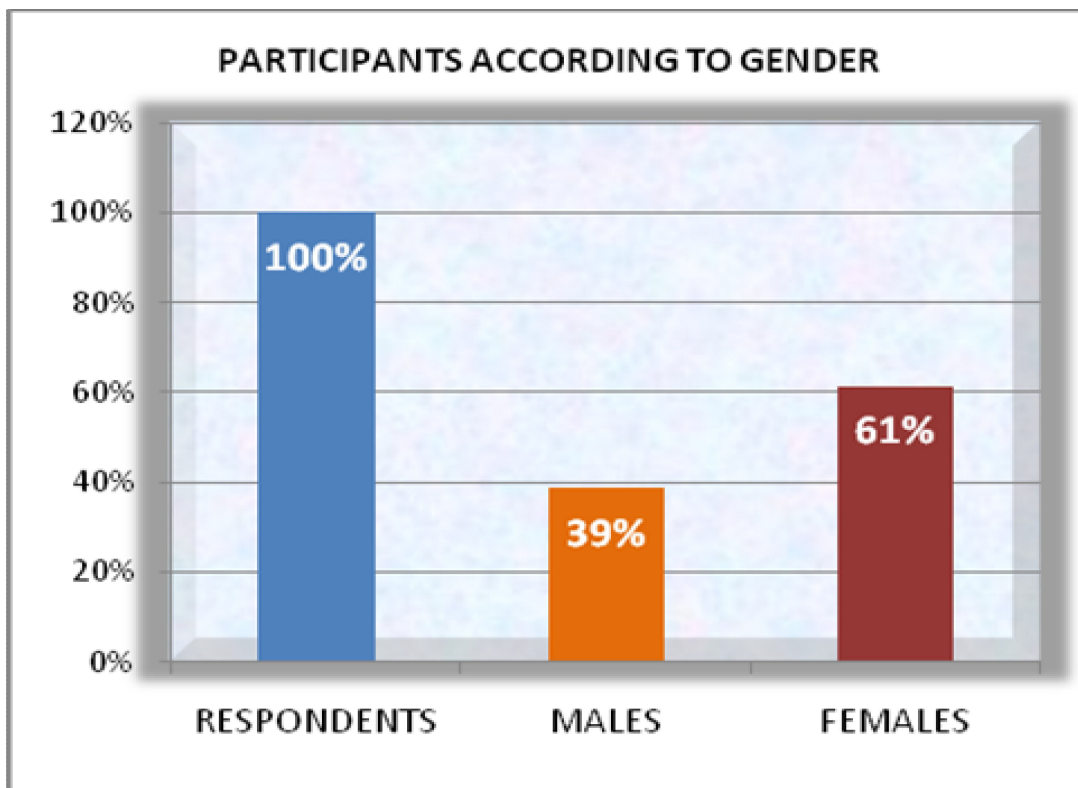


Figure 4.2 Gender of participants

Participation of the officials in this study was assessed in terms of gender. Figure 4.2 note the participants in accordance of gender. It transpired in Figure 4.2 that females participated in large quantity than males. Of the seventy-five (75) respondents, thirty-nine percent (39%) were males and sixty-one percent (61%) were females. It is significant to note that males in the public sector are disadvantaged in a narrow scale by the implementation of the Employment Equity Act that promotes a balance of sex in all the levels and categories of the institution or organisation.

4.2.1.2. Age Category

Maturity of a person is determined by his/her age level. As the study in investigating compliance of Public Finance Management Act in the Department of Labour in Limpopo, age plays an important role as the respondents must be in a statutory working age. The South African Labour Law declares child labour an offence. Therefore, it is empirical to investigate the age of the respondents in order to determine their growth, maturity and experience. Observations of the officials who are statutorily of the required age reckon data as valid information.

Table 4.1. Age and Gender Matrix

Age category	< 21	21-30	31-40	41-50	51-60	60>
Respondents	75	75	75	75	75	75
Males Respondents	29	29	29	29	29	29
Responses in terms of age	0	2	11	11	4	1
Males (%)	0%	7%	38%	38%	14%	3%
Female Respondents	46	46	46	46	46	46
Responses in terms of age	0	11	24	10	1	0
Females (%)	0%	24%	52%	22%	2%	0%

Table 4.1 above represents a matrix of age and gender of the officials of the Department of Labour who participated in the study. It is evident that seventy-five (75) participants represented quite a heterogeneous group with regard to age. Of the twenty-nine (29) male respondents thirty eight percent (38%) derived from the age categories of ‘41-50’ and ‘31-40’. Following these age categories is age category of ‘51-60’ that carried fourteen percent (14%) of the male respondents. One (1) participant was recorded in the age category of ‘60 and above’. The age category of ‘less than 21’ was not represented as the table reflects zero percent (0%). It is assumed that majority of persons under the age of twenty-one (21) are still at school or attending tertiary education or undergoing several skills programmes such as learnerships and internships.

With regard to the females participants Table 4.1 shows that forty-six (46) of the seventy-five (75) respondents participated in the study. Representation of females in terms of age category spread widely. Following Table 4.1, fifty-two percent (52%) of the participants were from the age category of ‘31-40’. Of the forty-six (46) participants, twenty-four percent (24%) were from the age category of ‘21-30’ followed by age category of ‘41-50’ with twenty-two percent (22%). Age categories of ‘less than 21’ and ‘above 60’ respectively are not represented as they have reported a nil percent (0%). This is an indication that the Department of Labour in Limpopo attracts recruits of middle ages who are economically active.

4.2.2. Respondents according to Ethnicity and Age Group

The Bill of Rights as contained in the constitution upholds the equality of all citizens in South Africa. In terms of Section 9 of the *Constitution of the Republic of South Africa, 1996*, no person may unfairly discriminate directly or indirectly against anyone on one or more grounds, including race, gender, sex, pregnancy marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language and birth. In this section, consideration is limited to ethnicity and age.

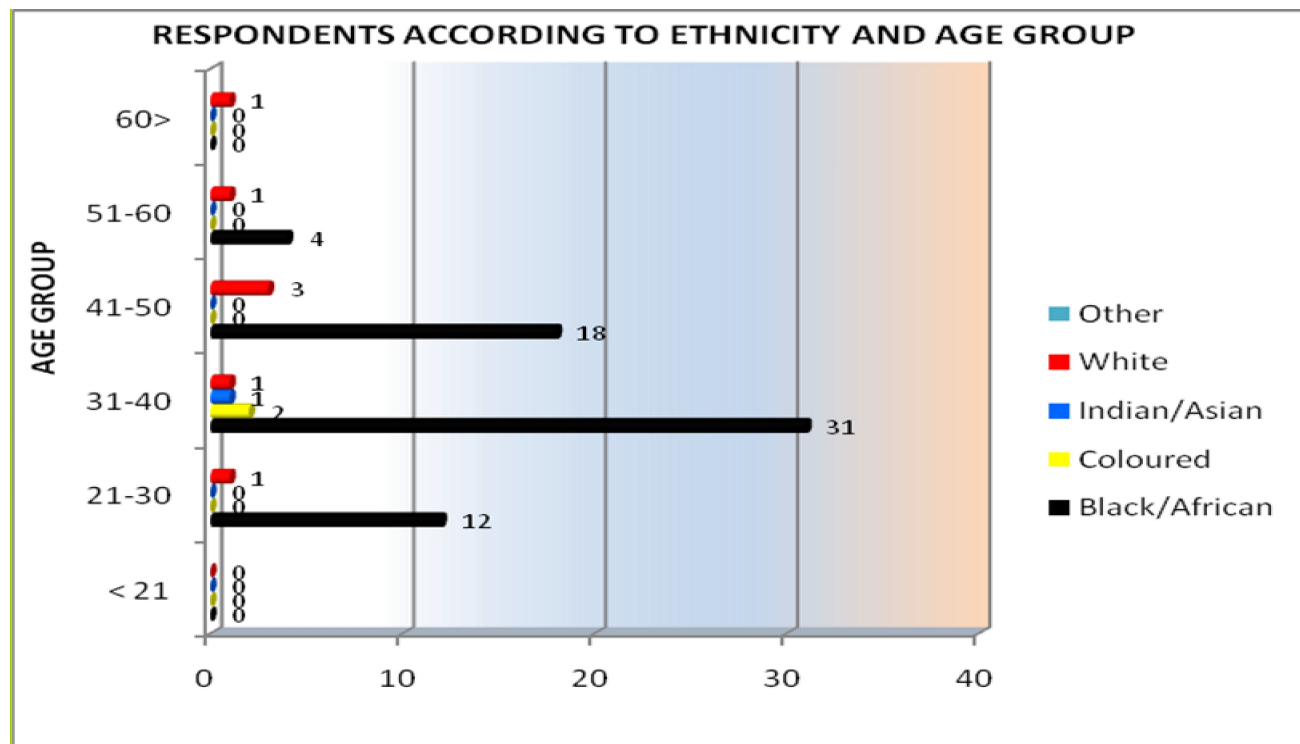


Figure 4.3 Participants according to ethnicity and age group

Figure 4.3 represent the participants according to ethnicity and age group. The graph depicts that majority of the participants emanated in the Black or African group. A high number of thirty-one (31) African participants are from the age category of ‘31-40’, followed by age category of ‘41-50’ with eighteen (18)

participants. A small number of the participants were from the Indian group, with one (1) participant in the age category of '31-40' followed by coloured group with two (2) participants in the '31-40' age category.

Figure 4.3 shows that large numbers of the participants are within the '31-40' and '41-50' age groups. Hence the age category of '31-40' is enriched with representation of all ethnic groups. Total number of officials of the Department of Labour in Limpopo who participated in the study as indicated earlier was 75 with Blacks/Africans group amounted to sixty-five (65) participants, White group registering seven (7), Coloured group with two (2) and Indian/Asian group with one (1).

4.2.3. Experience in DoL v/s Experience in Current Position

Participants were asked to indicate their experience in the Department of Labour and of those years of employment with the department how long or how many years did they spent in their current position. These questions were included in the questionnaire in an attempt to measure the maturity and experiences of the participants in the Department of Labour so as to validate data provided. Participants experience in the department is meaningful as data sourced from experienced respondents might give a clear picture as to why the Department of Labour in Limpopo does not fully comply with the Public Finance Management Act. The views, observations and opinions of experienced officials may lead the researcher to come closer to a reliable answer. Figure 4.4 depicts the experience of the respondents in the Department of Labour and in their current positions.

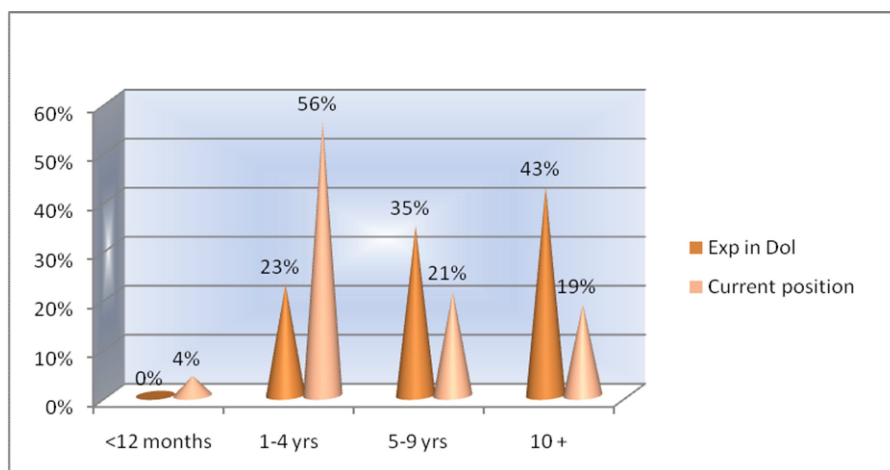


Figure 4.4 Experience in DoL v/s current position.

Figure 4.4 shows that fifty-six percent (56%) of the seventy-five (75) participants spent between '1 to 4' years in their current position while twenty-one percent (21%) spent between '5 to 9' in their current position and nineteen percent (19%) of the respondents are ten (10) year and beyond in their current position. This indicates that DoL Limpopo adopted a strategy of internal promotion rather than sourcing

appointees from the market (new entrants). This statement is supported by the zero percent (0%) participants who are less than a year of employment in DoL Limpopo. As zero percentage (0%) experience in DoL was evident in a 'less than twelve (12) months' category, forty-three percent (43%) of the respondents recorded that they have either ten (10) years or more than ten (10) years of experience in the Department of Labour.

Figure 4.5 below confirms that DoL Limpopo is comfortable with the workforce that is already in its payroll. When investigating how many respondents were placed in their current position during the financial year of 2005/2006, it was noted that the Department of Labour stick to the official they know rather than introducing new blood into their system, more especially on promotional posts.

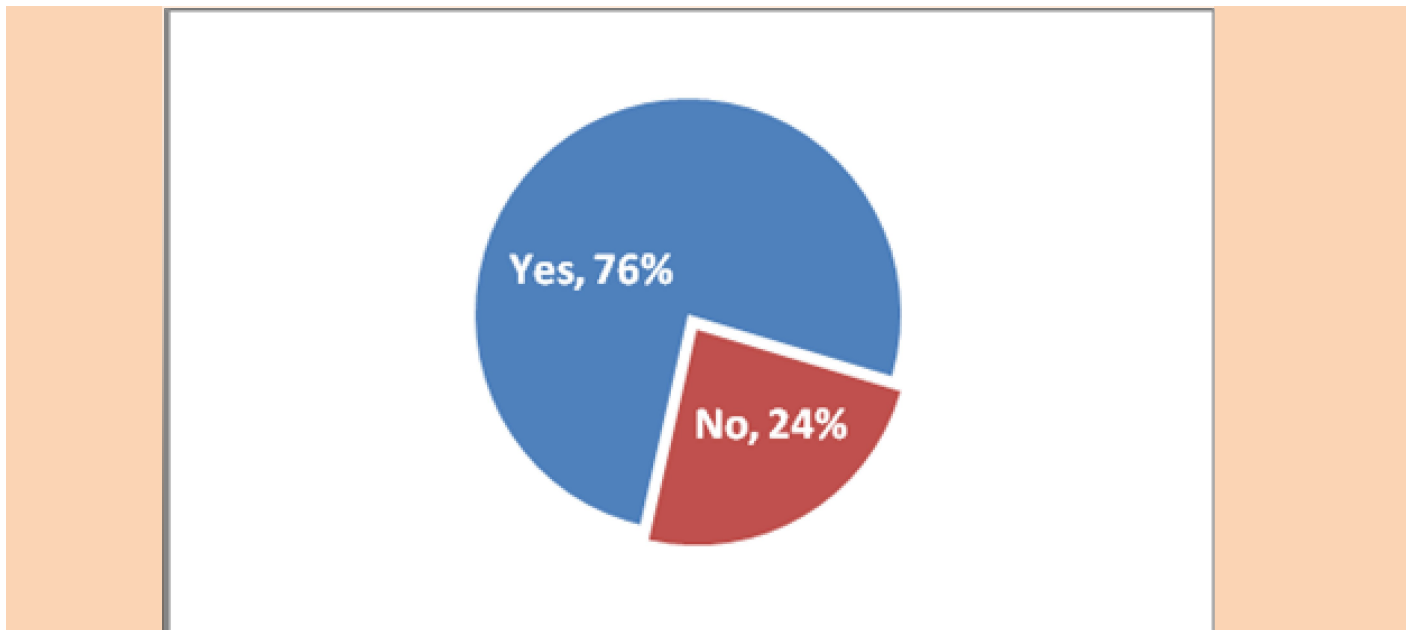


Figure 4.5 Placement 2005/06

The study established that seventy-six percent (76%) of the seventy-five (75) respondents were comfortably placed in their current position during the 2005/06 financial year while twenty-four (24%) were either not in the employment of the department or have been promoted to their current positions or posts. Therefore, the researcher managed to reach the majority of participants, which were close to the replica of the population of DoL Limpopo for the financial year 2005/06 as indicated in the sampling method in Chapter 3.

4.2.4. Qualifications Obtained and Training Attended by Participants

The political change post 1994 in South Africa, more especially in the public sector, influenced a negative attitude towards the acquiring of a formal educational qualification. Today, most of the departments or institutions in government employ people based on comradeship, patronage and nepotism irrespective of

whether or not such people have relevant formal or informal qualifications. These elements of comradeship, patronage and nepotism are influenced in some instances by political affiliation and/or loyalty of the appointee to the masters.

It was impressive though to note that participants in the Department of Labour in Limpopo are having post matric qualifications. These signify a different perception as the Department of Labour entirely encourages and fosters the skills development programmes. The graph below notes impressively the educational levels or qualifications of the respondents. Respondents were clustered according to their age group in an attempt to assess which group is well qualified educationally.

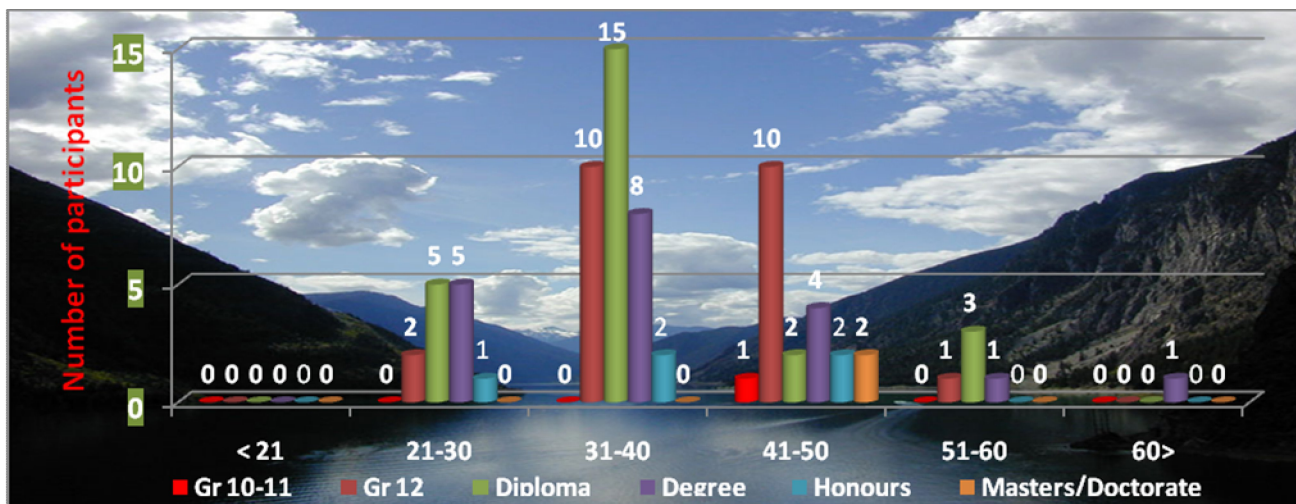


Figure 4.6 Educational Level according to age group

Experience is pertinent if it is complemented by theory. Figure 4.6 above shows that DoL Limpopo is enriched with a population of diplomandi. Participants within the age group of ‘31-40’ top the list with fifteen (15) Diploma graduates, eight (8) participants graduated with Degrees, two (2) participants with Honours while those with only Matric or Gr 12 are ten (10). It is not surprising to see the age category of ‘31-40’ flagging green as participants are in their middle ages of employment and aspiring to climb the echelon positions within the department. Two (2) participants in the ‘41-50’ age groups attained the highest level of education with Masters/Doctorate.

4.2.5. Training

Training of employees is one of the top priorities both in the public and private sector. The study investigated whether Department of Labour value any financial related training by providing its employees with either formal or informal training. The table below indicates the formal and informal training received

by the participants which were initiated and provided at the expense of the Department of Labour in Limpopo.

Table 4.2 Formal and Informal Training Matrix

TYPE	RESPONSES	TOP MANAGERS	MIDDLE MANAGERS	LINE MANAGERS	OPERATIONAL	TOTAL %
FORMAL TRAINING	1. Financial management for non-financial managers	0	8	2	0	13%
	2. PFMA training	0	0	2	4	8%
	3. Supply Chain Management and asset management	0	0	0	2	3%
	4. Budgeting, Supply Chain, Treasury Regulations	0	1	0	0	1%
	5. Economics	1	0	0	0	1%
INFORMAL TRAINING	1. AMDP-Finance Section	0	2	1	0	4%
	2. PFMA training (internal)	1	2	4	1	11%
	3. BAS training	0	0	0	2	3%
	4. Basic Business Finance	0	0	1	1	3%
	5. Standard Code of Accounting (SCOA)	1	0	0	1	3%
	6. Risk Management	0	1	0	1	3%
	7. Budgeting	1	0	0	2	4%

The researcher asked the participants if they have attended any formal financial or Public Finance Management Act training and/or any other informal financial training. Table 4.2 indicates the responses of the participants. It transpired from the investigation that officials were trained formally on the following courses:

- ♠ Financial management for non-financial managers;
- ♠ Public Finance Management Act training;
- ♠ Supply Chain Management and asset management;
- ♠ Budgeting, Supply Chain, Treasury Regulations; and
- ♠ Economics.

While the department acknowledges the training offered formally to its officials, it extended its hands by providing internal training or informal training on financial related matters and/or systems. Subsequent to the investigation, a bunch of courses related to finance were considered and informal training was provided on the following:

- ♠ AMDP-Finance Section;

- ♣ Public Finance Management Act training (internal);
- ♣ BAS training;
- ♣ Basic Business Finance;
- ♣ Standard Code of Accounting (SCOA);
- ♣ Risk Management; and
- ♣ Budgeting.

Among the formal training attended as mentioned above thirteen percent (13%) were trained on financial management for non-financial managers. Out of the thirteen percent (13%), eight (8) of the participants who attended were from the middle managers level and two (2) participants were from the line manager's level. In this study, the term 'middle managers' refers to Assistant Managers and Regional Managers, whereas 'line managers' contain Team Leaders, Supervisors and Employment Service Practitioners.

As indicated in Table 4.2 eight percent (8%) of the participants attended formal training on Public Finance Management Act. Officials who attended this training were from the line managers and operational level. Numerically, two (2) line managers and four (4) participants from operational levels attended. The operational level consists of Clerks and Practitioners who are carrying and executing the mandate of the top managers, middle managers and line managers.

Only three percent (3%) of the participants received formal training on SCM and Asset Management. One (1%) of the participants received training on budgeting and Treasury Regulations, whereas the other one (1%) received training on economics. Table 4.2 shows that top managers consisting of managers above level 11 of the structure of the department did not attend any formal training relating to public finance or Public Financial Management Act. Of the 75 participants, only 26 % attended formal financial or Public Finance Management Act training.

Table 4.2 suggests that Department of Labour in Limpopo seems comfortable to provide informal financial training to its employees. Approximately, thirty percent (30%) of the participants were trained informally on public finance related courses or Public Finance Management Act. Internal training was provided on Public Finance Management Act by the department to eleven percent (11%) of the participants. Though employees may be trained internally, the researcher is of the opinion that internal training is not intense as is subjected to distorted information. Experience taught the researcher that information or knowledge acquired through formal training might not be transmitted in full to others. Due to various variables, like hearing and

interpreting skill, the person training staff internally might omit or change the original knowledge and consequently the department risk improper transfer of knowledge.

The responses to informal training attended varied. Information obtained from the participants as indicated in Table 4.2 shows that four percent (4%) of them attended AMDP training, three percent (3%) attended informal trained on BAS, whereas another three percent (3%) were trained informally on Basic Business Finance. Informal training was conducted on SCOA and three percent (3%) as indicated in the table above attended. An informal training was also provided on Risk Management whereby three percent (3%) attended. Ultimately, four percent (4%) of the participant received training on Budgeting. Of all the top managers who responded, one (1) manager attended informal training on Public Finance Management Act (in-house training), one (1) attended training on SCOA and one (1) on budgeting.

4.2.6. Evaluating the Effective Implementation of Public Finance Management Act.

Questions were asked in Section B of the questionnaire to find out how DoL Limpopo assessed its policies and how does it evaluated the implementation of the Public Finance Management Act, 1999 as amended. The findings of the researcher as depicted in Figure 4.7 revealed that twenty-five (25) participants never saw or experience any exercise whereby DoL Limpopo evaluates its policies and the other twenty-five (25) participants are also of the opinion that DoL Limpopo only evaluates its policies when a need arise.

It must be noted that the Department of Labour is a National Department with 10 (ten) provincial offices. As one of the provincial office, the existence of Limpopo (provincial office), as mandated by the legislative authority, is under the care and support of DoL nationally. The provincial offices of the Department of Labour are the supporting component in provinces and they are located at the middle of DoL organizational structure. A provincial office serves as a nexus connecting the regional offices or labour centres with the head quarter based in Pretoria.

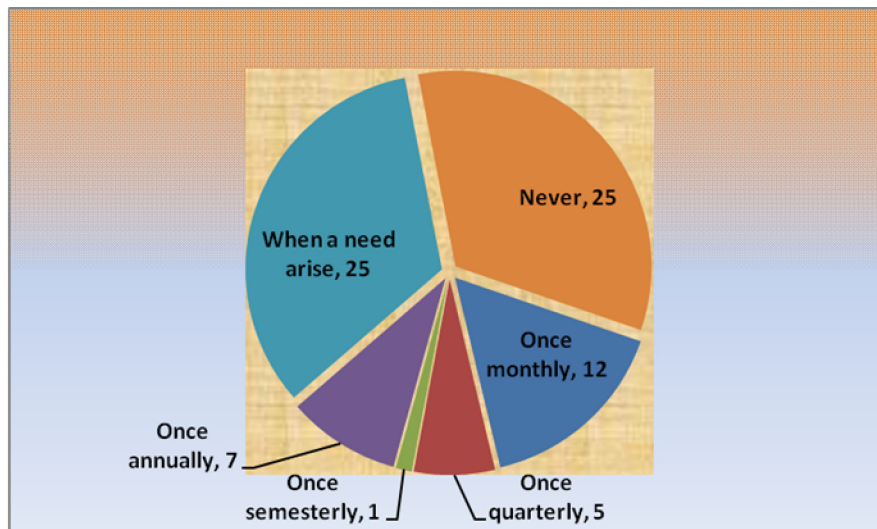


Figure 4.7 Evaluation of financial policies

Based on the background indicated above, head office is charged with the responsibility of evaluating the policies of the entire department. These exercise might be taking place once annually or once per semester or quarterly, hence the uncertainty. In terms of Figure 4.7, there is quest for uncertainty among participants. Participants are not sure as to whether policies are evaluated or not and/or whether they are evaluated if a need arise.

Though provincial offices are not charged directly with the policy evaluation task, as implementers they are still responsible for ensuring review of policies and ensuring the relevancy of such policies. This assignment may be undertaken provincially by LMIS&P unit in the province which is charged with the responsibility of monitoring the impact of policies.

Out of seventy-five (75) participants who responded to a question of how often does the Department of Labour in Limpopo evaluates its financial policies, twenty-five (25) of the participants responded that the Department of Labour in Limpopo “**never**” evaluated the financial policies. These results are are shown in Figure 4.7 above. In addition to the question of evaluating the financial policies of the department, those participants who responded “never” were asked to provide their opinions as to on how do they contribute to sound financial management. These opinions were searched in order to assist the Department of Labour in Limpopo to receive a clean audit report in matters relating to finance from the office of the Auditor-General. Table 4.3 below outlines the views of the participants who responded “never” in Figure 4.7 above.

Table 4.3 Views of Participants Responded “Never” in Figure 4.7.

VARIABLES	No. Responded “never”	Responses in percentages
By giving an inputs when a need arise	16	64%
Make contribution when a draft policy is published on the intranet for staff comments	4	16%
When auditors confront and ask me questions	1	4%
Care less. Only concern with my work	4	16%
TOTAL	25	100%

A whopping sixty-four percent (64%) indicated that they contributed by giving inputs when a need arise while four percent (4%) of the participants contributed when auditors confronted them individually and ask questions. Sixteen percent (16%) highlighted that they made contributions when a draft policy is published on the departmental intranet for comments. Another sixteen percent (16%) indicated that they care less about the evaluation of policies. They are only concerned with their work. This percentages of participants who indicated that they care less signal a demotivated mood or frame of mind which pose danger on issues of governance.

4.2.7. Access to Public Finance Management Act

The Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) (as amended by Act No. 29 of 1999) is one of the most important pieces of legislation passed by the democratic government in South Africa. The Act promotes the objective of good financial management in order to maximise service delivery through the effective and efficient use of the limited resources. The key objectives of the Act as summarized are to modernise the system of financial management in the public sector; enable public sector managers to manage, but at the same time be held more accountable; ensure the timely provision of quality information; and eliminate the waste and corruption in the use of public assets.

It is, therefore, imparative that Department of Labour in Limpopo should ensure that all officials are aware of the objectives of the Act. These can be achieved by fostering transparency and availing the act at a conspicuous place where all the employees shall have access. It has been noted in the responses of the participants, as indicated in Figure 4.8 below, that sixty-seven (67) participants have access to a copy of the Public Finance Management Act, whereas eight (8) participants indicated that they do not have access to a copy of the Public Finance Management Act.

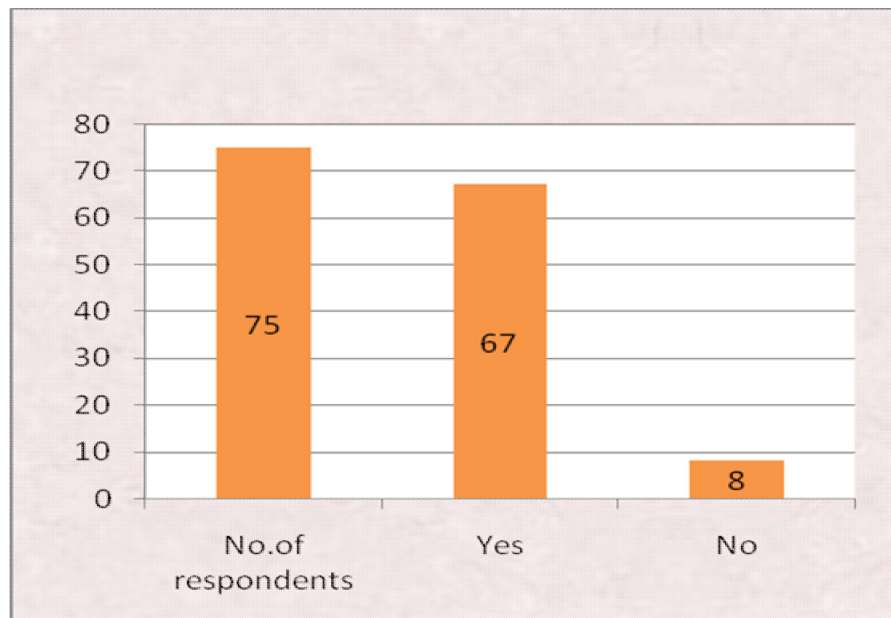


Figure 4.8 Access to Public Finance Management Act

The national Department of Labour used facilities of technology to allow access of various legislations and policies. Most of the policies, including the Public Finance Management Act as researched, are posted on the intranet of the Department of Labour. The eight (8) participants who responded “No” raise the bar of awareness campaign by Limpopo provincial office. It might be assumed that those eight (8) participants who responded negatively are less than 4 years with the department and induction has not yet taken place or during the induction location of such policies were not enlightened. It is indeed the responsibility of Limpopo provincial office to train and induct new employees within days of their employment. Training and Performance sub-unit in the Management Support Services of DoL Limpopo Province must ensure that such training take place.

As the National Department of Labour posted Acts and policies in the intranet, the provincial office of Limpopo is therefore challenged to investigate whether officials are able to access those Acts and policies electronically. If so, DoL Limpopo needs to establish how often does officials visited such files in the computer to abreast themselves with those Acts and policies. The researcher inquisitiveness to the sixty-seven (67) participants who responded that they have access to the Public Finance Management Act is that how often do they refer to the Act. Table 4.4 below shows the research findings on how often officials refer to the Public Finance Management Act.

Table 4.4 Participants referral to Public Finance Management Act (67)

	Once daily	Twice or more daily	Once weekly	Once monthly	Only when a need arise	Never

Top Managers	0	0	0	0	3	0
Middle Managers	0	1	2	0	11	0
Line Managers	0	1	1	2	20	1
Operational	2	6	2	1	13	1
TOTAL	2	8	5	3	47	2

Table 4.4 shows that referral to Public Finance Management Act as a tool of trade to public managers is only visited by three (3) top managers of the Department of Labour in Limpopo only when a need arise. Top managers do not see Public Finance Management Act as a daily tool of trade that assist and guide them to execute their functions properly or to take sound financial decisions. The response suggests that top managers rely on middle managers, line managers and operational level for assistance as these categories seem to refer to the Public Finance Management Act daily, weekly or monthly. A high volume of respondents in these levels shows that they are also not hesitant to make referral when a need arise.

If officials at operational level – which, for the purpose of this study, as indicated earlier, refers to practitioners and clerks – are able to make referral to the Public Finance Management Act at least once or twice or more daily, it is unlikely that officials of DoL Limpopo are not aware of the guidelines and/or policies regulating the finances of the department. The following graph below depicts awareness of policies as giuding tools regulating the finances of DoL Limpopo.

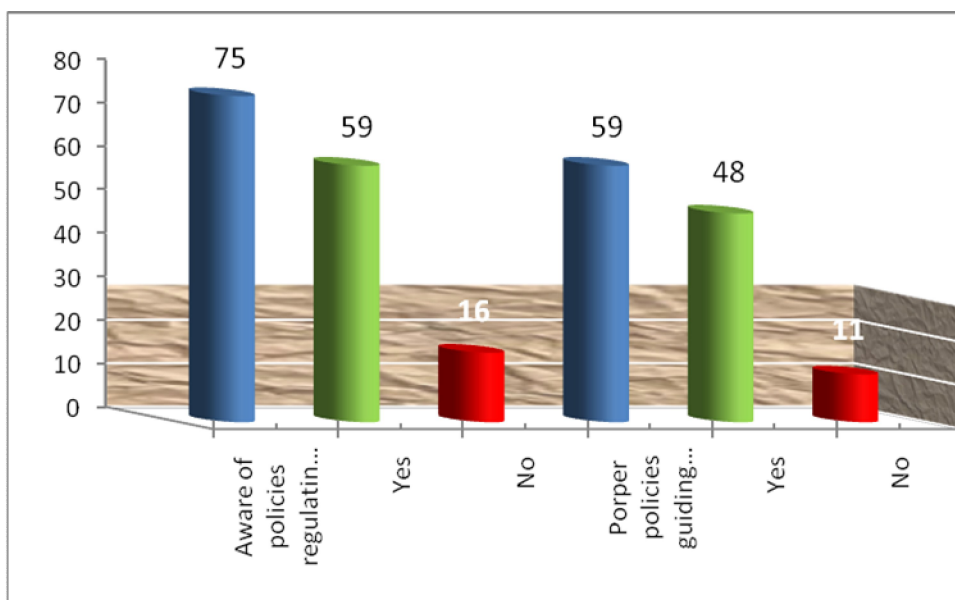


Figure 4.9 Policies and guiding tools regulating finances of DoL:Limpopo

Figure 4.9 depict that of the seventy-five (75) participants, only sixteen (16) are not aware of the policies regulating the finance of the Department of Labour in Limpopo. A total number of fifty-nine (59) participants indicated that they are aware of the policies regulating the finances of the Department of Labour in Limpopo. An enquire was further made to find out if those policies provide proper and clear guidance in regulating the finances of the DoL Limpopo. An enquiry was only made to the participants who responded that they are aware of such policies regulating the finances of DoL Limpopo. The researcher is of the opinion that such respondents are knowledgeable in as far as financial policies are concerned and that their opinions are based on knowledge and experience.

According to the findings, as indicated in Figure 4.9 above, forty-eight (48) of the fifty-nine (59) respondents answered that the policies developed by DoL nationally as they are implemented by DoL Limpopo are providing clear and proper guidance on public financial management. Only eleven (11) participants does seem not to be convinced that they are proper tools to provide guidelines in as far as financial management is concerned.

From the forty-eight (48) participants who responded that they are aware of financial policies and that those policies provide proper and clear guidelines in controlling the finances of the department. An inquiry was further made to establish the shortfall that makes DoL Limpopo not to comply fully with the Public Finance Management Act. Why the Department of Labour in Limpopo continues to get audit qualifications. Respondents to this question indicated that the Department of Labour in Limpopo is challenged with the following:

- ❖ Shortage of Staff, no segregation of duties and lack of training;
- ❖ No monitoring system, managers does everything and monitor only when auditors comes;
- ❖ Insufficient funds allocated to the provinces by DoL nationally or National Treasury;
- ❖ Management reluctance and laziness to carry out policies;
- ❖ Nepotism, ethnicity, tribalism and racism;
- ❖ Poor staff capacity, lack of knowledge and poor financial management;
- ❖ Corrupt activities;
- ❖ Centralisation of funds either at Head Office or Provincial Office;
- ❖ Misinterpretation of policies; and
- ❖ Inadequate checks and balances.

Although some of the respondents made no comment, others were of the opinion that the Department of Labour in Limpopo is complying with the Public Finance Management Act, hence they cannot verify if it complies “fully”. According to the *Oxford Concise Dictionary of Current English* (1995) the word “fully” refers to “completely, entirely. No less or fewer than”. This fallacy is misleading as the study was motivated by the audit report of 2005/06 and to the last financial year 2007/08, DoL Limpopo still receive audit qualifications or audit queries.

4.2.8. Procedures on Expenditure

Public Finance Management Act and Treasury Regulations set out procedures for departments or public entities which they should follow when spending the public money. Supply Chain Management policy of the Department of Labour also provides guidelines on how to procure goods and services. It was enquired from the participants if Department of Labour in Limpopo has proper procedures that it follows when incurring expenses or when spending the public money. Figure 4.10 below provides the participants’ opinions on procedures for spending.

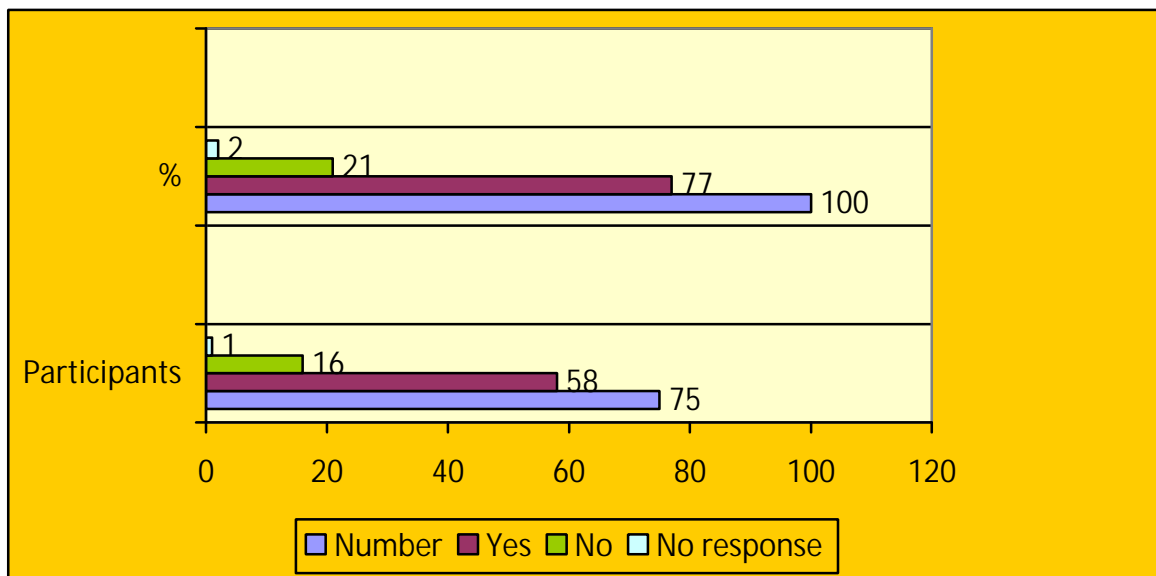


Figure 4.10 Participants opinions on procedures for spending

In terms of Figure 4.10 above, all seventy-five (75) participants responded to this question. The research findings revealed that seventy seven-percent (77%) of the participants agreed that the Department of Labour in Limpopo has in place proper procedures that it follows when spending is incurred, while two (2%) decided not respond to the question.

Twenty-one percent (21%) of the participants is convinced that Department of Labour in Limpopo does not have procedures in place when spending is incurred (see Figure 4.10). A question was asked to the twenty-one percent (21%), who responded negative, as to what measures or procedures should the DoL Limpopo put in place. The following responses were highlighted and captured:

- 🏠 Purchasing of equipment should be to the interest of the office not individual manager;
- 🏠 Financial planning, give employees opportunity to give inputs and training on spending;
- 🏠 Proper control measures, that is, effective commitment registers and/or expenditure reports;
- 🏠 Provide risk management course and alert official to adhere to Public Finance Management Act when spending;
- 🏠 Entrust L/C with the responsibility to manage their own budget;
- 🏠 PO to provide frequent feedback on LC spending and correct timeously where necessary; and
- 🏠 Conduct needs analysis and adhere to Public Finance Management Act

4.2.9. Training on Accountability

One of the key objectives of the Public Finance Management Act 1 of 1999 as amended is to modernise the system of financial management and enable public sector managers to manage, but at the same time be more accountable. Accountability is not limited to managers but to all officials of the department. Accountability is central to the management of public money. The constitution in section 195 (1) (f) uphold the values and principles of public administration and stresses that public administration must be accountable.

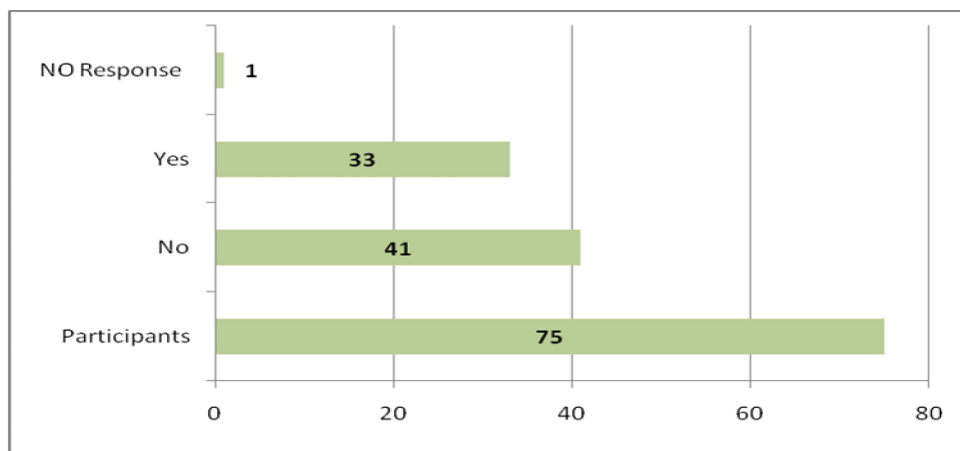


Figure 4.11 Training on accountability

It was asked if all officials of the Department of Labour in Limpopo are trained to be accountable for their actions or performance. The majority of the respondents (41 participants) indicated that no training was provided on accountability ever since they were employed by DoL Limpopo while thirty-three (33) participants indicated that accountability is a matter of showing responsibility and earnestness. Taking into

cognizance that most of the participants are post matric graduants with diplomas, degrees, honours and masters indicates that learning to be accountable was also acquired through the process of obtaining qualifications. At least 1 (one) respondent felt not to answer the question.

4.2.10. Budgeting Process

As pointed out in Figure 2.2 budgeting process consists of four clearly distinguishable processes. These phases as they are stipulated sequentially are preparation, approval, execution and control. It is imperative for sound financial management to have these processes in place. As a matter of fact, the DoL Limpopo is required by the National Treasury to submit budget proposal of the department for the next financial year. It is the prerogative of the department to follow the process as indicated above. The budgeting process of the Department of Labour was investigated and Figure 4.12 below indicate the findings.

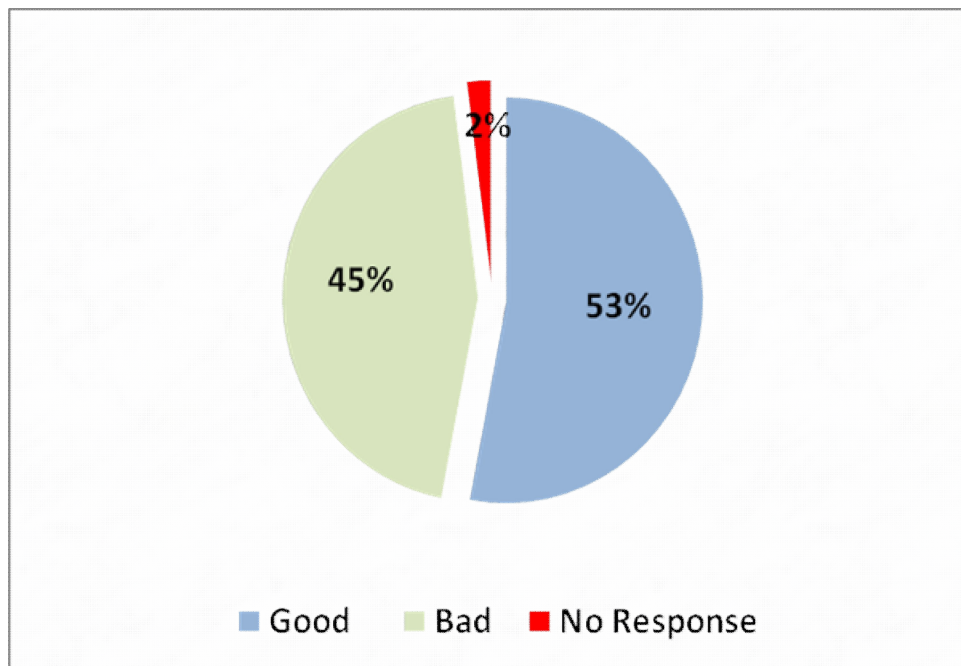


Figure 4.12 Budgeting process

The researcher tried to establish from the respondents if they perceive DoL Limpopo budgeting process as “Good or Bad”. As indicated by the pie chart in Figure 4.12, fifty-three percent (53%) view the budgeting process of the Department of Labour in Limpopo “Good”, while forty-five percent (45%) of the participants

view the budgeting process as “Bad”. Two percent (2%) of the seventy-five (75) participants decided not to respond to the question due to their personal reasons.

Participants who viewed the budgeting process of DoL Limpopo as “Bad” were asked further to suggest what should the DoL Limpopo do to develop a “Good” budgeting process. Participants’ views were categorised according to their responses. The study ended up having nine (9) categories of responses as captured in Table 4.5 below. These categories were formulated to accommodate all the views and opinions of the respondents.

Table 4.5 Suggestion as to what DoL Limpopo should do during Budgeting Process

RESPONSES	Respondents	%
1. Budget planning meeting before submission, learn to align service delivery and workplan & invest in capacity building	4	13%
2. Management to seek budget inputs from subordinate, participation and involvement of subordinates	11	35%
3. Exercise fairness and honesty, top managers to review and monitor the process	1	3%
4. Assess expenditure trends from BUs and LCs on a monthly basis and training on how to make budget inputs	5	16%
5. Proper communication about budgeting process, budget inputs from BU's and LCs consolidated and discussed	3	10%
6. PO to vest the responsibility and accountability to relevant LC or BU managers; PO to consult when moving funds	2	6%
7. Consider the needs of the BU or LC, engage BU and LC in budget process, and don't slash LC budget without consultation	2	6%
8. Regional offices make inputs to the budget but are not taken into consideration	1	3%
9. Reliability and uniformity must be practiced by DoL Limpopo	2	6%
TOTAL	31	100%

According to Table 4.5, responses were formulated from thirty-one (31) respondents who viewed the budgeting process of the Department of Labour in Limpopo as “Bad”. Thirty-five percent (35%) of the thirty-one (31) respondents suggested that during the budgeting process, management must seek budget inputs from subordinates and must give the subordinates the opportunity to participate in formulating the budget.

Thirteen-percent (13%) of the respondents suggest that budget meetings at various stages of the process should be convened prior to the submission to Treasury or Head Office. The magnitude of those meetings will assess if the proposed budget is linked or aligned with the workplan and allow for capacity building whereby training shall be provided to officials in a quest to accelerate service delivery.

Sixteen percent (16%) suggested that DoL Limpopo should assess the expenditure trends of various business units, programmes and Labour Centers on a monthly basis, and should ensure that training is

provided to all officials on how to make budget inputs. This denotes that officials of the DoL Limpopo should be fully capacitated so that they should be a productive part of the budgeting making process. As owners of the budget, caution shall be taken not to waste money on petty things like catering.

The respondents further stressed the issue of communication, consideration, responsibility and accountability, and consultation when Labour Center budget are cut or when funds are moved from one vote or programme to the other. Reliability and uniformity by provincial office was also mentioned by a margin of two (2) respondents.

4.2.11. Elimination of Acts of Corruption and Fraud

At its most general level, ethics concerns itself with people’s ideals, their motives of choice, and their patterns of good and bad conduct. It considers the principles and rules that should govern the moral values of people’s behaviour. In the public sector, ethics is concerned with the moral requirements of public servants in the services that they are paid for and expected to offer the people (Pauw *et al.*, 2002:329). This view is supported in the Section 195 (1) (a) of the constitution that indicates that a high standard of professional ethics must be promoted and maintained.

Corruption and fraud are elements of unethical behaviours that demote the moral requirements of the public servants. It further demotes the legal requirement of the constitution and promote unethical values and principle thereof. It is, therefore, imperative that public institutions should fight and eliminate acts of

corruption by developing adequate measures of control. In that regard, public institutions will be in the fight against fraud and corruption. Table 4.6 below suggests measures to eliminate corruption and fraud.

Table 4.6 Suggestion on Elimination of Corruption and Fraud

Responses	Responses per variables	%
1. Monitoring, appoint competent personnel & audit monthly	12	16%
2. Improve recruitment & risk management training	8	11%
3. Adhere to policies, assess and evaluate all policies, produce report and analyse	10	13%
4. Train staff on policies and ethics, encourage transparency	13	17%
5. Dismissing corrupt and fraudulent officials	8	11%
6. Elimination of nepotism	2	3%
7. Paying better salaries	5	7%
8. Delegate duties to competent and most reliable persons	1	1%
9. Training on Code of good practice and financial ethics	1	1%
10. Good control measures	2	3%
11. Proper structure for finance and risk management, awareness, regular audit	1	1%
12. Segregation of duties in finance section	4	5%
13. Appointment of external auditors	1	1%
NO RESPONSE	7	9%
TOTAL	75	100%

It is quite clear in contemporary management that corruption in public institution is deep rooted. Because of the problem of corruptive and fraudulent acts by public servants, a question was posed to participants to suggest measures that the DoL Limpopo could develop to eliminate or out root acts of corruption and fraud. The responses of the participants are quite clearly outlined in Table 4.6 above. Most of the respondents (17%) suggested that public servants in the DoL Limpopo should be trained on matters of policies and ethics, furthermore transparency should be encouraged. Ethics encourages public servants to do what they ought to do at work.

In order to eliminate corruption and fraud, eleven percent (11%) of the participants responded that the DoL Limpopo should improve its recruitment strategy and provide employees with risk management training; thirteen percent (13%) suggested that management and staff should adhere to policies, assess and evaluate those policies and were necessary review. An analysis of the evaluation should be made and a report produced. A further eleven percent (11%) suggested that all corrupt and fraudulent officials should be dismissed following a disciplinary procedure, whereas three percent (3%) suggested that corruption is deep rooted in appointments and promotions, therefore management and Human Resource practitioners should refrain from nepotism and patronage.

Reward in a form of a salary plays a major role in encouraging acts of corruption and nepotism. This is supported by seven percent (7%) of the respondents when they suggested that the DoL Limpopo should consider paying better salaries. Though delegation of duties is encouraged in the DoL, a document on delegation from the office of the minister has been issued whereby guidance on delegation is provided on certain tasks. The participants believe that delegation may implant unwanted acts of corruption and fraud. As such, one percent (1%) suggested that management or supervisors must delegate duties to competent and most reliable persons. The same percentage of participants suggested that if training is provided on the Code of Good Practice and ethics, then corruption and fraud might be eliminated.

Segregation of duties in the finance section and good control measures are the cornerstone of good ethical behaviour. Five percent (5%) of the respondents suggested that the DoL Limpopo should separate the duties and responsibilities in the Finance Section. Respondents are of the opinion that if one person is a signatory in all the financial processes and, at the end of the transaction, produces a financial statement or report, promotes corruption and instigates fraud. Three percent (3%) therefore suggested that good control measures must be initiated and implemented by DoL Limpopo.

To avoid this anomalous practice of allowing one person to do more than one transaction in a process, one percent (1%) suggested that proper structure within finance should be built, which shall have the inclusion of risk manager and auditors or audit committee members hence a further one percent (1%) suggested that if external auditors are appointed to perform audit work most frequently in a year, officials will cease to act in a corruptive and fraudulent manner. The researcher could not get the view of some participants on this aspect, as nine percent (9%) chose not to respond.

4.2.12. Maintenance of Effectiveness, Efficiency and Transparency in Financial and Risk Management

Efficiency and effectiveness contribute to the welfare of society by creating wealth, employment and solutions to emerging challenges. If public funds are in good hands, the society will benefit a high standard of living and their lives will not be at risk of poverty. The department needs to ensure that there is good financial management and that risk is well managed at a minimal level. The constitution also upholds a principle of efficiency and effectiveness by stipulating in Section 195 (1) (b) that efficient, economic and effective use of resources must be promoted. This principle is one of the pillars of democracy that govern public administration.

One of the objectives of the Public Financial Management Act is to secure transparency, accountability and sound management of the revenue, expenditure, assets and liabilities of the public entities. It is the duty of the Accounting Officer to ensure that the institution has and maintains an effective, efficient and transparent system of financial and risk management. The constitution enshrines the above stated objective of the Public Finance Management Act by indicating in Section 195(1) (g) that transparency must be fostered by providing the public with timely, accessible and accurate information.

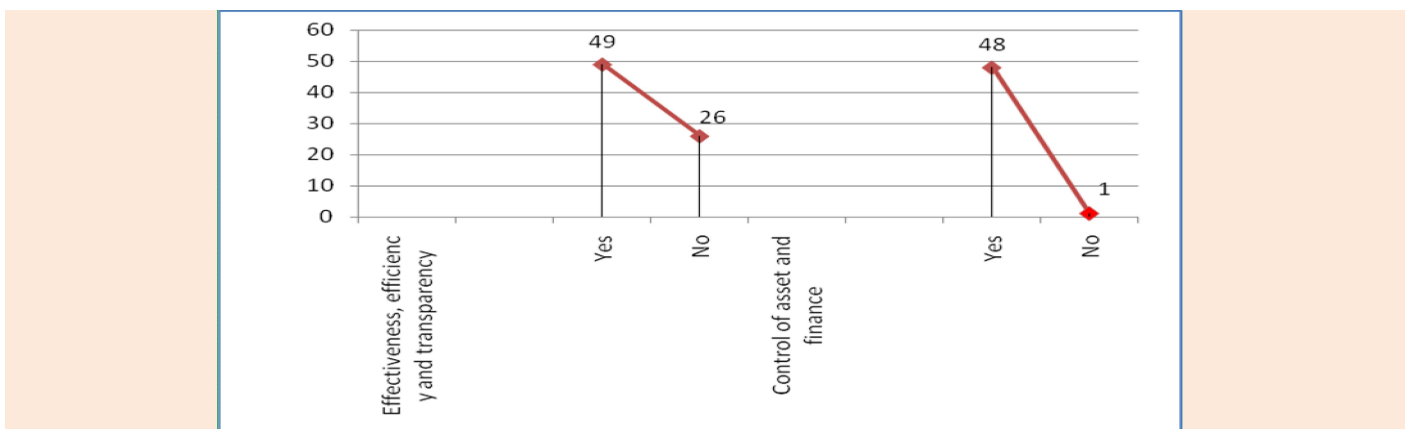


Figure 4.13 Financial and Risk management

Participants were asked in the questionnaire if the DoL Limpopo maintains the effectiveness, efficiency and transparency in financial and risk management. (Risk management, according to the context of this study, refers to the identification and evaluation of actual and potential risk areas.) Out of seventy-five (75) participants forty-nine (49) of them as presented in Figure 4.13 agreed that the DoL Limpopo maintained effectiveness, efficiency and transparency in financial and risk management while twenty-six (26) participants disagreed.

Systems of internal control laid down procedures that are designed to safeguard the income, capital and assets of the public institution; ensure that accurate and reliable accounting records are maintained; ensure compliance with legal requirements, laid-down policies and procedures; and promote operational efficiency.

Figure 4.13 also depict that majority of the participants who agreed that DoL Limpopo maintain effectiveness, efficiency and transparency in financial and risk management confirmed that DoL Limpopo has proper internal financial and asset control. Out of forty-nine (49) participant who answered “Yes”, a whopping forty-eight (48) participants responded positively while only one (1) isolated participant answered “No”.

Of the twenty-six (26) participants who disagreed that DoL Limpopo maintained effectiveness, efficiency and transparency in financial and risk management, it was further inquired from those respondents as to what should DoL Limpopo do to maintain effectiveness, efficiency and transparency in financial and risk management. The following responses were suggested:

- Utilise LMIS to monitor and evaluate policies, implement recommendations;
- There is no transparency, therefore DoL Limpopo should be transparent and keep officials informed;
- Training officials to audit daily financial activities;
- Segregation of duties;
- Introduce risk management at all office of DoL Limpopo;
- Appoint suitable candidates with relevant qualifications and monitor expenses daily;
- Discuss reports with staff, proper checks on invoices and implement measures to correct improper asset management;
- Appoint internal auditors, or HQ auditors must visit provinces regularly;
- DoL Limpopo to consider the purpose of the Public Finance Management Act and skill personnel on financial related matters;
- DoL Limpopo to decentralise the control of finances to LC and BU managers; and
- Adhere and implement the principle of Batho Pele and be in line with the Public Finance Management Act.

The Constitution of the Republic of South Africa, 1996 in Section 195 provides that transparency must be fostered by providing the public with timely, accessible and accurate information. As matters of finance are important and are of public interests, respondents were asked if the Department of Labour in Limpopo ever published and/or availed its financial report to its employees. The issue of accessibility of such reports were also inquired to see if DoL Limpopo provides timely, accessible and accurate information to its stakeholders.

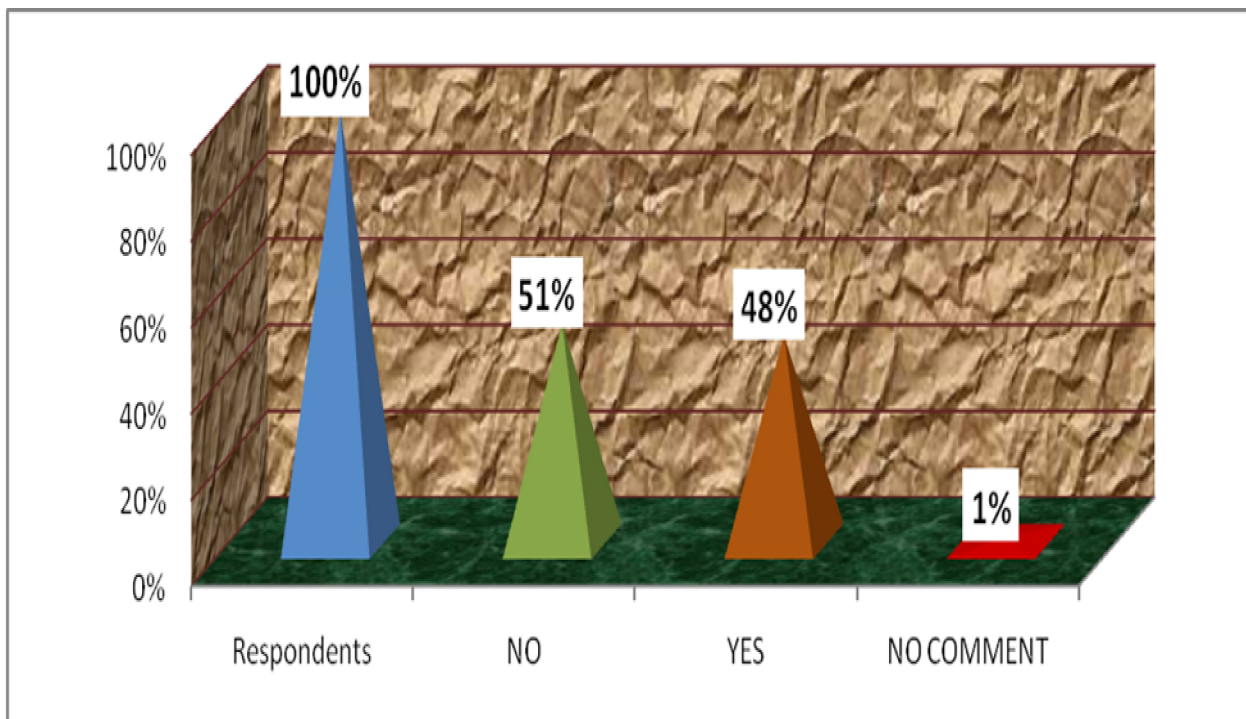


Figure 4.14 Access to financial report of DoL: Limpopo

Figure 4.14 shows that the Department of Labour in Limpopo does not provide its employees with financial related information. Most of the junior staff at Labour Centers and provincial office indicated that they do not have access to financial reports of the Department of Labour in Limpopo, while managers, especially middle managers and top managers, indicated that they do have access to the financial report of DoL Limpopo. Close to fifty-one percent (51%) of the participants responded that they do not have access to the financial report of DoL Limpopo. Forty-eight percent (48%), therefore, indicated that they have access while one percent (1%) did not comment.

4.2.13. Internal Auditors

The Accounting Officer must ensure that the institution has and maintains a system of internal audit under the control and direction of an audit committee. As quoted in the literature review, “internal auditing is a control instrument...” which can be used to check the regularity and legitimacy of the financial administration of the department (Marshall, 1976:173). It is imperative for public institutions to have internal auditors who are permanently employed by such institutions to audit the day-to-day financial transactions.

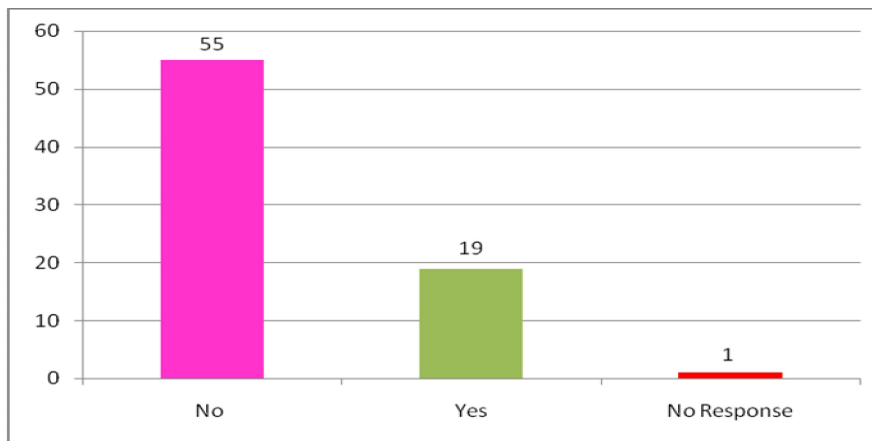


Figure 4.15 Full time internal audit mechanisms

The participants were asked in a questionnaire if Department of Labour in Limpopo employed or have full time internal auditors who check and audit the day-to-day financial activities of the department. Fifty-five (55) participants as shown in Figure 4.15 above are convinced that DoL Limpopo does not have full-time internal audit mechanisms that verify and check the financial activities of the department, while nineteen (19) responded by showing that DoL Limpopo has internal audit mechanisms in place that verify and check the day-to-day financial activities. It was noted that one (1) respondent, who is deployed at the regional office or Labour center, did not respond due to lack of knowledge.

The participants were further requested to provide means of control used by DoL Limpopo in checking and auditing the day-to-day financial activities. Responses were only required from participants who indicated that DoL Limpopo does not have full-time internal audit mechanisms as depicted in Figure 4.15. The fifty-five (55) respondents who answered “No” indicated the following means of control as shown in Table 4.7 below.

Table 4.7 Means of Control used by DoL Limpopo to check Financial Activities

Reconciliation reports and registers	11
External Auditors	3
No comment	34
Rely on internal auditors based at HQ	4
Finance manager and state accountant audit finances daily	4
Rely on Early Warning System	1
Managers check all financial records daily	7
No means of control in place	7
Train internal staff to audit financial transactions at LC	1
Risk management committee check day-to-day financial activities	2

It must be noted that most of the participants at Labour Centers are not aware of what is happening in the financial section of the Department of Labour in Limpopo. That is why the researcher has a high number of participants (34 participants) who did not comment due to lack of information and/or experience in financial related matters of the department. Hence it has been suggested by the twenty six (26) participants, who disagreed that DoL Limpopo maintained effectiveness, efficiency and transparency in financial and risk management, as shown in Figure 4.13 above, that DoL Limpopo should decentralise the control of finances to LC and BU managers. If decentralisation of finance is effected, officials at Labour Centers will be close to the day-to-day financial transaction, which will enable their financial knowledge.

In Table 4.7, one of the responses is that training should be effected among internal staff so that they gain the competency to audit the financial transaction of the department at Labour Center level. This suggestion is actually not a means of control used by DoL Limpopo but rather an input paving a way forward. As noted in the table there is only one respondent who made this suggestion. The question therefore is: Can a player simultaneously be a referee while engaged? To answer this question the purpose and objectives of the auditing should be noted.

4.2.14. Mechanisms to Eliminate Theft, Losses, Wastage and Misuse of Assets

Participants were asked to comment on the mechanisms DoL Limpopo can put in place to eliminate theft, losses, wastage and misuse of assets. Fifteen percent (15%) of the respondents opted not to comment due to their personal reasons while eighty-five percent (85%) suggested the following:

- Adherence to financial and security policies and procedures;
- Provide security awareness training;
- Tightening security by implementing electronic access card for officials, installing scanner at entrance and developing proper security control;
- Register all properties in the asset register, check frequently and manage;
- Report any misuse or personal usage of DoL property to the Accounting Officer;
- Dismissing officials caught committing unwanted acts;
- Monitor all purchases of stationery and assets. BUM's and RM's to have access to LOGIS system;
- Appointment of the Asset Manager;
- Regular auditing and/or inspections of assets by management; and
- Encourage staff not to steal or misuse assets by paying better salaries.

4.2.15. Miscellaneous

The respondents or participants were asked to provide any information which they deem fit which shall contribute or assist the researcher to cover areas which were erroneously omitted. The information required under general was also to assist in improving the financial management or general management of the Department of Labour in Limpopo.

Participants raised their opinions and suggested the following under general:

- Disciplinary actions must be imposed to managers who fails to perform their duties;
- Financial management training to be provided to all officials;
- Recruitment and selection in finance section should strictly be based on competence and qualifications;
- Promotion of transparency in the workplace and involvement of subordinates in financial related matters;
- Elimination of fruitless expenditure;
- DoL to follow the prescripts of the Public Finance Management Act and the regulations thereof;
- Budget for overtime;
- Each unit to budget for its own needs;
- Employ more employees to address the changing environment;
- Planning, financial inputs from employees and financial statement to be availed to employees;
- Public Finance Management Act must be made available to all employees and be regarded as a tool of trade;
- Financial section to be expanded so that specialization is introduced;
- Budgeting should cover the needs of all staff;
- Finance manager and the State Accountant to audit finances daily;
- Provide Finance and Supply Chain Management training;
- Appoint Asset Manager who will monitor the movement and procurement of assets;
- There is poor staff capacity, lack of knowledge and poor financial management;
- Link budget with the strategic plan of the department;
- Empower staff and management by offering courses related to financial management on a regular basis;
- Planning of the budget should be guided by the previous year expenditure and allocations;
- Financial training to be provided to MSS clerks;
- DoL Limpopo must base its budget with the view of improving service delivery;
- Engage all management structures during the budget proposal;

- Management structure at regional level should be given the opportunity to attend financial related meetings or workshops;
- LCs should be provided with good financial resources as they are the face of the department.
- Control of finances should be decentralised;
- Capacitate staff in finance positions with Public Finance Management Act;
- Conduct security checks on all prospective employees prior to appointment, and provide training to new employees on Public Finance Management Act during induction;
- Train all staff on Public Finance Management Act to eliminate fraud;
- Elimination of fruitless expenditure;
- DoL to employ employees with necessary skills and competence in financial management;
- Appoint internal auditors;
- Workshop officials on finance and budgeting;
- Develop and implement corrective measures;
- Internal audit on assets, performance and finance;
- Proper control in all the sections of DoL Limpopo;
- Telephones should be used for work related purpose and transport to be controlled properly;
- Officials to be trained to be accountable and responsible;
- Feedback must be given to all officials on matters of finance;
- Each BUM should draw a graph of expenditure versus the allocated budget to monitor expenditure; and
- Use the Early Warning System (EWS) and commitment registers as they are useful tools to monitor expenditure.

These opinions were taken into consideration as they assisted by coming closer in answering the research question. Most of the opinions raised by the officials of the Department of Labour in Limpopo are guidelines that the department can use to improve on public management finance. As such, some of these opinions may tacitly serve as recommendations.

4.3. Conclusion

This chapter reported and discussed the responses of the respondents or participants. The researcher analysed and interpreted the responses of the respondents or participants as entailed in the questionnaire. Data collected were compared with the literature review provided in Chapter 2 more especially on the

constitution and the Public Finance Management Act. The next chapter deals with the conclusion of the research which are made based on the findings analyzed in this chapter. On the basis of the conclusions made, the recommendations are drawn.

CHAPTER 5

Conclusion and Recommendations

5.1. Introduction

The chapter focuses on the overall conclusion, findings summary conclusions. The conclusive remarks are based on the general findings of the study. The summary is a short version of what is discussed from the findings and all these aspects are incorporated hereunder.

Chapter four reported and discussed responses of participants. An analyses and interpretation of the responses of the participants as entailed in the questionnaires were discussed. Opinions, views and observations of the respondent were collected and compared with the literature review. In this chapter a synthesis, overall findings of study and the empirical research are consolidated. To follow is the conclusion and recommendations.

5.2. Summary

This research is built upon five chapters. Chapter one outlined the orientation of the study, chapter two presented the literature review, chapter three outlined how data was collected applying the research method, chapter four discussed the analysis and interpretation of data collected, and chapter five present conclusion of the study and recommendations. In Chapter one, the background, aims and objectives of the study are described. Some problems associated with the study were highlighted. The research methodology, design and some key concepts were clarified. Limitation of the study and ethical considerations were outlined.

In Chapter two, an overview of literature on the legislative framework of sound financial management in South African government institutions with specific reference to the Constitution, 1996, Public Finance Management Act, 1999, Treasury Regulations and policies were provided. Various concepts and processes of sound financial management were clarified. Aspects of internal control, internal auditing, budgeting, accounting and reporting were highlighted.

Chapter three addressed the quantitative method as an applicable research model to this study. The procedure that was followed when data was collected and analysed was highlighted. The research design and sampling procedure were also highlighted. The instrument used to collect data; its validity and reliability were discussed.

In Chapter four, consideration was given to the analysis and interpretation of data. The analysis and interpretation are chronologically arranged according to the sequence of questions in the questionnaire. As this research is quantitative in nature, the use of graphs and tables were presented and analyses were made from those presentations.

In chapter five, discussion is based on the research findings for sound financial management and implementation of the Public Finance Management Act by the Department of Labour in Limpopo province. It also suggests ways in which the Department of Labour in Limpopo can improve compliance of Public Finance Management Act in order to demise audit queries or audit qualifications. As such a conclusion and recommendations will be made to wrap up this study.

5.3. Findings

The empirical findings of the study are selectively discussed in line with their importance and significance. It was found that majority of the participant (25) never saw or experience any exercise whereby DoL Limpopo evaluates its policies. An equal number of participants are also of the opinion that DoL Limpopo only evaluates its policies when a need arise. It was also found that head office is charged with the responsibility of evaluating the policies of the entire department. These exercise take place once annually or once per semester or quarterly, hence the uncertainty. Participants are not sure as to whether policies are evaluated or not and/or whether they are evaluated if a need arise. This uncertainty is among a group of participants from Labour Centers. With regard to access to Public Finance Management Act, it was found that majority of the respondents have access to a copy of the Public Finance Management Act while a handful participants indicate that they do not have access to a copy of the Public Finance Management Act. It transpired that Department of Labour nationally uses facilities of technology to give access of various legislations and policies to its employees. All policies of the department including the Public Finance Management Act as researched are posted in the intranet of the Department of Labour

It has been established that referral to Public Finance Management Act by top managers of the Department of Labour in Limpopo is only made when a need arise. Beyond that, it was found that top managers do not view Public Finance Management Act as an aider when executing their functions or taking financial decisions. The findings suggests that top managers rely on middle managers, line managers and operational level for assistance as these categories refer to the Public Finance Management Act daily, weekly or monthly.

It was found that a high number of participants are interetatively aware of the policies regulating the finances of the Department of Labour in Limpopo. Furthermore, it was enquired if those policies provide proper and clear guidance in regulating the finances of the DoL Limpopo. It resulted that policies developed by DoL nationally are also implemented by DoL Limpopo and provided clear and proper guidance on public financial management. In addition, these policies provides clear giudelines on financial control. Participants came up with their distinctive views and suggested that DoL Limpopo is challeged by

shortage of Staff, no segregation of duties and lack of training; inadequate monitoring system (monitor only done when auditors comes); insufficient funds allocated to the provinces ; management reluctance and a somewhat ignorance to carry out policies; nepotism, ethnicity, tribalism and racism; poor staff capacity, lack of knowledge and poor financial management; corruption; centralisation of funds; misinterpretation of policies; and inadequate checks and balances.

It was found that most concur that Department of Labour in Limpopo has proper procedures in place that it follows when spending is incurred. In addition, the study found that there is a desire that purchasing of equipment should be to the best interest of the office not to individual manager(s); proper financial planning that allows employees opportunity to give inputs on financial related matters; develop and implement proper control measures, that is, effective use commitment registers and/or write reports on expenditure; provide risk management course and alert official to adhere to Public Finance Management Act when spending is incurred; and provide training on spending.

Proper training is required for the labour centers in the regions in order to improve accountability. It was established that officials of the Department of Labour in Limpopo are not trained to be accountable for their actions or performance. The majority of the respondents indicated that no training was provided on accountability ever since they were employed by DoL Limpopo. It emerged that accountability is a matter of showing responsibility and earnestness. As most officials are post matric graduants with diplomas, degrees, honours and masters, accountability was found to be with associated more with educational achievement.

There is a consensus to the effect that the budgetary processes of the Department of Labour require drastic improvement towards appropriateness, effectiveness and efficiency among other aspects related to the aspect of economy. Some of the budgeting improvement ingredients that are required has to do with the arrangement of planning meeting before the proposed budget is submitted. The critical aspect being on the question of aligning the budget to the strategic plans and work plans geared towards service delivery. The assessment of monthly expenditure trends of business units and labour centers is another requirement for the improvement of the budgetary processes with input analysis. Improvement on monitoring system is required in the budgetary and financial processes.

The segregation of duty in the financial section is required within the ambit of the Public Finance Management Act. In its findings, this should be followed by the proper structure for finance developed properly for risk and audit units. The question of fraud and other financial irregularities requires some

effective strategies. On a positive note, effectiveness, efficiency and transparency in financial and risk management are fairly well maintained. The availability of proposed internal and financial asset control and procedures is commendable within the financial system of the department.

The Department should through the findings of this study, monitor and evaluate policies and ensure that recommendations are implemented. DoL Limpopo should rather introduce risk management department with capacity both at Provincial office and Labour Centers. Financial reports should be discussed with staff and there should also be proper checks on financial transactions.

The Department of Labour in Limpopo does not provide its employees with financial related information, therefore transparency was found not to be fostered as it is required by the constitution that departments should provide timely, accessible and accurate information. There is a communication barrier between levels. Managers do not feed their subordinates with financial related information.

With regard to the full-time internal auditors employed by DoL Limpopo, it has been found that there are no full time audit mechanisms which are introduced to audit and rectify financial transactions on daily basis. It has been noted that DoL Limpopo utilizes internal auditors from HQ who visits the province once or sometimes twice annually. In the main, reconciliation of reports and registers, external and internal auditors (based at HQ), early warning system, and use of the ASM: Finance and State Accountant are the means of control found to be used by DoL Limpopo in pursuance of effecting and checking financial transactions.

A need to adhere to standards that eliminate theft, losses, wastage and misuse of assets exists. These includes adherence to financial and security policies and procedures; provide security awareness training; implement electronic access card for officials, install scanner at entrance and develop proper security control; register all properties in the asset register and develop a system of checking, inspecting and managing those assets; encourage officials to report any misuse or personal usage of DoL property to the accounting officer; monitor all purchases of stationery and assets; appoint Asset Manager; and lastly, DoL Limpopo should dismiss officials caught committing acts equal to theft, loss, wastage and misuse.

General findings indicated that there is lack of training for junior staff or operational level officials both at LCs and PO in public finance management. The department recruitment strategy needs to be tightened to illicit nepotism, tribalism, patronage and comradeship, more especially in the post related to finance and procurement. It has also been found that managers who seem to contravene the Public Finance

Management Act were never charged and disciplined. Though Public Finance Management Act is availed to the officials, nothing is been done to ensure that it becomes part of a working manual for all employees since all officials are accountable and responsible for their actions. The researcher found also that the link between the budget and the operational plan is lacking. Budget for LCs is centralized and as a result does not cover the needs of the center.

5.4 Recommendations

It is recommended that the Department of Labour in Limpopo should consolidate the effective functioning of the financial structures of governance and management beyond the compliance question and towards effective delivery of service. The Labour Centers are required to provide training on the financial instruments governing financial management in the public sector.

5.5 Suggestion for Further Research

The study was limited only to the Department of Labour in Limpopo. It is suggested, therefore, that the national Department of Labour should consider conducting the study of this magnitude in all the provinces as this study will assist the entire Department of Labour to comply fully with the provisions of the Public Finance Management Act. This leaves other researchers interested in the topic to can as well conduct the study.

5.6 Conclusion

It is clear and certain that DoL Limpopo does not follow the prescripts of the Public Finance Management Act as it was intended by the legislature. Top managers who are suppose to transistorize Public Finance Management Act as a working manual are occasionally perusing the Act when a need arise. If DoL Limpopo does not transmute, thereby changing the form of attitude displayed by managers, it will continue to get audit qualifications or audit queries from the office of the Auditor-General. In conclusion, this chapter dealt with the summary of the study, findings and recommendations. Suggestions for further study were also highlighted. Public Finance Management Act is a working tool that helps managers in the public sector to manage.

Bibliography

Books

- Adam, A.S. 2004. *Local Government Finance*. South Africa: Mancosa.
- Babbie, E. 1998. *The Practice of Social Research*, 8th edition. Belmont, CA: Wadsworth Publishing Company.
- Babbie, E. 2001. *The Practice of Social Research*. 9th ed. Belmont, C.A: Wadsworth Thomson Learning.
- Baker, R.F., Michaels, R.M., & Preston, E.S. 1975. *Public Policy Development: Linking the technical and political processes*. New York: John Wiley.
- Bartol, K.M., & Martin, D.C. 1991. *Management*. New York: McGraw-Hill.
- Bauer, P.T. 1957. *Economic Analysis and Policy in Underdeveloped Countries*. Durham, NC: Duke University Press.
- Beer, S.H. 1957. *Treasury Control*. London: Oxford University Press.
- Bellis, I. 2000. *A Practitioner's Guide to SAQA. The NQF and the Skills Development Act*. Randburg: Knowledge resources.
- Bostwick, G.J., & Kyte, N.S. 1981. Measurement. In Grinnell, R.M. (Ed.), *Social Work Research and Evaluation*. Itasca, IL: Peacock.
- Botes, P.S. 1994. *Aspects of Supervision: A Guide for the contemporary public manager*. Halfway House: Southern Book Publishers.
- Burns, H., & Grove, S.K. 1993. *The Practice of Nursing Research: Conduct, Critique and Utilization*. 2nd ed. Philadelphia: W.B. Saunders.

- Burns, N., & Grove, S.K. 1997. *The Practice of Nursing Research: Conduct, Critique and Utilisation*. 3rd ed. Philadelphia: W.B. Saunders Co.
- Cloete, F. & Wissink, H. 2000. *Improving Public Policy*. Pretoria: Van Schaik.
- Cloete, J.J.N. 1986. *Introduction to Public Administration*. Pretoria: JL van Schaik.
- Cloete, J.J.N. 1992. *Public Administration and Management*. 7th ed. Pretoria: JL van Schaik.
- Cowden, J.W. 1969. *Holmes' Local Government Finance in South Africa*. 2nd ed. Durban: Butterworth.
- De Vos, A.S. 1995. *Research at Grassroots*. Pretoria: J.L. Van Schaik
- De Vos, A.S., Strydom, H., Fouché, C.B., & Delpont, C.S.L. 2002. *Research at Grass Roots: For the social sciences and human service professions*. 2nd ed. Pretoria: JL van Schaik.
- Dror, Y. 1971. *Design for Policy Sciences*. New York: American Elsevier, Chapter 9.
- Dubnick, M., & Romzek, B. 1999. *American public administration: politics and management of expectations*. New York: Macmillan.
- Dunn, W.N. 1994. *Public Policy Analysis: An introduction*. 2nd ed. Englewood Cliffs, NJ: Prentice Hall.
- Fowler, F.J. Jr. 1993. *Survey Research Method*. 2nd ED. Newbury Park, CA: SAGE
- Gildenhuis, J.S.H. 1993. *Public Financial Management*. Van Schaik, Pretoria.
- Gitman, L.J. 2003. *Principles of Managerial Finance*. 10th Ed. Pearson Education. United State.
- Hanekom, S.X. 1987. *Public policy: Framework and instrument for action*. Johannesburg: Macmillan.
- Hanekom, S.X. 1991. *Public policy: Framework and instrument for action*. Johannesburg: Southern Book Publishers.
- Haralambos, M., & Holborn, M. 2002. *Sociology: Themes and Perspectives*. 6th Ed. Collins Educational, London.
- Howlett, M., & Ramesh, M. 1995. *Studying Public Policy*. New York: Oxford University Press.
- Hogwood, B.W., & Gunn, L.A. 1984. *Policy Analysis for the Real World*. Oxford. Oxford University Press.
- Huysamen, G.K. 1993. *Metodologie vir die Sosiale en Gedragwetenskappe*. Pretoria: Southern.
- Jones, C.O. 1984. *An introduction to the study of public policy*. 3rd. Monterey, CA: Brooks/Cole.
- Kotze, H.J., & Van Wyk, J.J. 1986. *Politieke Konsepte*. Johannesburg: Lex Patria
- Kotze, H.J.N. 1979. *Munisipale Finansiële Administrasie in Suid-Afrika*. Bloemfontein: PJ de Villiers.
- Kroon, J. 2004. *General Management*. Cape Town: Kagiso Tertiary.
- Leedy, P.D. 1997. *Practical Research: Planning and design*. 6th ed. Upper Saddle River, NJ: Prentice Hall.
- Leedy, P.D. 2001. *Practical Research: Planning and design*. New York: Macmillan.
- Lindblom, C.E. 1997. *The Policy-making Process*. New Haven: York University Press
- Mahlase, M.S. 2000. The learning effect of co-operative learning in the enhancement of learner understanding. Pretoria: Vista University (unpublished).
- MacRae, Jr. D., & Wilde, A.J. 1979. *Policy Analysis for Public Decisions*. California: University Press of America.
- McMillan, M.S., & Schumacher, S. 1997. *Research in Education: A conceptual introduction*. (3rd Ed) New York: Harper Collins College Publishers.
- Mafunisa, M.J., & Maserumule, M.H. 2004. *Cases in Public Administration and Management: A South African perspective*. Heinemann, South Africa.
- Marshall, A.H. 1976. *Financial Management in Local Government*. London: Allen & Unwin.
- Mikesell, J.L. 1986. *Fiscal Administration: Analysis and application for the public sector*. Homewood, Illinois: The Dorsey Press.
- Mouton, J. 1996. *Understanding Social Research*. Pretoria: Van Schaik Publishers.
- Mouton, J. 1998. *Understanding Social Research*. Pretoria: Van Schaik Publishers.
- Mouton, J. 2001. *How to Succeed in Your Masters and Doctoral Studies: A South African guide and resource book*. Pretoria: Van Schaik Publishers.
- Pauw, J.C., Woods, G., Van der Linde, G.J.A., Fourie, D., & Visser, C.B. 2002. *Managing Public Money. A system from the south*. Heinemann, South Africa.
- Polit, D.F., & Hungler, B.P. 1991. *Nursing Research, Principles and Methods*. Philadelphia: Lippincott.
- Posavac, E.J., & Carey, R.G. 1980. *Program Evaluation, Methods and Case Studies*. New Jersey.

- Pressman, J.L., & Wildavsky, A. 1973. *Implementation*. Los Angeles: University of California Press.
- Quade, E.S. 1989. *Analysis for Public Decisions*. New York: Elsevier.
- Renney, A. 1968. *Political Science and Public Policy*. Chicago: Markham.
- Shafritz, J.M. (ED.). 1998. *International Encyclopaedia of Public Policy and Administration*. Boulder, CO: Westview
- Singleton, R.A., & Straits, B.C. 2004. *Approaches to Social Research*. Oxford: Oxford University Press.
- Spector, P.E. 1981. *Research Designs*. Beverley Hills, California: Sage.
- Spiro, H.G. 1969. *Responsibility in Government: Theory and Practice*. New York: Van Norstand Reinhold Company.
- Starling, G. 1979. *The Politics and Economics of Public Policy: An introductory analysis with cases*. Homewood, IL: Dorsey.
- Strauss, A., & Corbin, J. 1990. *Basics of Qualitative Research: Grounded theory procedures and techniques*. London: Sage Publishers.
- Struwig, F.W., & Stead, G.B. 2003. *Planning, Designing and Reporting Research*. South Africa: Pearson Education.
- Thornhill, C. 1984. *Die Begroting in die Openbare Finansiële Administrasie*. Pretoria: JL van Schaik.
- Van Der Waldt, G., & Du Toit, D.F.P. 1997. *Managing for Excellence in the Public Sector*. Juta. South Africa.
- Van Der Waldt, T.J. 1984. Steekproeftegnieke. In Van Rooyen, I.J.J. (Red.), *Opknappingskursus in Maatskaplikewerk-navorsing*. Department Maatskaplike Werk. Pretoria: Universiteit van Pretoria.
- Van Meter, D.S., & Van Horn, C.E. 1975. The policy implementation process: a conceptual framework.. *Administration and Society*, February.
- Vocino, T., & Rabin, J. 1981. *Contemporary Public Administration*. New York: Harcourt Brace Jovanovich.
- Warwick, D.P. 1982. *Bitter Pills: population policies and their implementation in eight developing countries*. Cambridge: Cambridge University Press.
- Welman, J.C., & Kruger, S.J. 2000. *Research Methodology for the Business and Administrative Sciences*. Oxford: Oxford University Press.
- Welman, J.C., & Kruger, S.J. 2001. *Research Methodology for the Business and Administration Sciences*. 2nd ed. Oxford University Press.
- Welman, Kruger & Mitchell, 2005. *Research Methodology*. Cape Town: Oxford University Press.
- Wiersma, W. 1991. *Research Methods in Education*. 5th ed. Massachusetts: Allyn.
- Yin, R.K. 1994. *Case Study Research: Design and methods*. London: Sage Publications.

Acts/Policies

- Accounting Officer's Supply Chain Management Policy. Dated 24 August 2006. Revised Edition. Department of Labour. South Africa.
- Asset Management Policy. Dated September 2006. Version 1. Department Of Labour. South Africa.
- Constitution of the Republic of South Africa, 1996
- Debt Management Policy. Dated 19 October 2006. Department of Labour. South Africa.
- Guide for Accounting Officer. Public Finance Management Act, October 2000. National Treasury. Republic of South Africa.
- Preferential Procurement Policy Framework Act 5 of 2000
- Public Finance Management Act. *Guide for Accounting Officers* dated October 2000. National Treasury. South Africa.
- Public Financial Management Act 1 of 1999 (as amended by Act 29 of 1999).
- Public Service Laws Amendment Act, 1997 (Act 47 of 1997).
- Resettlement Policy. Dated 28 September 2005. Department of Labour. South Africa.
- Security Occupational Health and Safety Policy. 2008. Department of Labour. South Africa.
- Treasury Regulations for departments, trading entities, constitutional institutions and public entities. Government Gazette No. 23463 dated 25 May 2002 (Republic of South Africa, May 2002).

Treasury Regulations for departments, trading entities, constitutional institutions and public entities.
Government Gazette dated 15 March 2005 (Republic of South Africa, March 2005).

Ministerial programme of action

Department of Labour. 2005. Programme of Action of the Ministry of Labour 2005-2009. South Africa.

Journals

Thornhill, C. 2006. *Journal of Public Administration*, Vol. 41. No. 3.1.

Reports

Annual Report of the Department of Labour, 2003 to 2004. South Africa.

Annual Report of the Department of Labour 1 April 2005 to 31 March 2006. South Africa.

Audit Matrix for the Provincial offices of Department of Labour for 2005/06 financial year.

GIS Project Solution. Labour Centers in the Northern Province. Department Of Labour. South Africa. 7
March 2001.

Limpopo Growth and Development Strategy. January 2005. South Africa.

Presidential Review Commission, 1998. Developing a Culture of Good Governance. Report of the
Presidential Review Commission on the reform and transformation of the Republic of South Africa.
Presented to the President on 27 February 1998.

Provincial Growth and Development Strategy (PGDS). 2004-2014. Department of Finance and Economic
Development. Limpopo. South Africa.

Stats SA Discussion Paper, November 2002.

Statistics South Africa. Census 2001

Websites

<http://209.85.135.104/search?q=cache:4WpaRKuleHEJ:www.idasa.org.za/gbOutputFiles.asp%3FWriteContent%3DY%26RID%3D832+mtef&hl=en&ct=clnk&cd=1&gl=za>

<http://www.limpopo-dlgh.gov.za/maps.php>: Geographic Information System

ANNEXTURE 'A'

QUESTIONNAIRE FOR THE PURPOSE OF THE STUDY

QUESTIONNAIRE NUMBER: _____

NAME OF INTERVIEWER : _____

NAME OF PROVINCIAL/REGIONAL OFFICE: _____

TYPE OF INTERVIEW (Please tick only one option with an X).

FACE-TO-FACE INTERVIEW	1
ELECTRONIC INTERVIEW	2

If Electronic interview, why was the Face-to-Face interview not used?

.....
DATE COMPLETED: ___ / ___ / 2008
 dd mm

Evaluating Compliance of Public Finance Management Act by the
Department of Labour in Limpopo Province

Developed for the purpose of collecting data from the respondents about their attitudes, knowledge, beliefs and feelings on how the public funds were utilized and managed by the Department of Labour in Limpopo.

UNIVERSITY OF LIMPOPO
FACULTY OF MANAGEMENT SCIENCE AND LAW
TURFLOOP GRADUATE SCHOOL OF LEADERSHIP
(EDUPARK COMPUS)

Compiled by **Ngoako Jacob Moagi**

In fulfillment of the requirements for the Masters of Public Administration Program

INSTRUCTIONS

Please tick the appropriate blocks with an X.
Write comments eligibly with block letters where necessary.
Please use only black pen to complete this questionnaire.

SECTION A

1. **DEMOGRAPHIC PROFILE AND RELATED INFORMATION**

1.1. Are you currently employed by the Department of Labour in Limpopo?

Yes	No
1	2

1.2. Please indicate your gender

Male	1
Female	2

1.3. Please indicate your age category

Below 21	1
21-30	2
31-40	3
41-50	4
51-60	5
60 and above	6

1.4. How would you describe yourself (in terms of population group)?

Black/ African	Coloured	Indian/ Asian	White	Other (specify)
1	2	3	4	5

1.5. Do you have any disability? (If YES go to Q 1.6)

YES	NO
1	2

1.6. If YES to question 1.5, please indicate the type of disability

Blindness	1
Deafness	2
Physical disability	3
Chronic conditions	4
Mental & neurological	5
Other (Specify)	6

1.7. Please indicate the highest level of education completed

Standard 8-9 (Gr 10-11)	1
Standard 10 (Gr 12)	2
Diploma	3
Degree	4
Honours	5
Masters/Doctorate	6

--

1.8. Did you attend any formal financial/PFMA training? (If NO go to Q 1.10).

Yes	No
1	2

--

1.9. If YES to question 1.8 indicate the name of the modules trained

.....

.....

.....

.....

.....

.....

--

1.10. What any other informal training did you attend? (Please specify only financial related training).

.....

.....

.....

.....

.....

.....

--

1.11. Please indicate the years of experience with the Department of Labour.

Less than 12 months	1
Between 1 to 4yrs	2
Between 5 to 9yrs	3
Above 10yrs	4

1.12. Please indicate the years of experience in your current position.

Less than 12 months	1
Between 1 to 4yrs	2
Between 5 to 9yrs	3
Above 10yrs	4

1.13. What is your current position and level in the structure of the department?
(specify position and level e.g. business unit manager (level 12))

_____ (_____)

1.14. Were you placed in your current position during the 2005/06 financial year?

Yes	No
1	2

SECTION B

2. **ASSESSING AND EVALUATING THE EFFECTIVE IMPLEMENTATION OF THE PUBLIC FINANCE MANAGEMENT ACT, 1999 (as amended).**

2.1. Do you have access to a copy of the Public Finance Management Act? (If NO go to Q 2.3)

Yes	1
No	2

2.2. If YES to Q 2.1. How often do you refer to the Public Finance Management Act?

Once daily	1
Twice or more daily	2
Once weekly	3
Once monthly	4
Only when a need arise	5
Never	6

2.3. Are you aware of any guidelines or policies regulating the finances of your department? (If NO go to Q 2.6)

Yes	1
No	2

2.4. If **YES** to Q 2.3 are those policies proper and clear guiding tools regulating the finances of the department?

Yes	1
No	2

2.5. If **YES** to Q 2.3 and Q 2.4. In your opinion why the department is not **FULLY** complying with the Public Finance Management Act?

.....

.....

.....

.....

.....

.....

.....

2.6. How often DoL Limpopo evaluates the financial policies? (**If not “NEVER” go to 2.8**)

Once monthly	1
Once quarterly	2
Once semesterly	3
Once annually	4
Only when a need arise	5
Never	6

2.7. If you answered **NEVER** to Q2.6 how then do you contribute to sound financial management?

By giving an inputs when a need arise	1
Make contribution when a draft policy is published on the intranet for staff comments	2
When auditors confront and ask me questions	3
Care less. Only concern with my work	4

2.8. In your opinion are proper procedures in place when spending is incurred? (If **YES** go to Q 2.10)

Yes	1
No	2

2.9. If **NO** to Q 2.8 what measures and procedures should be put in place?

.....

.....

.....

.....

.....

.....

.....

2.10. Do all the officials of the department trained to be accountable for their action and/or performance?

Yes	1
No	2

2.11. In your opinion how do you view the budgeting process of DoL Limpopo? (**If GOOD go to Q 2.13**)

Good	1
Bad	2

2.12. If you answered **BAD** to Q 2.11 what do you think DoL Limpopo should do?

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

2.13. How can DoL Limpopo eliminate acts of corruption and fraud?

.....

.....

.....

2.14. Does DoL in Limpopo ensure the maintenance of effectiveness, efficiency and transparency in financial and risk management? **(If YES go to Q 2.15 and if NO go to 2.16)**

Yes	1
No	2

2.15. If **YES** to Q 2.14 are there proper internal financial and asset control?

Yes	1
No	2

2.16. If **NO** to 2.14 what should be done?

.....

2.17. Does DoL in Limpopo have full time internal auditors who check and audit the day-to-day financial activities? **(If YES go to Q 2.19)**

Yes	1
No	2

2.18. If **No** to Q2.17 what are the means of control used by DoL Limpopo to check and audit the day-to-day financial activities?

.....

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

2.19. As an employee of DoL Limpopo what mechanisms to be put in place to eliminate theft, losses, wastage and misuse of assets

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

2.20. Do you have access or ever seen any financial report of DoL Limpopo?

Yes	1
No	2

3. **General**

Please provide any additional comments for the financial improvements of DoL Limpopo

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

ANNEXTURE 'B'

My Ref: N J Moagi-9230917

Date: 29 July 2008

**To: Department Of Labour
40 A Schoeman Street
Polokwane**

Attention: Provincial Executive Manager

Re: Permission letter to conduct a research for the purpose of the study.

Dear Sir

I Ngoako Jacob Moagi hereby ask your permission to conduct a research interviews in DoL Limpopo. In fulfillment of the requirement of Masters of Public Administration program, I am required as part of my assignment to conduct a research within the realm of the public sector, preferably in the institutions in which I am employed. My research topic is about "Evaluating compliance of Public Finance Management Act by the Department of Labour in Limpopo".

I will gladly appreciate it if I am given a chance to interview the respondents from DoL community in Limpopo. From the population of DoL Limpopo my unit of analysis include the PEM, BUM's, RM's, ASM's, MSS clerks in the province and the regional offices, and supervisors.

Hope my request will be accepted

Regards

NJ Moagi

ANNEXTURE 'C'



labour

Department:
Labour
REPUBLIC OF SOUTH AFRICA

PROVINCIAL OFFICE LIMPOPO. Private Bag X9686, POLOKWANE, 0700. 42A Schoeman Street, POLOKWANE.
Tel (015) 290 1744, Fax (015) 290 1740. www.labour.gov.za

Enquiries: RS Makabole
Tel: 015 290 1645
Date: 11 August 2008

**TO: MR. N.J. MOAGI
DEPARTMENT OF LABOUR
LMIS & P
POLOKWANE
0700**

REQUEST TO CONDUCT A RESEARCH IN THE DEPARTMENT: YOURSELF

Your letter of request dated 29 July 2008 has reference.

This serves to inform you that your request to conduct a research for the purpose of studies in the fulfillment of the requirements of Masters of Public Administration Program has been approved.

Wishing you all the best in this endeavour.

**PROVINCIAL EXECUTIVE MANAGER
LIMPOPO PROVINCE**

ANNEXTURE 'D'

**To: All participants or respondents
Department Of Labour
Limpopo**

Re: A letter to guarantee confidentiality and anonymity.

Dear Sir/Madam

This letter serves to guarantee the confidentiality and anonymity of the respondents. As a participant or respondent in this study the information provided will be treated strictly confidential for the purpose of this study only and your identity will also not be known in your response. To ensure anonymity the names of all the respondents will not recorded or required anywhere in the questionnaire.

Though the research report will in future be published, it would only enclose tables, graphs, figures, percentages and facts obtained from analyzation and interpretation of the responses from the completed questionnaires. As a researcher I reassure you that your name will not be identified in the research report.

I therefore urge your maximum participation. Be frank and informative as the outcome of this study might influence the required change in your organization. The research is not conducted for the purpose of gain (monetary) but for the purpose of the study. Therefore participants will not benefit any money or be paid a sum of money as a result of participation.

Yours sincerely

NJ Moagi (researcher)