

A Study of Procurement and Administration in the Department of Health in the Eastern Cape

By

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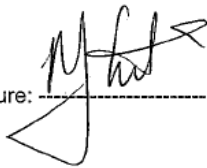
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DECLARATION

I, MEYISI SIGQIBO XATULA - STUDENT NUMBER: 9610335, hereby declare the following:

- The research paper for “Master of Technology in Business Administration ” has not previously been submitted for assessment to another University or for another qualification;
- The work contained in this research paper is my own original work; and
- All sources used or referenced have been documented and recognised.

Signature: -----

Date: 20/01/2017

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ACRONYMS

APP	Annual Performance Plan
ASB	Accounting Standards Board
CFO	Chief Financial Officer
CPSI	Commission for Public Service Innovation
DoH	Department of Health
GAAP	Generally Accepted Accounting Procedures
HOD	Head of Department
MTEF	Medium-term expenditure framework
PFMA	Public Finance Management Act 1 of 1999
PPPFA	Preferential Procurement Policy Framework Act 5 of 2000
PWC	PricewaterhouseCoopers (as spelt on the company website: www.pwc.co.za)
SOC	State-owned Companies
PPPA	Preferential Procurement Policy Act 5 of 2000
SCM	Supply Chain Management

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CHAPTER 1

1.1 INTRODUCTION

The study investigated issues concerning procurement and administration in the Department of Health (DoH) in the Eastern Cape and has further investigated the role of the implementation of the Public Finance Management Act (PFMA), Act 1 of 1999 in the department. That included issues associated with the administration and procurement in relation to service providers from the private sector. The DoH in the Eastern Cape Province delivers:

“ ... a quality health service to the people of the Eastern Cape Province promoting a better life for all and ensures accessible, comprehensive, and integrated services in the province, emphasising the primary health care approach, as well as utilising and developing all resources to enable present and future generations to enjoy good health and quality of life” (Department of Health [DoH], Eastern Cape, Departmental Annual Performance Plan, 2013:3).

Various researchers have investigated the implementation of the PFM Act 1 of 1999 and have identified gaps and made recommendations regarding the identified gaps. The study is based on the following reports from various authors:

- According to Pillay (2013), since 1994 every public sector department has lost approximately R385 billion to fraud, corruption and maladministration.
- Government employees have accepted kickbacks in exchange for rigging tenders, including focusing on high levels of corruption (Albert, 2011:1).
- The fraud and corruption in the Eastern Cape DoH, which involves nepotism, corruption and fraud amounting to a million rand in the audit report of 2013, have prompted calls by the opposition for interventions (PricewaterhouseCoopers [PWC], 2013:9).
- Departmental Annual Performance Plan for 2013/2014.
- Impact of accountability and ethics on public service delivery: a South African perspective which involves accountability stating that all government departments have to be efficient to ensure value for public funds including the qualitative and value-laden expectations of the society (Raga & Taylor, 2008:1).

- EC (2010:9), Audit Report: Health Department, Eastern Cape.
- King III Report (2009) – Corporate Governance.

The study has built on previous research conducted by other researchers who have conducted research on the issue of the implementation of the Public Finance Management Act 1 (PFM Act 1) of 1999, and had identify further gaps not previously identified by other researchers or in the audits. In addition, this study aims to also identify shortcomings that have been described in the recent audits 2013/2014 of the DoH, Eastern Cape. Together with the new gaps identified in the PFM Act 1 of 1999, the researcher aims to make a number of recommendations to improve the effectiveness of the implementation of the PFM Act 1 of 1999.

The PFM Act 1 of 1999 was promulgated by the South African government in 1999. The Act promotes the objective of good financial management in order to maximise service delivery through effective and efficient use of available limited resources as well as credible interaction with private sector service providers. A key objective of this Act is to put in place a more effective financial accountability system over public entities. The objectives of the Act are to:

- Modernise the system of financial management
- Enable public sector managers to manage, while at the same time being accountable
- Ensure timely provision of quality information
- To eliminate waste and corruption in the use of public assets.

1.2 BACKGROUND OF THE STUDY

The Constitution of the Republic of South Africa Act 108 of 1996, Chapter 13, mandates the National Treasurer to ensure transparency, accountability and sound financial controls in the management of public finances through the PFM Act 1 of 1999. The role of the private sector is inextricably linked to the implementation of the PFM Act 1 of 1999 in terms of matters of procurement and administration. Examples in the DoH are the provision of medicine, furniture, food, information technology and equipment, among others. The PFM Act 1 of 1999 gives effect to Section 216(1) of the Constitution of South Africa Act 108 of 1996. Chapter 10 of this Act is concerned

with the basic values and principles governing public administration while Chapter 13 deals with general financial matters and promotes the establishment of the National Treasury and prescribes measures to control expenditure in the government spheres and promote transformation of service delivery.

The General Recognised Accounting Practice (GRAP), uniform expenditure classifications and the uniform treasury norms and standards were introduced to give effect to the PFM Act 1 of 1999. However, Section 76 (4) c of the PFM Act 1 of 1999, (Supply Chain Management system [SCM]), focuses on issues of procurement that are in accordance with a system that is fair, equitable, transparent, competitive and cost-effective and requires the implementation of other policies in order to be effective. Policies such as the Preferential Procurement Policy Framework Act (PPPFA) No. 5 of 2000 give effect to Section 217 (3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in Section 217 (2) of the Constitution of South Africa Act 108 of 1996, and to provide for matters connected therewith. In this context the Act presents an opportunity for government to undo the socio-economic imbalances of the past by awarding government work to individuals who were previously disadvantaged by erstwhile historical practices.

The PPPFA 5 of 2000 allows government entities conducting tender processes to evaluate tender submissions according to certain prescribed criteria. For example, in evaluating a tender submission out of 100 points, 90 points have to be allocated to the price submitted by the tenderer. This is in-line with what the procurement policy seeks to achieve and which is perceived to be value for money. The 10 remaining points are allocated to the categories of preference referred to in the Constitution. Procurement is regulated by the South African Constitution of South Africa Act 108 of 1996 in the provisions dealing with general financial matters, imposing certain obligations on government entities to ensure the proper and responsible expenditure of public funds, as prescribed by the PPPFA 5 of 2000.

The government uses the service of the private sector to contribute to optimal service delivery. In terms of Section 217 of the Constitution Act of 108 of 1996, the private sector has a role to manage infrastructure management capacity constraints as a partner of the public sector in providing infrastructure services. 'Regulation 16.10

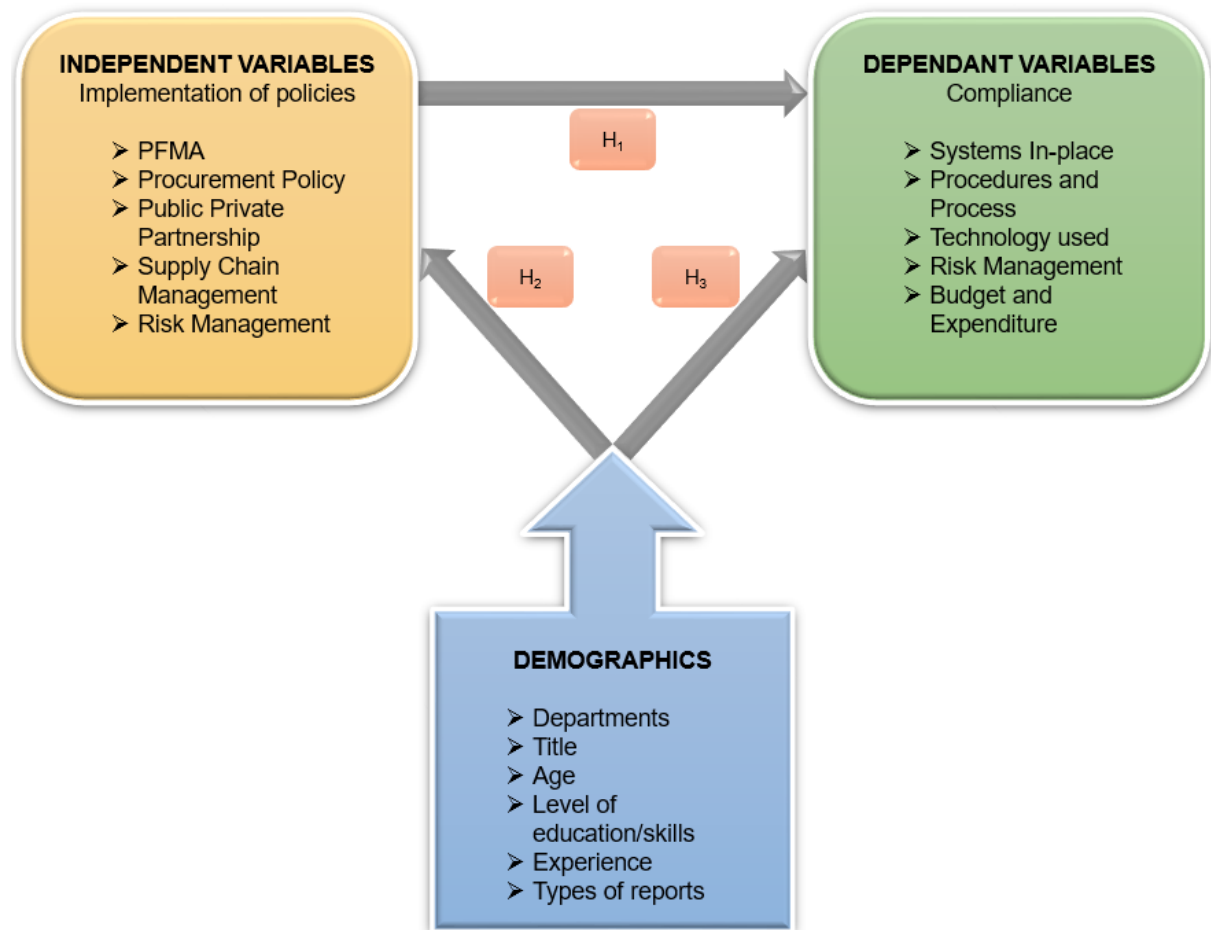
of Treasury regulations and the PFMA A1 of 1999, Section 92, regulate Private Public Partnership (PPP), (B1.1) the Private Party (as defined in Treasury Regulation 16, and referred to in this Standardisation as the 'Private Party') to a PPP Agreement is a special-purpose vehicle (SPV) incorporated in the Republic of South Africa in accordance with applicable laws as a private limited liability company for the sole purpose of exercising its rights and performing its obligations under the PPP Agreement' (PPP). Treasury regulation 16.10 (B1.2) states: 'these projects involve the provision of public infrastructure and related services and this entails an initial design and construction phase and a later operational phase during which the required services will be delivered to the Institution'.

1.3 PROPOSED FRAMEWORK OF THE STUDY

Figure 1.1 outlines a proposed framework to be used in this research to investigate the procurement and administration in the Department of Health in the Eastern Cape Province. The study has further investigated a business model to implement the Public Financial Management Act in the Department of Health in the Eastern Cape.

Figure 1.1

Framework used in this research to investigate the procurement and administration in the Department of Health in the Eastern Cape Province.



Source: Developed by researcher

Figure 1 shows three hypotheses that have been tested in the research namely:

H₁ – There is a relationship between the implementation of policies and compliance

H₂ – There is a relationship between the demographics in the department and the implementation of policies

H₃ – there is a relationship between compliance and demographics in the department

1.4 PROBLEM STATEMENT

Various researchers have investigated the implementation of the PFM Act 1 of 1999, and the procurement and administration in the government and have identified gaps and made recommendations regarding the identified gaps. The study is based on the following reports from various authors: Pillay, 2013; PriceWaterhouseCoopers, 2013, Van Rooyen, 2013; Luyt, 2008, Maude, 2009; Ferreira I.W, 2010.

The study has built on previous research conducted by other researchers - who have conducted research on the issues around the implementation of the Public Finance Management Act 1 (PFM Act 1) of 1999. The researcher had identified further gaps not previously identified by other researchers and identified in the audits. In addition, this study aims to also identify shortcomings that have been described in the recent audits (2013/2014) of the DoH, Eastern Cape. Together with the possible new gaps identified in the PFM Act 1 of 1999, the researcher aims to make a number of recommendations to improve the effectiveness of the implementation of the PFM Act 1 of 1999.

The PFM Act1 of 1999 was promulgated by the South African government in 1999. The Act promotes the objective of good financial management in order to maximise service delivery through effective and efficient use of available limited resources as well as credible interaction with private sector service providers. A key objective of this Act is to put in place a more effective financial accountability system over public entities. The objectives of the Act are to:

- Modernise the system of financial management
- Enable public sector managers to manage, but at the same time to be accountable
- Ensure timely provision of quality information
- To eliminate waste and corruption in the use of public assets.

The Constitution of the Republic of South Africa Act 108 of 1996, Chapter 13, mandates the National Treasurer to ensure transparency, accountability and sound

financial controls in the management of public finances through the PFM Act 1 of 1999.

The role of the private sector is inextricably linked to the implementation of the PFM Act 1 of 1999 in terms of matters of procurement and administration. Examples in the DoH are the provision of medicine, furniture, food, information technology, equipment, among others. The PFM Act 1 of 1999 gives effect to Section 216(1) of the Constitution of South Africa Act 108 of 1996, Chapter 10, that governs basic values and principles governing public administration, and Chapter 13 that deals with general financial matters and promotes the establishment of National Treasury and prescribes measures to control expenditure in the government spheres and promote transformation of service delivery.

1.4.1 The financial management problems pertaining to the implementation of the PFM Act 1 of 1999 as described in a funnel approach from the National level to Provincial level

“There were numerous incidents of maladministration and irregularities resulting in officials being suspended for corruption and fraud, for example a lack of cost control or officials not disclosing interest during the tendering process” (PWC, 2013: 24). The above context and poor revenue collection is the main focus of the study. In particular, these incidents are the result of officials in the department not following policies and procedures. According to van Rooyen (2013), there have been reports of nepotism, corruption and fraud amounting to R1.4 billion in the Eastern Cape’s Health Department that has prompted calls by the opposition for intervention. Certain tenders are awarded to family members and friends of officials in exchange for bribes (PWC, 2012).

Section 76(4) c(2) of The National Treasury’s Code of Conduct for Supply Chain Management (SCM) Practitioners must be adhered to by all officials and other role players involved in SCM c(3). A SCM official or other role-player:

- a) must recognise and disclose any conflict of interest that may arise;
- b) must treat all suppliers and potential suppliers equitably;

- c) may not use their position for private gain or to improperly benefit another person.

Several officials in various government departments may also disclose key (classified) information to tenderers, and suppliers have falsified standards certificates or pay bribes, for example, a departmental practitioner disclosing the price of a tender to a tenderer (Ambe & Badenhorst-Weiss, 2012:243). Evidence of corrupt practices is often found in numerous areas of the public sector. These include, *inter alia*, unauthorised use of credit cards by officials, false subsistence and transport claims by members of Parliament and medical doctors, bribes in tender procedures and payment for submissions of applications for employment (Van Rooyen, 2013).

Van Rooyen (2013) reports that most officials do not disclose any direct or indirect personal interest. An example is where approximately 8034 employees have rendered services to the department, without disclosing their interests in the department. Section 76 (4) c of the PFM Act 1 of 1999, requires that the National Treasury 's Code of Conduct for Supply Chain Management Practitioners must be adhered to by all officials and other role players involved in SCM by disclosing any conflict of interest that may arise during the process. A sum of approximately R42.85 million was found to have been paid to employees who rendered services within the department including family members and or spouses (Van Rooyen, 2013).

Luyt (2008) notes that the media, particularly the popular press, regularly reports on corrupt practices in government departments and agencies throughout all nine provinces. Maude (2009) states that policy makers often focus on the outcomes of change, but neglect the contextual factors that influence implementation. This leads to non-compliance and the continuation of poor implementation and/or lack of insight into the policy process. Lack of insight and experience in the public sector may both lead to non-compliance, even if inadvertently (Maude, 2009).

One may assume that the DoH, Eastern Cape Province was not implementing the provisions of PFMA in accordance with its directive. The following are identified as relevant problems and sub-problems:

Oversight of financial transactions did not meet standards laid down by the PFMA. According to PWC (2013), the DoH Eastern Cape has lost millions over the past few years due to fruitless and wasteful expenditure, corruption and fraud committed by officials at the top levels of management. According to Horlor (2013) and Van Rooyen (2013), the following have been reported by the department:

- Approximately 540 employees of the department were found to be ghost employees. This corruption took place through fraudulent identity document numbers that did not exist.
 - A total of 8 034 employees were directors of active companies and 929 were listed as suppliers for the health department.
 - Of the aforementioned 8 034 staff members, 235 had received payment of R42.8 million from the department.
 - Payments made to employees included R7.3 million for providing medical support personnel, R4 million and R3.5 million for engineering support staff respectively, and R3.8 million for an emergency services member.
 - The department indicated there were 35 spouses of employees doing business with it, linked to 35 companies that received payments of R11 million.
-
- There were also procurement irregularities in supplier invoices.
 - The findings formed part of a forensic investigation commissioned between 2010-2014 by the former Eastern Cape Premier, Noxolo Kiviet, and former Health MEC, Sicelo Gqobana.
 - The Eastern Cape DoH is currently faced with a number of financial, accounting and reporting challenges (PWC, 2013).
 - Mismanagement of departmental funds amounts to misuse of public sector finances - “fruitless and wasteful expenditure” - as per section 219 of the PFM Act 1 of 1999. As a result, service delivery to the public is compromised. This mismanagement of funds in the DoH Eastern Cape Province is due to their failure to take appropriate internal disciplinary measures against purchasing officials found guilty of PFMA contraventions (PWC, 2013:22).

Ambe and Badenhorst-Weiss (2013:250), Van Rooyen, (2013) & PWC (2013) further identified that:

- There is a lack of adequate knowledge, skills and capacity in some employees
- There is non-compliance with SCM policy and regulations
- There is inadequate planning and the linking of demands of the budget
- There is a lack of accountability together with fraud and corruption
- Unethical behaviour exists
- There is ineffective BEE (Ambe and Badenhorst-Weiss, 2013:246).

According to Ambe and Badenhorst-Weiss (2013:246) there have been challenges in the public sector around the implementation of policies which promote the implementation of the PFM Act 1 of 1999. For example, SCM Act 05 of 2000 manages an integral part of the procurement process in the South African public sector.

Accounting officers and managers in the public sector, including provincial departments, are faced with difficulties in understanding the practical implications of the PFM Act 1 of 1999, as well as interpreting and applying policies appropriately. In this context, it is necessary to develop an effective and enabling business model that addresses these problems with the implementation of the PFM Act 1 of 1999 to assist the public sector. A lack of implementation of policies and processes in the department for daily operations of the offices and, in the same way as any other government department, the accounting officer and departmental officials are obliged to comply with legislation passed by government in the Treasury Regulations of 2000.

This state of affairs has a bearing on the DoH's relationship with private sector service providers and administrators. In terms of the PFM Act 1 of 1999, the DoH Eastern Cape has the responsibility to equip officials with the knowledge about relevant policies. This Act confers specific responsibilities on the accounting officers, which include *inter alia* the operation of basic financial management systems, including internal controls in departments and any entities they control (PFM Act 1 of 1999). Sections 215 and 217 of the Constitution of the Republic of South Africa Act 108 of 1996, control and set standards of financial management in the public sector, which is the key section of the Constitution that focuses on management of public funds. Financial control of the entire department and all its resources are essential for

the DoH Eastern Cape Province to achieve its mandate effectively and efficiently, in order to render effective services.

1.5 RESEARCH QUESTIONS

Certain questions need to be addressed given the statement objectives of the research. The key questions below are posed for this research:

- How is the performance of the DoH with regards to procurement and administration?
- What is the business model used to implement the PFMA in the Department of Health in the Eastern Cape?
- How is the departmental performance on the issues of policy implementations?
- What systems are in-place that ensure the promotion of the implementation of the PFMA in the DoH?
- What remedial action to fix those deviations can be taken to improve the effectiveness of the implementation of the PFM Act 1 of 1999?
- What costs are involved in the process of addressing the identified problems?
- What steps could be taken to improve the integrity of the relationship between the DoH Eastern Cape Province and the private sector service providers.

1.6 OBJECTIVES OF THE RESEARCH

Numerous loopholes and challenges have appeared in terms of managing public sector resources during administration and purchasing process, since the advent of the first South African democratic government in 1994. As per the PWC audit, the Department of Health, Province of the Eastern Cape has lost more than \$6.5 million (R45 million) in the last few years due to corruption and fraud committed by officials at the top levels of their management (PWC, 2013:22).

1.6.1 Primary Objective

The study investigated the deviations in the implementation of the PFMA in the DoH Eastern Cape Province and to develop a business model to implement the Public Financial Management Act in the Department of Health in the Eastern Cape. The research objectives of the study were noted as follows:

- Establish whether the control measures in the department deviate from those stipulated in the PFM Act 1 of 1999;
- Establish what the deviation areas were, and why there were deviations;
- Suggest recommendations for remedial action to address those deviations;
- Determine how long the process should be implemented in order to address the problem;
- Estimate the costs to implement the process;
- Ascertain the nature of relationships with the private sector regarding service providers.

1.6.2 Secondary objective

To achieve the primary objective of this study, the following research objectives were formulated by:

- Conducting a literature review to define the concepts of procurement and administration in the DoH.
- Discussing other policies and systems that should be in line with the implementation of the PFMA in the DoH.
- Developed a questionnaire using to collect data on the procurement and administration and the business model used to implement the PFMA in the Department of Health in the Eastern Cape Province.
- Conducted empirical surveys and interviews to investigate the procurement and administration and the business model used to implement the PFMA in the Department of Health in the Eastern.
- Analysed the data and performance of the DOH.
- Draw a conclusion and provide recommendations based on the empirical and interview results.

1.7 RESEARCH METHODOLOGY

According to Henning, Van Rensburg and Smit, (2004:17) the research method is a strategy of enquiry which moves from the underlying assumptions to research design and data collection. While the research methodology focuses more on the prior question of which methods to use and compares the advantages and

disadvantages of each method, the researcher needs to decide on the strategy to be used during the research (Vogt, 2007:5).

According to Struwig and Stead (2004:6) research methodology is an exploratory, descriptive design with experimental and quasi-experimental approaches being the most common methods to use when doing quantitative research. This study will make use of the quantitative research model as there have been very few or no previous studies found relating to the procurement and administration in the DoH, Eastern Cape.

Descriptive research refers to research studies where the main objective is the accurate portrayal of the characteristics of the persons, situations or groups (Polit & Hungler, 2004:716). This approach is used to describe variables rather than to test a predicted relationship between the variables. According to Salaria (2012), descriptive research is a way of discovering new meaning, describing what exists, determining the frequency with which the research study occurs and categorising information (Burns & Grove, 2005:26). The research gathered in this study is primarily based on the information retrieved via questionnaires and interviews. Questionnaires and interviews will be best to retrieve accurate and first-hand information. Another reason why descriptive research is ideal is because the nature of this study is current and the degree of control over factors is none or low (Salkind, 2012:11).

Exploratory research is used when the researcher wants to formulate an idea and develop a research question (Neuman, 2011). During the exploratory research stage the researcher investigates a problem where there is not much information available (Struwig & Stead, 2004). The method this study will use is a survey that will be completed by the focus group.

Phases of the study include:

- Phase 1 of the study is literature review and the related secondary data collection process, and
- Phase 2 focus on the empirical component of administering the questionnaire to respondents to collect primary quantitative data.

The study was conducted within settings that were bound by the theme of the inquiry and cannot usually be extensive unless there is a large team of investigation (Henning, Van Rensburg & Smit, 2004:03). The researcher wanted to understand and also explain, by using evidence from the data and from the literature, what the phenomenon of the study was about.

1.7.1 Research design

This study follows a literature and study approach, focusing on the DoH Eastern Cape. The data for this study was collected and information was generated by analysing data from primary and secondary sources.

1.7.1.1 Secondary data sources

Secondary data was collected by means of an extensive literature review in order to identify as many factors as possible that could influence the success of this study. The secondary data collection refers to the information that has been collected by someone other than the researcher (Struwig & Stead, 2004:40). International and national data searches were done through online data bases accessible via internet and comprised relevant legislation, previous research studies, academic articles, completed and unpublished, research in recent and relevant books, government reports, reports from consultants and auditors, newspaper articles, audit reports, correspondence within the department and the annual reports of the relevant government departments and other downloaded information from the internet.

1.7.1.1.1 The literature study

The literature study was performed to establish a theoretical framework and key concepts related to the investigation on how to improve the effectiveness of the implementation of the PFM Act 1 of 1999 in the DoH, Eastern Cape Province in the issues around procurement and administration.

1.7.1.1.2 Approach of the study

A study approach is commissioned to gain in-depth understanding of the situation and meaning for those involved (Henning, Van Rensburg & Smit, 2004:41).

A study is deemed appropriate for the particular research as it allows the researcher to collect data in the operations of administration, purchasing and finance staff within the DoH Eastern Cape Province.

1.7.2 Primary data sources

Primary data is original data which is collected at source such as experimental data or survey data, which provide a quantitative description of trends, attitudes or opinions of a population by studying a sample of that population (Creswell, 2009:12). The primary data for this study was gathered by means of an empirical study. The respondents were asked to complete a questionnaire where the questions were based on various processes around administration and procurement in the DoH, Eastern Cape as discussed in the literature review.

1.7.3 Research Instruments

A quantitative approach was used in the collection of data. The researcher develops questions assisted by a statistician from NMMU. Data collection took place via a structured, self-administered quantitative questionnaire. The individual questions/statements were posed numerically and provide the respondent the opportunity to respond via a 5-point Likert scale. Each section had an open-ended component to enable respondents to present personal views on the relevant question/statement. This strategy has enabled the researcher to test objective theory by examining the relationship among variables (Creswell, 2009:4).

1.7.4 Sampling

The subjects were randomly selected from DDGs, GMs, SNR Managers, and Deputy Directors. Each individual had an equal probability of being selected from the population. Stratified sampling was used to measure the sample. Each size of the sub-group has got the proportion size like other groups. The subjects work directly with the systems of government, from the stage of developing and implementation and monitoring stages of the systems that are in-place or used to run the department. The sample was selected from top to middle and operational level management for section performing and co-business function and those who offer support to the core business functions. The sample included both males and females and the number of

years within the department. This process was validated by the resident, institutional statistician.

A convenience sample of 65% of the population of 54 DOH employees were drawn as a complete sample frame ranging from the top, middle and operational levels of employees in the population of the DoH Eastern Cape. The population was selected randomly to complete the questionnaires and were interviewed and observed continuously. According to Welman, Kruger and Mitchell (2009:56), the population involves the total collection of all units of analysis from which the researcher wishes to draw specific conclusions.

Table 1.1 illustrates the sample of this study. The table illustrates the staff members who will be involved in this study and the number from each section.

Table 1.1

Summary of the sample

EASTERN CAPE PROVINCIAL HEALTH DEPARTMENT		
Job Title	Quantity per/section	Reason for the selection
Head of EC Province Health	1	Understand the rationale behind implementation of PFMA and implications thereof
DDGs: Clinical Services, Strategy Implementation,	2	Understand all health activities
Chief Financial Officer	1	Understand all financial dynamics and challenges faced by the department
General Managers: Clinical, Supply Chain; Human Resources and Administration, Risk Management and Compliance, Budget Planning and Strategy Implementation	26	Have experience of dealing with stakeholders in the department. Understand the rationale for the strategy employed and the effectiveness in terms of achieving goals of PFMA

Senior Manager: Supply Chain; Human Resources and Administration, Risk Management and Compliance, Budget Planning and Strategy Implementation	24	Have experience on day to day supervision on daily activities in the office
TOTAL NUMBER OF INTERVIEWEES	54	

(Source: Researcher's own formulation)

1.8 DATA COLLECTION

Primary data have been collected through face-to-face, structured interviews with staff members employed by the department and through a self-administered questionnaire. The questionnaire is comprised of both fixed response questions, to obtain quantitative data for measurement purposes, and open-ended questions to allow respondents to formulate their responses. Welman, Kruger and Mitchell (2009:149) suggest that open-ended questions require respondents who are able to express themselves and usually possess a higher level of education than one would require for fixed response questions.

The empirical study consists of data collection events (Interviews) in the DoH Eastern Cape offices. The data collection events will enable the researcher to make direct contact with the respondents who will be interviewed in different sections of the department:

- Top management level managers for example Deputy Director-Generals (DDG) and General Managers (GMs) of various sections;
- Middle management level managers for example Directors (Senior Managers (Snr. Man.) of each section relevant to the study, and
- Operational level managers, for example two Deputy Directors in each section reporting to the Snr. Manager.

The study was conducted as follows:

1.8.1 Pilot study

The researcher took a sample of twenty-six participants (roughly 50% of subjects to participate in the interviews) to test the validity of survey questions, as well as the ease with which the questions are understood and answered. Any necessary changes were made accordingly.

1.9 DATA ANALYSIS

Data analysis is, according to Blanche and Durrheim (2004:86), used to transform the information or data collected into an answer to the original question and therefore an essential component of research. After the questionnaires were gathered they were captured using Microsoft Excel software. The individual questions/statements was posed numerically and providing the respondent the opportunity to respond via a 5-point Likert scale.

Each section had an open-ended component, enabled respondents to present personal views on the relevant question/statement. This strategy has enable the researcher to test objective theory by examining the relationship among variables (Creswell, 2009:4). To test the reliability of the collected data, Cronbach alpha was used by the study to assess the consistency of the data. The study made use of the descriptive status of mean, variance and standard deviation to illustrate the common result among respondents.

1.10 VALIDITY, RELIABILITY AND ETHICAL CONSIDERATIONS OF THE RESEARCH

1.10.1 Validity

Validity have been tested by comparing information on the audit reports with the feedback received during the interviews. According to Creswell (2009:149), validity establishes whether one can draw meaningful and useful inference from scores on the instruments. A survey was used as an instrument to collect data and so prove constructive validity. The constructive validity establishes whether the scores serve a useful purpose and have positive on consequences when they are used in practice.

The study made use of content validity, which indicates the extent to which the test represents the universe of items from which it is drawn and is especially helpful when evaluating the usefulness of an achievement test or tests that sample for a particular area of knowledge, attitudes or practices (Salkind, 2012:124). Content validity of a test is determined by expert judgement in which the item domain of the test is compared with a detailed description of the domain of the construct (Struwig & Stead, 2013).

1.10.2 Reliability

Reliability looks for whether the researcher measures of internal consistency and test-retests correlations. Reliability was also determine whether there was consistency in the test administration and scoring (Creswell, 2009:150).

The type of reliability used in this study is internal consistency. It is a measure of how consistently each item measures the same underlying construct. It is accomplished by correlating the performance on each item with overall performance across participants. The Cronbach alpha reliability coefficient will be used to measure the internal consistency (Salkind, 2012:120).

1.10.3 Ethical considerations

Permission to conduct the study was sought from the Head of Department of the DoH, Eastern Cape and the Deputy Director-Generals. The respondents have participated voluntarily and have chosen not to participate in the study anytime they choose to do so. The Office Managers of each section were also assured the respondents that all information will be handled with strict confidentiality. The cover letter of the questionnaire also explains to the respondents that the purpose of the research was not to analyse these questions individually, but rather to obtain information about procurement and administration in the DoH, Eastern Cape as a whole. The cover letter also states that the information was dealt with in the strictest confidence and it was also marked on the questionnaire that information was strictly confidential to reassure the respondent.

1.11. CONCLUSION

The research have been conducted on issues around procurement and administration in the department and processes around services offered by the private sector. There had been further investigation on the role of the implementation of the PFM Act 1 of 1999 in the department. The researcher had built on the research that has been conducted by previous researchers regarding the implementation of the PFM Act 1 of 1999. With further gaps identified, the researcher has made recommendations to improve the effectiveness of the implementation of the PFM Act 1 of 1999.

Both secondary and primary methods of data collection have been implemented in the form of a questionnaire, interviews and observations to collect data. Various sources have been used ranging from scripts, policies of government, reports, published and articles as secondary methods.

The DoH in the Eastern Cape Province renders an essential service to the public. The supporting sections within the department should ensure that there is compliance at all times regarding the implementation of the policies of government in general in order to curb risk of fraud and corruption. It is necessary to ensure that systems and process are in place all the time by maintaining consistency. The citizens are interested to know about the operations in the department and how it relates to private sector service providers and administrators because it forms the public sector. Such interest exists since the government uses the tax payers' money for service delivery and stakeholders want to know what government is doing with their taxes. Implementation of policies and processes in the department will help staff to be productive and deliver a high quality standard of service.

CHAPTER 2

THE RELATIONSHIP BETWEEN PRIVATE PARTNERS AND THE DEPARTMENT OF HEALTH PERTAINING TO INFRASTRUCTURE AND FACILITY MANAGEMENT

2.1 INTRODUCTION

There has been an increase in the number of public private partnerships (PPP) over the past 14 years. The question as to whether these partnerships have been successful has been posed from several quarters and needs to be addressed. This chapter presents PPPs in the Eastern Cape Provincial government of the Department of Health and Life Health Group in the District Hospitals for the PPP unit of the National Treasury.

Since 1999, PPPs in South Africa and in the Eastern Cape Provincial Department of Health, have been regulated under the PFMA, providing a clear transparent framework for the government and its private sector partners to enter into mutually beneficial commercial transactions, for the public good. The PFMA led to the development of the PPP in December 1999 and in 2000 the PPP was endorsed and Provincial governments have to adhere to it (Manuel, 2010).

However, the PPPs have progressively increased in various ranges of sectors including health care. The PPPs have given rise to repeated interactions between government institutions and the private sector to better understand each other's needs. In the Eastern Cape, the PPPs provide the infrastructure and facilities management, fleet management and information technology. The arrangement also has the private sector providing some clinical services to the public sector, while public sector staff provide some clinical services in the private facilities (Wits Business School, 2007:18).

2.2 AN OVERVIEW OF PPPs IN THE EASTERN CAPE PROVINCIAL DEPARTMENT OF HEALTH

The objective of good PPP projects is to achieve win-win outcomes. These outcomes are best achieved when government institutions have a very clear idea of what type of infrastructure and services are required to meet the needs of the public in a given sector (PPP Unit 2010). Although PPPs are but one avenue for procuring

capital projects, the process followed is characterised by positive planning and transparent bidding – features that should be encouraged for all procurement methods. Moreover, the pressing service delivery challenges across all spheres of government suggest that PPPs could play an even greater role in South Africa. The PPPs are long-term contracts between the public and private sector. The objective of the PPP is to ensure the delivery of well-maintained, cost-effective public infrastructure or services, by leveraging private sector expertise and transferring risk to the private sector. In the traditional procurement of public services or infrastructure, government pays for capital and operating costs and carries the risk associated with overruns and late delivery.

In PPP procurement, the public sector buys a full set of services, including infrastructure and other services from the private sector. It pays for these over the term of the PPP agreement, based on successful delivery. The private sector typically puts its own capital at risk, funding its investment in the project with debt and shareholder equity. Because of the risks that are taken by the private sector it is motivated to provide a high level of service, as good returns on the equity will depend on the quality of services it delivers (National Treasury : PPP Unite, 2010).

The PPPs in the Provincial Department of Health have been implemented with so-called co-location PPPs, a type of PPP that occurs when the public and private sector operate a similar service and collaborate rather than compete, resulting in the receipt of revenue by the public sector and the generation of profit by the private sector in a win-win enterprise. However, the public sector has redundant assets and the private sector has sound commercial reasons for the utilization of these excess state assets, (Shuping & Kabane, 2004:152-153).

According to a Wits Business School case-study (2007:29), a co-location PPP is characterised by long-term contracts with substantial capital and operational costs. It requires the National Treasury Act to act as facilitator, mainly to protect state assets by ensuring that there is compliance with affordability to the public entity with risk transfer to the private entity, as well as value for money for the public entity.

2.3 THE RELEVANCE OF PPPs TO THE DEPARTMENT OF DoH- EASTERN CAPE

The PPPs in the Eastern Cape Department of Health have played a significant role particularly in the implementation of PPPs where it has the final authority in the approval of the PPP agreements. The PPPs introduce the private sector management and ownership of what traditionally has been the sole preserve of government. A PPP is an institutional and contractual partnership arrangement between government and a private sector operator to deliver a good service to the public with its distinctive elements (Fourie & Burger 2000:695). However, the PPP involves alignment of objectives through the alignment of the incentive structures facing the public and private partners. A sufficient amount of risk is transferred to the private operator to ensure that there are enough incentives for the private operator to operate efficiently, which involves that risk be allocated to the party best suited to carry out the work (Fourie & Burger 2000:697).

According to Flinders (2005:232), one exception where a PPP is used instead of full-blown privatisation is where effectiveness, in contrast to efficiency, is also an aim of government policy. A policy is effective if the level of service that government planned to deliver is actually delivered, irrespective of whether or not this had been done in an efficient manner. Effectiveness becomes important with issues such as equity where, for instance, poverty levels prevent the poor from making an effective demand for goods or services, even when the need is great.

2.3.1 Implementation

Table 2.1 on the next page illustrates the process that is involved during the implementation of a PPP.

Table 2.1

The PPP project preparatory phases in the Department of Health

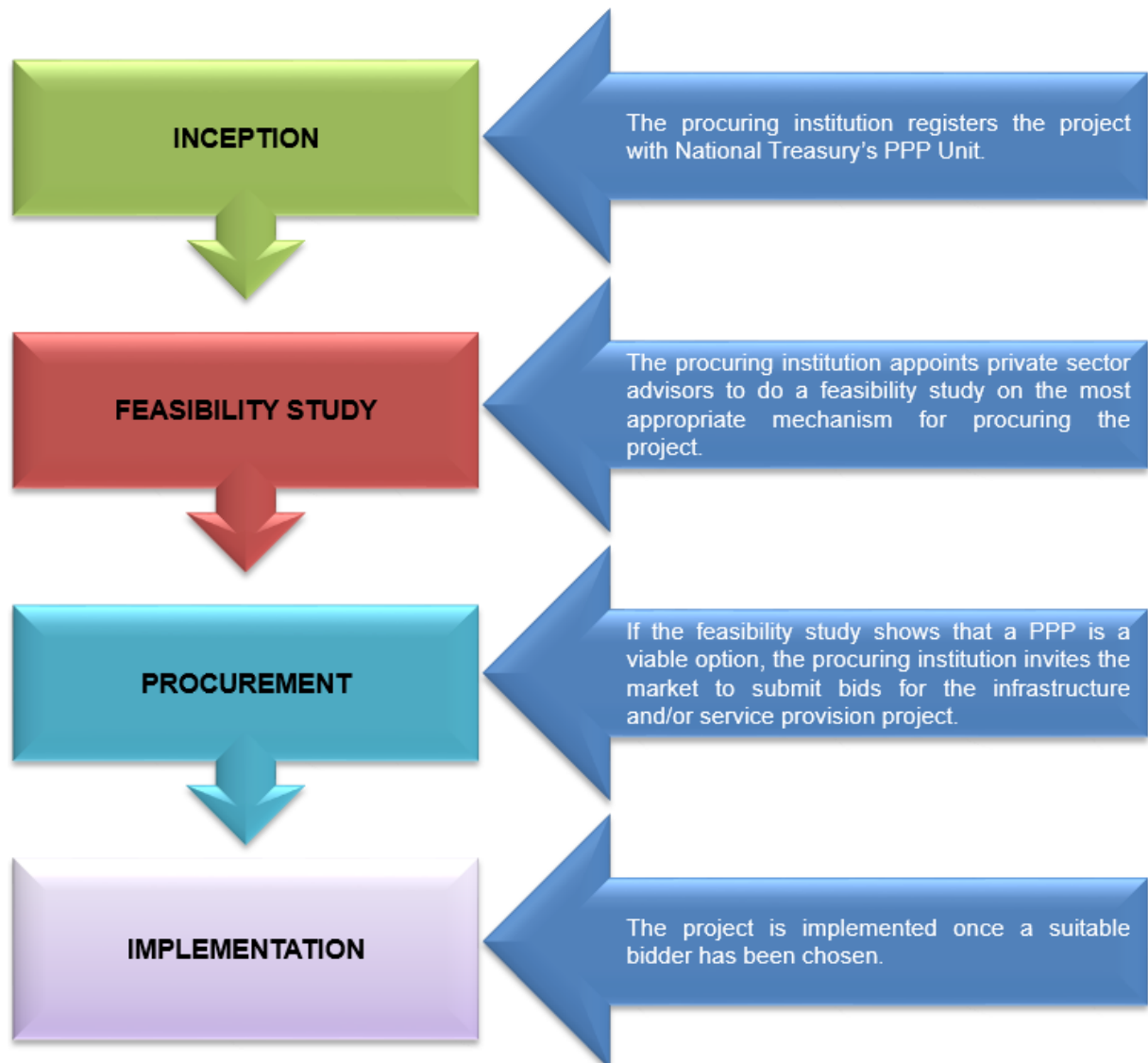
A. INCEPTION	B. FEASIBILITY STUDY	C. PROCUREMENT
<ul style="list-style-type: none"> • Registration of the project with treasury; • Appointment of project officers; • Appointment of a transaction advisor 	<ul style="list-style-type: none"> • Needs analysis; • Options analysis; • Project due diligence; • Economic evaluation; • Procurement plan. 	<ul style="list-style-type: none"> • Design a fair, transparent, competitive and cost-effective procurement process; • Prepare a bid document, including a draft PPP Agreement.
	APPROVAL : - TREASURY	APPROVAL: 2 A– TREASURY
		<ul style="list-style-type: none"> • Pre-qualify the parties • Issue a request for a proposal with the draft PPP Agreement; • Receive bids; • Compare bids with the feasibility study and with each other; • Select the preferred bidder; • Prepare a value-for-money report.
		APPROVAL: 2B – TREASURY
		<ul style="list-style-type: none"> • Negotiate with preferred bidder; • Finalise the PPP Agreement Management Plan
		FINAL APPROVAL: 3 – TREASURY
		SIGNED PPP AGREEMENT

Source: Adopted from National Treasury – PPP Unit

The key decision points in the PPP project cycle/implementation process
Reflecting Treasury Regulation 16 in terms of the Public Finance Management Act,
1999

Figure 2.1

PPP project cycle



Source: National Treasury: PPP Unit, 2010

<http://www.ppp.gov.za/Documents/Final%20Intro%20to%20PPP%20in%20SA%2021%2009%2007.pdf>

2.3.2 Staff perspective of the PPP

Treasury Regulation 16 i of the Public Finance Management Act, 1999, requires that the PPP delivers better value for money than traditional procurement. When pros and cons are weighed up on whether to go the PPP route, value for money should be the main objective. Before considering PPP, managers must ensure that project planning takes place within an enabling environment, including political support and buy-in from the key stakeholders.

A PPP is an important service delivery mechanism for the South African government because they can facilitate rapid infrastructure delivery as envisaged under the Accelerated and Shared Growth Initiative for South Africa. The promotion of black economic empowerment (BEE) is another consideration for pursuing PPP procurement options. Private bidders are able to clearly demonstrate that they have the capacity, skills and capability to deliver the project, and to do so more efficiently than other parties.

2.3.3 The impact on the environment

According to the National Treasury, PPP Unit (2010), the three applied standard tests help to determine whether a PPP is the appropriate vehicle for procuring a public asset or service. These tests are:

- Can substantial risk be transferred to the private sector?

The public sector does not always manage risk well and the budget may be overspent, which is not in the public interest. If the private sector does not complete construction on time and within budget, it will not be paid in full by the procuring institution. This principle also applies to the provision of services. If the agreed-upon services are not available or do not meet agreed-upon standards, the private party faces financial penalties.

- Is the project affordable to the procuring institutions?

This involves whether the procuring institution can afford it, given its available budget. Sometimes institutions have not budgeted enough for their service

delivery needs. Budgets may need to be reviewed once proper business cases have been prepared and evaluated.

- Does a PPP procurement option show value for money?

A value-for-money test needs to be applied whether procurement is on tender process or through a PPP. The costs of the institution to provide infrastructure and service itself are compared to the costs of providing the same infrastructure and services through a PPP. If the results of these comparisons show that a PPP is more cost-effective, the difference in cost between the two scenarios is known as value for money.

2.3.3.1 Contract management plan

The aim of the plan is to set out:

- Monitoring objectives;
- The structure of the contract management;
- The roles, duties and responsibilities of each of the structures as well as the dispute resolution processes.

This contract plan is managed by the Provincial Department of Health Eastern Cape officials in terms of PPP contracts and monthly reports are produced on the projects or service offered. The Private Party has the responsibility of managing sub-contractors that provide services to the Department of Health.

2.4 THE BASIC STANDARDS APPLIED TO DETERMINE THE PPPs IN THE DEPARTMENT

In accordance with section 76(4)(g) of the Public Finance Management Act of 1999 ("PFMA"), the National Treasury may issue instructions to institutions to which the PFMA applies in order to facilitate the application of the PFMA and the regulations promulgated under the PFMA. This Standardisation is issued by the National Treasury pursuant to such section of the PFMA as National Treasury PPP Practice Note Number 01 of 2004, and applies to departments, constitutional institutions, public entities listed or required to be listed in Schedules 3A, 3B, 3C and 3D to the PFMA and subsidiaries of such public entities.

2.4.1 Risk transfer

The public sector does not always win in managing risks on its own very well. There may be situations whereby the department is building infrastructure and where construction may be completed late leading to budget overspend, which affects the public interest. The main characteristic of PPPs is the transfer of risk from the public sector to the private sector. However, should the PPP not meet its obligations in terms of the prevailing contract, penalty clauses may be invoked. However, when the private sector does not complete the project on time and within the budget, it will not be paid by the department as the principle applies to the provision of services. If the agreed-upon services are not available or do not meet the agreed-upon standards, the private party faces financial penalties. The department only transfers risk that the private party is best able to manage (PPP Unit, 2010).

According to a Witwatersrand (Wits) Case-Study, 2007, on the Risk transfer, the PPP agreement transferred significant risk to the private partner and recognised the potential for failure of the PPP. The agreement also made provision for a contingent liability in the event of termination prior to expiration of the concession period.

It is noted that entering into the agreement with an experienced partner with sufficient resources mitigated this risk. Furthermore, the ECDoH limits the services provided to the private partner, and always confirms the ability of the private party to deliver the services in compliance with the service level agreements (SLAs).

Table 2.2 on the following page illustrates the liabilities of the private party in the event of termination of agreement in the early stage.

Table: 2.2

The liabilities of the private party in the event of premature termination of the agreement

Reasons for termination:	
Authority, default or voluntary	Authority termination
<ul style="list-style-type: none"> a. Failure to finish construction by long stop date; b. Breach of material obligation; c. Insolvency, judgement or liquidation; d. Breach of health & safety regulations; e. Change in control or empowerment; f. Cession or subcontracting g. Repeating default; h. Failure to make payment; i. Penalties exceed limits in SLA j. Failure to provide performance and k. Bonds and warning notices 	<ul style="list-style-type: none"> • Breach of material obligation; • Failure to make payment; • Failure to provide medical services and • Voluntary termination

Source: National Treasurer: PPP Unit, 2010

2.4.2 Affordability

According to the PPP Unit (2010), it is very important that the procuring institution determines whether it can afford entering into a PPP given its available budget. Sometimes the party might not have enough in the budget to meet the service delivery needs. The budget may need to be reviewed once proper business cases have been prepared and evaluated as the funds spent on the project should not exceed the funds received from the PPP. Budget changes are made based on the unitary fee escalation index. The PPP contract initially makes provision for an annual escalation based on the CPIX. The STATSSA recently replaced the publication of the Consumer Price Index (CPIX) with CPI, hence the unitary fee escalation will be based on the CPI (Wits Business School-Case Study, 2007).

2.4.3 Value for money

The value for money criterion helps to determine whether or not to procure infrastructure through a normal tender process or through a PPP in order to determine how much the costs of providing a service or infrastructure through a PPP

will be. If the comparison shows that a PPP is more cost-effective, the difference in cost between the two scenarios is known as value for money, (National Treasury, 2010).

2.5 THE IMPACT OF THE PPPs ON THE BENEFICIARIES OF HEALTH SERVICES

According to National Treasury (2010), in order to ensure full compliance each PPP should be conceptualised, planned and executed as a project, in accordance with the steps outlined in the PPP manual. There are both positive and negative impacts of the PPP in the Department of Health. The positivity of the PPPs is that staff members, at the inception of the PPP, were informed about the implementation of the facilities management service.

According to the Wits Business School case-study (2007:37-38), the PPPs contribute to economic growth in the province through investment while promoting poverty alleviation through job creation. There is also an improvement in the quality of service delivery. The PPP on health services has been well received by the community. Before the PPP, the physical infrastructure was in disrepair, services were limited and the community was reluctant to use the Humansdorp hospital. A PPP hospital is able to establish a relationship with the stakeholders of the department because of the nature of the service delivery, making the community proud of the services offered with good quality and quantity of standards.

Specialist doctors are attracted to work in such an institution who might not have considered working at a typical/conventional government hospital providing the community with a quick service delivery. Even the board members of the hospitals and the Department of Health stress the role of the private sector in lifting the standards of the public sector. The PPP cannot as yet be declared a success, as the final measurement has not taken place. The IT system for the hospitals remains unresolved (Wits Business School, 2008:38).

2.6 THE BEST PRACTICE BROUGHT TO SITE AND PPP INNOVATIONS AND MANAGEMENT SKILLS

The PPP has delivered significant benefits to the Provincial Department of Health Eastern Cape, and are as follows:

- A fixed monthly unitary fee with the PPP assuming significant risk on behalf of the department,
- Higher service delivery specifications and response times in the event of service failure;
- Benefits to the local community through specific contractual employment, procurement and personnel development obligations;
- Management of service providers to deliver in accordance with accepted industry practice and standards;
- The scheduled maintenance and replacement of assets and infrastructure;
- Fast turnaround times and high standard specifications and a penalty regime that provides an incentive to sustain high performance;
- Fast procurement processes;
- A percentage of the PPPs personnel expenses is utilised for skills development and training as well as capacity-building of PPP staff (Wits Business School: Case-study, 2007:48).

2.6.1 Best practice highlights in the Department of Health.

Ensures that the process is driven by committed decision-makers;

Ensures that knowledge inherent in the project team is preserved for implementation and acknowledges that the relationships between the PPP entity, the public partner organisation and the private partner organisation are critical to the success of the PPP, (Wits case-study, 2007:48).

2.7 CHALLENGES/LESSONS LEARNED

The challenges experienced in respect of the implementation of the PPP have been in terms of interpretation of the contract and its various schedules especially the application and/or implementation of some sections of the SLA, the calculations of formulas and assets transfer and management. The penalty regime is also a concern in the department, especially in terms of failures that cannot be rectified. The understanding of staff about contract management, SLAs, outsourced services and integrated facilities management still needs some attention, (Wits case-study, 2007:50).

2.8 ACHIEVEMENTS OF PPPs IN THE DEPARTMENT

The PPPs have displayed some best practice highlights. At the same time some of the problems associated with this delivery format give rise to recommendations for better PPP practice. A PPP ensures that both government and the private sector share a strategic long-term vision that sees PPPs as valuable contributors to the economic growth, employment and nation-building (National Treasury : PPP Unit, 2010). The institution knows exactly what it wants as the outcomes of the PPP and in this process there is a dedicated champion in the institution. The PPP has clear support from the politicians and the top public officials. There are good transaction advisors who understand the procuring institution's requirements and service delivery mandates. A thorough and rigorous feasibility study is conducted, appropriate risk is transferred to the private sector to ensure value-for-money outcomes.

The institution acquires strong management skills as well as strong relationship and communication skills. A proper monitoring and evaluation model is necessary for ensuring continuous value-for-money outcomes, (National Treasury: PPP Unit, 2010). Meanwhile, the department has clear and articulate policy goals. There are clear rules for comparing PPP procurement and traditional public procurement. The private sector is incentivised to transfer skills.

2.9 SUMMARY

The PPPs are voluntary in nature and involve (protracted) negotiations, where all the parties can apply their minds, obtain the best advice and take well-considered decisions. National Treasury is involved in the approval process of the major PPP and the active support that they provide throughout the process from negotiation to project implementation.

However the PPPs are complex in nature by contractual and operational arrangements. There is involvement of various role-players in different sectors, representing a variety of interests and the partnership needs to be formalised and processes need to be followed in a systematic and transparent way.

All phases of the project development, the inputs of the procuring institution and the private party need to be assessed in terms of their compliance with the legislation, the regulations and the process and its components, including with the bidding process, the BEE component, and the formation of the special purpose vehicle.

CHAPTER 3

OVERVIEW OF THE DEPARTMENT OF HEALTH AND LEGISLATIVE FRAMEWORK FOR THE IMPLEMENTATION OF THE PUBLIC FINANCE MANAGEMENT ACT No.1 OF 1999

3.1 INTRODUCTION

The Department of Health, Eastern Cape is a public institution regulated by policies. The department is compelled to comply with these policies in order to assist the provincial government to achieve its priorities of economic transformation, inclusive growth and efficient public service delivery through good financial management in the public sector. However, the sound management of public finances in provincial government means transparent, economic, efficient and effective use of public resources. The sound and transparent management of public finance is the department's permanent constitutional obligation and it is even more important given the present international environment (Section 17, (18(a)) of Public Finance Management Act No. 1 of 1999: 23).

A public finance management system can help to improve governance, enhance the quality of service delivery, obtain greater value for money in the public spending and reduce poverty and combat corruption (Folscher & Cole, 2006:32). Hence the PFMA and procurement in the public sector work together. The public procurement operates in an environment of increasingly intense scrutiny driven by technology, programme reviews and public and political expectation for service improvements (Bolton, 2006:192). However, public procurement in South Africa has been granted constitutional status and is recognised as a means of addressing past discrimination policies and practices (Bolton, 2006:193).

Government issues guidelines as a prescription of standards of behaviour, ethics and accountability, which are a requirement of a public service, and a statement of the DOH's commitment to a procurement system that enables the emergence of sustainable small, medium and micro businesses that will add to the common wealth of the country and the achievement of enhanced economic and social well-being of all South Africans

3.2 AN OVERVIEW OF THE IMPLEMENTATION OF POLICIES AND COMPLIANCE IN THE DEPARTMENT

According to Mhlauli (2013), the Department of Health Eastern Cape Province has been identified as one amongst departments that are at the top of the list of the most corrupt departments in the province. Acts of maladministration, corruption and financial misconduct have been for years, and still are, the worst enemies of service delivery in the province, as have been reported in the media. The Department of Health has been trying to address challenges of corruption and maladministration in the department. Remedies have been established i.e. forming of partnerships with political structures to assist address problems. Changes in the appointment of the Head of Department (HOD) have been implemented in order to lay a foundation of improvement in the department (Mhlauli, 2013). There is a strong correlation between the status of internal controls, the assurance provided and ultimately the outcome of the audit. The quality of information produced at senior management level is not good enough; this might influence the effectiveness of all other levels of assurance as information is not always credible, which might affect decision-making and weaken effective oversight (Auditor General (AG) Report, 2012-2013:10).

3.2.1 The role of Government in the Department of Health Eastern Cape Province

The Department of Health in the Eastern Cape Province delivers a health service to the people of the Eastern Cape by ensuring accessible, comprehensive and integrated services in the province, emphasizing the primary health care approach and utilizing and developing all resources to enable the present and future generations to enjoy health and quality of life (Departmental Annual Performance Plan: 2011).

The South African government has catered for control measures through the introduction of the PFMA. The PFMA extends budgeting standards and reporting requirements to the public entities and enterprises. As expenditure has been brought under control successfully, the major challenge is now for the public sector to become more efficient and effective in the use of resources and PFMA continues to address this (Fourie, 2001:734).

According to Raga and Taylor (2008:1), all government departments have to be efficient because they have to ensure value for the taxpayer's money. Efficiency encompasses the qualitative and value-laden expectations of the society. Therefore, accountability is the fundamental prerequisite for preventing the abuse of power and for ensuring that power is directed towards the achievement of efficiency, effectiveness, responsiveness and transparency. Wherever a policy exists, an objective has to be achieved. PFMA's goal is the pursuit of fiscal transparency to ensure that the objectives of fiscal policy namely, legal, institutional and economic frameworks, decisions and their rationale and terms of the agencies' accountability, are provided to the people of South Africa without the confusion of not being clear, not accessible and not available on time.

Additionally, Fourie (2001:679) stresses that public financial management in the South African context is based on the three elements of improving transparency, entrenching accountability and ensuring the integration of policies. Proper planning is required by the department to facilitate the processes. According to Khosa (2003:49), policy implementation has suffered from the absence of a people-driven process. The interpretation of policies and directives remains a challenge, since there are no standard criteria. The PFMA regulates government finances through various standards and those standards are accepted within the SA Constitution. According to King III (2002:5), the Constitution of South Africa covers both corporate governance and matters of non-compliance. According to Maude (2007:307), all government spheres should contribute effectively to the implementation of the PFMA and the commission to ensure accountability and being economically viable. The PFMA is one of the pieces of legislation of the South African Constitution (Sections 213; 215 and 219) that regulates all financial management in the public sector. The Act introduces generally accepted accounting procedures (GAAP), uniform treasury norms and standards and the setting of operating procedures.

3.3 GOVERNMENT AND SERVICE DELIVERY PRINCIPLES FOR THE DEPARTMENT OF A PROVINCIAL HEALTH DEPARTMENT

According to the Strategic Plan (2014-2015:11), the department has a service level agreement with municipalities for the provision of personal primary health care in the municipalities. The department also has a service delivery agreement with the

Eastern Cape Government Transport and Public Works as the implementing departments for infrastructure delivery. According to Mhlauli (2013:3), there is a lack of compliance in the department that affects the health systems in the province. Communities are not receiving the service they deserve from the department because of shortage of funds. There is a high shortage of medication in the hospitals aggravated by theft by staff members. Ambulances are used for shopping. This is enabled by the lack of accountability in cases of such maladministration.

The department has had a qualified audit due to some cases of non-compliance with a lack of appropriate control systems. This is the most significant form of non-compliance related to the annual performance report. However, a lack of competence and skills are amongst the root causes of poor performance in the department (AG Report, 2012-2013:13). Approximately 50% of the audit non-compliance is related to poor procurement practices, material amendments to the financial statements submitted for audit purposes, shortcomings in strategic planning and weaknesses in performance management together with a failure to prevent irregular as well as fruitless and wasteful expenditure. Approximately R306 million was incurred for unauthorised expenditure and R171 million for irregular expenditure related to Supply Chain Management (SCM) related issues. These issues are mounting due to unfair and uncompetitive procurement processes, weak internal controls over SCM and awarding contracts to employees of the department and their close family members. Fruitless and wasteful expenditure amounted to R108 million (AG Report, 2012-2013:14).

3.3.1 Section 195 of the South African Constitution Act 108 of 1999

According to chapter 10 of the Constitution of 1996, section 195 involves basic values and principles governing public administration which are high-lighted in the Constitution of South Africa. These principles involve high standards of professional ethics and must be promoted and maintained, namely:

- Efficient, economic and effective use of resources must be promoted.
- Public administration must be development-oriented.
- Services must be provided impartially, fairly, equitably and without bias.

- People's needs must be responded to, and the public must be encouraged to participate in policy-making.
- Public administration must be accountable.
- Transparency must be fostered by providing the public with timely, accessible and accurate information.
- Good human resource management and career-development practices, to maximise human potential, must be cultivated.
- Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness and the need to redress the imbalances of the past to achieve broad representation.

3.3.2 Batho Pele principles for transformation of service delivery

According to the Green Paper (1996:1), the South African public service faces many challenges in the attempt to become a representative, competent and democratic instrument and to play its proper role in the transformation process. The public service will put the 'People First' (Batho Pele) principles into practice. These principles are implemented to arrive at acceptable service levels and quality as soon as possible.

The principles are as follows:

- The department should consult people about the level and quality of the public services they receive and, wherever possible, they should be given a choice about services that are offered;
- The department will be required to publish service standards for existing and new series standards for existing and new services. Standards may not be lowered and will be monitored at least once a year and be raised progressively;
- Should set targets for extending access to public servants and public service. Special programmes should be implemented to improve service delivery to physically, socially and culturally disadvantaged persons;

- Setting of standards for the treatment of the public and incorporate these into their codes of conduct, value and training programmes. Staff performance will be regularly monitored and discourtesy will not be tolerated;
- The public must get full, accurate and up-to-date facts about services they are entitled to. Information should be provided to service points and in the local media and languages; contact numbers and names should appear in all departmental communications;
- Administration must be an open book, which promotes the right to know. The departmental staff members and senior officials, expenditure and performance against standards will not be secret, reports to citizens will be widely published and submitted to legislature; the public should be told who is in charge and how much they cost;
- A mechanism to record any public dissatisfaction must be established and all staff will be trained to handle complaints quickly and efficiently. One will receive regular feedback on the outcomes; public complaints must spark positive action;
- The public service should be provided economically and efficiently in order to give best possible value for money.

3.3.3 Department Vision

The Department of Health espouses the vision to provide “A quality health service to the people of the Eastern Cape Province promoting a better life for all”. The Department of Health in the Eastern Cape Province delivers health services to the people of the Eastern Cape and ensures accessible, comprehensive, and integrated services in the province, emphasising the primary health care approach, and utilising and developing all resources to enable present and future generations to enjoy good health and quality of life (DoH, Eastern Cape, Departmental Annual Performance Plan, 2013/2014).

3.3.4 Departmental Mission

To provide and ensure accessible comprehensive integrated services in the Eastern Cape, emphasizing the primary health care approach, optimally utilizing all

resources to enable all its present and future generations to enjoy health and quality of life.

3.3.5 Departmental Values

The Department's activities will be anchored on the following values in the next five years and beyond and include:

- Equity of both distribution and quality of services
- Service excellence including customer and patient satisfaction
- Fair labour practices
- Performance driven organisation
- High degree of accountability
- Transparency

3.3.6 Departmental Strategic Plan

The department is actively maintaining its five strategic goals as developed in the 2010/11-2014/15 Strategic Plan. The strategic objectives have however been revised in line with the implementation of the Minister's Negotiated Service Delivery Agreement (NSDA), National Health Council Priorities and the Provincial Strategic Framework on Health. The revised strategic objectives and targets will be detailed in the addendum that is submitted as an annexure to the Annual Performance Plan. The Department therefore has five strategic goals that will be implemented for the current term of government. These are:

- To facilitate a functional quality driven Public Health System that provides an integrated and seamless package of health services and is responsive to customer needs.
- To combat and reduce the impact of TB and HIV/AIDS with a special focus on preventing the emergence of drug resistant strains.
- To improve and strengthen the mother and child health services.
- To combat and reduce diseases of lifestyle and mental condition.
- To enhance institutional capacity through effective leadership, governance, accountability and the efficient and effective utilization of resources.

3.3.6 Service delivery standards of the Department of Health – Eastern Cape Provincial Department

The service standard for the Eastern Cape Province is outlined as follows:

- Address the burden of disease: this standard relates to delivering a health service as well as advocating for interventions to address the upstream factors that generate this burden of disease. However, all the related strategic objectives are focussed on effective and efficient service delivery in order to maximise health outcome. Increase wellness;
- Improve the quality of health service and the patient experience. The purpose of this goal is to focus on the importance of delivering a quality service;
- Ensure and maintain organisational strategic management capacity and synergy, and aims to ensure that the department has a clear plan and targets against which to measure its performance;
- Develop and maintain a capacitated workplace to deliver the required health service, to ensure that staff is adequately recruited and retained and are appropriately trained and skilled to perform the functions for which they are employed;
- Develop and maintain appropriate health technology infrastructure and ITC to address the provision of the appropriate infrastructure to deliver the required service in the most cost-effective and efficient manner; address building equipment and information communication technology;
- Optimal financial management to maximise health outcomes. The need for health services outstrips the available funding (therefore) the purpose of the goals is to focus attention on:
 - a. The importance of appropriate budgeting and financial control;
 - b. The need to explore all appropriate avenues of revenue generation to supplement the budget;
 - c. Optimal value for the health department's rand and maximising efficiencies in all sections of the department (Annual performance plan, 2013-2014:12).

3.3.8 National Patient's rights charter

According to Western Cape (WC) Health, (2014:1-2), in achieving the vision and mission, the department is committed to upholding, promoting and protecting the rights proclaiming patients' rights and charter as a common standard for achieving the realisation of this right. However, the charter is subject to the provisions of any law operating within the Republic of South Africa (RSA) and to the financial means of the country. The charter states:

- That every SA citizen has the right to a healthy and safe environment that will ensure the physical and mental health or well-being;
- People have the right to participate in decision-making on issues around the development of health policies and matters affecting health;
- The SA citizens have the right to access healthcare, where they would receive timely emergency care at any health care facility that is open regardless of one's ability to pay. Treatment and rehabilitation must be made known to the patient to enable the patient to understand such treatment or rehabilitation and the consequences thereof. Provisions for special needs in the case of new-born infants, children, pregnant women, and the aged, disabled persons, patients in pain, person living with HIV or AIDS patients. Counselling without discrimination, coercion or violence on matters such as reproductive health, cancer or HIV. Palliative care that is affordable and effective in the cases of incurable or terminal illness;
- Knowledge of one's health insurance/medical aid scheme to challenge where necessary, the decisions of such health insurance or medical aid scheme relating to the member;
- Choice of health services, which involves the right to choose a particular health care provider for services or particular health facility for treatment provided that such choice shall not be contrary to the ethical standards applicable to such health care providers or facilities and the choice of facilities in line with prescribed service delivery guidelines;
- Be treated by a named health care provider: this involves the right to know the person who is providing health care and therefore must be attended to by a clearly identified health care provider;

- Confidentiality and privacy, information concerning one's health, including information concerning treatment may only be disclosed with informed consent, except when required in terms of any law or an order of the court;
- Informed consent: the right to be given full and accurate information about the nature of one's illness, diagnostic procedure, the proposed treatment and the costs involved, for one to make a decision that affects any one of these elements;
- Refusal to treatment, where a person may refuse treatment and such refusal shall be verbal or in writing provided that such refusal does not endanger the health of others;
- Referred for a second opinion, on request, to a health provider of one's choice;
- Continuity care, where no one shall be abandoned by the health care professional worker or a health facility which initially took responsibility for one's health;
- Complaints about health service and (that) such complaints must be investigated and to receive a full response on such investigation.

3.4 LEGISLATIVE FRAMEWORK FOR PUBLIC FINANCE MANAGEMENT

The Public Finance Management Act No.1 of 1999 regulates financial management in the national government and provincial government. It serves to ensure that all revenues, expenditure, assets and liabilities of those governments are managed efficiently and effectively to provide for the responsibilities of personnel entrusted with financial management in those governments, and to provide for matters connected with the department.

The PFMA is one of Treasury's regulations and chapter 3 (18) lists the powers and functions, that:

- Promote the National government's fiscal policy framework and the coordinating of macro-economic policy;
- Co-ordinate inter-governmental financial and fiscal relations;
- Manage the budget preparation process;
- Exercise control over the implementation of the annual national budget, including any adjustments budgets;

- 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 performs the other functions assigned to the National Treasury in terms of the Act.

3.5 IMPLEMENTATION OF THE PUBLIC FINANCE MANAGEMENT ACT NO. 1 OF 1999 BY ACCOUNTING OFFICERS

The government has prioritised the transformation of the public sector in order to meet the needs of the people and the objectives of the Reconstruction and Development Programme (RDP). Government is determined to modernise the management of the public sector, to make it more people-friendly and sensitive to the community the government serves.

Budgetary and financial reforms were initiated soon after the elections of 1994. The intergovernmental systems were introduced as the first phase, which required all spheres to develop and adopt their own budgets (decentralised budgeting). In 1997/98 the Medium-term Expenditure Framework (MTEF) was introduced to replace the one-year incremental system. The final elements during the reform phase were to deepen the budget process and better align policy, planning and budgeting.

The adoption and implementation of the PFMA signalled the second phase of the programme of reforms. The objective was to modernise financial management and enhance accountability. This was complemented by changes to the procurement systems, the introduction of service delivery indicators, performance budgets and GRAP.

Table 3.1 determines the series of financial reforms undertaken in SA between 1995 and 2016.

Table 3.1

Financial reforms in SA 1995 - 2016.

Achieved 1995-99	Now	2001 Onwards
Decentralised budgeting	PFMA	Service delivery indicators
Multi-year budgeting (MTEF)	Empowering managers	Performance budgeting
Deepening budgetary process	Enhancing accountability	GRAP
Aligning policy and budgets	Linking planning and budgeting	Procurement system

Source: Adopted from a Guide for Accounting Officers: Public Finance Management Act, No. 01 of 1999:2

The PFMA was drafted from this context with the aim to provide a framework of best practices to assist managers in ensuring that their departments deliver services to communities as efficiently and effective as possible.

3.6 MODERNISATION AND IMPLEMENTATION APPROACH OF FINANCIAL MANAGEMENT

Financial management is important to the successful running of an organisation, as it relates to how the resources available to the organisation are used. Financial management centres on the examination of alternative sources of finance, the effective utilisation of such finance, and cohesion between financial and utilisation decisions in the private sector.

Financial processes were, in the past, controlled by centrally prescribed bureaucratic rules that allowed little scope for managerial discretion; even mundane issues had to undergo 'Treasury approval'. This was financial administration, regulating how money was used to buy "input" and diverting attention from the delivery of the outputs that the inputs were intended to achieve. The responsibilities were not clearly defined by this approach and this led to poor accountability and value for money. Accounting officers adopted a passive approach to the budgets during the financial year, and did little to avoid over-spending or under-spending and there were delays in producing financial information, which was often only available towards the end of the financial year.

The PFMA aims to modernise financial management in the public sector and, in the process, to reduce fraud, corruption and waste. There should be more efficient and effective use of public resources to maximise the capacity of government to deliver service. The PFMA enables accounting officers to manage while at the same time holding them accountable for the resources they use. The PFMA establishes clear lines of accountability and broad frameworks of best practice that managers can adapt where necessary. The PFMA enables capacitation of management to implement reforms. Accounting officers will have the authority to write off losses, but will have to report on and justify the decisions they take if necessary, to the auditor-general. Should they fail to do so, the Act prescribes sanctions that will come into effect. The regulation took effect on 1 June 2000 and is a significant shift from the previous approach in the Treasury instructions in that they provide more flexibility and place responsibility for decisions in the hands of the accounting officer.

3.7 PFMA REFORMS AROUND BUDGETING AND EXPENDITURE IN THE DEPARTMENT OF HEALTH, EASTERN CAPE PROVINCIAL GOVERNMENT

The government expenditure management system has undergone substantial reform since 1999. While the early reforms shaped macroeconomic stability and strengthened public spending, the more recent emphasis of the reforms programme has been on efficient resource allocation and effective service delivery (Folscher & Cole, 2006:03). The reforms have been rolled out of a new inter-governmental system that requires the three levels of government to formulate and approve their own budgets, the introduction of three-year rolling spending plans for all departments under the MTEF, new formats for budget documentation that include a strong focus on service delivery information as well as the enactment of new financial legislation. In addition, changes to the budget process have allowed role players to deliberate on the key policy choices and on the matching of available resources to plans, rather than item-by-item cost estimates (Folscher & Cole, 2006:3).

3.7.1 The principles of reforms

The principles of reforms applied throughout the underlying institutional arrangements of the budget process from preparation to audit, put in place a changed set of incentives for budgetary actors, reducing the potential for budgeting

games and improve planning practices to align policy with budgets and actual spending. The key of this arrangement is the recognition, while the quality of budgetary estimates is important for the eventual policy outcomes, the processes which are derived should carry equal weight in reform design (Folscher & Cole, 2006:4). Table 3.2 below illustrates the principles of reforms in the DOH.

Table 3.2

Reforms in the Department of Health

Comprehensiveness and integration	The main national budget framework co-ordinates, integrates and disciplines policy and budget processes for the three spheres of government i.e. National, Provincial and, increasingly, at Local level.
Political oversight and a focus on policy priorities	Choices between priorities are political in the final instance. The South African system recognises this and structures the integration of political and administrative practices to ensure that funding choices align with the priorities of government, and that political oversight is reinforced.
Using information strategically	The reform process systematically sets out to improve the timeliness, quality and usefulness of information on the allocation and use of funds, both internally and externally, to improve public policy and funding choices and to enable accountability.
Changing behaviour by changing incentives	Responsibility was devolved to the departments for spending choices and use of funds within approved ceilings and against policy commitments.
Ensuring budget stability and predictability while facilitating change at the margin	The budget process includes various mechanisms to manage uncertainty and maximise funding and policy predictability over the medium term, while promoting alignment with policies at the margin, through the use of rolling baselines, a contingency reserve and a disciplined budget process, amongst other measures.

Source: OECD Journal on Budgeting – VOL: 6 – NO. 2

3.8 THE MULTI-YEAR BUDGET FRAMEWORK AND TOP-DOWN PROCESS

The benefits of MTEF have been realised, in part, through the application of clear objectives. These objectives aim to ensure affordable programme budgets and the preparation of spending plans within the context of existing macroeconomic and fiscal policies. Policies are revised annually to determine the extent of additional money that is allocated for recent priorities. The MTEF is to strengthen the link

between policy priorities and public expenditure by ensuring early policy prioritisation, rigorous evaluation of competing policies and programmes and the matching of current and medium-term plans with available resources. This is done in terms of poverty alleviation, job creation and whatever is at the top of its agenda. Having MTEF planning and budgeting perspective has assisted in facilitating a balance between spending on poverty alleviation and spending on economic services programmes.

The MTEF revolves around the integrated sets of rolling national and provincial three-year forecasts. Targets and plans - from macroeconomic forecast and fiscal targets, through revenue forecasts, to the forward projection of what public goods and services will be delivered by the spending departments and at what costs. The plans are the final products of the annual process by which the expenditure needs are matched to the available resources. The MTEF system is as much about the structures, institution and rules of the budget process as it is about the resultant sets of three-year plans.

3.9 PROCUREMENT POLICY IN THE DEPARTMENT OF HEALTH, EASTERN CAPE PROVINCIAL GOVERNMENT

According to Ambe and Badenhorst (2012:1), reform in the procurement in South Africa was initiated to promote the principles of good governance. The National Treasury introduced a preference system to address socio-economic objectives. The reform process was necessary because of inconsistency in policy application and the lack of accountability and supportive structures as well as fragmented processes. The deficiencies and fragmentations in governance, interpretation and implementation of the Preferential Procurement Policy Framework (PPPFA) Act No 5 of 2000, resulted in the introduction of SCM in the public sector as a policy tool (National Treasury, 2005:8). The Act gives effect to Section 217(3) of the Constitution by providing a framework for the implementation of the Procurement Policy contemplated in Section 217 (2) of the Constitution.

According to Procurement Policy No. 5 of 2000, a government procurement process is based on certain principles that are known as five pillars. These five pillars are the set minimum standards that are to be observed and are to be supplemented by the Accounting Officers' Procurement Procedures issued under the general

authority contained in the Public Finance Management Act No.1 of 1999. The five pillars are as follows:

Figure 3.1

Five pillars in the procurement process



Source: Adopted from Procurement Policy No. 05 of 2000

- The 1st pillar, which is value for money, is an essential test against which the department must justify a procurement outcome. The price alone is often not a reliable indicator and the department will not necessarily obtain the best value for money by accepting the lowest price offer that meets mandatory requirements. However, the value for money means the best available outcome when all relevant costs and benefits over the procurement cycle are considered. The department should avoid any unnecessary costs and delays for themselves or suppliers. The supply arrangements must be monitored and reconsidered if they cease to provide the expected benefits and to ensure continuous improvement in the efficiency of internal control processes and systems.
- The Open and Effective Competition requires a framework of procurement laws and policies that involve practices and procedures that are transparent. Openness in the procurement process is required. Effective competition must be encouraged through procurement methods suited to market circumstances

as well as the observation of the provisions of the PPPFA. The department needs to apply effort and research to get the best possible outcome from the market by ensuring potential suppliers have reasonable access to procurement opportunities and are notified in, at least, the Government Tender Bulletin.

- Ethics and fair dealings deal with each other on a basis of mutual trust and respect and conduct their business in a fair and reasonable manner and with integrity. Government staff associated with procurement is required to recognise and deal with conflicts of interest and deal with suppliers even-handedly. They should ensure they do not compromise the standing of the state through acceptance of gifts or hospitality. The departmental staff members are required to be scrupulous in their use of public property and provide assistance in the elimination of fraud and corruption.
- Accountability and reporting involves ensuring that all staff members are answerable for their plan, action and outcomes. Openness and transparency in administration by external scrutiny through public reporting, is an essential element of accountability.
- Equity, which involves the application and observation of government policies that are designed to advance persons or categories of persons disadvantaged by unfair discrimination. This pillar is important in the department; it ensures government commitment to economic growth by implementing measures to support industry generally and especially to advance the development of small, medium and micro enterprises (SMMEs) and historically disadvantaged individuals (HDI). In accordance with the Reconstruction and Development Programmes (RDP), SMMEs and HDIs need to play a bigger role in the economy. Greater participation in the economy and more diversified representation of blacks and gender in ownership is essential.

3.10 THE NATURE OF PUBLIC PROCUREMENT

Public procurement has its origins in the fiduciary obligation of government administration to deliver goods and infrastructure, of which health care is one example, to the population of the country or a specific geographical region, city or

town. The public procurement refers to the government activity of purchasing the goods and services needed to perform its function (Odhiambo & Kamau, 2003:10).

According to Ambe and Badenhorst, (2012:244), public procurement is the function whereby public sector organisations acquire goods, services and development and construction projects from suppliers in the local and international market, subject to the general principles of fairness, equitability, transparency, competitiveness and cost-effectiveness. It includes many activities that support the service delivery of government entities ranging from routine items to complex development and construction projects. The programme directly and indirectly supports government's social and political aim. Public procurement addresses a wide range of objectives. Public procurement is the volume of funds channelled through government procurement, which is the largest single buyer (OECD, 2007: 01). The size of the public procurement varies between 5% and 8% of the gross domestic product (GDP) in most industrialised countries (OECD, 2007:01). This indicates that public procurement has a vital role to play. The public procurement process is increasingly recognised as a profession that plays a key role in the successful management of public resources, and a number of countries have become aware that the significance of the procurement process should be well understood by the actors: government, the procuring entities and the business suppliers and other stakeholders including professional associations, academic entities and general public (Odhiambo & Kamau, 2003: 10).

3.11 MANAGEMENT OF PUBLIC PROCUREMENT

Procurement reforms in South Africa started in 1995 and were directed at the promotion of principles of good governance and the introduction of a preference system to address certain socio-economic objectives. The procurement reforms processes were embedded in Section 76(4) of the PFMA No. 01 of 1999 and the PPPFA No. 05 of 2000 (National Treasury, 2003). The principle behind the policy guide is that managers should be given flexibility to manage and ensure the constitutional requirements of transparency and accountability (National Treasury, 2003). The SCM is an important tool for managing public procurement. It is an integral part of prudent financial management in the public sector management (Open Geospatial Consortium Inc (OGC), 2005:11).

The aim of SCM is to add value at each stage of the procurement process from the demand for goods or services to their acquisition, managing the logistics process, and finally, after use to their disposal. Implementing SCM aims to address deficiencies in current practice relating to procurement, contract management, inventory, asset control and obsolescence planning. The SCM ensures uniformity in bid and contract documentation and options, bid and procedure standards that, inter alia, will promote the standardisation of SCM practices (National Treasury, 2005).

3.11.1 The legislative framework for procurement

Section 217 of the Constitution of the Republic of South Africa Act 108 of 1996 stipulates the primary and broad secondary procurement objectives, as indicated in table 3.3 below:

Table 3.3

Public procurement objectives in SA as set out in the Constitution

Reference		Objective
Section 217(3)	Requires that national legislation prescribes a framework within which the preferential procurement policy must be implemented	
Section 217(1)	Specifies that the procurement system to be fair, equitable, transparent, competitive and cost-effective	Primary Objective
Section 217(2)	Procurement policy may provide for: a) categories of preference in the allocation of contracts and; b) the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination	Secondary Objective

Source: Watermeyer (2011:03); Pauw and Wolvaardt (2009:67)

Section 112 of the PFMA Act No.1 of 1999 allows the Minister of Finance to issue a prescribed regulatory framework for SCM that covers a number of specific issues. The SCM regulations issued in terms of the PFMA lay down the requirements for governance of procurement processes and establishes a high-level government policy (Watermeyer, 2011:03).

Table 3.4 on the following page summarises the Acts and their functions in procurement practices in the Public Sector.

Table 3.4

Primary Acts that regulate procurement

Act	What it does in respect of procurement
Public Finance Management Act No,1 of 1999	Establishes a regulatory framework for SCM, which includes procurement in national and provincial departments and state-owned enterprises.
Promotion of Administrative Justice Act 3 of 2000	<p>Establishes fair administrative procedures, permits those affected by unfair administrative action to request reason for such administrative action and requires administrators to respond to such requests, (Administrative actions are presumed to have been taken without good cause where an administrator fails to respond within the prescribed period).</p> <p>Provides for procedures for the judicial review of administrative actions and remedies in proceedings for judicial review, including the prohibition of an administrator from acting in a particular manner, setting aside the administrative action, correcting the defective action and ordering the administrator to pay compensation.</p> <p>However the Act gives effect to the right to administrative action that is lawful, reasonable and procedurally fair and the right to written reasons for administrative action as contemplated in Section 33 of the Constitution of the Republic of South Africa, 1996; and to provide for matters incidental, (Promotion of Administrative Justice Act No. 03 of 2000.</p>
The Promotion of Equality and the Prevention of Unfair Discrimination Act No. 4 of 2000	Prohibits the state or any person from discriminating unfairly against any person on the grounds of race or gender through the denial of access to contractual opportunities for rendering services or by failing to take steps to reasonably accommodate the needs of such persons.
Preferential Procurement Policy Framework Act No. 5 of 2000	Establishes the manner in which preferential procurement policies are to be implemented.

Construction Industry Development Board Act No. 38 of 2000	<p>Establishes the means by which the Board can promote and implement policies, programmes and projects, including those aimed at procurement reforms, standardisation and uniformity in procurement documentation, practices and procedures within the framework of the procurement policy of government, through the establishment of:</p> <p>A national register of contractors' risk and facilitate public procurement;</p> <p>A register of projects above a financial value with data relating to contracts awarded and completed and a best practice project assessment scheme;</p> <p>Best practice</p> <p>Establishes a code of conduct for the parties engaged in construction procurement,</p>
Broad-based Black Economic Empowerment Act No. 53 of 2003	<p>Establishes a code of good practice to inform the:</p> <p>Development of qualification criteria for the issuing of licenses or concessions, the sale of state-owned enterprises and for entering into partnerships with the private sector, and</p> <p>Development and implementation of a preferential procurement policy.</p>
Prevention and Combating of Corrupt Activities Act No. 12 of 2004	<p>Makes corruption and related activities an offence, establishes a register in order to place certain restrictions on persons and enterprises convicted of corrupt activities relating to tenders and contracts and places a duty on certain persons holding a position of authority to report certain corrupt transactions.</p>

Source: Adapted from Watermeyer (2011:03)

3.12 THE CONSTITUTION OF SOUTH AFRICA ACT 108 OF 1996

According to Maude (2006:307), the Constitution plays an important role in setting principles of sound financial management in the public sector. Sections 213 and 215 - 219 of the Constitution regulate financial management in the public sector. The Constitution provides for the introduction of GRAP, uniform treasury norms and standards to prescribe measures for ensuring transparency and expenditure control in all spheres of government, and the setting of procedures for borrowing, guarantees, procurement and oversight over various national and provincial revenues funds (Maude, 2006:307).

3.13 SUMMARY

The Eastern Cape Department of Health, is fully aware that “Health” remains top on the list of government priorities. The province is faced with the high level of the burden of disease challenging the country. The need to intensify health intervention strategies thus becomes of more critical importance. However, the department is focusing on the financial interventions that we receive from both the national and provincial government to ensure that the health profile of our province is improved. The Rapid Response Team has been essential to the department’s turnaround plans in unblocking challenges that hampered service delivery in districts and facilities. This intervention will continue to move our facilities from strength to strength. The Department continues to be driven by its vision of providing a quality health service to the people of the Eastern Cape Province, thereby promoting a better life for all through intensified efforts for better health outcomes.

A clear pattern of officials not having the required competencies and skills, a lack of consequence management for poor performance as well as ineffective administrative leadership is evident and needs to be addressed as a matter of urgency. These challenges faced by the department will hamper progress that might affect expenditure of the Department and increase non-compliance, weaken human resources management and the poor quality of financial statement and performance reports.

The objective of the PFMA is to enable managers in the public sector to manage, while being accountable for the use of the resources made available to them. The long-term vision behind the Act sees a public sector that has:

- Sound financial systems and processes, producing the necessary information to managers;
- Transparent budgeting processes;
- Effective management of revenue, expenditure, assets and liabilities;
- Unqualified consolidated financial statements, prepared on the accrual basis.

The public procurement is increasingly recognized as a key concept that plays a significant role in the successful management of public resources. The primary aim

of this process is to be fair, equitable, transparent and cost-effective through public procurement.

CHAPTER 4

OVERVIEW OF RESEARCH METHODOLOGY THEORY

4.1 INTRODUCTION

The purpose of this chapter is to explain the research methodology and design selected for this study. The theoretical background of the research methodology followed for this study is also explained. In addition, the reason why the selected methodology is suitable in order to meet the research objectives is also explained.

4.2 STUDY OBJECTIVES

The purpose of this study was to develop an understanding of the issues relevant to procurement and administration in the DoH in the Eastern Cape, against the background of the implementation of the PFMA Act No.1 of 1999. The study aimed to assist the department developing a tool that will enable the department to achieve compliance with the Act, which is essential for forging effective, long-lasting relationships with the society.

This study focuses on the following objectives:

- To establish whether the current control measures in the department are in accordance with the PFM Act 1 of 1999;
- To establish what the deviation areas are, and why there are deviations;
- To suggest recommendations for remedial action to address these deviations.

The researcher draws findings from the literature as well as the empirical phase of the survey, in order to conclude the study with recommendations for the DoH in the Eastern Cape to improve the procurement and administration process for better service delivery. Further suggestions for future research are also provided.

4.3 RESEARCH METHODOLOGY THEORY

Numerous descriptions of research design exist. Vogt (1993:196) defines the research design as the science (and art) of planning procedures for conducting studies so as to get the most valid findings. Collis and Hussey (2003:113) maintain

that determining the research design provides a detailed plan, which will be used to guide and provide focus for the research.

It is necessary to differentiate between research design and research methodology. Whilst the general approach to designing a research study may be similar in most academic disciplines, the same cannot be said of research methodology. The method of gathering and analysing data may differ from one particular discipline to another due to the varying nature of the data. It is essential for the researcher to choose a viable research problem, as well as to consider the type of data an investigation of the problem will require. In addition, the researcher has to take into account the means of gathering and interpreting the data (Leedy & Ormrod, 2001:93).

4.3.1 Research paradigm

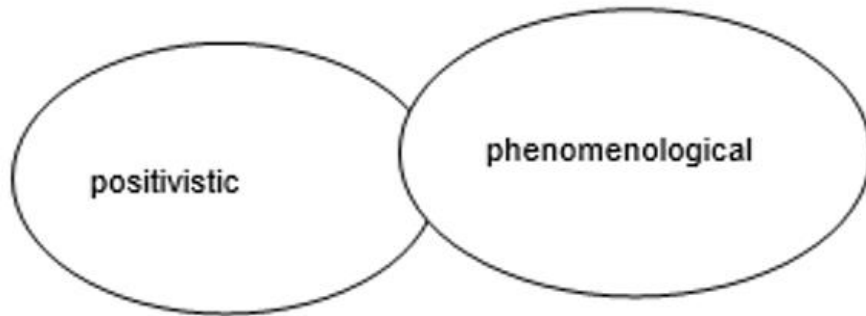
In the context of academic research, the term paradigm refers to the progress of scientific practice based on people's philosophies and assumptions about the world and the nature of knowledge and, within this context, about how research should be conducted. In addition, paradigms are "universally recognised scientific achievements that for a time provide model problems and solutions to a community of practitioners" (Kuhn, 1996:23). There are two basic research paradigms or philosophies that offer a framework comprising of an accepted set of theories, methods and ways of defining data. Although there is considerable overlap, the two paradigms can be labelled as *phenomenological* and *positivistic*, and are also known as qualitative and quantitative, respectively (Collis & Hussey, 2003:46-47). The selected paradigm should determine the mode of enquiry (Kumar, 2011:15).

4.3.2 The paradigm of the research methodology

The positivistic and phenomenological paradigms are two extremes and few people would operate within their pure forms.

Figure 4.1

Two extremes



A phenomenological paradigm is a paradigm concerned with the qualitative research method.

A positivistic approach is a framework that combines a deductive approach with a precise measurement of quantitative data so researchers can identify the causal law that helps predict human behaviour (Struwig & Stead, 2013:5).

- Generalisation

In quantitative research, the researcher wanted to be able to generalise results beyond the research sample. A major factor is that the researcher pays attention to the sampling issues and particularly to the representativeness of samples. It is important to establish that finds can be generalised.

- Replication

This ensures that findings can be applied in another context while it helps to check biases of the investigator. The quantitative study must be replicable and this can be ensured through specifying the research process.

- Individual as focus

The individual is the focus of the empirical inquiry in quantitative research. Surveys are issued to individuals and each person is required to respond. The responses are collected and analysed to produce data on the overall measure for the sample (Struwig & Stead, 2013:5).

The quantitative approach happens when the researcher wants to quantify the variation in a phenomenon, situation, problem or issue; if information is gathered using predominantly quantitative variables; and if the analysis is geared to ascertain the magnitude of the variation (Kumar, 2011:13)

This study drew on primary data in order to ascertain the difficulties experienced by the DoH in the Eastern Cape. These difficulties include the relatively incorrect implementation of policies relative to the promotion and compliance with PFMA, fraud and corruption in the department, improper service delivery, wasteful and fruitless expenditure and nepotism as well as the conceptualisation of the social phenomena of private public partnerships (PPPs).

In addition, the study followed a *explorative* approach and makes use of available literature on the implementation of policies including articles, audit and annual reports as well as annual performance plans, in an attempt to gain insights into, and explore any links between, the factors or variables that impacted on the challenges experienced by the DoH in the Eastern Cape during the procurement and administration processes of the department.

Exploratory research is used when the researcher has to formulate an idea and develop research questions (Neuman, 2011). During the exploratory research stage the researcher investigates a problem where adequate information is not available (Struwig & Stead, 2004).

4.4 RESEARCH METHODOLOGY

Research methodology refers to the overall approach to the research process, from the theoretical underpinning to the collection and analysis of the data. As with theories, methodologies cannot be true or false, they are only more or less useful (Silverman & Ramsay, 2006:4). However, according to Struwig and Stead (2001:57), research methodology is the “how” of collecting data and the processing thereof within the framework of the research process. Two basic methods of collecting data namely, the qualitative and quantitative methods, can be distinguished. Both methods make use of *inter alia*, specific techniques such as literature reviews, interviews, questionnaires and direct observations to collect data. This study employs the quantitative method of research investigation using *inter alia* specific techniques

such as literature review, interviews and questionnaires to collect data. The quantitative method is discussed below:

4.4.1 Quantitative methodology

Quantitative research is a form of conclusive research involving large representative samples and fairly structured data collection procedures (Struwig & Stead, 2001:4). The researcher states that the primary role of quantitative research is to test a hypothesis. The hypothesis of this study is related to procurement and administration in the DoH in the Eastern Cape.

Kumar (2011:20) states that the quantitative method of research explains the prevalence, incidence, extent, nature of issues, opinions and attitudes, and discovers regularities and formulates theories. Kumar (2011:21) adds that the quantitative research method emphasises some form of either measurement or classification of variables, its organisation is more analytical in nature, drawing inferences and conclusions, and testing the magnitude and strength of a relationship. The method could include techniques such as observation, preliminary investigations, quantitative analysis and questionnaires.

In this study a quantitative analysis of responses from the participants is provided to present the results with precision and to draw meaningful conclusions from the data collected. Results were quantified using percentages and depicted on graphs. Questionnaires were used to collect the empirical data.

4.4.1.1 Questionnaires

According to Kumar (2011:145), a questionnaire is a written list of questions the answers to which are recorded by the respondent. In a questionnaire the respondents read the question, interpret what is expected and then write down the answers. Struwig and Stead (2001:89) identify two different types of questionnaires that can be developed, namely the interviewer-administered questionnaire and the self-administered questionnaire.

For the purpose of this study, a structured self-administered questionnaire was developed and used to obtain the views of employees from top management to

middle and lower levels of the DoH in the Eastern Cape. The questionnaire consisted of three sections namely: section A contains basic information of employees' experience with the department while section B poses questions related to the system around compliance with procurement and section C requiring essay-styled responses. All sections will be answered by employees selected from the list. The questionnaire comprised both closed and open-ended questions. The researcher gave clear instructions on how the questionnaires should be completed and an explanation was given on what was expected.

4.4.1.2 Interviews

Brynard and Hanekom (2006:40) describe an interview as a method of collecting data that allows the researcher to explain his or her questions if the respondent is not clear on what is being asked. Interviews allow the researcher to probe more deeply following the respondent's answer.

There are two types of interviews, namely unstructured interviews that are relevant to both qualitative and quantitative research. They are predominantly used for qualitative research. In the structured interview a researcher poses questions, using the same wording and order of question as specified in the interview schedule (Kumar, 2011:145).

Structured interviews were held with the DOH employees through face-to-face interviews and discussions with some employees in the department in order to gain insight on issues around procurement and administration within the department. The interviews enabled the researcher to achieve certainty about the objective of the research and to explain to the respondents where clarity was needed. The responses from the participants were recorded, to enable the researcher to collect all the required data.

4.4.2 Sampling

According to Kumar (2011:193), sampling is the process of selecting a few elements (sample) from the bigger group (the sampling population) to become the basis for estimating or predicting the prevalence of an unknown piece of information, situation or outcome regarding the bigger group. This process of selecting a sample

from the total population has advantages and disadvantages. An advantage is that it saves time while a disadvantage is that the researcher does not find out the information about the population's characteristics of interest to you but can only predict this.

For the purpose of the study a sample was selected from the employees of the department. The sample of 54 staff members was selected to complete the questionnaire starting from the HOD who is responsible for the entire department, General Managers who oversee the entire operation in the department. These categories form top management. Senior Managers of various section and Managers were include as they form middle management in the structure of the department while the assistant managers are mostly operational and/or lower level managers. Sixteen (16) of the 54 positions selected for the sample were still vacant when the questionnaires were distributed and therefore only 38 staff members were used as the final sample.

4.4.3 Literature review

A literature review helped to determine whether the topic was worth studying, and provided insight into ways in which the researcher can limit the scope to a needed area of inquiry (Creswell, 2009:23).

It is an integral part of the research process and makes a valuable contribution to almost every operational step as it serves to enhance and consolidate your own knowledge base and helps you to integrate findings with the existing body of knowledge (Kumar: 2011:32).

Functions of a literature review:

- It provides a theoretical background to your study;
- It helps you establish the links between what you are proposing to examine and what has already been studied;
- It enables the researcher to show how findings have contributed to the existing body of knowledge in one's profession (Kumar: 2011:32).

A comprehensive literature study was conducted on concepts such as issues around procurement and administration and the implementation of the PFMA Act 1 of 1999 in the DOH in the Eastern Cape Province. The information on this theory was collected from:

4.4.3.1 *Theoretical criteria selected for the literature*

Various categories of literature search were used by the researcher to collect information. A literature review was performed to establish a theoretical framework and the key concepts related to the study of procurement and administration and issues around the implementation of the PFM Act 1 of 1999 in the DoH, Eastern Cape.

The literature included the following sources:

- Case study

A case study approach is commissioned to gain in-depth understanding of the situation and meaning for those involved. The interest is in the process rather than outcomes in context rather than a specific variable in discovery rather than confirmation (Henning et al., 2005:41). A case study was deemed appropriate for this particular research as it allows the researcher to collect data in the operations of administrative, purchasing and finance staff within the DoH Eastern Cape Province. Being a former employee of the department, the researcher has spent time with employees, interacting regularly with the employees of the department that were being studied.

- Books

Books are important because material published in books is usually important and of good quality, and the findings, according to Kumar (2011:34), are “integrated with other research to form a coherent body of knowledge.

The main disadvantage of a book is that material is not completely up to date, as it can take a few years between the completion of a work and its publication in the form of a book. The search for books was conducted at the Library of

Walter Sisulu University and on the Nelson Mandela Metropolitan University's library catalogue

- Internet

The researcher used this tool to find published literature like Policy documents, Annual reports, Audit reports, Annual Performance Plan, Newspaper articles and Journals.

4.5 VALIDITY AND RELIABILITY OF DATA

According to Struwig and Stead (2001:130), when conducting a study the researcher must report the extent to which instruments employed in the study have reliable and valid scores and whether the research design is valid. Authors are of the opinion that failure to address reliability and validity issues can result in the findings being worthless. The data measuring instruments play a crucial role in the testing of the research question, research problem or the hypothesis that has been formulated (Brynard & Hanekom, 2006:47).

4.6 EMPIRICAL STUDY

The questionnaire was devised by the researcher to ascertain the department's employees' level of understanding of the concept of procurement and administration in the DOH in the Eastern Cape, and the relevance of complying with policies in the department that promote PFMA Act No. 1 of 1999. The questionnaires were used as the primary method of data collection together with face-to-face interviews conducted with some of the employees in the department who were selected randomly from the list of potential subjects. The questionnaire comprised of section A with questions 1- 5, Section B with question 1 and question 2 with questions from 1 – 15, and section C with essay questions. The questionnaire was completed by the employees of the department ranging from top to the middle and operational managers in the department.

These employees initially received a copy of the questionnaire and interviews followed upon collection of the completed questionnaires to give clarity on other issues associated with procurement and administration. A survey of the officials in

the DoH, Eastern Cape Province was undertaken, thus providing the source of primary data for this study. However, officials ranged from General Managers (2) to Senior Managers (16), Managers (20) and Assistant Managers (14) from various sections in the department. The HOD was also included on the list but was not able to complete the questionnaire and delegated it to other staff members.

Table 1.1 in Chapter 1 of the study provides the summary of the sample

4.7 RESEARCH DATA

Polit and Hungler (1999:267) define data as “information obtained during the course of an investigation study”. Collis and Hussey (2003:160) refer to data as “known facts or things used as a basis for inference or evaluation”.

According to Greenfield (1996:122), there are various stages between gathering and analysing data and include data coding, data editing and data preparation for analysis. Coding refers to categorising data in groups or classes, on the basis of common characteristics so facilitate analysis. Editing involves examining the collected raw data to detect errors and omissions, and correcting these when possible, so as to avoid any potential confusion in the research process. Preparing the data is the process of summarising the data and displaying the same in a compact form for further analysis.

4.7.1 Method of data collection

Greenfield (1996:119) refers to data collection as the means through which the information is produced and recorded. Numerous ways and forms of gathering data for research purposes are available, such as interviews, questionnaires, diaries, focus groups, protocol analysis and observation, among others. They differ in terms of the complexity of data, level of detail, costs and resources required to obtain the data successfully.

The researcher used two methods for gathering the research data. One was by researching secondary data through the review of contemporary literature, journals, dissertations, case studies, government policies, business periodicals and internet amongst others, in order to explore the social phenomena being investigated

in this study. The other method was through self-administered questionnaires, structured in such a way as to understand the professional experiences and aspirations of the departmental staff, as well as to explore their views on some of the principles and concepts researched in the literature.

The questionnaires were emailed to the HOD's Personal Assistant to be circulated to all recipients at the DoH in the Eastern Cape listed in the covering letter. The covering letter explained the reasons for collecting the data and the expected time of completion thereof (see annexure A).

4.7.2 Data analysis

The choice of data analysis method depends on whether the data collected is quantitative or qualitative. The distinction is mainly due to the restrictions imposed on the flexibility, structure, sequential order, depth and freedom that a researcher has in their use during the research process (Kumar, 2011:138). The point of departure is, therefore, to select the method of analysis appropriate to the research paradigm and data collected (Collis & Hussey, 2003:252). Since this is a quantitative study, the favoured method for these restrictions and information is to record the data in categorical form or on a quantitative data scale (Kumar, 2011:138).

The researcher followed an approach to formally quantify the data by adopting quantitative information for the study. The data analysis technique applied is called *Code book*, which provides a set of rules for assigning numerical values to answers obtained from respondents. Kumar (2011:258) advised that questions selected should be sufficient to serve as a prototype for developing a code book, as they cover the various issues involved in the process. There are two formats for data entry, namely 'fixed' and 'free'. The phases of the entries are listed below.

- Step 1 is of the fixed format and stipulates that a piece of information obtained from a respondent is entered in a specific column. Each column has a number and the column number (Col. No.) in the code book refers to the column in which a specific type of information is to be entered. The information about an individual is thus entered in a row(s) comprising of these columns (Kumar, 2011:259).

- Step 2 involves pre-testing the code book. Once the code book is designed, it is important to pre-test it for any problems before you code your data. A pre-test involves selecting a few questionnaires and actually coding the response to ascertain any problems in coding (Kumar, 2011:268). There were no problems encountered by the researcher during this stage.
- Stage 3 involves coding the data, once the code book is finalised and the next step is to code the raw data (see annexure A – Questionnaire).

The process of data analysis has become easy to manage with the availability of advanced computer software packages that can be used to analyse and verify data. Due to the small sample of this study, the coding and analysis of the data were done by entering the answers from the questionnaire onto Microsoft (MS) excel spread sheets, using formulas such as “count if” and “sum functions”, and placing the numerical outcome thereof onto tables and graphs created for this purpose. The latter were categorised in terms of the objectives of this research study, as well as biographical data. The information on the tables and graphs was thereafter checked manually for accuracy.

4.7.3 QUESTIONNAIRE DESIGN

According to Kumar (2011:145), a questionnaire is a written list of questions the answers to which are recorded by the respondent. In a questionnaire the respondent reads the question, interprets what is expected and then writes down the answers. In the case of a (self-administered) questionnaire, it is important that the questions are clear and easy to understand as there is no one to explain the meaning of questions to respondents. The layout of a questionnaire should be such that it is easy to read and pleasant (pleasing) to the eye, and the sequence of questions should be easy to follow.

The author further advised that the questionnaire should be developed in an interactive style. This means respondents should feel as if someone is talking to them. In a questionnaire, a sensitive question or a question that respondents may feel hesitant about answering should be prefaced by an interactive statement explaining the relevance of the question (Kumar, 2011:146).

The researcher, with the assistance of the supervisor (Prof NW. Ferreira) and resident statistician (Dr D. Venter) designed a simple and easy to understand questionnaire, drawing on the information gleaned from the literature review to unravel the importance of compliance and efficiency (concern variable) and its impact on procurement and administration in the DoH in the Eastern Cape, including performance of service delivery for entire Eastern Cape (social phenomena). The questionnaire contained statements that were short and unambiguous. It consisted of closed and open-ended questions from ticking a suitable box to questions with a five point Lickert scale and an essay question. Respondents were asked to tick the boxes that applied to their answers. This made it easier for the respondents to answer the questions. The questionnaire was printed on black and white paper and placed in MS-Word tables online and the respondents were able to respond to the questions on the computer, and email the responses to the researcher. This was found to be convenient for the respondents whilst also facilitating the process to collate and filter the data. A complete version of the questionnaire is provided in annexure B and other questionnaires were collected during the interview.

4.7.3.1 Questionnaire pilot test

A pilot test serves two purposes, namely to 1) develop the instruments and procedures where the pilot is a step closer to the final design, and 2) rehearse the instruments and procedures with the aim of fine-tuning the design (Greenfield, 1996:122). The questionnaire went through various stages of development, as part of the process to perfect the method of data collection. The first draft of the questionnaire was screened by the General Manager in the office of the Head of Department to solicit her opinion on the look and feel, as well as the content and suitability of the questions from a procurement and administrative perspective. Bar some minor changes made to the wording of two or three questions the feedback was positive.

This was followed by the testing phase of the questionnaire, which entailed asking three General Managers from hospital and clinical services, corporate services and the CFO in the DoH in the Eastern Cape in Bhisho head office to go through the questionnaire and give their input as to whether the questions were easy to understand and respond to, and also to establish the time taken to complete it. All

three respondents advised that the questionnaire was concise, easy to answer, and took no longer than 10 minutes to complete.

The final phase of the data collection process commenced following the positive feedback received from the pilot test. A covering letter with the list of employees selected for inclusion in the study together with the questionnaire were sent via email to the HOD's Office Manager in the DoH, Eastern Cape on the 1st May 2016 for circulation to the listed employees.

4.8 ETHICAL CONSIDERATIONS

The ethicality of a study depends on the amount of psychological harm that could potentially occur to participants (<http://donforsyth.wordpress.com/ethics/ethics-position-questionnaire>: 27/08/2012).

Researchers need to exercise care that the rights of individuals and institutions are safeguarded (Polit & Hungler, 1999:132-134). The questionnaire for this study was submitted to the Research Co-ordinator at NMMU Business School for ethical clearance, as part of the requirements for a Master of Technology in Business Administration (M. Tech - BA) treatise. Ethical clearance was received by email (as per annexure C) from the Research Co-ordinator on the 2nd of October 2015.

4.9 SUMMARY

This chapter acknowledged the research methodology followed in conducting the study. In conducting the investigation, the researcher followed various stages of research as identified by numerous authors in research methodology literature.

Furthermore, it explains the *quantitative* research design model, and gives brief details of a concept called *content analysis* which was used to convert text to numerical variables and provide quantitative data for this study. The research paradigm based on the *case study* framework, was used to investigate the problem raised in this study and was also explained.

The empirical results follow in chapter 5, which also provides an analysis of the data collected in this study.

CHAPTER 5

PRESENTATION, INTERPRETATION AND ARTICULATION OF THE FINDINGS

5.1 INTRODUCTION

This chapter presents a synopsis of the preceding chapters followed by a presentation of the findings of the empirical study. The findings highlight the constraints and benefits of the purchasing and administration division in the DOH, Eastern Cape Province. The synopsis as stated in chapter one of the study is validated. The chapter concludes by making recommendations to the management on how the department could improve its internal policies to encourage full participation of employees in improving professionalism and ethics that will promote excellent service delivery and improve the good image of the organisation when dealing with procurement in the department.

This chapter presents the results of the empirical study that was undertaken to develop an understanding of the administration and procurement in the DOH Eastern Cape, with a view to assisting management in the improvement of service delivery and implementation of policies. The information extrapolated from the data collection instrument was analysed and interpreted following the same structure as that of Sections A to C of the questionnaire namely:

- To explore the relevance of the department in the implementation of policies around procurement and administration in the DOH Eastern Cape
- To ascertain the level of skills of the staff working in the department
- Establish the systems and resources that are in-place to ensure compliance with policies when engaging with procurement and administration in the department.
- To find out directly how efficiency and effectiveness is maintained in the department on issues around administration and procurement in the DOH Eastern Cape.

The questionnaire was used to collect data for the empirical study and was structured in three sections, with section A consisting of biographical information with section B comprising questions covering the rating compliance on issues around

administration and procurement in the DOH Eastern Cape. Section C was used to seek suggestions from the respondents on issues around compliance in the department.

5.2 PRESENTATION, INTERPRETATION AND ARTICULATION OF THE RESULTS OF THE STATISTICAL ANALYSES

The population sample selected for this research was 54 staff members of the DOH Eastern Cape. At the time the questionnaires were circulated 9 of the 54 positions were vacant while 4 could not return the questionnaires as they were tied up in meetings. They also told me they did not trust me as they felt they were being investigated. 3 of the managers tried to avoid me by not taking calls and literally running away from the office. The Senior Manager Information Systems went on sick leave with the questionnaire. Ultimately 35 responses were received, which equates to a 67 percent response rate of the total sample (54 staff members). The overall response rate of 67 percent is high and therefore provides a platform of considerable data, as well as credibility to the outcome of the objectives set out in the study. The overall response rate is depicted in table 5.1.

Table 5.1

Responses Distribution

	Response Frequency	
Attained responses	35	67%
Outstanding responses	17	33%
TOTAL	52	100

Source: Results obtained from the analysis of the survey responses

The questionnaires were e-mailed to the Office Manager and the Senior Manager, Executive Support in the Office of the HOD for distribution on the 31 March 2015, with the covering letter (Annexure A) setting out the purpose thereof and giving the 30 April 2015 as the expected date of return. Only two respondents were able to meet the deadlines, while the last questionnaires were received on the 25 January 2016. The delay arose because of the fact that there were meetings, budget presentations in between and some of the staff members were also students with other universities complaining of the workload at work and the workload for their studies. The researcher had to make calls reminding the respondents and conduct

follow-up interviews on responses that were not clear. The information on the questionnaires was then extrapolated into a table and the results thereof were also checked manually for accuracy.

5.3 RESPONSES OF DOH EASTERN CAPE STAFF ACCORDING TO THEIR TITLES

The responses were also measured in line with the positions of the staff members in the DOH Eastern Cape, and table 5.2 provide a breakdown thereof. The positions listed are responsible for procurement and administration in their section as well as the implementation of systems and procedures. All levels of management are represented. Five general managers from the top management responded and they form part of the executive management in the DOH Eastern Cape. They develop all the administration and procurement strategies in the DOH Eastern Cape. Ten Senior Managers in the middle management in the DOH Eastern Cape responded. Their function is to liaise with top and lower level managers. They also make sure that decisions of top management are implemented by the operational managers.

Of the lower level managers, seven Managers and thirteen Deputy-Managers responded. These groups of managers form the operational level in the department and are responsible to ensure that policies are implemented at the operational level as they manage daily operations in the department. They ensure that decisions taken by the top management level are implemented. The first procurement process is approved at this level.

Table 5.2

Frequency distribution - Job Title

	Response Frequency	
General Managers	5	14%
Senior Managers	10	29%
Managers	13	37%
Deputy Managers	7	20%
Total	35	100%

Source: Results obtained from the analysis of the survey responses

Table 5.3 provides information about the frequency response by departments. The largest concentration is in the Corporate Service, which has the highest number (19) of respondents. This is a support function that provides support to the core business function in the DOH Eastern Cape. There are various sections that form corporate services. Human Resources and Communications, procurement also form part of the section and include the administrative functions. Finance and auditing also provide support to the department by ensuring that all finance related matters in the department are taken care of. Their function also involves making sure that payments are made on time whenever services have been rendered to the department. They ultimately develop and monitor the budget for the department. Risk and Security unit also falls under this section and manage risk and security in the DOH Eastern Cape. Thirteen of the responses were received from this division which is a large response in the DOH Eastern Cape.

Three responses came from the Clinical Service department. This function forms the core business function in the DOH Eastern Cape. They mainly deal with service delivery to the people of the Eastern Cape and make sure that medical service is available and accessible at all times. Clinics, Hospitals and Pharmacy Departments form part of this section. The largest number of these staff members are not at the Head Office in Bhisho as they are mostly found in hospitals and clinics.

Table 5.3

Frequency distribution - Section/Department

	Response Frequency	
Clinical Services	3	9%
Corporate Services	19	54%
Finance and Auditing	13	37%
Total	35	100%

Source: Results obtained from analysis of the survey responses

Table 5.4 provides information on the responses indicating the experience of employees in the department. The majority of the employees are experienced in the department which means they have a long employment history with the department. The work service of the respondents who are employees in the DOH Eastern Cape is

longer than twelve months. They are aware of the process and systems around procurement and administration in the DOH Eastern Cape.

Table 5.4

Frequency distribution – Experience

	Response Frequency	
1 – 3 years	8	23%
4 – 7 years	10	29%
8 – 12 years	11	31%
More than 12 years	6	17%
Total	35	100%

Source: Results obtained from analysis of the survey responses

Table 5.5 provides a split of the staff members in the DOH Eastern Cape according to gender. The results in Table 5.2.5 are in line with the implementation of employment equity in the department. Employment equity promotes equal opportunities and fair treatment to all in the workplace by eliminating unfair discrimination and implementing affirmative action measures to redress the disadvantages in employment experience in the past by members from designated groups (Employment Equity Act 55 of 1998).

Table 5.5

Frequency distribution - Gender

	Response Frequency	
Male	17	49%
Female	18	51%
Total	35	100%

Source: Results obtained from the analysis of the survey responses

Table 5.6 provides a breakdown of the DOH Eastern Cape in terms of race and language. The significance of this information is the transformation that has taken place in the DOH Eastern Cape. The public sector encourages the promotion of Affirmative Action. Affirmative Action is a way of making the workplace more representative and fair. This will ensure that qualified people from designated groups

have equal opportunities in the workplace. In South Africa these groups include Black, Coloured and Indian people as well as people with disabilities.

Table 5.6

Frequency distribution – Home Language

	Response Frequency	
Xhosa	16	46%
English	9	26%
Afrikaans	9	26%
Other	1	3%
Total	35	100%

Source: Results obtained from the analysis of the survey responses

Table 5.7 provides the biographical information obtained from the survey and provides an account of personal details as well as some of the events in the careers of the respondents in the DOH Eastern Cape. This table gives an analysis of the department's staff age groupings.

Table 5.7

Frequency distribution by Age Group

	Response Frequency	
Under 30	2	6%
30 – 39	7	20%
40 – 49	21	60%
50 – 59	5	14%
Total	35	100%

Source: Results obtained from the analysis of the survey responses

The largest percentage response is in the 40 to 49 years age group, which forms the backbone of the staff members in the DOH Eastern Cape. Only two respondents were under the age of 30 indicating that the strategy of the DOH Eastern Cape allows promotion opportunities to the younger members of their staff. Only five respondents fell in the 50-59 year age group. This poses a challenge for the DOH Eastern Cape to replace this level of administration and procurement experience in the near future.

SECTION B1

Table 5.8 on the next page shows the responses of employees in the DOH Eastern Cape on the extent to which they can agree with effectiveness and efficiency in promoting fair and transparent service delivery around administration and procurement in the department.

Table 5.8

Frequency Distributions: Section B1 Items (n = 35)

Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
B1.1 The Department works effectively towards its goals	0 0%	0 0%	22 63%	11 31%	2 6%
B1.2 There are adequate systems in place that assist the Department to be effective and efficient	0 0%	10 29%	15 43%	10 29%	0 0%
B1.3 There are effective processes and procedures in the Department that contribute to the objectives of the organisation	0 0%	5 14%	17 49%	12 34%	1 3%
B1.4 The satisfaction of your service providers	0 0%	3 9%	16 46%	14 40%	2 6%
B1.5 Complaints are received from the public regarding the Department's service	0 0%	7 20%	8 23%	18 51%	2 6%

Source: Results obtained from analysis of the survey responses

SECTION B2

Table 5.9 indicates the responses of employees of DOH Eastern Cape in the form of rating on the aspects around the performance and skills in the department. According to Berkely, (2016) (<http://hrweb.berkeley.edu/performance-management/cycle/motivate> Accessed: 5 April 2016), effective performance management of employees allows employees to be motivated and to work at their best. It is a tool that promotes consistency in performance and has an impact on the

conduct of employees and therefore has to be conducted with fairness and transparency.

Table 5.9

Frequency Distributions: Section B2 Items (n = 35)

	Poor	2	3	4	Excellent
B2.1 Implementation of policies and procedures in the department	0 0%	6 17%	21 60%	7 20%	1 3%
B2.2 Promotion of Batho Pele principles	0 0%	9 26%	17 49%	9 26%	0 0%
B2.3 Customer satisfaction	0 0%	10 29%	19 54%	6 17%	0 0%
B2.4 Service delivery	0 0%	5 14%	21 60%	9 26%	0 0%
B2.5 Preventing fraud in the past 2 years	0 0%	6 17%	20 57%	8 23%	1 3%
B2.6 Recruitment in the Department	1 3%	10 29%	14 40%	9 26%	1 3%
B2.7 Employee efficiency	0 0%	10 29%	20 57%	5 14%	0 0%
B2.8 Capacity to deliver service in order to meet goals and objectives	0 0%	7 20%	22 63%	6 17%	0 0%
B2.9 Technology in the department	1 3%	14 40%	15 43%	5 14%	0 0%
B2.10 Staff development and training	1 3%	17 49%	14 40%	3 9%	0 0%

Source: Results obtained from analysis of the survey responses

RELIABILITY OF SCORES

Cronbach's alpha coefficients were calculated to determine the reliability of the scores B1 and B2. The statistics reported in Table 5.2.10, being greater than or equal to 0.80, show that the scores can be regarded as reliable.

Table 5.10

Cronbach's alpha coefficients for the factors (n=35)

Score B1	0.80
Score B2	0.87

Source: Results obtained from the analysis of the survey responses

DESCRIPTIVE STATISTICS FOR THE SCORES

Descriptive statistics for the scores are presented in Tables 5.11 and 5.12.

Table 5.11

Frequency distributions for the Scores

	Very Negative [1.0 to 1.8]		Negative [1.8 to 2.6]		Neutral [2.6 to 3.4]		Positive (3.4 to 4.2]		Very Positive (4.2 to 5.0]	
Score B1	0	0.0%	1	3%	24	69%	9	26%	1	3%
Score B2	0	0.0%	6	17%	24	69%	5	14%	0	0%

Source: Results obtained from the analysis of the survey responses

Table 5.12

Central tendency and dispersion of the Scores (n = 35)

	Mean	S.D.	Minimum	Quartile 1	Median	Quartile 3	Maximum
Score B1	3.31	0.56	2.40	2.80	3.20	3.70	4.60
Score B2	2.92	0.49	2.10	2.60	2.80	3.15	4.00

Source: Results obtained from the analysis of the survey responses

According to Tables 5.11 and 5.12 the majority (69%) of the respondents obtained neutral (2.6 to 3.4) scores with the mean values for these scores also in the neutral interval.

SECTION C

In this section respondents were given an opportunity to provide their own answers to questions around compliance and implementation of policies related to procurement and administration in the DOH, Eastern Cape.

According to the respondents from the DOH Eastern Cape, they employ the tendering process and a method of acquiring quotations from various registered service providers when procuring goods and services, depending on the amount and/or value of the service or product to be acquired.

Question 1

1.1 The participants were asked to explain how the department ensures compliance with the PFMA in the daily operation;

100% of the respondents explained that there are procedures and systems in place to ensure that there is compliance. The participants have stated that there are internal control (pre-audit) units in place in all business units. There are also procurement plans and supply chain management committees who are legally appointed to monitor procurement process as well as financial delegation and institutionalised asset management. In-year monitoring (IYM) is conducted on monthly basis. Treasury regulations the PFMA and reporting requirements are in place plus their deadlines. There is an internal financial regulatory unit that investigates cases of fruitless and wasteful expenditure, together with irregular expenditure.

Five percent (5%) also added that sometimes the policies are flawed by staff members who do not always comply because of time and the urgency of acquiring a service. Ten percent (10%) have added that there is no proper accountability at times despite written supply chain management and financial delegations.

1.2 The participants were asked how transparency and consistency is maintained to the service providers of the department

The Supply Chain Management committee is responsible for transparency and consistency and manage the bid process to ensure that they maintain transparency. Tenders are advertised on the website and in the local and national newspapers. All of the respondents indicated that all service providers to the department must be registered on the database and employees in the DOH Eastern Cape have a clear understanding of what needs to be achieved and what is important. They agreed that

tenders are advertised on the website and in local media so that the information is accessible to everyone. The tender committee manages the bid process and, depending on the expenditure, service providers are rotated. Duties and roles during the procurement process are distributed between the employees of the department. As required by the policy, employees in the DOH Eastern Cape disclose their business interests and assets. The 5% of the percentage listed above agreed that there are those who do not disclose their interests because the business is not registered in her or his name. During the tendering process, there is constant communication between the department and the service provider. The procurement process in the DOH Eastern Cape is informed by the Procurement Policy and Supply Chain Management framework.

The contract management, the supply chain management and the risk and performance divisions monitored the interaction with suppliers. Contracts valued at more than R500 000 are presented to the bid evaluation committee and adjudication committee within the administration in the DOH Eastern Cape. Specification of the tender is clearly communicated in the bid document. The process of transparency and consistency begins when the department requests goods and services and ends when the selected service provider is paid within the period of 30 days upon receipt of the provider's invoice.

1.3 Participants were asked to name measures used in the DOH Eastern Cape to ensure accountability

All the respondents indicated that the department conducts frequent audits. The Risk Register is in place and is reviewed at any time. There is an established Audit and Risk Committee that helps to identify risks. This committee holds regular meetings. The Risk Management and Audit Committees discuss and provide recommendations on enhancing accountability. Cost Containment Committees exist in all business units and prepare the financial statements. The Health Portfolio Committee appears before SCOPA. There are presentations on departmental performance before the Provincial Health Council. Every employee is expected to sign a performance agreement. There are also outreach programmes to the communities by MEC for DOH Eastern Cape and the SG.

A Consequence Register is in place and cases of financial misconduct are assessed by the department's financial misconduct committee. The SCM and finance delegations (PFMA act 1 of 1999 and supply chain management framework 5 of 1999) are provided to individuals in writing. Delegation, reporting structure, annual performance plan and operational plans are in place. Accountability and performance in the DOH Eastern Cape is measured by the Monitoring and Evaluation Unit. Various meetings are held by the different structures to ensure accountability. Cases of misconduct are assessed by the Misconduct Committee. A Consequence Management Policy was developed in the department. The Performance Management System is in place and is reviewed quarterly. Feedback meetings are held to hold staff accountable. Frequent reporting to stakeholders, either monthly, quarterly or annually, were identified by 55% of the respondents as a means to ensure accountability. Other reports are related to the finances of the department e.g. unauthorised expenditure, wasteful expenditure, misallocations, under or over-expenditure. There is also a code of conduct in the department that establishes a disciplinary process. Ten percent (10%) have also indicated that the department holds talks about professional ethics.

1.4 Respondents were asked about compliance with the vision and mission of the department and how often the strategy of the department is amended.

The purpose of the question was to establish what the department is doing to improve administration and procurement in the future.

Each section has its own Annual Performance Plans and performance is reported quarterly. The strategic plan is prepared for 5 years and is reviewed annually. Each section in the department has to comply with this plan. Compliance forms an integral part of the departmental strategy and vision. Workshops are held to communicate the strategy. However the staff members in hospitals and clinics do not appear to know about the strategy and vision, particularly the staff at the lower level. The accounting officers also communicate and re-affirm the departmental strategy at various meetings. Risk Management Unit addresses issues around departmental risk strategy while the quality assurance division encourages every section in the department to conduct institutional audits.

The programmes and aid from outside align with the department priorities to ensure support around the strategy in procurement and administration. Payments are made to the service providers within a 30 day cycle. The mandate for this comes from s38 (1) (f) of the PFMA, read together with treasury regulation 8.2.3. Failure to pay creditors on time would lead to the dissatisfaction of service providers and that would ultimately lead them not wanting to do business with the department. As a department in the Service Sector, the DOH relies heavily on service providers for the provision of certain goods and services. If this function is not performed the vision and mission of the department is likely to fail.

1.5 Respondents were asked about their contribution towards achieving the departmental goals.

Respondents provide risk management reviews and risk control assessments in order to meet the departmental goals. They also added that staff members are required by law to assist the department to achieve its goals. The staff members actively participate in spending and monitoring of finance in their control. Meanwhile, they ensure that state resources are used effectively, efficiently and economically. The department cannot function without the input of its employees as every activity in the work environment requires human intervention. The personnel are the assets of the organisation. Every employee's performance agreement is aligned with the strategic plan and annual performance plan of the department and each individual's workload outlines the day to day functions. Performance management is performed on an on-going process with formal assessment occurring on a quarterly basis through provision of data for baseline and target setting. Working in a hierarchy means staff report upwards but delegate downwards. Within the performance indicators, functions are aligned ensuring the implementation and execution of the activities. Executive meetings are held on a weekly to monthly basis dependent on the needs of the department. If the KPAs are not met, it means the job is not complete.

1.6 Respondents were asked about the fraud and corruption in the department

Eighty percent (80%) of the respondents acknowledged that there are some employees who commit fraudulent activities in the DOH Eastern Cape. Some of the

cases are still pending and are not finalised. All respondents indicated that the duties of staff members have been segregated and the use of passwords implemented for accessing the computer. Policies and systems that prevent fraud and corruption are in place. An Internal Audit confirms all procurement transactions before payments are made with finance release payments being made after the audit confirmation. Suppliers who are not actively registered with the department are not considered for business.

In addition to the above, there are guidelines for the procurement process. The department has a protocol in place and employees are expected to adhere to this guideline. The staff members in the department who own businesses are compelled to disclose their business interests with the organisation. There is a toll-free number (shared call centre) for people to report corrupt activities.

There is a Centralised Supply Chain Management Division and all staff working in this division are vetted. Security clearance is done on staff to be employed in the department to ensure there are no criminal records. About 50% of the responding staff employed by the department are not allowed to trade with the department in order to promote fairness. The Office of the Premier, the Provincial Treasury and the Department conduct road-shows to prevent fraud and corruption. There is a Fraud and Corruption hotline in the department, and booklets on fraud and corruption are distributed around the province. The Risk Management Unit and the Risk Policy is in place in the department together with copies of specimen signatures of all officials.

1.7 Respondents were asked to explain causes of poor work performance in the DOH Eastern Cape, this was asked for the purpose of establishing what is most likely to cause fraud among the DOH Eastern Cape staff.

All responses indicated poor working conditions and a lack of resources in the departments, while more than 65% have added that certain individuals get allocations whereas others do not receive them. There is also a high rate of sick leave abuse by staff members, limited chances of growth within the hierarchy of the department and boredom. About 75% of responses also highlighted a lack of communication between Managers and staff members which is a cause of poor staff

supervision. Managers have closed door policies and, as a result, staff members are left frustrated and stranded at not being able to report serious matters. At least 85% of the responses indicated that there is poor coordination of activities and duplication, while 95% have mentioned the poor financial planning and financial control in the department. Approximately 80% have indicated that some of the staff members are incompetent while 95% have also added that there is high rate of laziness among the staff.

At least 92% of the response highlighted ineffective leadership and ineffective and poor performance management and monitoring while 78% have indicated the inadequate explanations and guidance leading to expectation gaps. All respondents indicated there is no training and development for staff leading to a lack of motivation among staff. All respondents indicated poor consequence management and poor working conditions (infrastructure and equipment), lack of appropriate skills and incorrect placement of staff. At least 85% indicated the bad example set by supervisors and the lack of accountability while 65% of the respondents also indicated staff who are employed in the same position for lengthy periods of time (no promotions).

1.8 Respondents were asked to explain about the flow of communication with stakeholders both internal and external.

The purpose of the question was to establish the level of communication during the procurement process in the department in order to assess how it is done to ensure its effectiveness. The communication with external stakeholders flows through the media, mainly the local newspapers. All tenders are also advertised on the departmental website and on departmental notice-boards. The departmental website links to the internet, Facebook and twitter accounts. The department has media releases on other activities that need to be reported on. There are also public engagements (Imbizo) held by the HoD and MEC with the potential service providers. Meetings and workshops and community out-reaches are organised on behalf of the department together with newsletter printouts that are prepared by the strategic management department. Correspondence in the form of letters, memoranda, circulars and meetings for internal staff members are also circulated.

1.9 Respondents were asked about the implementation PPP in the DOH Eastern Cape.

All respondents agreed that quite a few projects have been implemented under the auspices of the PPP within the DoH Eastern Cape. The feasibility study was conducted and recommendations were made. After this process, a service level agreement is signed between government and the service provider. The difference with a normal tendering process is that there is higher quality service is offered and the rates are higher than a normal tender.

At least 65% of the respondents have indicated that a PPP is a way of saving money by government. Everything is made available immediately by the service provider. At least 85% of respondents indicated that PPPs are anything but an onerous contract for government.

1.10 Respondents were asked about an outsider's perceptions of the department.

All the respondents indicated that perceptions vary according to a person's experience with the department. The organisation has a positive image among those with good encounters with the department while those who experience bad service have a negative perception towards the department. Most of the people in the Eastern Cape do not have medical aid hence the department receives many patients, some of whom get helped while some are not. At least 52% have indicated that there is high rate of litigation against the department. Measures exist to bring an ideal clinic into being. There is high rate of negative publicity in the media.

Question 2

Respondents wish there could be more training of staff. The managers must be reachable when and as they are needed by the staff.

FINDINGS

From the analysis of the responses provide in the questionnaires and the interviews the following findings were drawn from the study.

- Poor delegation of authority and supervision of staff, where only the HOD has the authority to dismiss staff who have committed serious offenses.

This undermines the authority of the supervisors. Subordinates will seldom if ever comply fully. This poses a risk to the department where the Public Finance Management Act 1 of 1999 and Procurement Policy 5 of 1999 have to be implemented. The chances of employees complying are limited in this situation.

The Head of Department (HOD) in the DOH is a single official who deals with serious matters and has other duties to perform amid accounting to the public. However, for obvious reason there are always delays in the disciplinary process of the offender. The Treasury Regulations and private sector “good practices” provide an inadequate framework for the operationalisation of Risk Management practices within a public service environment. A more comprehensive framework is required to support implementation within the broader public management and strategic planning spheres. Opportunities are limited for immediate supervisors to manage staff, which challenges the Treasury regulation

- The Skills Development Act 67 of 1998 is not complied with.

There is a lack of training in the department and no empowerment to employees. This causes a risk in service delivery and in the performance of the department. Productivity may be challenged as a result, which will give a bad image of the department.

- There is staff shortage in the department and sometimes positions are filled by people who do not have relevant qualifications and skills.

This is nepotism and undermines the human resources policies of recruitment in the public sector. However, this will compromise service delivery and become a high risk for the department.

- Abuse of sick leave which amounts to fraud and corruption in the department.

This encourages a high risk of fraud and may delay processes in the office. Both management and employees abuse sick leave. Leaders are not leading by

example regarding contravention of the leave policy in the department. Abuse of sick leave equates with stealing the employer's time and is a serious offence in terms of the human resources policy by robbing the employer of your work.

- Contravention of Batho Pele principles in the department and management promoting a closed door policy.

Staff members lack the commitment to their community and feel isolated and without recognition. Poor performances and fraud appear to be encouraged in the organization causing much confusion in the department.

- Poor working conditions for employees encourage criminal activities within the department.

There is a poor morale and lack of motivation among employees and their performance and perception are affected. The department will bear the risk of poor productivity preventing it from achieving the goals and vision of the department. Service delivery will be compromised.

- Staff shortages in other sections and delayed recruitment process.

There are events where nepotism dominated in the department. This affects the DOH society in many ways and is a form of fraud and corruption.

5.4 SUMMARY

This chapter described the two research methods employed in this study. This was followed by explaining the two techniques used to collect data, namely: the questionnaires and the interviews. The chapter also gave an explanation of how sampling was done. The concepts of validity and reliability were explained and lastly the results of the empirical study were outlined. The next chapter focuses on the summary, findings and recommendations.

CHAPTER 6

RECOMMENDATIONS AND CONCLUDING REMARKS

6.1 INTRODUCTION

This chapter presents the results of the empirical study that was undertaken to develop an understanding on the issues around administration and procurement in the Department of Health (DOH) Eastern Cape Province, with the view to assisting management in the department to provide answers on the bad image of the department as noted in chapter 1 of the study. The main aim of the empirical results is to seek plausible responses to the questions raised in the study on Administration and Procurement in the DOH Eastern Cape.

6.2 OVERVIEW OF CHAPTERS

Chapter one presented the background to the study. The chapter introduced the research statement and the hypothesis to be tested. The study will investigate issues around procurement and administration in the Department of Health in the Eastern Cape, and will further investigate the role of the implementation of the Public Finance Management Act (PFMA), Act 1 of 1999 in the department including issues around administration and procurement regarding service providers from the private sector. The chapter introduced the research questions and the research objectives, and concluded by presenting the research structure and outline of the chapter layout.

Chapter two provided a literature review on the concept of administration and procurement in the DOH Eastern Cape. This chapter also presented policies associated with administration and procurement in the DOH Eastern Cape in order to achieve the secondary objective. The chapter probed into the legislative framework that regulates the public sector administration and procurement. Batho-Pele principles regulate issues associated with administration, the Supply Chain Management framework, Procurement Policy framework and Public Private Partnerships. These policies regulate all aspects of the procurement process in the DOH Eastern Cape. The chapter concluded by highlighting the importance of ethics with regard to administration and procurement.

Chapter three explores the processes and procedures employed by the Department of Health and the legislative framework for the implementation of the Public Finance Management Act 1 of 1999 which regulates the finance and assets of government.

The Department of Health Eastern Cape Provincial government is a public institution regulated by policies. The department is compelled to comply with the policies hence this will assist government to achieve its priorities of economic transformation, inclusive growth and an efficient public service delivery through good financial management in the public sector. The chapter concludes by highlighting the measures the department has in place to prevent corruption when procuring goods and services.

Chapter four discussed the research methods used to collect data. The quantitative method, as employed in the empirical study, was discussed together with the research techniques used to collect data. The chapter also addressed the validity and reliability of the data. The chapter provided an in-depth analysis of the results

Chapter five presented a synopsis of the preceding chapters followed by a presentation of the findings of the empirical study. The findings highlight the constraints and benefits of purchasing and administration in the DOH Eastern Cape Province. The hypothesis as stated in chapter one of the study, is validated. The chapter concluded by making recommendations to Management on how the department could improve its internal policies to encourage full participation of employees in improving professionalism and ethics that will promote excellent service delivery and improve the good image of the organisation when dealing with procurement in the department.

6.3 RECOMMENDATIONS AND CONCLUDING REMARKS

The following recommendations are offered for management's attention and to improve the service delivery and issues associated with administration and procurement in the Department of Health (DOH) Eastern Cape. The recommendations will also address the rate of fraud and corruption in the department that have been identified by an audit and other researchers.

6.3.1 Recommendation 1

In order for the DOH Eastern Cape to fully achieve its goal associated with promoting effectiveness and efficiency through fair and transparent service delivery it is essential that procurement and administration activities should be aligned and implemented with the systems. When implementing policies, ensure that each employee is held accountable for his/her own actions. The process of disciplining employees must not be prolonged. Immediate supervisors of the department must be given authority regarding their roles and responsibilities. The DOH must prepare rules and regulations based on the policies that must be kept by Human Resources or on the intranet that allow immediate supervisor's the authority to discipline subordinates. It is difficult to hold someone accountable when there is lack of resources.

6.3.2 Recommendation 2

Human Resources should have systems in place. Staff complements should be reported upon monthly in order to identify the number of staff members employed in the department. Training and development of staff should be considered at least 3-4 times per annum as this will help increase productivity and good image, thus improving service delivery to the people of the Eastern Cape. The Skills Development Act 67 of 1998 aims to develop the skills of the South African workforce and to improve the quality of life of workers and their prospects of work. Employees improve productivity in the workplace and the competitiveness of the employees and promote self-employment in the DoH.

The Act also provides an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skill of the South African workforce and to integrate these strategies with the National Qualifications Authority Act of 1999. This latter Act provides for learnerships that lead to recognised occupational qualifications and provide for the financing of skills development by means of the levy-grant scheme and providing matter connected with training.

Knowledge and development is vital for the health of an organisation. Training is one of the chief methods of maintaining and improving intellectual capital, so the

quality of an organisation's training affects its value. Training affects employee retention and is a valuable commodity that, if it is seen as investment and not an expense, can produce high returns. Training aims at enabling employees to acquire the skills required to efficiently and effectively execute their tasks. Development deals with activities undertaken to expose an employee to perform additional tasks and so assume positions of importance in the organizational hierarchy.

6.3.3 Recommendation 3

The department should consider filling vacant positions with relevant qualifications. Employing someone without the relevant skills and experience in the position always costs the organization a lot economically and damages the image of the organisation. This might cause high risk to the department and can increase a high incidence of fraud committed by staff. Staff members who deal directly with the public must be trained on the issue of customer relations, administration and communication. Batho Pele principles must be implemented and not just be posted on the walls. The Patient Citizens Charter must be posted and be visible in the administration and reception of the hospitals, including in the wards.

6.3.4 Recommendation 4

It is imperative that the department ensures that Human Resources policies are in place in the department. Managers must lead by example in order to inspire subordinates and must not abuse their leave benefits. Monthly workshops must be held in each section so that employees can educate each other about the dangers of abusing leave. An HR representative must visit during the meeting. These visits can be rotational if there is staff shortage. The HR personnel must educate staff about the dangers of leave abuse to the organisation. Sick leave is an important benefit for all the employees. If no sick leave is available there will be increased health problems and the spread of illness, thereby lowering productivity and morale. Equitable sick leave programmes are required for security and overall high performance. This programme should be aligned with the sick leave policies of the department. When staff abuse sick leave, it means the department has to cover the costs of employees who are not at work and sometimes the work will have to be reassigned. It is more likely that some of the staff members and the customer services will suffer under strains of low attendance. Staff and management must be held accountable for their

actions. It is also important to determine whether abuse exists by tracking and evaluating absenteeism. The Human Resource department should compare and assess the trends, where absenteeism is higher under one supervisor and must examine policies and practices and see if they affect any sick leave abuse. Should there be a practice of misuse guidance should be offered by supervisor and warnings followed by disciplinary process if the guidance is ineffective.

6.3.5 Recommendation 5

Managers must have an open door policy. The culture of an open-door policy helps unite employees in the workplace. The DOH Eastern Cape has staff members from diverse backgrounds with different educational qualifications and different mentalities who all work together towards a common goal. The open-door policy will assist the DOH employees to have a culture that will assist them to enjoy work and increase their best level of performance. It is essential that employees and managers have a good relationship. This will prevent unnecessary conflict and disagreements in the work environment. Transparency is essential at all levels to ensure that no employees feel neglected.

An open door policy encourages effective communication between the employee and the management, which will encourage loyalty of employees to the management and towards the organisation. It prevents confusion when the employees directly interact with their superiors; employees feel motivated and strive hard to live up to the expectations of management. The open door policy encourages healthy discussion in the workplace. There is an exchange of ideas and allow the staff to come to an innovative solution benefiting all. It enables employees to seek help from the management and to freely discuss things with them for better clarity. It promotes better output and proper feedback as employees do not gripe amongst themselves but rather talk to their supervisors. This clears all doubts and enables the staff to look forward to the long-term goals and a prolonged association with the organisation.

6.3.6 Recommendation 6

The department must provide good working conditions for the employees. Good working conditions help increase employee morale and productivity. The work

environment has an impact on the relationship of work done by employees in an organisation. Employees need to be stimulated by their roles and be happy in the environment in which they work. Motivation is essential for the implementation of goals and a happy working environment. By not providing good working conditions for employees they will ultimately spend more on paying for what they could be doing. This is a direct cause of unhappiness among staff members. The public sector is under immense pressure with the current economy and the acceleration of service delivery to the public and the employees are at the forefront of the battle where it affects their image in society, and the security of the role they work in. The pressure alone can reduce productivity which completely defeats the object of needing to depend on the organisation. This shows how important it is that the staff is happy in their work.

The management of the DOH Eastern Cape should ensure that the workplace is a happy place to be by providing all the resources that will make staff productive; implementing motivational goals that will help staff and the department to see the results and the benefits of the efforts of management. A happy employee is a productive employee, for staff to have a laugh means they are happy in the environment and which is exactly what management requires.

6.3.7 Recommendation 7

The department must train managers to be effective and efficient. This will result in better service delivery in the department. Management means leading people and overseeing the performance and productivity of employees. Skill is required to manage staff and acquiring this skill is a process on its own. The managers of the department must support staff through the various processes of growth in and knowledge about the department. The role of the supervisor is to create a safe environment in which the employee can work through the developmental issues in order to acquire motivation, autonomy and self-awareness to successfully move to the next level of the development. The staff members and managers must unite in order to be available at all times. One-on-one regular meetings are required in the department to close the gap between management and staff. Management must set high expectations of the employees by providing sessions with staff and feedback on their performance. A culture where all employees

hold themselves accountable must be created in the department. Management should practice active listening towards the staff members and should be transparent all the times.

6.3.8 Recommendation 8

Employees who are employed in the department and are proven to be committing fraud must be disciplined and where necessary be jailed or dismissed and also be blacklisted. New system of blacklisting a qualification must be passed by government in order to protect departments and other institutions. This process must be regulated through the Department of Education and Higher learning. The person must not be employed in another department or state organisation. This punishment will make a culprit learn a lesson. The person must lose all his pension contribution to refund the loss suffered by the department. Government must form a partnership with the universities and this will assist the public sector as a whole. Universities must blacklist the culprit in support of the department, this will be proven to the university hence the culprit will use to same certificate to apply for a position with another institution. When fraud is committed by a single individual it affects the entire departmental image. With the culprit having to apply with other organisation means there is no punishment to the offender.

6.4 CONCLUSION

This chapter presented a synopsis of the preceding chapters followed by a presentation of the findings of the empirical study. The findings highlight the issues around administration and procurement in the DOH Eastern Cape. The hypothesis as stated in chapter one of this study is validated. The chapter concludes by making recommendations to management on how the department could improve in the implementation of policies in order to enhance accountability and performance of the staff members. These recommendations will help improve service delivery in the department and eliminate fraud and corruption associated with procurement.

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