

**ASSESSING THE USE OF PRIVATE SECTOR TECHNIQUES AND
STRATEGIES IN THE PUBLIC SECTOR: THE CASE OF THE
DEPARTMENT OF PROVINCIAL TREASURY & PLANNING,
EASTERN CAPE PROVINCE.**

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DECLARATION

DECLARATION

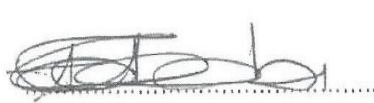
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In accordance with Rule G4.6.3, I hereby declare that the above-mentioned thesis is my own work and that it has not previously been submitted for assessment to another University or for another qualification.

 21 January 2019.

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DEDICATION

I dedicate this treatise to my parents, Iris Ntombizakude Cembi (Mother), Cynthia Nothemba Cembi (Aunt), Zolile Cembi (Uncle), my late uncle Soyiso Cembi and my brothers Buzwe and Buntu Cembi, who have served as my inspiration and source of strength throughout my study.

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LIST OF ACRONYMS

AG	Auditor-General
DPTP	Department Of Provincial Treasury and Planning
LEDPP	Local Economic Development Policy Paper
MTEF	Medium Term Expenditure Framework
NPM	New Public Management
OECD	Organisation for Economic Co-Operation and Development
PFMA	Public Finance Management Act
SCOPA	Standing Committee on Public Accounts

ABSTRACT

The aim of this study was to determine and investigate the extent to which the Department of Treasury and Planning manage public finance making use of relevant private sector techniques and strategies. Financial management is a critical element of good governance and it requires a great deal of attention with parallel internal systems and controls. The study determines the role of various bodies within the public finance environment and the relevant legislative frameworks towards efficient and effective financial management by departments. The Public Finance Management Act(1999) and National Treasury Regulations (2009) require all government departments to ensure accountability on resource allocated to be able to measure value for money in relation to the delivery services to communities.

The primary objective of this study was to assess the effectiveness and efficient management of public finance in terms of the PFMA as the legislative framework and the MTEF as a financial management tool.

The Constitution Republic of South Africa (Act 108 of 1996) makes a provision that all the three government spheres to be developmental-oriented in nature with clear accountability and transparency lines towards service delivery. On the same breath, The Public Finance Management Act of 1999 (PFMA) is meant “To regulate financial management in the national government and provincial governments; to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those governments; and to provide for matters connected therewith”.

With the above introductory contentions from different authors and researchers, this study will basically be on providing more details on the policy documents namely; PFMA so to establish the nature and extent to which effective and efficient financial management has improved good governance in the Department of Treasury & Planning, Eastern Cape Province.

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CHAPTER 1: INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION AND BACKGROUND

Throughout the globe, there is an increasing focus on improving the quality of public financial management, with many countries in both the developed and developing world making important and impressive achievements in strengthening public financial management and governance. However, there is still much to be done. The public sector setting is rapidly changing with an increasing emphasis on fiscal management and discipline, privatisation of expenditure and value. This is based on the private sector financial management principles which the New Public Management advocates for in the modern governments. As a result it is even more necessary that governments, national and local institutions, including regulators and professional accountancy bodies, work together in partnership to achieve long-lasting improvements, transparency and accountability in the public financial management (Parry, 2010: 1).

Constitutionally, the state planning and budgeting process is guided by a number of Legislation, Policies and Frameworks for effective and efficient usage of resources. The Public Finance Management Act (1998) makes a clear provision on how the state resources are to be allocated, used and monitored within the service delivery projects or programmes. Furthermore, the National Treasury Regulations provides a guiding framework on how departments, state-owned, and agencies effectively spend and report on the state's finances in relation to service delivery. In essence, the Public Finance Management Act, 1999 (Act 1 of 1999) contends that National Treasury must make regulations for a range of matters to do with the effective and efficient management and use of financial resources.

Public financial management is absolutely critical to improving the quality of public service outcomes. It affects how funding is used to address national and local priorities, the availability of resources for investment and the cost-effectiveness of public services. Also, it is more than likely that the general public will have greater trust in public sector organisations if there is strong financial stewardship, accountability and transparency in the use of public funds. The province is tripped with serious service related demands such as access to basic health services due to

inappropriate utilisation of funds (Binza, 2009: 15; Parry, 2010: 5). That led to the socio-economic development transformation process, with the introduction of legislations, policies and frameworks towards an inclusive and sustainable growth (Currie (2005:75).

Despite the existence of the latter legislative framework on financial management, however, the department is still experiencing inadequate compliance to some with critical consequence. These consequences are equal poor service delivery by the department and negative Audit Outcomes (Auditor-General Annual Report, 2013/14). Effective public financial management is necessary for decision makers. Accuracy in financial information is often used as the basis upon which decisions are supported and guide resource allocations.

This study explore and investigate the extent to the public sector uses private sector techniques and strategies with regards to the improvement of public financial management in South Africa. It further explores common financial and performance management issues, lessons learnt and effective practice through a theoretical review of various tools aimed at improving public financial management. Financial management is a critical element of good governance and it requires a great deal of attention with parallel internal systems and control.

1.2 CLARIFICATION OF TERMS AND CONCEPTS

The following definitions will apply in the study:

Accountability:The Constitution of the Republic of South Africa of 1996, refers to the public's ability to hold responsible those who manage public funds.

The Private Sector and Development: All the institutions whose ultimate aim is to make profit in strengthening the economy of the country. However, a strong believe is held that businesses have an equal responsibility of providing assistance to government to improve the living conditions of everybody (Ijeoma, 2013: 78).

Value-for-money: The delivery of public goods and service in both partnerships and otherwise must relate to value for money injected. This, in other words implies a combined whole-of-life cycle costs, completion time, risks and quality, in order to meet the predetermined public requirements (Nyagwachi, 2008: 27). According to Binza (2009:23) value-for-money refers to the provision of the public sector entity functions carried out by a private entity as stipulated in the PPP arrangement agreement, should benefit the public sector entity.

1.3 HISTORICAL BACKGROUND

The Eastern Cape Province is comprised of seventy two small towns, with a legacy of endemic rural poverty and historical neglect of rural areas. The large outflows of people to other provinces to find employment remains a key challenge for the province. EC continues to face a rising demand for accelerated delivery of basic services due to slow social and economic transformation process. And a result a large portion of the Eastern Cape Province's infrastructure in informal settlements remains undeveloped and inaccessible (ECSECC, 2013). This is contrary to the aims of the MIG which core focus is on infrastructure development, social enhancement and rural-economic development.

The province of the EC with its huge population still experience immense poor service delivery, which emanates from the absence of a proper monitoring and evaluation system by both sectors in the coin. EC is still faced with high levels of unemployment, poverty and inequality which of course require the current government to engage more on collaborative partnership for the purposes of improved service delivery. According to Manyisa (2009), financial management is one key components for improved service delivery, and therefore proper management of this resource is of great importance.

However, with sound financial management and leadership the above cannot be possible. The Public Finance Management Act, Act No. 1 of 1999, with regards to government's utilisation of financial resources outlines the following objectives:

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

National Treasury is responsible for the development, maintenance and support of financial management systems. Financial reporting and management for government departments is mostly a nightmare for all government governments. In terms of section 4(1) of the Public Audit Act (Act No. 25 of 2004), Auditor-General, South Africa is the only constitutionally mandated body to audit and report on the performance, accounts and financial management of government and its entities

1.4 SIGNIFICANCE OF THE STUDY

In a broader context, both the developed and developing countries are still struggling with the public financial management increasing complexities and the pace at which they change. Parry (2010) agrees to say “finance professionals working within the public sector are concerned with improving financial management and budgeting, responding to changes in financial reporting, securing better regulation, strengthening institutions, improving risk management and governance, and eradicating fraud and corruption”.

The introduction of the PFMA came with many other challenges that government still has to deal with up to day. The Act did not necessarily shift the manner in which officials managed the government's financial affairs as it were. The legislation reforms did not present a redress in the resource allocation and reporting thereby. The study shows that budget decentralisation continues to be a main challenge more than twenty years into the new dispensation. Many departments are not yet conformed to the PFMA requirements, and that is why the Provincial Treasury has to conduct financial oversight in relation to service delivery (White Paper on Local Government, 1998).

The study sought to determine the extent to the Department of Provincial Treasury and Planning (DPTP) comply with the legislative financial management requirements, using the private sector techniques and strategies. In many occasions, according to the Auditor Generals' Report (2015/16) the EC DPTP apart from its structural challenges but it continues to experience relatively increasing wasteful & fruitless and irregular expenditures committed by both the government departments and municipalities. This audit results present a need for urgent leadership and compliance enforcement for the department to realise its mandate and ensure that the resource of the state is effectively and efficiently spent.

This study will contribute to the body of knowledge by means of theoretical analysis of the existing legislative frameworks on financial management and good governance in order to propose a more inclusive and standard compliance model for financial management. This study will also be of great benefit to other researchers and students who require scientific information with regards to the public financial management through the utilisation of the private sector techniques, in the discipline and practice of public administration and management.

From an academic point of view, the study provided methods and guidelines for those considering financial management improvement in the public sector through the utilisation of private sector techniques and strategies. Consequently, this study will make a meaningful contribution to the existing body of knowledge made by other scholars.

1.5 RESEARCH PROBLEM

The problem investigated by this study is the use of private sector techniques and strategic in the public financial management to promote compliance and performance excellence in the DPTP. DPTP is mandated in terms of the Constitution of the Republic of South Africa of 1996, PFMA (Act 2 of 1999) among other legislations to coordinate resource allocation and manage spending of all departments, entities and municipalities towards effective and efficient service delivery at a municipal level.

This will lead to understanding the reasons for non-compliance with the PFMA provision with regards to standards of financial management and reporting.

However, the compliance to all key financial management legislation and policies has been a constant challenge facing the Department of Provincial Treasury and Planning and the province at large, which has been largely caused by high levels of corruption, poor financial management systems, poor management tools, poor internal resource controls and maladministration practices (Auditor General Report, 2014/15).

According to Auditor-General's Report (2014/15), DPTP is recommended to benchmark key financial management practices from the private sector in order to better manage the situation of non-compliance by the departments and municipalities in the provision.

1.6 RESEARCH QUESTION

The primary question for this study is:

- To what extent does poor financial management systems have on governance and service delivery?

And the secondary questions to the above primary question are as follows:

- What are the fundamental reasons for non-compliance by the department in discharging on the financial management legislative mandates?
- To what extent does the DPTP use private sector financial management techniques and strategies?

1.7 RESEARCH AIMS/OBJECTIVES

The primary objective of this study is to:

- Investigate the effectiveness and efficiency of the financial management systems and its translation into good governance in the DPTP, Eastern Cape.

Secondary objectives:

- Examine the extent to which non-compliance by the Department of Provincial Treasury and Planning has on service delivery and its clients.

- To assess and determine the use private sector techniques and strategies by the DPTP in financial management and compliance?

1.8 ETHICAL CONSIDERATION

Good research exercise “is the one that captures the correct data and culminates in the provision of correct answers to the questions that necessitated the research” (Leedy & Ormrod, 2005: 33). In addition to that, it is generally accepted that a good research exercise should meet the requirements of reliability and validity provided the research is based on a correctly identified problem or issue. Reliability and validity of research methods are some of the salient feature of a good research exercise or scientific enquiry.

1.9 CONCLUSION

In the main as alluded above, infrastructure development provisioning forms part of the basic constitutional mandate which government for the day is obliged to deliver on as the restorer of human dignity against the manifestations of the past regime. Eastern Cape Province, a home of legends has a huge responsibility of turning around the whole approach to project planning and provision system to ensure proper allocation for quality services to the community of the Eastern Cape.

1.10 OUTLINE OF THE REPORT OF THE INVESTIGATION

CHAPTER 1: INTRODUCTION AND BACKGROUND

This chapter outlines, describes and gives a thorough overview of the public financial management. It gives reasons for selecting the particular topic, the rationale for the study, as well as the statement of the research problem.

CHAPTER 2: THEORY AND NATURE OF PUBLIC FINANCIAL MANAGEMENT IN SOUTH AFRICA

This chapter provides a broad theoretical overview of the financial management within discipline within which it is based. It explore the key legislative framework for the public finance management, good governance, socio-economic development amongst other legislation, Local Economic Development Policy Paper, PFMA (1999) and the Constitution of the Republic of South Africa 1996 and other relevant pieces of legislations and policies.

CHAPTER 3: RESEARCH METHODOLOGY

This chapter focuses on research design and methodology which the study used in the collection and analysis of data.

CHAPTER 4: DATA INTERPRATION AND ANALYSIS

Results of the study will be presented and discussed in this chapter.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

This chapter restate the research findings and validate them upon making concluding remarks and recommendations thereof.

CHAPTER 2: THEORY AND NATURE OF PUBLIC FINANCIAL MANAGEMENT IN SOUTH AFRICA

2.1 INTRODUCTION

This chapter presents a theoretical overview, the nature and place of the public financial management in the discipline and practice of Public Administration and Management. It seeks to provide scientific knowledge and understanding of the key public finance management principles and the legislative framework applicable to the scope of this study. It further determines the extent to which the DPTP manages the fiscal of the province through utilisation of private sector techniques and strategies in order for a complaint government. In a South African context, the Public Finance Management Act (1999) sets the legislative framework for public sector managers and officials in conducting financial oversight spending and reporting by all government departments and municipalities.

Before giving more attention on the theoretical perspectives, it is necessary to note that, the PFMA set the entire legislative framework for public financial management in South Africa. Contained within this framework are the key financial principles stressing the necessity of democratic processes, stability (predictability), openness and accountability as well as monitoring and evaluation for the government to achieve value for money in a broader sense (Roman, 2008: 30). Economic development policy and public financial management show an indication that government's fiscal position aims to place economic growth and development on firm priority list of outcomes for the years ahead.

Globally, leadership reforms have taken place in ensuring that governments remain relevant to the fundamental reasons of existence and ensure ethos of good governance through transparency, accountability, ethical conduct and responsibility. To contextualise this study, a conceptual overview of public administration as a discipline is provided because any phenomenon under enquiry is subject to public administration theories. For example, some theorists such as Marx Weber,

Woodrow Wilson, Gulick and Urwick, Chester Barnard and Taylor Fayol influenced paradigm shift in the field of Public Administration.

Theories received from these theorists continue to be under discussion in the contemporary Public Administration, i.e., Woodrow Wilson explains “political and administration dichotomy” and the implications it has in public administration. Gulick and Urwick explain “managerial role” and dynamic effects around it. Max Weber also describes how “bureaucracy or organisational design” impacts departmental internal operations. Lastly, Chester Barnard makes a reflection on “leadership” meanings in institutions [government in this case].

In the context of public administration treatise, administrative and governance theory become very important, because could support the improvement of governance and admiration in the public administration. Moreover, governance without sound managerial leadership becomes pointless because governance is a means to an end and the end is the provision of services to the public. According to Siswana (2007), “managerial leaders have the responsibility to support governance and ensure that quality services are delivered, processes to deliver these services are in place, risks are managed, systems and internal controls are effective, evaluated and monitored”. In the context of the South African Public Service, like other countries, governance and managerial leadership are still a challenge.

The section below presents an environmental analysis within which Public Financial Management is conducted and key concepts/definitions that provide basis for contextualisation.

2.2 PUBLIC ADMINISTRATION ENVIRONMENT ANALYSIS

Contextual examination provides political heads of government departments and public administrators to cope with the public administration environment factors namely, political, social and economic challenges in their space. The place of Public Administration is located in the political, social and economic environment. It against this background that the public sector continues to be faced with socio-political and economic environments. Therefore, environmental analysis is necessary for the public managerial leaders to consider these factors because failing to consider them during the planning and implementing of government service delivery programmes

could have negative effect on the achievement of departmental strategic goals and objects, the vision and the entire government strategic intent.

Institutions of governance like the Auditor-General and Parliament could operate effectively if they themselves take into account their own surroundings or environment. For example, for the National Treasury to function efficiently it is expected to take into account its own environment of economic variables such as exchange rate, inflation rate and socio-political demands from the public. In support of governance, the managerial leaders in the Public Service have the responsibility to take into account their surroundings or environment (Siswana, 2007: 31).

Both in theory and practice, public administration takes place within a changing and dynamic environment, which is fundamentally determined by political, economic and social circumstances. This background presents the importance of public administration environmental analysis in response to globalisation effects. Government could even find it difficult to discharge its functions as envisioned in the South African Constitution and other policy frameworks such as the PFMA if fails to conduct environmental scanning. Hence public policy makers need be well conversant with the environment within which public administration takes place.

Therefore, the researcher highlights the importance of environmental scanning by considering the following perspectives, with especial attention on planning and implementation phases of government service delivery programmes:

1. a political perspective, for the existing authority and head of departments it is important to have clear understanding of political agenda of government in order to put the strategic thrust of the department into proper context.
2. An economic point of view, systems of budgeting, public financial management, trade among countries, economic development and growth should be analysed and be part of government's economic development agenda, taking into account economic variables.
3. A social point of view, understating the needs of the public with regards service needs by government officials cannot be overemphasised.

In the field of public administration the aspect of environment requires awareness and scrutiny becomes crucial for understanding. Even though the term is subtle, *environment* (Pfeffer & Salancik, 1978:2) includes every event in the world, which has an effect on the activities or outcomes of the organisation; for example, primary schools are part of the organisation environment of education in a country". This analysis could be based on the fact that managers should be in a position to acutely aware of what is happening in the environment in dealing with governance matters in the public sector.

The following authors articulate some of environmental ideas. The definitions could provide an in-depth abstract of environmental analysis and its impact on public administration. Firstly, McCurdy (1977:174) describes environment in public administration "as the 'world' or the whole environment in which the government struggles to function". Secondly, Sharkansky (1978:9) defines the environment "as the sum total of the existing social, economic and political circumstances which cause problems or challenges for policy-makers". Thirdly, Cloete (1991:85) coincides, that factors such as the policies of political parties, the needs and expectations of the population, the circumstances, such as population growth and urbanisation, international relations, natural disasters, wars and technological developments, represent the environment of public administration.

Drawing from the above definitions, the first definition suggests that environment is the 'world' in which public administration has to be recognised, considered and analysed in order to ensure that government functions properly and governance are in place and function properly. In the second definition, Sharkansky (1978:9) purports that the social, economic and political environment pose threats for policy-makers.

2.2.1 Debate around Environmental Analysis

In both micro & macro point of view, public administration environment is analysed from two perspectives, such as the general and specific environment. Literature review shows that the general environment is broadly demarcated as everything external to the organisation (macro).

According to Fox, Schwella & Wissink (1991), the specific environment is defined as components that directly and internally influence organisational resources (micro). As a result, the specific environment is abstractly categorised as regulators, competitors, suppliers and consumers.

To illustrate and show the linkage between the micro-macro analyses, the micro environment can be imagined as being made up of three major sub-systems parallel to the goal and work system; structure, technology; authority; communication; and the power system within an institution. The macro environment could be related to political, social, and economic situations (Hodge & Anthony, 1979:69).

Hodge and Anthony's explanation above, determines that micro-macro points of view with regards to public administration environment are central in understanding sub-systems such as structure, technology, political and economic context. According to Katz and Kahn (in Pfeffer & Salancik, 1978:1), it is commonly accepted that, organisational environments are important in understanding actions and structures.

To take consideration of a public administration environment helps to support and positively affect management decision-making, only if managers understand that the environment is able to influence organisational strategic thrust. This implies that public institutions should be flexible to an environment. Consequently, an application of rule which is regarded as a mechanistic approach does not yield good quality results. In contrast, an organic approach is regarded as adaptable to an environment in which public administration operates. Henceforth, it is critical for managers to be aware of the fact that an analysis of planning and managing political, social and economic aspects is important in public administration. It is also significant to conduct research about an environment or apply environmental scanning which helps to analyse and understand 'hidden factors' that could impinge on an organisation and also affect the organisation's strategic goals and objectives.

In the context of environmental scanning, Kast and Rosenzweig (1985:147) state that "a proactive approach involves environmental scanning and analysis in order to determine those forces in the society that will be most salient to future operations.

In this context, the manager in an organisation or government department has to circumvent a narrow-focus view of how an organisation functions internally without looking further at its surrounding environment.”

It is essential to understand and analyse the environment because it has an indisputable influence on organisational processes such as, an internal process like planning and budgeting for an organisation. Environments of an organisation are critical factors in understanding what functions are performed internally and externally. On the basis of the above statements, it is believed that no organisation is an island unto itself (Schwella & Wissink, 1991:12). For example, from an economic environment perspective, the introduction of the Medium Term Expenditure Framework (MTEF) in 1989 and subsequent introduction of the performance budgeting system have indeed led to some drastic changes with regard to departmental planning and budgeting, including clear lines of accountability and responsibility. Furthermore, the inhabitants continue to put more pressure on government, sometimes through interest groups or as individuals.

Currently, a democratic government, such as in South Africa, has no option but to take into account the views of the public. It is in this context that a socio-political environment takes shape. Additionally, taking into cognisance the views and ideas of the general public could also impact on organisational planning, the budget itself, and deliverables from government departments (Hodge & Anthony, 1979: 67).

2.2.2 The Closed System: Classical Approach

As mentioned earlier in section above, public administration take place within the political, social and economic environments. In this context there are different schools of thoughts that argue differently regarding the need and importance of the environment and scanning. For instance, the classical school of thought makes focus on organisational internal processes and pays no attention on the external environment that might influence the internal decision making processes. Only paying attention to tasks to be performed and ignoring the influential behaviour of the person, could potentially lead to negative results on the decision and operations of an institutions.

Therefore, in general public servants and in particular managerial leaders, should perform their tasks and duties by taking into account the 'external' world. The public servant's response to the organisational surrounding or external world could influence the 'closed character' of the classical school of thought and support good governance in the public service. Literature review records that the classical school of thought believes that there is one best way in dealing with organisational matters or the 'one size fits all' approach. This is confirmed by the fact that (Fox *et al.*1991: 9) also argue that the classical school of thought believes in the 'one size fits all' approach or one best way in dealing with organisational issues.

In view of the classical approach, Robbins (in Roux *et al.*, 1997:30) argues that a perfect system would be one that receives no energy from outside sources and from which no energy is released to its surroundings. Robbins's observation implies that the classical school of thought adheres to as a closed system in some situations. To maintain stability this school of thought ensures that an organisation becomes perfect by focusing internally without any external influences and no interaction with the external environment. This could affect efficiency and effectiveness of an organisation. This is indeed an indication that the classical school of thought is a closed system not an open system.

In contemporary public administration, as in earliest public administration, such a narrow focus could negatively affect the internal management's responsibilities, process, systems, organisational design, leadership, service delivery and governance in general. As a result, the closed system could be harmful with regard to supporting both the organisational and management agenda.

2.2.3 The Open System

According to Hodge and Anthony (1979:57) organisations transform within a given environment and receive their inputs from this environment, and people or other systems in the environment use their outputs. In this context, organisations are regarded as open systems due to their adaptability to an environment.

Furthermore, for an organisation to be able to function interdependently between itself and other sub-systems the environment becomes central and it must be scanned and scrutinised so that deliverables in government are based on a particular environment

The difference between a closed and open system indicates the view that an external environment is undoubtedly essential in an organisation and it could shape the organisational agenda. From an organisational analysis point of view, an open system assists an organisation in being effective because of its ability to accommodate political, social and economic variables, especially during policy preparation. An inclusive policy that takes into account its environment could be easily implemented.

However, the institutional environment, that is the level of skills within the organisation, could also affect policy implementation. Therefore, there must be a balance between the institutional environment and the external environment. Hence, in an open system the focus is not only on the tasks to be performed, as in the case of the closed system, but also on what could improve the performance of tasks by taking into account its surroundings (Siswana, 2007: 39; Barbie, 2014:09).

2.3 MICRO AND MACRO ENVIRONMENTAL ANALYSIS: PERSPECTIVES

Due to the evolution in public financial management systems and the public administration in general, planning by taking into account the environmental issues within a department is progressively becoming a necessity in the public sector platforms. Public managers could be required have observe and have a clear understanding of the micro and macro environment dynamics. In this case micro environment dynamics pay attention on internal processes and controls, and macro environment dynamics focus on the external world that can have a direct or indirect impact on the internal processes in the department.

Consequently, both analytical and conceptual skills become the must have by the managerial leadership of the department in order to deal with aspects regarding governance such as expenditure management, public financial management, risk management, and decision-making. It is of great necessity that the management of the department possesses understanding the public service and its own environment relationship. This submits that public sector by nature operates within a dynamic environment. Therefore, the management should be able to pay detail attention to and understand the environment dynamics (macro) because it could affect strategic planning and budgeting (micro).

2.3.1 Micro Perspective: Organisational Analysis

In the previous passages, organisations, environments and systems, have been discussed in detail. To have an understanding of micro and macro organisational analysis, the literature distinguishes between task and general environment. According to Kast & Rosenzweig (1985:136), “the task environment deals with and affects the individual organisation more directly. In contrast, the general environment deals with and affects all organisations in a given society”. An understanding of the difference between the task and general environment could assist in understanding organisations or institutions both at macro and micro levels.

Micro-organisational analysis is considered as an internal processing of organisational information for organisational efficiency and effectiveness. At a stage where information is discussed and analysed the environment should be taken into account by decision-makers, management and policy-makers.

Through the rational process of transforming inputs to outputs, within an organisation, managers should take into account that an organisation cannot operate in isolation of its environment. Organisations should take a serious note of the political, social and economic setting. In principle, micro organisational analysis perspective shows that its environment, such as its operations, structure and organisational culture, have a direct influences an organisation. As a result, Kast & Rosenzweig, (1985:138) emphasise that the micro environment (task) can be defined as the more specific processes, which are relevant to the transformation process and decision-making in an organisation.

With regard to Kast & Rosenzweig’s contention on micro environment, acknowledging the influence on sound decision-making and transformation agenda becomes crucial to the internal processes of an entire organisation. Kast & Rosenzweig (1985:139) further argue that task environment has an influence on the strategic goals, objectives and values, human relationships, technology, structure and management processes within an organisation. The aforesaid statement suggests the fact that task environment impacts more on the strategic goals, values, structure, including the management, within an organisation.

2.3.2 Macro Perspective: Organisational Analysis

Having provided an outline on micro organisational analysis, outlining the general (macro) environment is also necessary as it shows how macro-environmental variables affect an organisation, management, policymaking and implementation. Theorists like Hodge and Anthony acknowledge that political, economic and technological environments exert some influence on organisations and the public service in general. Macro analysis and forms of environments are discussed below:

Table 2.1: Macro Analysis and Forms of Environment

Political environment	Economic environment
<p>Based on the political environment, it means that any political system that is introduced has a bearing on the functioning of the state and its institutions. For example, the apartheid or segregation policy that was introduced by the South African Government had an influence both on public officials and the composition of the government. Under the apartheid period, public servants were rule-bound at operational level without any culture flexibility, transparency and accountability. In contrast, the new government who came into power in 1994, led by the African National Congress (ANC), introduced a democratic system which introduced an ethos of democracy namely openness, transparency, rule of law, accountability and responsibility. Even the public servants are expected to act according to the</p>	<p>The economic system is the way in which a society creates and distributes wealth. Further, it should be noted that the economic system allocates limited resources to competing individuals and groups. This necessitates the government’s fiscal and monetary processes to stimulate or restrict the demand for goods and services. Any economic developments can influence public administration. Administrators and managers need to know about economic matters and implications of such decisions on the economy. In 1995, the South African government introduced Growth, Employment and Redistribution (GEAR), a macro-economic strategy. Among other elements, GEAR provides a renewed focus on budget reform to strengthen the redistributive thrust of expenditure and commitment to the</p>

<p>above ethos so that the state and its institutions are transformed and services are delivered to the public. The influence of the above ethos is such that in 1994, the ANC produced a policy framework entitled The reconstruction and development programme (RDP) which later became the government's White Paper on the reconstruction and development programme.</p>	<p>implementation of stable and coordinated policies (Growth, Employment and Redistribution, 1995:2). Against this background, reforms such as performance budgeting system, medium term expenditure framework (MTEF), Public-Private Partnership (PPPs) in delivering services, together with PFMA, have taken place in the South African Public Service to date</p>
<p>Technological environment</p>	<p>Institutional environment</p>
<p>Technological developments must be taken into account in order to ensure effective governance and administration in the Public Service. The use of technology influences the management of information within organisations and the delivering of services to its customers. Technology influences and uses electronic machines and processes to produce and distribute goods and services (Hodge & Anthony; 1979:70). It is in this context that technology influences the way services will be delivered to people as well as the management of organisations. The managerial leaders in the Public Service have to understand technological developments because they have an influence on organisations.</p>	<p>Manning, Mukherjee & Gokcekus (2000:4) describe institutional environments by emphasising that institutions are humanly devised constraints or set of related contracts that guide public officials' activities. These activities consist of formal constraints, such as rules, laws, including constitutions and informal constraints like norms of behaviour and codes of conduct. Manning <i>et al.</i> (2000) also believe that for public officials formal, rules are laid down in codes of conduct, manuals, budget documents, and within directives and instructions through policy. On the other hand, informal rules are what the officials collectively understand as appropriate behaviour, like 'how we do things around here' and this institutional environment could shape the expectations of public officials</p>

Source: Manning, 2000.

2.4 PUBLIC ADMINISTRATION ANALYSIS

Public administration needs to be analysed in its context. In one way, Public Administration as a field of study is built up by theories that put it in context, particularly for government institutions. In some situations, scholars find it difficult to understand the original terminology or the framework of public administration, and therefore the role and meaning of the state and government as well. It is also important to understand public administration and its meaning properly, as well as its boundaries, because public administration, through its nature, is different from private or business administration.

In its original analysis, the term administration comes from a Latin word *administrare*, which means to serve, or to attend to someone's needs. Additionally and to qualify it, public refers to something that has to do with general, common and national interest (Lungu, 1997:1).

The above analysis of public administration provides some background which encompasses administration and the public. Both administration and people become the cornerstone in the field of Public Administration. What is also critical for public administration is to grow and develop into a co-operative approach between the executive institutions and the public. This co-operative approach in public administration has to be based on a common vision. As Waldo argues (in Sharon 1967:21), public administration is 'one phase or aspect of human cooperation'.

From Lungu's (1997) analysis of public administration, it could be deduced that public administration puts an obligation on the official to serve the public. Therefore, an official within a department or agency is obliged to discharge his or her responsibilities in ensuring that services are provided to the society. Therefore, public administration serves the public and is part of or is related to government.

Hanekom & Thornhill (1983:176), in their analysis of the term public administration provide a general application of the term public to function of administration means that administration is not concealed, it is open to all, it is the opposite of the private administration and affects society. Contextually, the above notion by the two authors imply that the public-administration relationship is brought about by the fact that the public in practice has to do with the delivering of services to people through the performance of administrative functions. Therefore, the output-outcome model as a result of the practical functioning of public administration is necessitated by administrators in their relationship, with accountability to the citizenry. The public and public administration are inseparable, especially in dealing with matters of governance, like accountability, responsibility, transparency and the rule of law. Against this background, public administration, both in theory and in practice, has to be discussed so that public administration's role is understood, as well as practices in public organisations, public service in particular.

P(p)ublic A(a)dministration is broad-ranging and has a combination of theories and practices designed to promote an understanding of government and its relationship with the society. It also has to encourage the formulation of public policies to be more responsive to social needs and institute managerial practices on the part of the public organisations that are substantially attuned to effectiveness, efficiency, and increasingly, the deeper human requisites of the citizenry (Coetzee 1988:18). Different authors within different contexts constantly raise the theory versus practice relationship. Within this context, the theory-practice relationship in particular, there is an indication of the importance of theory as one of the components within the Public Administration discourse. However, what is most essential is the fact that public administration is not an end in itself because theory plays a very important role in building and nurturing Public Administration and provides a basis to apply in practice.

In their comment and analysis of public administration, Fox, Schwella & Wissink (1991:2) define public administration as that 'system of structures and processes', operating within a particular society as environment with the objective of facilitating the formulation of appropriate governmental policy, and the efficient execution of the formulated policy. From this perspective, public administration establishes a bond between the society, public policy and government as key players by using structures and processes accurately. Therefore, public administration without people's involvement in public policy formulation and implementation, and the government's use of its structures and processes, is a fallacy.

The concept of the supremacy of the law was an important change because it insisted that the law binds both the rulers and the ruled (Perry, 1989:98). Referring to Perry's argument, the government and the public servants, should serve the public with dignity and respect. The Constitution requires that government should deliver socio-economic services to people and people are also expected to act according to the Constitution in demanding such services. In this context the ruled and ruler have to respect the Constitution in order for public administration to function properly. The above picture signals that managers and other public servants in government should respect and adhere to the provisions of the Constitution and other legal measures, such as the PFMA.

It is important that the above is analysed within a particular context or fundamental principles. The following are foundations of public administration and it is important to understand the meaning or elements regarding governance.

2.5 PUBLIC FINANCE MANAGEMENT THEORETICAL OVERVIEW

The public finance management system in South Africa has gone through fundamental changes and is still under transition, especially after South Africa's democratization in 1994. These fundamental changes in public finance are characterised by the fact that public service, in general, in South Africa has evolved as well and is still in the process of transformation. On the basis of the public service transformation in general and public finance in particular, institutional design and the mind-set of public servants in general have to respond to the transformation taking place in the Public Service

Therefore, managerial leadership should be skilful both conceptually and technically, especially in public finance systems and governance in general. It is because a skilful leader should be able to ensure that government objectives, particularly in implementing the PFMA are maintained. Hence, this chapter discusses the theory of public finance and provides differential conceptual analysis of 'budget and budgeting system' as sometimes used interchangeably, which is an evolution of public finance in South Africa, especially with the introduction of Medium Term Expenditure Framework (MTEF). It is because MTEF influences the budgeting system, planning and budgeting, including financial planning and management. This chapter outlines the budgeting system in South Africa and the role-players within the budgeting process in order to explain the dynamic nature of the public finance management system in South Africa.

2.6 PUBLIC FINANCE MANAGEMENT EVOLUTION IN SOUTH AFRICA

In the past, the South African budgeting system was secretive. There was no open formula for funds allocation for the country. Again, literature reveals that the budget was a matter of the executive, meaning that the executive was at the forefront of compiling the budget, with fewer roles for Parliament.

Parliament was simply 'rubber-stamping' what the executive has compiled. Due to the secretive nature of the budgeting process, it was difficult to analyse and scrutinise service delivery trends and conduct financial analysis because budget documents were not accessible. As a result, accountability and transparency suffered as elements of good governance.

The former Department of state Expenditure and the function Committees determined budget allocations. These committees were responsible for co-ordinating budget proposals and distributed allocations for a given function, like health or education (Walker & Mengistu, 1999:58). This confirms that the executive was the major role player when it comes to budget process, particularly allocations to spending departments and parliament's role was minimal

Undoubtedly, the budget process or allocation was no two-way process, inclusive and participatory. In essence, the budget process was not inclusive and highly centralised. For example, the function committees were very exclusive in approach and reflected control of funds rather than managing funds for service delivery improvement. As a result in 1995, these committees were disbanded (Walker & Mengistu, 1999:58).

The above description of past processes was based on a traditional form of budgeting, namely the line-item budgeting system. Again, the Exchequer and Audit Act of 1975 reflected the basis for expenditure control because the Act was not intended to 'manage' public finances, but to 'control' them. Additionally, the Act was too prescriptive, meaning that there was no option for flexibility as it was based on rules.

As Abedian, Strachan and Ajam (1998:54) explain traditional budgeting focused on expenditure controls and the aim was simply to keep control over money spent on government. For example, with regard to its objective or aim, the Exchequer and Audit Act states that the Act regulates the collection, receipt, control of state property and monies of the state (Exchequer and Audit Act, 1975:2). Given the objective of the Act, it is evident that the Act was input and control-oriented rather than focusing on results and management.

Due to the administrative nature of public finances, accounting officers were not active within an organisation because management culture was not the order of the day, the organisational culture was rule-bound, with less flexibility and delegation. Service delivery was not customer-oriented, as a result value for money suffered. The Exchequer Act operated within a traditional budgeting system like line-item budgeting system, which was not results-focused, but input oriented. With regard to the item budgeting system, an input-focused management and budgeting are oriented towards how much resources, staff and facilities, are made available for a programme or ministry (Organisation for Economic Co-operation and Development, 2002:8). The OECD's view on the item-budgeting system clearly indicates that a traditional approach to budgeting as outlined by the OECD was not focused on results or outcome; the latter is crucial in the modern public management.

Since the transition to democracy, the new constitution demands transparency and accountability on matters of governance. In 1998/9, the medium term expenditure framework was introduced in South Africa in order to encourage the participative approach in budgeting process, transparency, accountability and policy-budgeting co-ordination.

The introduction of the PFMA also encourages effective financial management, transparency and accountability. The budget is more decentralised and all spheres of government make decisions about the budget through established forums or structures. Research shows that performance budgeting has been introduced worldwide and some countries such as Australia and New Zealand have introduced it. The introduction of performance budgeting in South African Public Service is important as it introduces a results-oriented approach and encourages the management of government resources with flexibility within the legal framework so that managers remain accountable.

2.6.1 Public Finance Principles And Concepts

Before discussing and explaining the relevant principles and key concepts with regard to public finance management in the public sector, it is important to understand what public finance is all about. Is it a discipline of Economics, Management and Finance or are they intertwined in a complex and exciting field of study?

This theoretical section of the Chapter will pay particular attention to all relevant and fundamental principles of public finance management. To fully understand the environment of the public finance sector, it will briefly address the democratic processes that lay the foundation for the accountability of elected officials in a bureaucracy. The key principles of economics and contemporary finance are explored. This provides a clearer understanding of public sector finance and the efficiencies or lack thereof within the public sector. A large section of this chapter is dedicated to accountability which forms the backbone of the democratic and participative processes. Accountability cannot be discussed without monitoring and evaluation in assessing the value-for-money concept that is effectiveness, efficiency and the economic use of resources.

Contemporary Public Finance

Economics of the public sector are located within the field of study of the political economy and economics of the public sector, and involves the study of public finance, government's policies and its role in the industrial sector of the economy (Trotman-Dickenson 1996:3). Public finance relates to the finances of the state in a multidimensional way. Public finances is manifested in the budget, which is financed mainly through taxation. Taxation implies that certain moneys are collected from the total money available in a country.

The problem with this theory is that it implies that public finance is in the field of economics. The study of economics does not cover government budgets and the management of its financial processes and procedures (Visser and Erasmus, 2002:7). Therefore the study of public finance is not a pure stream of economics, although the government is a major role-player in the economy.

The traditional understanding of economics concerns the efficient and effective use of scarce resources to deliver a service and/or product. In the South African context, but not exclusively so, another attribute is added through the PFMA, that is, the equitable use of resources. The equitable use of resources was particularly added as a result of the past inequalities with regard to the distribution of resources. Economics in the public sector is primarily about the efficient and effective use of resources to deliver economic and equitable services and/or products.

Contemporary public finance management developed from financial administration, which forms part of public management and administration, is the more acceptable approach to public finance management practitioners. When discussing contemporary public management, it is worthwhile to look at what McKinney (1995:1) says about public financial management

Democratic processes

Contemporary authors such as Fox and Meyer (1995:15) called representative democracy “incredulous” because it relies on a model whereby elected representatives act for and are accountable to the people, while unelected officials are controlled by means of a hierarchy and a chain of command. Naturally there are many weaknesses in such a model, for example, political candidates will compete in terms of images rather than on substance and on re-election often becomes automatic, though people are generally unhappy with the legislature’s performance.

Representative democracy fails if reliant on the so-called orthodox systems of management. Orthodoxy entails hierarchical and bureaucratic control and a proliferation of laws and rules. If, however, democracy implies more than just the ability of citizens to cast their votes once in a while, it is indeed the best form of government. Therefore, Hollis and Plokker (1995:49) argue that democracy and good government should be considered synonymous. Good government in turn is based on popular sovereignty (implying conditional authority only for government), the separation of powers, the rule of law and representation with active people’s participation. Good government is about ensuring responsive delivery, social stability and promoting a set of values in the context of diverse interests and concerns (Mahlangu, 2000:29).

Predictability

Predictability refers to the legal framework that must ensure stability in order to allow for a rational assessment of risks and costs relating to behaviour and transactions (Fuhr, 2000:66). The constitution of a country ensures that the authority of government is not only controlled by the power of votes, but also by the supremacy of law. The constitution and legislation creates a framework that is both regulatory and enabling, but it also means that it provides a degree of reliability and predictability upon which systems supporting financial management can be based (Burger, et al 2006:22). Predictability has many economic spinoffs, especially from an investor's perspective. South Africa has for some time been trying to attract meaningful and significant foreign direct investment to its shores. With a predictable economic, political and social environment, it enhances the investment climate as well as foreign and local confidence in the country.

Public finance management and Accountability

One of the traditional cornerstones of democracy is the fact that each political representative, as well as each public official, is subject to accountability. This means that each of them should give account in public of his or her activities. It is generally accepted that political representatives and public officials should display a sense of responsibility when performing their official duties. In other words, their conduct should be beyond reproach so that they will be able to account for their acts in public (Cloete, 1986:17). Democracy entails accountability for the exercise of power. Accountability also involves constructing appropriate systems that allow decisions to be taken in a context that promotes honesty and productivity (McGee 2002:9). South Africa's whole system of government – executive, legislative and judiciary – is part of the accountability mechanisms existing within a state. Accountability can be viewed from different points of view: The Public Administration Dictionary (Fox & Meyer, 1995:1) defines accountability as:

- “The responsibility of government and its agents towards the public to realize previously set objectives and to account for them in public.
- Commitment required from a public official to accept responsibility for his/her actions or inaction.
- The obligation that a subordinate has to keep his or her superior informed of the execution of responsibility”.

Accountability is therefore a personal obligation, not only of the appointed departmental accounting officer, but of all other officials as well. Each public office-bearer should therefore display a sense of responsibility in executing his/her official duties and even beyond that, namely to display absolutely irreproachable ethical behaviour (Burger, 2002; Gildenhuis, 1993:56). Accountability is not primarily about control and catching people out in illegal practices of course, one must have control systems in place that are capable of doing this but about instilling or reinforcing an ethos of legal compliance and efficient practice (McGee 2002:10).

Accountability is the process of requiring people to account for their actions. Many public service organizations are required by law to provide information to service users, citizens and government. Systems must be in place which define aims and objectives and which monitor how resources have been used to achieve them. Doherty and Horne (2002:327) state that accountability is not simply about apportioning blame or praise. Accountability raises fundamental questions about the purpose and practice of the public service organization. Introspection and the need to reflect about the role accountability plays in an organization's governance structure is at times all too easily ignored by officials and politicians alike.

Transparency

Transparency and openness are principles of governance that require officials to act openly. It shows that government officials have nothing to hide and that all decisions and transactions can stand up to public scrutiny. Sekoto and Van Straaten (1999:11) argue that openness and transparency promote a customer focused approach by placing citizens in a position where they can contribute to the improvement of service delivery by obtaining the correct information to enable them to assess the government's performance. For the purpose of this study, transparency and openness will be placed in the context of accountability and responsibility towards meeting objectives and outcomes as stated in the PFMA. Transparency refers to the availability of information to the general public and clarity about rules, regulations and decisions. It therefore complements and reinforces predictability (Asian Development Bank, 2004). Transparency is evident in the legislative structures that provide for a participative process in the compilation, for example, of the budget.

The Local Government: MFMA and the Local Government: Municipal Systems Act (2000) clearly defines the process of compiling a municipal budget. For a budget to be credible, stakeholder participation is of utmost importance. South Africa is challenged to this end as there are far too many instances where stakeholder participation is seen as an irritation rather than a necessity.

Corporate Governance

The introduction of the concept "governance" into development is generally attributed to the World Bank and its 1989 paper on *Long-Term Perspective Study on sub-Saharan Africa* (Crawford 2006:117). He continues to highlight that in the context of poor results from structural adjustment programmes in Africa, a new departure was evident with the assertion that underlying the litany of Africa's development problems is a crisis of governance and that Africa needs not just less government but better government. (World Bank, 1989: 60) Therefore, whereas implementation had previously been regarded as simply a matter of political will, the attention has now shifted to the nature of government and to the introduction of political and administrative reforms.

Monitoring and evaluation must be seen in the broader context of corporate governance. Establishing a code of conduct for managers and business/organisational leaders in South Africa was of paramount importance. The first King Report in 1994 was hailed as the 'bible' for corporate governance, also in South Africa. This report has since been updated in March 2002 and has replaced the 1994 report. Cadbury (1999) explains that "Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals ... the aim is to align as nearly as possible the interests of individuals, corporations and society." To this end, the King Report (1994) went beyond the financial and regulatory aspects of corporate governance in advocating an integrated approach to good governance in the interests of a wide range of stakeholders having regard for the fundamental principles of good financial, social, ethical and environmental practice.

Corporate governance principles were developed, *inter alia*, because investors, with the era of the professional manager, were worried about the excessive concentration of power in the hands of management (King, 2002). This protection against greed could encourage the sins of sloth and fear, with an erosion of enterprise and an encouragement of subservience. A balance is needed.

The King Report (2002:14) concludes that the significance of corporate governance is now widely recognised, both for national development and as part of international financial architecture, as a lever to address the converging interests of competitiveness, corporate citizenship, and social and environmental responsibility. It is also an effective mechanism for encouraging efficiency and combating corruption. Companies are governed within the framework of the laws and regulations of the country in which they operate. Communities and countries differ in their culture, regulation, law and generally the way business is done. As a consequence, as the World Bank has pointed out, there can be no single generally applicable corporate governance model

Efficiency

The Public Administration Dictionary (Fox and Meyer, 1995:41) defines efficiency as the "... primary objective of administrative science. The term conjures up images of clear-cut comparisons of costs with the value of outputs, profit (or benefit) maximisation and cost minimisation (or recovery), lean and mean operations." Efficiency is one of the components of a performance audit. A performance audit broadly assesses if value for money has been achieved in relation to the service delivered. Gildenhuis (1997:501) defines efficiency,

"...as the relationship between goods and services rendered and their sources used for them. Efficiency shows the maximum results for any given combination of resources or uses the minimum resources for any given quantity and quality of goods and services rendered."

Sheldon (1996:5) describes efficiency as “attaining the best possible use of scarce resources to complete a job. Efficiency can therefore be defined as doing things the right way”. The South African Revenue Service (SARS) seem to personify efficiency in its daily operations and in particularly with the annual tax assessment period. However, efficiency will not have an impact on its own; it is closely linked to effectiveness, economy and the equitable share of resources.

Effectiveness

Effectiveness is about achieving outputs or objectives. The most important thing to note, is that the degree of effectiveness says nothing about how much was spent to achieve its goal. According to Sheldon (1996:6), “effectiveness refers to the selection of the best alternative method of achieving management objectives”. Furthermore, effectiveness can be measured as actual against planned performance, and therefore, can be defined as the measure of outputs (Venables & Impey 1991:427).

Financial Reporting

Against the above background, the issue of financial reporting is of particular importance to this study. In South Africa, uniform Treasury norms and standards, as implied by the Constitution, facilitate the deregulation of financial controls by providing a framework of principles and accountability requirements. The National Treasury Regulations establish fundamental best practice management principles (the norms and standards required by the Constitution), rather than specifying detailed procedures and processes.

The National Treasury assists national and provincial departments with the preparation of quarterly and annual reports by providing a reporting guide for ease of use for the accounting officers and/or authority. This guideline incorporates annual reporting requirements as set out in the various policy documents namely the Constitution, 1996; the Public Finance Management Act (PFMA); 1999, the Division of Revenue Act (DoRA), 2003; the Treasury Regulations, 2002; and the Public Service Regulations, 2001.

One of the key aspects of the Public Finance Management Act is to provide information on a regular basis to management, the appropriate Minister, the National Treasury, Cabinet and Parliament. Fourie (2002:120) argues that reporting can be considered according to two basic principles. Firstly, there is reporting on strategic issues on a quarterly basis to the Minister. This reporting must evaluate the extent to which the objectives have been met against the performance indicators that were set in the budget documents to Parliament. This reporting also forms the basis of the annual report of the department to Parliament. Secondly, reporting to the Minister and Treasury on a monthly and quarterly basis on expenditure and revenue figures against the budgetary provisions.

Management should use the reports to take corrective steps to prevent over expenditure/ under expenditure and the under collection of revenue. Furthermore, these reports will form the basis of the regular reporting by Treasury to Cabinet on expenditure and revenue figures against budgets by the national and the provincial departments. The reports also form the basis of the consolidated national and provincial expenditure and revenue figures against budgets that must be published quarterly by Treasury in the Government Gazette.

2.7 A LEGISLATIVE AND POLICY CONTEXT

The South African Constitution of 1996 is internationally acclaimed as one of the best Constitutions in the world. What is precisely meant by this, I am not so sure, as it presents a fledgling democracy with huge challenges, given our oppressive history. The National Assembly⁵ and the provincial legislatures⁶ are required by the Constitution to provide for mechanisms to ensure that all executive organs of the state, within their respective spheres, are accountable to them, and that they maintain oversight of the executive and any organ of state.

Chapter 13 of the Constitution sets the framework of finance guidelines and all preceding legislation takes its policy directives from this chapter. The legislative framework for financial management and reporting in the public sector consists of the Constitution and other overarching guiding documents, *inter alia*, requiring further legislation to establish a treasury, to introduce generally recognized accounting practices, to introduce uniform treasury norms and standards, and to prescribe

measures to ensure transparency and expenditure control in the various spheres of government (Burger and Durcharme 2006:17). This framework of legislation should not complicate or undermine financial accountability by the fact that different legislation applies to different entities. However, it is important to set the context for the need for transforming financial management in the public sector.

A modernisation of the financial management processes of the public sector has since been introduced. The Constitution of South Africa, 1996 (Act 108 of 1996) introduced a radical change from the previous political dispensation. These changes are directed towards departments improving the quality of life of all citizens through their departmental policies. The Constitution states that all spheres of government must promote transparency, accountability and effective financial management (RSA Constitution 1996, Section 215:1).

Chapter 13 stipulates that all money the national government receives must be paid into the National Revenue Fund. Furthermore, that money can be drawn from the National Revenue Fund only in terms of a law of Parliament. The budgets of income and expenditure of all governments in the national, provincial and local spheres must comply with specific requirements; national legislation will prescribe their form. Unlike in other federal and/or decentralised countries, neither the Constitution nor supporting legislation spells out quantitative parameters for revenue sharing, nor does it explore the details of co-operative governance.

The Constitution also prescribes the establishment of a national treasury to ensure transparency and control over expenditure. Legislation in the form of the PFMA (Act 1 of 1999) prescribes the generally recognised accounting practices, uniform classification, norms and standards. The PFMA was only enacted in 1999 largely as a result of the extensive consultative process that was required to ensure a comprehensive Act that included all stakeholders. Between 1996 and 1999, the Exchequer Act continued to be used as a reference document, but only highlighted the urgency of the need for transforming the public financial management regulatory tool.

2.7.1 Oversight

Parliament has the oversight responsibility, on behalf of the public, for the executive authority, and therefore needs appropriate mechanisms for reporting by the executive. Parliament as the legislative authority must evaluate and eventually approve all legislation falling in the sphere of government. Ideally, the oversight process should give a complete picture of an entity's performance, encompassing its financial affairs, its systems and its service delivery performance. However, due to the complexities of these different issues, it is unrealistic to expect a single committee to deal with them all. Therefore, In the process of evaluating financial issues, Parliament has established a number of committees.

In addition to these oversight committees, opposition parties play a vital role in ensuring that the government of the day is kept in check by playing a watchdog and whistle-blower role. Esau (2003:132) explains the important role that the opposition party plays in the oversight of the legislature.

The Parliamentary Committee on Finance: The Parliamentary Committee on Finance has been established to advise Parliament with regard to issues relating to financial management. National Treasury (2000:50) assists this portfolio committee with guidelines to ensure that the:

- “the overall financial principles that are in policy documents are reflected in the budgets;
- budget structures are understood by the parliamentarians;
- macro-economic and fiscal policies are acceptable, and
- budgetary processes are practical.”

The Standing Committee on Public Accounts (SCOPA): SCOPA is one organisational form through which Parliament ensures the accountability of government. SCOPA oversees the effective, efficient, economical and transparent management of departments, based on the Auditor- General's report. It also makes recommendations on the improvement of financial management in the government and in departments. For SCOPA to function at all, it requires the information essential to a proper assessment of the governance and performance issues it wishes to address.

McGee (2002:35) states that this information must be provided by the Auditor-General's office. SCOPA may recommend sanctions against accounting officers. SCOPA may also recommend that charges of financial misconduct be brought against officials.

2.7.2 PFMA

The PFMA of 1999 represents a radical departure from the Exchequer Act 66 of 1975. The PFMA repealed the ten exchequer Acts that previously governed public financial management. It was developed to transform an environment where financial administration was rule-bound and management exclusively input focused, policy and financial responsibilities in departments were separated, where capital resources and liabilities were not properly managed and where there was a great lack of reliable and timely information.

The PFMA places greater emphasis on accountability for results (outputs and outcomes). The overarching aim of the PFMA is to improve the operational efficiency of government spending, referred to as the value-for-money concept. The pursuit of value for money is being driven by other external factors in the global economy. In a world where capital markets are becoming increasingly integrated, fiscal governance in a country is becoming a key indicator, which is scrutinised by foreign investors in assessing a country's risk (Abedian, 2004:18).

The PFMA put in place a legal framework for modern public financial management, shifting the onus of managing the use of resources from central control to the managers of spending departments and agencies. This mirrors the shift in budget preparation practices from central decision-making to discretion resting with spending departments for programme choices within spending ceilings.

The PFMA is one of the milestones of the government's budget and financial reform agenda. The first reform, such as Gear and the deregulation of many aggregate fiscal discipline. Secondly, reforms such as the Medium-Term Expenditure Framework (MTEF), the emerging intergovernmental fiscal relations system and the realignment of sectoral policies placed greater emphasis on the allocative efficiency of public resource allocation.

The third generation of reforms – of which the PFMA is a part – emphasises operational efficiency (Abedian, 2004). The PFMA essentially locates budgeting and financial management within a performance management framework.

2.7.3 Medium Term Expenditure Framework

The development of financial management and reporting has been revolutionised through the Medium-Term Expenditure Framework (MTEF). Unlike the previous financial system prescribed through the Exchequer Act (1975) financial system, the development of budgetary reforms allows government to switch to an accrual accounting system, a revised basis for reporting assets and liabilities, a restructuring of the accountability of the various departments and a transformation of the structure of inter-governmental financial relations.

Although South Africa is not the first country to adopt a multi-fiscal policy, it certainly has a more refined and detailed policy. The post-1994 political landscape challenged the South African government at national, provincial and local level. It was faced with a huge budget deficit and an economy that had shown little to static growth. The study focuses on financial reporting in the public sector and whether the present system in South Africa (SA) is adding value to the measurable outcomes-based objectives process as required by the Public Finance Management Act (PFMA). The current study will determine the role of the Medium-Term Expenditure Framework (MTEF) in financial reporting, also in relation to the business plan (strategy) and measurable outcomes and results.

One view of the MTEF is that it is the end-result of explicit and implicit policy decisions and policy trade-offs made by bureaucrats following the broad policy commitment of the executive, and finally decided on by the political principals. Fölscher and Cole (2004: 114) argue that while the MTEF is usually presented as a broad conceptual framework with certain desirable features, it is important to recognise that it is effectively the outcome of many layers of micro-decisions taken by programme and project managers in different spheres and at different levels of government.

A significant achievement of the MTEF process in South Africa is the degree to which it has attained co-ordination of these decisions towards policy priorities. Furthermore, these policy processes and conceptual framework is given effect through monitoring and evaluation by the oversight committees.

2.7.4 The Auditor-General's Role

It is the role of the Auditor-General to help ensure that the use of public sector resources is adequately accounted for by the government, both by the extensive independent audit, and the report work carried out by the Auditor-General's office. McGee (2002:21) makes an important summation in stating that of fundamental importance for an Auditor-General is independence. Independence in this sense means being independent from the entity being audited which, in the Auditor-General's case, means the government. Independence, of course, has to be reconciled with accountability, because no entity or individual should be unaccountable. Also independence does not mean insulation from the suggestions or persuasions of others. The Auditor-General must be sensitive to political and public concerns, and it is perfectly legitimate, indeed essential, that those concerns should be important influences on how Auditors-General distribute their audit resources.

McGee (2002:34) states that the increasing internationalisation of public sector accounting and audit leads inevitably to the question of defining acceptable standards across audit jurisdictions. This globalisation of public sector accounting and auditing presents its own set of challenges. For example, international bodies are attempting to promulgate international audit standards that may gain wide acceptance. However, the difficulty with such standards is that their application at the national level can differ significantly. However, it is important to note that the expertise in legislative audit lies with the Auditor-General, and it is the Auditor-General, with support from SCOPA, that set internationally recognised public audit standards and practices. Standards should be prescribed in detail and not just left to the skill and judgement of auditors to develop (McGee 2002:34/35).

2.7.5 The Role of Treasury

The National Treasury and the provincial treasuries are often expected to play a role in assisting all committees in Parliament and provincial legislatures to play their oversight roles. The National Treasury control function is set out in the Constitution, Chapter 13 s216, wherein it clearly states that treasury must ensure transparency and that there is control over expenditure. To exercise these controls, National Treasury has the following roles and functions:

- to provide guidance to departments on budget limitations;
- to evaluate and measure budget inputs received from departments against
 - the guidelines as approved by Parliament and Cabinet, and
- to evaluate departmental budget submissions and negotiate with
 - departments about funding requests, MTEF allocations, departmental
 - priorities and possible savings and revenue collection (National Treasury Regulations, 2001).

In addition, the National Treasury makes recommendations to the medium-term expenditure committees (MTECs) about budget inputs of departments. Inputs are also made to the Minister's committees on budgets (MINCOMBUD) about budget inputs of national departments and provincial budget committees. Finally, National Treasury identify and determine the overall spending level of government and develop an MTEF for the public sector as a whole for the current and forthcoming financial years.

2.8 TRADITIONAL PUBLIC ADMINISTRATION TOWARDS THE NPM

Literature reveals that public administration has evolved and is still, evolving from its traditional approach to the so-called the 'new public management or 'managerial' approach. Some authors label the 'new public management' as a market-based form of public management. Central to traditional public administration is the challenge to and criticism of bureaucracy and its principles regarding public administration. For example, Mthembu (2001:2) expresses that "a shift from public administration to management is highly commendable due the fact that South Africa, like other countries, is not immune from the impact of globalisation on the Public Service".

Mthembu (2001) further comments that “the public management model appears to be a strategy to meet the challenges of globalisation and to promote professionalism, accountability, transparency and service-oriented Public Service.”

These principles are outlined in Max Weber’s well -known essay known as Max Weber’s ideal form of bureaucracy. Weber’s principles have been outlined earlier in the text, under Weber’s model of bureaucracy. The most fundamental area criticised is bureaucracy, namely that government institutions should organise themselves according to the hierarchical, bureaucratic principles. Morstein and Marx *cf.* Cayer & Weschler (1988:12) argue that this form of rationality is referred to as institutional or procedural rationality as it is a foundation of traditional public administration theory. The same model provides a ‘one best way’ of working and procedures to be followed by administrators (Hughes, 2003:1).

Woodrow Wilson (in Starling, 2002:53) writes of traditional public administration, stating that “is a political administrative dichotomy that suggested that politics and administration are two distinct issues”. As a result, in his comments, Woodrow Wilson (in Starling, 2002:53) says ‘the field of administration is a field of business and it is removed from the hurry and strife of politics’. His assertion was on the emphasis that politics and administration play different roles in public administration and they should be separated. Wilson (in Hughes, 2003:1) states that the administration has to carry out instructions, while matters of policy or strategy were the preserve of the political leadership. Another theorist, Taylor (in Hanekom & Thornhill, 1983:74), viewed a worker as an extension of the machine and stated that the worker should therefore perform just as efficient as the machine he served, hence the ‘machine model’. The ‘machine model’ did not provide room for initiative and flexibility and was emphatic on authority and rule, including procedures (Hanekom and Thornhill, 1983:74).

The above issues are views of the traditional public administration by the above theorists, and these views created difficulty in providing and facilitating quality service speedily, promoted inefficiency and less discretion and left no room for creativity, and were inflexible in managing public affairs in general.

Traditional public administration has been widely criticised on the basis of its outdated application in 'modern' governance. Evidence indicates that traditional public administration does not promote a results-based management (RBM) model, a model that ensures that a linkage between input-output outcomes is crystal clear and implemented. Under the RBM model, which is central to the 'new public management' (NPM) model, the public sector in general and public officials are also expected and encouraged to be results-oriented.

The New Public Management Model: Some Perspectives

Developments in public administration made it possible for most countries, including South Africa, shift from traditional public administration to the NPM model. As a result, Hood (1999:5) notes that traditional public administration, as an old-fashioned style, typically characterised as rule-bound and process-driven, is being replaced by results-driven, managerially-oriented approaches to public service provision with a particular emphasis on efficient least cost provision.

In support of the NPM model, the Organisation of Economic Co-operation and Development (OECD) argues that "this new management paradigm emphasises results in terms of 'value for money' to be achieved through management by objectives, use of markets and market type mechanisms, competition and choice, and devolution to staff through a better matching of authority, responsibility and accountability" (Hughes, 2003:3). This advocates a results and managerial approach regarding the delivering of services to people, and pronouncements by the OECD share the same value and principles of the South African Constitution, section 195; the Public Finance Management Act (PFMA), 1999; and the White Paper on Service Delivery, especially its value for money principle. The PFMA under review is within the NPM model, including the aforementioned policy frameworks.

Additionally, scholars in Public Administration advocate that the contemporary public administration, within the framework of its normative factors, strives for:

- 1) more and better services with available resources;
- 2) the spending of less money without impairing the quality of services;
- 3) stability in a rapidly changing social, political, economic and technological environment;and
- 4) the development of public institutions to deal with social pathologies (Hanekom & Thornhill, 1983:193).

Regarding the above arguments, the authors raise the fundamental aspects regarding the NPM school of thought, namely that the Public Service should be able to cope with environmental changes taking place in the country, such as economic, social and political. The NPM management model also maintains that in providing services, resources are used economical and efficiently.

Features of the New Public Management Model

Some perspectives of traditional public administration have been provided so that the shift from traditional to the new public management model is contextually understood and its background is known. Hughes (2003:54) provides the following features of the 'new public management' model:

Strategic approach: Governments develop long-term planning and strategic management. This means that governments decide on the organisation's mission, goals and objectives, organisational environment, including strengths, weaknesses, opportunities, and threats that could affect an organisation;

Management within administrative framework: The NPM model requires professional management, within and administrative realm. In this model, managers are involved in policy and relatively involved in politics. Managers are responsible for achieving results;

Focus on results: The NPM model believes that organisations should focus on outputs or outcomes, instead of strictly or solely focusing on inputs. Fundamentally to the NPM model, is the performance by individuals and agencies. Agencies are expected to develop performance indicators as a way of measuring the progress made towards achieving declared objectives.

The general aim is to monitor and improve the progress of staff and agencies towards achieving objectives. With regard to performance (Hughes, 2003:55) argue that performance orientation is marginally influenced by the existence of performance information. Greater attention has to be given to changing the incentives in the institutional framework, that is the budget, personnel systems, and risk management;

Improved financial management: Evidence shows that budget reforms have been successful within public management reforms. The most successful change is on performance budgeting systems by replacing the old-line item budgeting and accounting systems. Under line-item budgeting system, the focus is on inputs rather than outputs or what the agency does and the budgeting systems focus on control with little or insufficient information on actual programme delivery. Under the NPM model, the accrual system replaces cash accounting system. Public management requires increased attention on the best use of resources;

Relationship with the public: Within the NPM model, there is an encouragement and recognition that managers should have direct accountability with the public. This demands a client focus and responsiveness, which are found in the traditional public administration. It is also evident that the NPM adheres to a results based management model (RBM). The RBM model provides a coherent framework for strategic planning and management based on learning and accountability in a decentralised environment. The model also aims at improving management efficiency and accountability by defining realistically expected results, monitoring progress towards achievement of expected results, integrating lessons learned into management decisions and reporting performance (Development Assistance Committee, 2000:9).

An evolution, which is taking place in public administration, is based on an informed background or a position. Even the transformation in South Africa, after democratisation in 1994, was based on an informed theoretical background. Therefore, an evolution from public administration to public management is no exception, it has to happen due to environmental factors.

On the basis of the change outlined, many organisations have been redesigned to suit the change and they are informed by the circumstances. The question remains whether public administration is a science or an art.

2.9 CONCLUSION

Understanding the world of public finance and economics is an integral part of the development of public sector management. What is of great importance into understanding is that the provisions of legislative frameworks are set by high level government officials and politicians. However, the actual compliance to the rules and regulations are the responsibility of highly paid professional officials. The accountability remains with the political head of that department. The norms and standards of financial reporting in the public sector are very prescriptive and have contributed largely to the standardization of financial reports.

The vast area of public finance covers budgeting as well as taxes and revenues. Whicker and Areson (1990:81) explain that public managers must also be concerned with financial management including activities ranging from cash management and the investment of idle funds to debt management. Complementary to all these tasks are financial reporting and accounting.

CHAPTER 3:RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

This chapter describes and explains the methodology and the overall design of this research study. A research methodology can be defined as a prearranged approach for undertaking a research study with consideration of the research problem, research primary question, objectives and hypothesis. According to Philliber *cf.* Yin (2003), in social science study there are numerous methodological paradigms whose purpose depends on the nature and setting of the research. Equally so, the methodology and design choice further expands and explains data collection and analysis processes used in the research study.

3.2 AN OVERVIEW OF RESEARCH

Research can be regarded “as a logical process of collecting, analysing, and interpreting data in order to enhance the understanding of the phenomenon under investigation or that is being studied” (Leedy & Ormrod, 2005:2-3). On the other hand, Cohen, Manion and Morrison (2000:46) regard research as “the process of arriving at dependable solutions to problems through the planned and systematic collection, analysis, and interpretation of data. It is a most important tool for advancing knowledge, for promoting progress, and for enabling man to relate more effectively to his environment, to accomplish his purposes, and to resolve his conflicts.” This explicitly describes and explains research and its purpose.

Subsequently, in the management of the provincial governments’ affairs, it is important that once public problems have been identified, they are responded to meaningfully to ensure the improved social welfare of all citizens. Identified problems should be thoroughly investigated and tested to better understand the nature of the problems and explore possible scientific solutions. Research sciences should produce products that have socio-economic benefits or potential to the relevant communities (Lawton, 1998:10).

Research should be linked to national priorities such as socio-economic deliverables which are contained in the Medium Term Strategic Framework of government (Sedisa, 2008:233). In the context of this study, the empirical research should result in the understanding of the financial management environment and the legislative compliance requirements. This understanding will be translated into sound public finance and value-for-money. In addition, the study should also come up with proposals as to how best the Department of Treasury and Planning can improve its financial management systems towards the provision of quality goods and services.

Research, from an academic point of view, is often conducted for the purposes of discovering new knowledge on a particular subject matter (Koshy, 2005:3). Berg (1989:7) suggests that “conducting research is not merely to collect data but rather to discover the correct and relevant answers to questions through a systematic approach. This illustrates that research is not only about data collection but the need that prompted the study to be conducted. That goes hand-in-hand with problem identification in a specific environment or setup because the service delivery environment is not rigid but changes over time”. Undertaking empirical research is coupled with challenges that need to constantly be dealt with. Most of these challenges emanate from the fact that research is characterised by the participation of human beings as research subjects (Neuman, 2007: 49). Naturally, people think, perceive and interpret the environment within which they find themselves (social and economic) differently based on their experiences, research and assumptions. This narrative endorses the fact that empirical research is often accompanied by challenges in such a way that research ethics become the basis to have all parties involved to freely participate in the study.

Closely aligned to this, Wilson (2006) observed that “people are engaged in an on-going process of making sense of the world, in interaction with their fellows and we, as scientists, are seeking to make sense of their sense-making. In doing so we must inevitably make use of the same methods of interpretation as does the person in his or her common-sense world.” This view triggers a researcher’s suggestion that studying people in their natural settings as well as the circumstances in which they function, is one of the key challenges that relate to issues of confidentiality and privacy.

Research should also have some measure of reliability and credibility. Neuman (2007:7) puts across another challenge that some people are reluctant to disclose what they know or are doing, yet others tend not to tell the truth. In social and other research sciences there are useful approaches to research on human beings in their social setting which, to some larger extent, deal with some of these challenges.

3.3 RESEARCH DESIGN

To every scientific research enquiry there is a research design showing the key factors, the data collection, analysis processes and their interrelationships in ensuring that the final research report responds to the initial research questions (Babie, 2011:85). Yin (2003), describes a research design “as a roadmap for conducting research, and further defines research design as a logical sequence that links empirical data collection to initial research questions and eventually to its conclusions”. Mouton (2001) confirms “research design as a plan, or blueprint on how to conduct research”. Therefore, research design can be referred to as a strategic framework and is critical to the success of the study mainly because research results can only be accepted, rejected, replicated or even understood in the context of how to get there (Andoh, 2012:118). In selecting the relevant questions to ask and the data to be considered in the research study, this study adopted the normative approach. Botes (1997) *cf.* Andoh (2012:119) suggests that normative research studies “are more concerned with propositions and postulations; the existing standard or situation is measured against a visualised norm and an evaluation is made to determine which principles should or could be promoted or improved to achieve the ideal state.” Drawing from the above contentions, the processes for data collection and analysis in the research study depends on the methodology and design choice.

3.4 RESEARCH METHODOLOGY

Research methodology is different from methods although in some cases they are interchangeably used as if they are synonyms. As mentioned in section 3.3 above, research methods have to do with the manner in which data collected is systematically interpreted and reported.

Sedisa (2008) suggests that, in the same context, “research methods should be regarded as the true practice of research exercise which is comprised of procedures or techniques and strategies applied in the process of conducting a scientific research enquiry, especially during data gathering.”

Methodology, on the other hand is broader than methods and yet critical in that it sets the philosophical groundwork for the research method. According to Dunne, Pryor and Yates (2005:162), methodology means “the study of, or a theory of, the way that research methods are used in undertaking a scientific study.” Ultimately it entails the description and analysis of research methods and highlighting their resources as well as their limitations. Hall and Hall (1996), write that “methodology should be the philosophy on which research is based. Therefore, the aim of research methodology is to describe and analyse the very same research methods, picking up their limitations and the scope of resources as well as the assumptions and possible results”. It can be deduced that methodology is the science of methods that enables researchers to follow established practices in collecting valuable data within a broader understanding of the research processes involved (Sedisa, 2008: 220).

Mouton (2002) agrees with this by suggesting that “research methodology takes into consideration the usage of standardised variety of methods and techniques that are aimed at increasing the likelihood of achieving validity in the scientific exertion”. In fact, there is general agreement among many authors that any human related science enquiry should use qualitative and quantitative methodology (De Vos, 2002:82). This study was conducted using the following research methods. The advantages and disadvantages of choosing this approach will be provided.

3.4.1 Qualitative Research Method:

Qualitative research “is an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem [such as poverty, unemployment, and economic growth]” (Mouton, 2001: 271). Leech and Onwuegbuzie (2007:568) write that “qualitative research can inform theory and model development in a way that leads to new insights into processes and practices within a particular setting, location, time and context experience”.

On a positive utilisation of this method Andoh (2012:133) writes that “using the qualitative approach allows for the gathering of rich, detailed data that leaves the participants’ perspective intact while at the same time providing a context to understand behaviour”. That implies that the methodological paradigm is specifically suitable for such a study in the discipline of Public Administration (Auriacombe, 2009:826).

Denzin and Lincoln (1998) write that qualitative research takes into account the processes and meanings that are not comprehensively or measured in terms of quantity, amount, intensity or frequency. This approach encompasses data collection and analysis methods that are not quantitatively-oriented. Qualitative research focuses on experiences and circumstances, which do not easily lead to quantitative measures (Sedisa, 2008:236). This is based on the assumption that reality is socially constructed and that there are various realities within which there are variables that are complicated and problematic to measure (Maykut & Morehouse, 1994: 27).

Furthermore, “a qualitative research method is appropriate for drawing in-depth information and is suited for the discovery of underlying motivations, values, attitudes and perceptions that the targeted respondents have on the subject matter” (Chisaka, 2000:10). Neuman (2006) shares a common view that “the survey method gives meaning to the use of research questions in qualitative research because a question is usually speculative, which requires explanatory open-ended responses”.

3.4 SETTING

The research study was conducted in Eastern Cape Province, South Africa. Data was collected using document review method.

3.5 DATA COLLECTION INSTRUMENTS

The instruments that the researcher used for data collection for this study involved document analysis. The whole data collection exercise began with a review and analysis of the existing documents that relate to public administration, public finance management and socio-economic development.

The exercise of document analysis and review provided the basis for the research need [problem] and questions and an introduction for the literature review on Public Financial Management and the use of private sector techniques and strategies in ensuring compliance (Andoh, 2012:139). The data collection instruments used is discussed below.

3.5.1 Document Review

The provincial Departments are required by statute to have inclusive performance management systems and tools to measure the socio-economic impacts emanating from efficient financial management (Popeneo, 1995: 44). This accounted for documentation readily available for analysis and review. Document analysis, according to Andoh (2012:139) “involves indirect observation. However, the document analysis process is not only limited in size of the sample but considers relevance to the study of a phenomenon in a specific area and time”.

Document review and analysis is mainly about locating the content of interest that has a potential of adding value to the solution, within the parameters of a relevant theory. Holsti *cf.* Andoh (2012:140) defines content analysis as “any technique for making inferences by objectively and systematically identifying specified characteristics of messages”. It originated from the mass field of communication and this technique has found momentum in different research fields such as Political Science, and Public Administration and Management for regulated analysis of nonverbal behavior studies (Bailey, 1982:314; Babbie, 2007:317). The researcher reviewed and analysed the following documents amongst others for the purpose of the study:

- Department of Treasury and Planning Strategic Plan 2014/2020;

- Public Finance Management Act (1999);

- Academic Papers and Journals;

Document review has a number of positive aspects which can be described as being economical in money and amount of time as compared with large scale of research surveys. Babbie and Mouton (2001) write that another advantage of document review is that it is a modest method.

In terms of legislations and policies, the following were found to be directly relevant to the study: *Constitution of the Republic of South Africa* (Act 108 of 1996); Medium Term Strategic Framework, *PFMA* and many more. But these were purposively carefully chosen.

3.6 DATA ANALYSIS

This section briefly discusses the data analysis process. According to Polit and Hungler (1993), “data analysis is about organising the data collected in response to the research question”. In other words, data alone, does not answer the research question. The collected data must be organised, processed and analysed in a systematic and orderly fashion in order to realise the research objectives and questions.

3.7 FEATURES OF A GOOD RESEARCH

According to Leedy and Ormrod (2005:35), “a good research exercise can be referred to as one that captures the correct true data and concludes by providing correct answers to the questions and problem that necessitated the research”. Any good scientific research enquiry should meet the key basic requirements of reliability and validity provided that the research is based on a clearly defined and correctly identified problem statement. Consequently, the reliability and validity of research methods are some of the significant features of a good scientific research enquiry. These features are briefly detailed and analysed below:

3.7.1 Research Method Validity

Sedisa (2008) writes that “all kinds of research enquiries are fundamentally undertaken to serve a specific purpose and that ultimately translate into understanding the value attached to the research findings and the extent of the research validity”. In addition, Hall and Hall (1996) write that “research validity is actually a means of measuring research accuracy, meaningfulness and credibility of the data and outcomes”. In essence, the validity concept may well be confined to the tools that are used in a research enquiry, which then refers to the extent to which the tool actually measures what it purposed to measure in line with established practice (Bell, 2005:67; Hall & Hall, 1996:45).

In a qualitative research approach, validity (Cohen et al, 2000:107) is regarded in terms of “the honesty, depth, richness and scope of the data achieved, the participants approached, the extent of triangulation and the disinterestedness or objectivity of the researcher”. This is similar to the opinion that the research will lead to an in-depth enquiry and understanding of the phenomenon.

3.7.2 Research Method Reliability

According to Bell (2005), data collection tool reliability measures the extent to which the technique produces similar results under normal circumstances in all instances. Reliability measurement is largely used in quantitative research methods but is also applicable in qualitative research method. Silverman (1994) argued that “the only way to realise a reasonable degree of reliability in qualitative research is when each informant understands the questions in the same way, and when answers can be coded without the possibility of uncertainty”. Furthermore, the quality of research can be improved by taking into account ethical issues.

3.7.3 Ethical Consideration

Neuman (2007) emphasises the importance of taking cognisance of the ethical issues and concerns associated with the research that the researcher intends to undertake. The Oxford Advanced Learners Dictionary (1995) defines ethics as a system of moral principles or rules of behaviour or conduct which provides for the creation of an enabling environment; to be ethical is to adhere to accepted norms and practices. Research is expected to show evidence of ethical conduct through the knowledge and permission of the research subjects (Andoh, 2012:33). This study adhered to pre-determined ethical guidelines and practices prescribed by the Nelson Mandela University.

3.8 CHAPTER SUMMARY

It is important to define the exact methods that were used in data collection in every research project. This chapter outlined the research methodology issues, and a distinction between research methodology and methods was made. Ultimately, the key method to research methodology in this study, namely quantitative research particularly theoretical Review was discussed and analysed in this chapter.

This chapter also emphasised the adherence to ethical requirements in order to ensure validity and reliability of research. Data will be presented in the next chapter, which is chapter four.

CHAPTER 4: DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

In social sciences, the sources used for collection of data need to be systematically analysed in order to purposely translate them into useful knowledge. The key stage in a first-hand research project is data analysis where the researcher gives meaning to what has been discovered during the research investigation. This implies that the data collected gets analysed and interpreted by the researcher with the aim of determining meaning and implications for the near future – in terms of the study under investigation and future studies. In the previous chapter a conceptual framework in the form of research methodology is presented as the basis for undertaking this research based on the theme of the thesis. This chapter presents the findings of the study.

During the study it was discovered that the new public management emerged with a hope of strengthening how government operates in the provision of services. It was found that, the Provincial treasury is one of the leading departments in the province that operates using private sector techniques. It was largely because of the nature of its mandate, which financial management and oversight throughout the province. With that, the department managed to improve key aspects to good governance leading to efficient provision of services through effective financial management, which incorporated private sector methods.

This finding was driven by the fact that the PT had strong financial management systems resembling those of the public sector, which clearly reflected in its annual reports for the past five years.

To put this chapter in context, attention is given to the research objectives outlined in chapter 1 and aligning with the findings of this study. This is to ensure alignment between the findings of the study and the objectives.

The following are the main objectives which the researcher set out to attain by means of this study:

The primary objective of this study was to:

- Investigate the effectiveness and efficiency of the financial management systems and its translation into good governance in the DPTP, Eastern Cape.

Secondary objectives were:

- Examine the extent to which non-compliance by the Department of Provincial Treasury and Planning has on service delivery and its clients.
- To assess and determine the use private sector techniques and strategies by the DPTP in financial management and compliance?

In the context of the above research objectives, now this chapter presents an interpretation of findings emanating from the data gathered. It further analyses data on the extent to which private sector techniques are used by the DPTP in performing its functions.

4.2 A CASE STUDY OF DEPARTMENT OF PLANNING AND TREASURY

With sound financial management and leadership, the above objectives can be easily achieved. The Public Finance Management Act, Act No. 1 of 1999, with regards to financial resources management outlines the following objectives:

- “Modernise the system of financial management in the public sector;
- Enable public sector managers to manage, but at the same time be held more accountable;
- Ensure the timely provision of quality information; and
- Eliminate the waste and corruption in the use of public assets”

National Treasury is responsible for the development and maintenance of financial management systems. This mainly because the financial reporting and management for government departments is mostly a nightmare for many departments throughout the province. The DPT’s responsibility extends into conducting financial oversight in all government departments and institutions in ensure accountability and efficient utilisation of financial resources.

4.3 RESULTS DATA ANALYSIS

According to Corbin and Strauss (2008), document analysis can be defined as “a systematic procedure for reviewing documents” be it electronic or printed. Bowen (2017) writes that document analysis is subject to the examination and interpretation of data in finding meaning, understanding and scientific knowledge. Table below presents the documents that were selected and data analysed.

Table 4.1: Documents Sampling and Data Analysed

SELECTED DOCUMENTS& OVERVIEW	Department of Treasury and Planning Strategic Plan 2014/2020		
	KEY DATA ANALYSIS ASPECTS	FINDINGS	REMARKS
Strategic Plan is a 5 year department's plan that provides a strategic outlook with measurable deliverable to be achieved by the Department consistent with the Medium Term Strategic Framework and Medium Term Expenditure Framework.	Accountability and Governance	<p>From the data analysed it was picked up that the Department has functional financial management systems. These systems have managed to help the department to first manage its internal controls and enforce financial accountability in all departments.</p> <p>Despite the positive outlook, the Department's strategic plan does not make provision for consequence management with regards to those departments or institutions that fail to account. Some of the resource in terms of the Auditor General's reports and annual reports that make some departments fail to accounts include:</p>	<p>The Department should consider translating this positive outlook into value for money in service delivery.</p> <p>There is a need for political accountability through a political will that allows for administrative processes to unfold without any form of interference.</p> <p>It is also necessary for department to introduce and inclusive consequence management strategy that cuts across to all departments.</p>

SELECTED DOCUMENTS & OVERVIEW	Department of Treasury and Planning Strategic Plan 2014/2020		
	KEY DATA ANALYSIS ASPECTS	FINDINGS	REMARKS
		<ul style="list-style-type: none"> - Political interference in administrative matters - Underfunding of political pronouncements leaving the departments into diverting funds. - Inadequate participation of all departments in compulsory meetings 	

SELECTED DOCUMENTS & OVERVIEW	Public Finance Management Act (1999);		
	KEY DATA ANALYSIS ASPECTS	FINDINGS	REMARKS
<p>The Public Finance Management Act (1999) sets the legislative framework for public sector managers and officials. Included in this framework are key principles which highlight the importance of democratic processes, predictability (stability), transparency, accountability and value-for-money, as well as monitoring and evaluation for</p>	<p>Legislative Compliance with PFMA</p>	<p>It was discovered in terms of the PFMA, the Department set clear mandatory compliance requirements such as In-Year Monitoring, Budget Advisory Services, Audit Committees and Basic Accounting Service System which are fundamental in the overall management of government fiscal.</p> <p>As the result, it emerged that the number of departments that find themselves with irregular expenditure, wasteful expenditures and fruitless expenditures has</p>	<p>Extensive support should be provided to those departments that struggle with PFMA and Treasury Regulations.</p> <p>Compliance Evaluation should be considered in order to determine the key underpinning problems experienced by the departments</p> <p>Strengthening of risk management committee to elevate strategic risks into the risk register of the department in order to make Head of Departments to account</p>

SELECTED DOCUMENTS & OVERVIEW	Public Finance Management Act (1999);		
	KEY DATA ANALYSIS ASPECTS	FINDINGS	REMARKS
government to attain value-for-money.		decreased over the past MTEF period.	and implement risk action plans.

This relates to value for money, which can be unpacked through the three E's, namely, Efficiency, Effectiveness and Economy.

Therefore, financial management is an important tool that helps the Public Sector to take care of money in a systematic, efficient, transparent, and legitimate manner, and it has three cornerstones:

- Resource allocation (getting money)
- Controlled delivery (spending) and
- Accountability (reporting)

Financial Management helps to provide key information to decision makers and it introduces controls that either prevent abuse or create incentives for good service to the public. Financial Management helps the Public sector collect money, allocate money, spend money, weigh the costs and benefits of certain programs, account for money, and report on how money was spent, and plan for the long term. Financial management is governed by the Public Finance Management Act (Act 1 of 1999), as well as the National Treasury Regulations that support or compliment the PFMA.

With regards to the rationale, purpose for the establishment of government financial management system in the department, government operates with public funds and the PFMA requires accountability with the fund. Constitutionally, the state planning and budgeting process is guided by a number of Legislation, Policies and Frameworks for effective and efficient usage of resources. The Public Finance Management Act (1999) makes a clear provision on how state resources are to be allocated, used and monitored within service delivery projects or programmes.

In addition, the purpose of the Public Finance Management Act (1999) is “to regulate financial management in national and provincial governments; to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those governments; and to provide for matters connected therewith”. Furthermore, the National Treasury Regulations provides a guiding framework on how departments, state-owned, and agencies effectively spend and report on the state’s finances in relation to service delivery.

The PFMA places greater emphasis on accountability for results (outputs and outcomes). The overarching aim of the PFMA is to improve the operational efficiency of government spending, referred to as the value-for-money concept. The pursuit of value-for-money is being driven by other external factors in the global economy. In a world where capital markets are becoming increasingly integrated, fiscal governance in a country is becoming a key indicator which is scrutinised by foreign investors in assessing a country’s risk (Abedian, 2004:18).

Table 4.2: Bozeman’s Public-Private Continuum

PUBLIC ROLE	PROCESS	PRIVATE ROLE
Discretionary legislative appropriations	Resources	Profits from sales in private markets
Creation (abolition) by government mandate	Life-cycle	Creation (abolition) subject only to private market
Structures set by government mandate	Structure	Structure independent of government constraints
Goals set by government mandate	Goals	Goals independent of government constraints

(Adopted: Bozeman, 1984)

Based on the above table, it was found that the Department had been using the private sector techniques in managing financial resources of the province through the New Public Management theory. New public management refers to the introduction of the new approach for government to deliver services to the people in the most cost effective manner.

Government can better do that by adopting the private sector models that they use in providing goods and services, and doing business —unusualll for better service delivery. According to Hope and Choked (2000), it can be observed that the NPM conceptualisation and its development was based on the growing demand of services and government failure in meeting the demand of public services, and the need for the improvement of the service delivery environment for sustainable development. In essence NPM is apprehensive with costs cutting and productivity increment through adopting those essential strategies aimed at enhancing economic vibrancy for the public sector.

Table 4.3 Difference between Private and Public Management

Private Business Management	Public-Management
<ul style="list-style-type: none"> • Decisions on behalf of shareholders are aimed at maximising profit • Uses own capital or the capital of shareholders • Budgets must indicate ever growing profits. • Must comply with the stipulations of law. • Decisions are dictated by the market. 	<ul style="list-style-type: none"> • Decisions are aimed at improving public welfare of the politically aware community • Must use tax funds to the advantage of the public • Budgets must show balanced spending. • Must apply the stipulations of the law. • Decisions are directed by the chief political authority.

Source: Botes et.al (1997:355).

Table 4.3 provides a background to the concept of management from both a private and public perspective, and against its practice in society. The identified differences in the Table provide a clear separation of functions in that the practice of management (of resources) in the private sector, is more dependent on shareholder’s needs and aspirations, and to that effect, an inclusive strategy becomes key for profit-oriented operations; whilst on the other hand, the practice of management in the public sector is dependent on legal requirements of government institutions, establishment mandates, and its constituency.

It can therefore be deduced based on the literature of this study that for the department to successfully provide financial oversight, ensure compliance and accountability it should consider focusing on capacity development, modern innovation and systems improvement. This can be better achieved through functional

intergovernmental relations, as one aspect that contribute to the development of common language behind the legislative requirements and the mandate of the province at large.

4.4 CONCLUSION

This chapter presented the results of the study. This was done through the presentation of qualitative document analysis based. The chapter concluded by reporting on the suggestions when assessing the use of private sector techniques by the public sector with specific reference to the DPTP. The next chapter focuses on the general conclusions of the study and makes some recommendations emanating from the study's findings.

CHAPTER 5: SUMMARY, CONCLUSIONS, RECOMMENDATIONS AND LIMITATIONS OF THE STUDY

5.1 INTRODUCTION

The conclusions and recommendations of the study reflect the importance of any scientific study. In terms of the research problem and research questions the conclusions must be contextualised and linked to the purpose of the study based on the findings. This study revolves around the effective use of private sector techniques by the public sector with reference to the DPT. Consequently, this last chapter pulls the study to its end by presenting a summary of conclusions, recommendation and limitations of the study based on the literature review findings. It lastly highlights key aspects for future studies.

The establishment of the three distinctive, interdependent and interrelated spheres of governments is enshrined in section 151 of the Constitution of the Republic of South Africa (1996) namely, national, provincial and local government spheres. In this case, the Provincial Government sphere is mandated to govern and deliver services to the people within its jurisdiction in partnership with the national government and local government spheres in a democratic manner.

The state planning and budgeting process is guided by a number of Legislation, Policies and Frameworks for effective and efficient usage of resources. The Public Finance Management Act (1999) makes a clear provision on how state resources are to be allocated, used and monitored within service delivery projects or programmes. The National Treasury Regulations provides a guiding framework on how departments, state-owned, and agencies effectively spend and report on the state's finances in relation to service delivery.

The Constitution prescribes the establishment of a national treasury to ensure transparency and control over expenditure. Legislation in the form of the PFMA (Act 1 of 1999) prescribes generally recognised accounting practices, uniform classification, norms and standards.

The PFMA put in place a legal framework for modern public financial management, shifting the onus of managing the use of resources from central control to the managers of spending departments and agencies. This mirrors the shift in budget preparation practices from central decision-making to discretion resting with spending departments for programme choices within spending ceilings. The PFMA is one of the milestones of the government's budget and financial reform agenda. Therefore the provincial Department of Treasury share almost the same functions and responsibility with the National Treasury Department in every aspect.

The institutional arrangement of the treasury departments is standardised in accordance with the Department of Public Sector Administration (DPSA) prescripts. The prescripts resemble the private sector techniques due to the demand for accountability and transparency at all levels of public service provision.

5.2 STUDY SUMMARY

This study aimed at assessing the use of private sector techniques and strategies in the public sector with the aim of improving governance and accountability. It further intended to contribute to the government's approach in dealing with service delivery related challenges with more attention on the financial management aspect. The key strategic aspects that relates to financial management systems, techniques and strategies were analysed in line with the objective of the study. Consequently, it contextualised the legislative framework for Financial Management, Budget Planning and other legislations included. The Constitution of the Republic of South Africa (Act 108 of 1996), Public Finance Management Act (Act 1 of 1999); National Treasury Regulations, principles of financial management and other pieces of legislation. The nature, place and meaning of private sector techniques and strategies in relation to the public sector were explored in detail. Qualitative document analyses research methodology was used in conducting the study

Public Sector

In this study, the public sector has been viewed, as the entirety of organisations or institutions that are politically established and maintained with a mandate of promoting the quality of life of the citizens by providing public services (Van Niekerk, 2002:91). It serves to plan, determine and implement, among others, socio-economic goals with a strong view and attempt of developing local economies and social services for the citizens towards sustainable development. Consequently, the public sector implements a number of functions which are embodied in at least three types of state, namely the guardian state; the redistributive state; and the productive state (Lane 1994:65 *cf.* Sedisa, 2008: 304). On the other side of the coin, Scharle (2002:228) is of the view that the public sector plays a significant role of attending to public interest, stewardship, and solidarity. Therefore, the public sector pursues government objectives that derive from the needs, demands, and legitimate expectations of the society through the legislative, executive, and judicial spheres of government authority (Savas, 2000:21; Sedisa, 2008:305).

According to Try (2007), the contemporary public sector programmes have limited resources coupled by unlimited demands from the communities and the delivery of services happens within a heavily legislated environment. In equally so, the public sector organisations subject to legislative oversight processes which are often politically driven (Thesis, 2008:325). All these challenges limits creativity and innovation in the public sector service delivery environment. On the other hand, Trafford and Proctor (2006:120) argue that a modern-day government should pursue a modernising agenda which is aims to “ensure that policy making is coordinated and strategic in nature; ensure that public service users, not providers, are the focus of attention, by matching services closely to people’s lives; and deliver high-quality, efficient public services.”

Subsequently, the focal theme of this thesis is based on the assumption that some of the shortcomings of the public sector can be alleviated by working closely with the private sector institutions. To a larger extent, governments need to utilise the partnership arrangement as an alternative method to service delivery, mainly because the currently available public funding alone is not enough for the infrastructure public service requires.

It is therefore necessary to establish, in a summary form, the nature of the private sector organisations before the collaborative work referred to above can be summarised.

With regards to continuous technological development discoveries, the private sector organisations are often at the forefront, characterised by commercial dynamism, and often imbued with entrepreneurial skills all of which can be used to enhance the provision of public services. The private sector encompasses multinational corporations, major companies as well as small, medium and micro-enterprises (Nzimakwe, 2006:50). Officer (2003:14) wrote a book on *The Respective Roles of Government and the Private Sector and Public/private Partnerships*, which focuses on mainstreaming the government in economic development matters and private sector on performing some of the traditional functions of government. The contribution of the government to the improvement of development economic conditions without the involvement of the private sector would continue to be limited and would produce mixed results (National Treasury Regulation 16, 2004: 2).

In summary, the study identified the following factors that would contribute in enhancing good governance in the DPTP using the private sector techniques:

- Capacity building and Innovation.
- Strengthen intergovernmental relations in order to improve accountability.
- Promote Public-Private Partnerships on exchange skills programmes.
- Employ latest technology to improve efficiency
- Monitoring and evaluation of financial performance versus service delivery performance to measure value for money.
- Improvement of strategic fore sighting and alignment.

It is fundamentally important for DPTP to take into consideration the above factors for the purposes of improved good governance that will ultimately contribute to the effective and efficient financial management.

5.3 RECOMMENDATIONS

Chapter 4, focused on data presentation and analysis. It is therefore, proposed firstly from an academic point of view that Public Administration should be subdivided into a specialised field called Eco-Public Administration to enable the Public Administration scholars to adequately provide the public services with full understanding of the dynamics in public administration. This will fundamentally enable scholars and researchers to conceptualize all concepts in Public Administration and Management such as Public Financial Management and New Public Management. The following recommendations are based upon the findings and conclusions of the study:

- There is a need for systemic systems (such King IV/V, Balance Scorecard, integrated financial and service systems) awareness and training as a fundamental tool to sound leadership in South Africa, and beyond. Financial management courses should be developed at various levels and used for training Budget, Finance and performance officers.
- It is crucial to adopt a systemic project management model towards effective corporate governance in the implementation of the DPTP financial management programmes.
- Where appropriate, benchmarking should be adopted as an alternative strategy to equip the department's officials with recent financial management aspect pertaining to integrated systems approach,
- There is a need for DPTP to build and sustain capacity through PPP;
- The research findings show that the existing South Africa's Financial Management policy framework is adequate, and if properly interpreted and applied can be catalyst for more infrastructure projects and spur growth in the infrastructure sector; and
- Treasury Regulations and Notes guidelines and implementation toolkits should be monitored.

It is important to note that the change by government from providing services on their own to involving the private sector is not a simple exercise (Leach *et al.*, 1996:11). Leach (1969:2) writes that governments "have to work more through a complex network of partnerships, contracts and influence in order to achieve service delivery and local socio-economic development".

5.4 FUTURE RESEARCH RECOMMENDATIONS

The following future research recommendations are based upon the findings and conclusions of this study:

- Research should be conducted on how often Financial management systems performance can be done by conducting a survey so that a trend analysis can inform decision-makers for effective monitoring and control system;
- National Treasury should develop a Financial Non-Compliance risk management tool which directly links with Strategic planning, monitoring and evaluation in order to measure performance impact; and
- Government departments and municipalities should invest in capacitating the governance specialists to keep up with the service delivery environment dynamics.

Sound facilitation of programmes in a sustainable manner requires that the development managers have skills and capacity. An integrated approach that will put on board the community, project members, funders and other key or relevant stakeholders needs to be encouraged more to ensure the sustainability of the projects.

5.5 CHAPTER SUMMARY

This section draws the discussion down to the conclusions of the assessment of the use of private sector techniques and strategies in the public sector, with specific reference to the DPTP. The provision of sound leadership and the associated services is a major concern due to DPTP's broader corporate governance objectives. However, organisations in the public sector continue to face increasing demands for more and better public services whilst, in the same breath experiencing financial difficulties in acquiring the necessary resources to deliver such services. The problem areas or challenges have been enumerated. It is hoped that drawing from this study, more research activities will be carried out in future with the view to expand the findings presented in this treatise and to broaden the scope of the research. The present study has set the ball rolling.

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