

University of KwaZulu-Natal

**Analysis of the Financial Management Practices in the Provincial
Department of EDTEA Pietermaritzburg, South Africa**

By

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Dedication

To those I hold close to my heart for their unmerited love that motivated and inspired me to reach for far more than what is imaginable and to successfully complete my MBA dissertation. I would like to thank God, my partner Tyler David, my parents Mr Ramith and Mrs Parvathy Ramphal, my siblings Aniel, Pravin and Sunil, and my niece Carey.

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Abstract

The financial management practices are a function of the financial management department of the organization. Financial management practice is an organizational activity aimed at the adequate management of funds that achieves the objectives of the organization. Financial management practices hence serves as a yardstick to financial management performance of the department. It acts as an evaluation tool for the department's financial management system. The intention of this research is to identify some of the main findings the study of the analysis of the financial management practices in the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA) can provide for their role players: the accounting officer, chief financial officer and managers in the public sector. The researcher's purpose for this study is to focus on the financial management practices that can be explained through how procedures should be performed and how these practices is fundamental to the successful operations of an organization as it impacts on how the organizations available resources are utilized economically in the public sector. This was achieved through focusing specifically on the financial management practices performed by the financial role players: accounting officer, the chief financial officer and managers in the following financial management functions areas: budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control, which are the areas that forms the financial management domain in public financial management. In public financial management the main strategic objectives of financial management practices is to ensure the implementation of the PFMA and other related financial regulations and policies. Furthermore the financial management functions areas: budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control, are there to manage the financial management practices by overseeing the full financial cycle of budgeting, procurement, processing of expenditure, and recording of financial transactions. Incorporated in this study are a literature review and an empirical review of which is based on evaluation questions. The findings of the evaluation questions were used to understand the effect of financial management

practices in the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA) as well as by taking into account the reviews from the departments financial performance plans, audit reports, annual reports and financial management practices records of which were of a deteriorating standard. Therefore the objective of this research study is to identify, evaluate and analyze the effect of financial management practices in the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA) on the financial management performance of the department. The researcher recommends that the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA) needs to in order to meet the organization's obligations is to strictly adhere to the financial management practices established such as the treasury financial regulations, policies and the Public Financial Management Act (PFMA), as well as priority needs to be given by the department towards the training and development of all employees in such financial management practice areas so that the financial management standard of the department is under no circumstances compromised.

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List of abbreviations

APP	Annual Performance Plan
BAS	Bas Accounting System
CFO	Chief Financial Officer
EDTEA	Department of Economic Development, Tourism and Environmental Affairs
FOSAD	Forum of South African Director-generals
GRAP	General Recognized Accounting Principles
KPI	Key Performance Indicators
KZN	KwaZulu-Natal
MEC	Member of Executive Council
MTEF	Medium-Term Expenditure Framework
PFMA	Public Finance Management Act 1 of 1999 as amended by Act 29 of 1999
PPPFA	Preferential Procurement Policy Framework Act 5 of 2000
SBDA	Small Business Development Agency
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SLA	Service Level Agreement

CHAPTER ONE: INTRODUCTION

1.1 Introduction

The financial management practices are a function of the financial management department of the organization. Financial management practice is an organizational activity aimed at the adequate management of funds that achieves the objectives of the organization. Financial management practices hence serves as a yardstick to financial management performance of the department. It acts as an evaluation tool for the department's financial management system. The findings from the evaluation are used to understand the effect of the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA) financial management practices on the department's financial management performance. Therefore the financial management of an organization is only as good as how its financial management practices are implemented. Over the financial years the department's financial management performance has deteriorated and their state of the financial management practices has come into question. For this reason it was significant to perform this study to be able to investigate and analyze the current state of the department's financial management practices.

1.2 Background to the Study

The focal point of this research study is to analyze the effect of financial management practices in the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA). The study involves investigating and testing against financial management theory, that is evaluated by the financial management practices to financial management performance for administration employees within financial management functions: budgeting, procurement (supply-chain management), asset management, finance (expenditure management) and internal control at Provincial

Department of Economic Development, Tourism and Environmental Affairs (EDTEA). The strategy, policy and initiatives of the department are to develop a resilient KZN provincial economy and promote growth in various sectors of the economy whereby the department is given authority to oversee the socio-economic transformation (Provincial Department of Economic Development, 2014:1). The department revenue or budget is received from the National Revenue Fund which is, acquired by the national government, and from which appropriations are prepared by parliament in agreement with the South African constitution or relevant Act of parliament (Ali-Dinar, 2015:1). The National Treasury is a department of the South African government which prepares and manages the South African government's annual budget and administers the government's finance (Callender, Harland, Knight, Talgen and Thai, 2007:291). Hence the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA) budget is allocated from the annual budget to be utilized in pursue of the department's mandate and are accountable to Parliament for the financial management of this budget. Parliament in accordance with the constitution uses a committee called the Standing Committee on Public Accounts (SCOPA) to execute oversight on whether government departments are delivering on services and are using the public's money responsibly so that taxpayers benefit from the spending (Olson, Riccardo, Stapenhurst, and Van Trapp, 2008: 234). The accounting officers also known as the executive heads of all government departments therefore are accountable to report to SCOPA on their budget defined as a financial plan for a specific period in which specific amounts are allocated for specific purposes and mandates (Callender *et al*, 2007:291).

Emanating from this information contained in the performance plans and audit reports of the department over the 2011/2012, 2012/2013, 2013/2014, 2014/2015 and 2015/2016 financial years demonstrates how the financial management for the department has come into question about the lack of improvement in the standard and compliance of legislation (Public Financial Management Act), policies (supply chain management), financial and management performance (EDTEA plans and reports) and regulations (National treasury). Some of the concerns over the financial years were the

mismanagement of funds, fraud and corruption, poor management and a lack of compliance with department procedures and legislation. Furthermore it has been noted that the department's culture around financial management is concerning, there is a general view in the department that financial management is solely the responsibility of the financial management employees however all employees through their representatives are accountable for the financial management of the department's budget. For this reason it is imperative for the department to ensure proper implementation of the financial management practices in all areas of responsibility. There is a concern to examine and report on the issues regarding the financial management practices in the department relating to all employees linked to financial management responsibilities within the department. The concerns reported above under the fundamentals of the departments financial management practices are limited to the significant deficiencies of financial management practices that resulted in the findings of the lack of improvement in the standard and compliance of legislation. These raised concerns and deficiencies relating to the department's financial management practices are the research or knowledge gaps that serve as a foundation for this study.

1.3 Focus of the study

The focus of this research is about looking at the financial management system of the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA), as it has been a challenge for the department over the financial years. The state of the department's financial management system is evaluated by the department's financial management practices of the department. The findings from the evaluation are used to understand the effect of the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA) financial management practices on the department's financial management performance. By undertaking this evaluation the following questions are answered:

- To get a reasonable impression of the quality of the financial management practices in the department of Provincial Department of Economic Development, Tourism and Environmental Affairs.
- To assess how the financial management practices in this department compares to various best practices.
- To ensure a strong foundation from which to undertake a major change effort in the financial management practices and financial management area.
- To develop a common understanding among leaders regarding what needs to be done to improve in the financial management practices and financial management area.

1.4 Problem Statement

The accounting officer of the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA) is responsible for the utilization of the department's annual budget in pursuance of the department's mandate. Therefore is accountable for the lack of compliance to the Standing Committee on Public Accounts (SCOPA) and therefore the accounting officer has a vested interest concerning the financial management practices in the department. Due to departments poor audit reports and lack of ability over the last financial years to improve the standard and compliance of its financial management practices the accounting officer has tasked managers to undertake the effort to resolve non-compliance, concerns and deficiencies regarding financial management practices that persistently try to damage the departments reputation. The recommended proposal is that if so that public managers continue to find this challenging to meet the terms it perhaps may be emanating from the department financial management practices not being conceptualized properly. For this reason it was significant to perform this study to be able to investigate and analyze the current state of the department's financial management practices. The research question therefore is: the degree to which the Provincial Department of Economic Development, Tourism and Environmental Affairs financial role players: accounting

officer, the chief financial officer and managers carry out the requirements for financial management in their practice in performing the following financial functions areas: budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control.

To evaluate the financial management practices of the department the financial management practices was analysed for the purposes of this thesis as illustrated in Table 1.1.

Table 1.4.1 : Analysis of Financial Management practices in the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA).

Adapted from Mathiba, L.S. (2011:4). **Evaluation of Financial Management Practices in the Department of Correctional Services.** Master’s thesis, School of Business, University of Stellenbosch.

Financial management areas → Financial role players ↓	Budgeting				Procurement (Supply chain management)				Asset management				Finance (expenditure management)				Internal control			
	Accounting officer	Requirement (Chapters 2)	Practice & Evaluation (Chapter 2)	Results & Discussion (Chapter 4)	Recommendation (Chapter 5)	Requirement (Chapters 2)	Practice & Evaluation (Chapter 2)	Results & Discussion (Chapter 4)	Recommendation (Chapter 5)	Requirement (Chapters 2)	Practice & Evaluation (Chapter 2)	Results & Discussion (Chapter 4)	Recommendation (Chapter 5)	Requirement (Chapters 2)	Practice & Evaluation (Chapter 2)	Results & Discussion (Chapter 4)	Recommendation (Chapter 5)			
	Chief financial officer																			
	Managers																			

1.5 Purpose of the study

The purpose of this quantitative study is to analyze the financial management practices in the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA). The purpose of this quantitative study is to investigate and test against financial management theory, that is evaluated by the financial management practices (independent variable) to financial management performance (dependent variable) for administration employees within financial management functions: budgeting, procurement (supply-chain management), asset management, finance (expenditure management) and internal control at Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA). The independent variable the financial management practices will be defined as the practices performed by the financial role players: accounting officer, the chief financial officer and managers in the following financial functions areas: budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control (Macharia, 2015:4). The dependent variable financial management performance will be defined as the extent to which the objectives in financial management have been achieved. In this process the evaluating of the outcomes of an organizations operations and policies occurs in financial terms. The importance of a mechanism like financial measure of performance is fundamental in financial management, as financial management is an important business objective in an organization and a useful motivating and controlling organizational tool (Macharia, 2015:14-15). The intervening variable, of political interference, is whereby politics is about making policies and politicians intrude and interfere in the affairs of the local government administrators who implement these policies. Interference by efforts to shape statistical products to achieve political advantage thereby effecting financial management practices and performance (Johnston and Massey, 2015:453). The mediating variables or moderating variables is the human capital capability. Employees, ability to perform labour to produce economic value in financial

management such as the financial role players: accounting officer's, chief financial officer's and manager's performance of their duties (Deneulin and Shahani, 2009:213).

1.5.1 Specific Research Objectives

The objective of this study is to identify, evaluate and analyze the effect of the financial management practices within the Provincial Department of Economic Development (EDTEA). This study was conceptualized using the theory, policy, financial regulations and legislation concerning public financial management in the government sector. Financial management refers to how the organization uses its resources. Financial management in the private sector focuses on the sources of funding, the utilization of these funds and a balance between monetary and utilization decisions. The financial management in the government sector focuses on the uses of funds and scarce resources in a responsible manner that benefits the public and accomplishes the government objectives through value for money. This is achieved through accountability, transparency and relevant laws such as the Public Finance Management Act (PFMA) 1999 (No. 1 of 1999) which regulates the management of finances to improve financial management. The PFMA therefore serves as a foundation that governs financial management policies (South Africa, 2010:1-2). According to Macharia (2015:4) financial management practices in government are defined and demarcated as the practices performed by the financial role players: accounting officer, chief financial officer and managers in the following financial functions areas: budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control. The financial management practices are carried out in adhering to specific guidelines for budget procedures specified by the National Treasury which is a department of the South African government that prepares and manages the South African government's annual budget and administers the government's finance (Callender *et al*, 2007:291).

The research question therefore is: the degree to which the Provincial Department of Economic Development, Tourism and Environmental Affairs financial role players: accounting officer, the chief financial officer and managers carry out the requirements for financial management in their practice in performing the following financial functions areas: budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control.

Secondary question

As part of this study, investigation included one research hypothesis:

The theory of financial management and evaluation has been deliberated at length, by placing importance on evaluative questions based on financial management practices. A brief outline is given of the financial functions of budgeting, procurement (supply chain management), asset management and internal control in terms of the financial functions of each of the following role players: the accounting officer, chief financial officer and managers. Evaluation questions are formulated, and information contained in the department's performance plans and audit reports are drawn on to answer these questions.

In order to achieve the objective stated above, the following objectives will be addressed:

- To describe the financial management processes and procedures through the perspective of theory, policy and legislation.
- To describe the financial management practices in the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA).
- To evaluate the financial management practices in the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA).
- To present recommendations for improvements and interventions.

1.5.2 Research Questions /Hypotheses

For the purpose of this study, the following question/s will be addressed:

- To get a reasonable impression of the quality of the financial management practices in the department of Provincial Department of Economic Development, Tourism and Environmental Affairs.
- To assess how the financial management practices in this department compares to various best practices.
- To ensure a strong foundation from which to undertake a major change effort in the financial management practices and financial management area.
- To develop a common understanding among leaders regarding what needs to be done to improve in the financial management practices and financial management area.

1.6 Theoretical base

The study involves the theory of financial management that is evaluated by the financial management practices (independent variable) to financial management performance (dependent variable). In this study the theory of financial management and evaluation has been deliberated at length, by placing importance on evaluative questions based on financial management practices. The literature study includes a comprehensive literature review regarding the purpose, usefulness and relevance of financial management practices. The effects of financial management practices will be researched. For this reason it will cover literature reflecting national and international views, articles and research on this topic. An international study is important, as overseas universities, institutes and business schools are conducting most of the research regarding financial management practices.

1.7 Operational definitions

The following operational definitions are measured through the theory of financial management and evaluation, with placing emphasis on evaluation questions based on financial management practices.

- Quality of the financial management practices defined as a measurement of the standard of the financial management practices.
- Financial management practices in this department compares to various best practices defined as a comparison of procedures to procedures that are established as being most effective.
- Undertake a major change effort in the financial practices defined as, demonstrating on how to equip and support people to successfully adopt change to be able drive organizational success.
- Improve financial practices defined as efforts to improve financial practices within the department.

1.8 Expected outcome of the study

The significance of the theory, policy and legislation of the financial management practices research study is relevant to relieving the issues in this field. The department's budget is allocated from the annual budget to be utilized in pursuance of the department's mandate, the study is useful to the department to help the department better achieve its mandate. From the study many beneficiaries would have benefited from the findings of the study such as: The accounting officer of the department, national treasury, SCOPA, the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA) employees and leaders, the public citizens and the South African economy. As a result of the research the financial management practices in the Provincial Department of Economic Development (EDTEA) would be improved. The study can be used by academics and researchers as a point of reference for future research studies for academic purposes in knowledge and learning.

1.9 Delimitations (scope) of the study

The study involves the theory of financial management that is evaluated by the financial management practices (independent variable) to financial management performance (dependent variable) for administration employees within financial management functions: budgeting, procurement (supply-chain management), asset management, finance (expenditure management) and internal control at Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA). In this study the theory of financial management and evaluation has been deliberated at length, by placing importance on evaluative questions based on financial management practices. The literature did not review every aspect of the financial management theory as the research was narrowed down and related to the public financial management theory which governs the public sector departments. A brief outline is given of the financial functions of budgeting, procurement (supply chain management), asset management and internal control in terms of the financial functions of each of the following role players: the accounting officer, chief financial officer and managers in order to narrow the scope of the study of the target population to the financial management practices area and the employees within the financial management functions only instead of researching the entire financial management of the department which is quite broad and complex as all department programmes have their own allocated budgets and therefore directly affect the financial management of the department in some way. Therefore it was important to choose to only research the financial management function and its employees as they provide a financial support function for all the other department programmes. The study did not make use of the many existing comprehensive financial management methodical procedures because the study was approached using only the methods pertaining to public financial management aspects that provided a logical flow for the research process undertaken here.

1.10 Chapter outline

The research thesis is divided into five chapters listed below:-

-Chapter one: The introduction of the research study. This chapter provides a summary of the framework, background and introduction of the study. This chapter further elaborates on the problem statement, objectives and the research methodology.

-Chapter two: The literature review. In this chapter the relevant literature is reviewed relating to financial management theory, specifically with regard to budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control. The identified financial role players who are directly involved in the process are also taken into account. The financial management theories, policies, financial regulations and legislation within the South African public sector are also considered. This chapter further highlights the financial management policies, processes and procedures the department employs and the manner in which the department executes them in practice. This chapter focuses also on the evaluation of financial management practice, using evaluation theories. Evaluation of the department's performance is carried out on the summarized financial functions performed by the accounting officer, chief financial officer and managers, with the purpose of answering the question of what to look for to evaluate the department's adherence to financial management practices, policy and procedure.

-Chapter three: Research methodology. This chapter concentrates on the research process undertaken and the types of instruments and techniques used in the study.

-Chapter four: Results, discussions and interpretation of the findings. This chapter gives a presentation and discussion findings of the results from the research study that will be carried out.

-Chapter five: Conclusions and recommendations. This chapter ties up the objectives with the findings and brings the study to a close and summarizes the findings pointed out in chapter four, with specific importance on financial management practices in the Provincial Department of Economic Development, Tourism and Environmental Affairs

(EDTEA). Emphasis is focused on all non-compliance to policies, processes and procedures and concluding with recommendations and suggestions for interventions.

1.11 Summary

This chapter introduced the research on the Analysis of the Financial Management practices in the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA). It summarized the nature of the research, together with the direction followed in this research. The problem statement was formulated, together with the objectives of the study, as well as the research questions and limitations of this study. The next chapter focuses on the literature review, which formed the basis for the empirical study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

A literature review has been performed to acquire the outlook, knowledge, ideas and perspective from existing associated literature on descriptive and evaluative research. The chosen evaluative literature review has helped the researcher to analyze and evaluate the present condition of the department's financial management practices and to also describe a particular situation in the business therefore a descriptive literature review was also chosen. This research was evaluative and descriptive in nature, as it sought to gather information, evaluate, describe, and explain the present condition of the financial management practices of the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA) by looking at a number of different variables. The chapter has been organized into theoretical literature review: financial management theory, policy, legislation and practices, an empirical literature review and a summary of the literature review.

2.2 Theoretical review

2.2.1 Financial management theory, policy and legislation

Financial management is the effective and efficient utilization of funds (money) and is referred to as a managerial activity concerned with planning and controlling of the enterprises financial resources and financial activities or functions such as budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control (Correia, Flynn, Uliana & Wormald, 2003:20-29). In the public sector, financial management is the management of funds used to deliver public services. It is concerned with budgets or expenditure and how scarce public resources are mobilized in such a manner that achieves value for the public's money

whilst accomplishing government goals (Cangiano, Curristine and Lazare, 2013: 1-2). This is achieved through accountability, transparency and relevant laws such as the Public Finance Management Act (PFMA) 1999 (No. 1 of 1999) which regulates the management of finances to improve financial management (National Treasury, 2000: 1-2).

The constitution establishes the rules that govern how government operates. In the constitution of the republic of South Africa act 108 of 1996, the South African government is constituted into three levels of government the national, provincial and local (South Africa, 1996: 25). National government encompasses creating laws (legislative authority), governing of work (executive authority) and the law courts (judicial authority) and are therefore accountable for achieving the South African governments mandate (South Africa, 2010: 8-9).

The role of the PFMA (South Africa, 1999: 11-23) helps to apply the constitutional sections 213, 215, 216, 217, 218 and 219 in the national and provincial government spheres. The Act aims to implement basic financial management in the national and provincial spheres of government and provide a framework of best practices that satisfies the constitutional requirements of sound financial management mechanisms, stewardship and the responsibility for planning and controlling of finances (National Treasury, 2000:3-4). This highlights the importance of financial planning, control and monitoring in the management process of government finances. Government departments are therefore in their practice of financial management presently trying to align planning and budgeting areas, in order to close this gap between service delivery and budgets through making changes in service delivery improvements and performance budgeting (National Treasury, 2000:7).

According to Macharia (2015:4) financial management practices in government are defined and demarcated as the practices performed by the financial role players: accounting officer, chief financial officer and managers in the following financial functions areas: budgeting, procurement (supply chain management), asset

management, finance (expenditure management) and internal control. The financial management practices are carried out in adhering to specific guidelines for budget procedures specified by the national treasury which is the department of the South African government that prepares and manages the South African government's annual budget and administers the government's finance (Callender *et al*, 2007:291). Treasuries therefore have an important role in the execution of the PFMA as well as in the monitoring of proper financial management systems and practices in the entire public sector (National Treasury, 2000:61).

Correia *et al* (2003:20-29), states that good financial management in the private or public sector is more than keeping accounting records it involves the achieving of the organizations objectives through effective, efficient, timely and economical practices in financial activities (functions) carried out by managers. The PFMA therefore also serves as a foundation that governs financial management policies (National Treasury, 2000:1-2). Supply chain management (SCM) is one of the main systems that help to facilitate government to implement financial management policy. The national treasury expresses that the establishment of governments integrated supply chain management (SCM) mechanisms is enabling the significant changes of improvement in financial management area within the broad government domain (National Treasury, 2015: 9-10). The supply chain management (SCM) are a very important aspect of the financial management that strives in implementing globally accepted best practice principles along with dealing with the government department's budget planning procedures that affects the actual expenditure during the procurement of goods and services (Policy to Guide..., 2003:4).

2.2.2 Financial management practices

This section outlines the literature reviewed on financial management theory, policy and legislation and focuses on the financial management practices in government and discusses in detail, who the different financial role players are involved in performing the financial activities or functions. Macharia (2015:4), expresses that financial

management practices in government are defined and demarcated as the practices performed by the financial role players: accounting officer, chief financial officer and managers in the following financial functions areas: budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control. The research question therefore is: the degree to which the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA) financial role players: accounting officer, the chief financial officer and managers carry out the requirements for financial management in their practice in performing the following financial functions areas: budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control.

Financial role player: Accounting officer

The role of the accounting officer in financial management practices, in terms of this section, are defined and demarcated as the practices performed by the accounting officer in the financial management areas of budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control. Accounting officers are also known as the executive heads of all government departments. (Callender *et al*, 2007:291). The relationship between the accounting officer and the executive authority (Minister/Member of Executive Council (MEC)) is important as it is the contributing factor that leads to the efficient and effective enforcement of the PFMA (National Treasury, 2000:58). One of the key performance indicators (KPIs) in the performance agreement between the accounting officer and the executive authority is that the accounting officer will report on the financial management of the department which includes policy, financial transactions and activities (National Treasury, 2000:12). The accounting officer is therefore personally accountable to implement best practices controls, employ quality financial expertise staff and take disciplinary steps against officials responsible for problems. In the event of any problems occurring this will prevent the accounting officer from being personally accountable (National Treasury, 2000:13). Although the accounting officers must exercise control over all their departments' expenditure they personally do not

keep the financial records or physically compile the budget as they are not the department's accountants but have designated staff to perform such tasks (Gildenhuis, 1993:157).

Financial management area: Budgeting

Public budgets are referred to as financial plans or work plans. The budget demonstrates the government's public expenditure choices. Government utilizes this instrument by relating public expenditures to a set of goals. This budget process helps to achieve its economic growth, development and transformation goals (Budget Analysis Manual..., 2011:8-9). The aim of budgeting is to present forecasts for revenues and expenditures from which financial targets are established. This allows the measurement of the financial management performance of the department by measuring performance against the forecasts (Budget Analysis Manual..., 2011:18).

The responsibility of the accounting officers in terms of budgetary control is to ensure the departments expenditure adheres to the vote of the department. (South Africa, 2010:39). The accounting officer's reporting responsibilities are on the other hand to ensure that preparation of the draft budget, the submission of the budget to treasury and the execution of the department's budget are performed (Gildenhuis, 1993:157).

The departments budgeting are an important aspect of the institutions planning procedures. There are three types of planning in an organizational planning process namely strategic, budgetary and operational planning which are interrelated. Strategic planning involves devising long term action plans to achieve the organizations goals and objectives. Budgetary planning refers to devising short to medium term plans which focuses on the aim and mission of the organization that is performed within the framework of the strategic plan. The annual budget is therefore viewed as the steps taken towards accomplishing the strategic plan. Operational planning concerns the short term or day to day planning of the organizations activities and the utilization of resources that is performed within the framework of the budgetary plan. The periodic budget is therefore viewed as the steps taken towards accomplishing the budgetary

plan (Walker, 2005:259). Usually strategic plans don't contain financial targets even though they form the basis for establishing detailed budgets that will attain the organizations goals and objectives (Finkler, 2001:27). The Medium Term Expenditure Framework (MTEF) is annual, rolling three year-expenditure planning whereby the accounting officer has to prepare the strategic plan of an organization for the MTEF period to be submitted to the executive authority for approval (National Treasury, 2001:12).

Financial management area: Procurement (supply chain management)

Ross (1997:5) defines supply chain management as a management philosophy that generates enriched customers and economic value by way of a system that possesses well-coordinated planning and controlling processes for the movement of physical goods and services as well as relevant information from the sourcing activity through to the consumption stages. Section 217 of the constitution addresses the prerequisites for public procurement (National Treasury, 2015:10). Government supply chain management (SCM) are a very important aspect of the financial management that strives in implementing globally accepted best practice principles and governments preferential procurement policy framework act 5 of 2000 (PPPFA) objectives, along with dealing with the government department's budget planning procedures that affects the actual expenditure during the procurement of goods and services (Policy to Guide..., 2003:4). Basically it seeks to address the identified gaps between conventional procurement of physical goods and services methods with the balance of the integrated supply chain, whilst dealing with vital strategic procurement issues. With the establishment of the supply chain management principles in government accounting officers are tasked to obtain precise and important commercial information, this enables the effective measurement of the accomplishments of the procurement objectives. (Policy to Guide..., 2003:19). It is the responsibilities of the accounting officer according to National Treasury (2015:6), to develop and implement an effective and efficient supply chain management (SCM) system and policies within the department for the procurement of goods and services. This supply chain management

(SCM) system must be in line with the national supply chain framework and has to be transparent, unbiased, just, commercial and economical (National Treasury, 2015:6-7).

Financial management area: Asset management

Manase and Ngwira (2016:2) refer to asset management as a coordinated process that strives to derive value for money from assets whilst delivering on the governments strategic objectives. Section 38(1) (d) of the PFMA addresses the requirements for public asset management. The accounting officer is responsible to ensure suitable asset control systems are implemented for the optimum and economic use of state assets and is responsible for enforcing precautionary processes to safeguard assets against waste, misuse, theft and losses (National Treasury, 2001:29).

Financial management area: Finance (expenditure management)

Government budgets are defined as the funds that are received from taxpayers and are authorized to be used by parliament. The function of an expenditure control system therefore is to reflect expenditure according to the voted or authorized budget. Expenditure controls have to contain good financial management principles in order for state resources to be utilized properly, for obligations to be met timeously, for the misuse of funds to be avoided and for fair practice in the issuing of government contracts (Pattanayak, 2016:6).

Section 76(4) (b) of the PFMA addresses the requirements for public expenditure management. The accounting officer is responsible to make certain that the internal finance (expenditure management) processes and control measures are implemented for payment processing of expenditure (National Treasury, 2001:22). Section 38(1) (c) (i) and (d) of the PFMA addresses the requirements for management of debtors. The accounting officer is responsible to ensure the collection of revenue (money) from all debtors and that good debt records are kept (National Treasury, 2001:30). The accounting officer has to report and submit monthly financial reports on the revenue and expenditure received to the relevant treasury for the financial year (National Treasury, 2001:77).

Financial management area: Internal control

An organizations information database used by management is information retrieved from various platforms. The accuracy of this information is important as this information is collected, analysed and reported to all employees of the organization. The approaches taken to collect, analyse and report on this information determines the reliability of this information. Therefore the reliability approaches utilized in the checking, verifying and reporting of this information is referred to as the internal control system (Trenerry, 1999:3). Sections 51(1) (a) (ii) and 76(4) (b) and (e) of the PFMA addresses the requirements for internal control and internal audit. The accounting officer must ensure an effective and efficient system of internal control and risk management, and to devise a strategy to ensure planned processes are followed and to mitigate against risks that the organization is exposed to. The accounting officer is also responsible to construct an internal audit system (National Treasury, 2001:73).

Financial role player: Chief financial officer

The role of the chief financial officer in financial management practices, in terms of this section, are defined and demarcated as the practices performed by the chief financial officer in the financial management areas of budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control. The PFMA chapter 5, part 2 of the act makes provision for the financial management responsibilities of the accounting officer to be assigned to a chief financial officer (CFO). The chief financial officer has the following important financial management responsibilities that assist the accounting officer: reporting on financial management matters and activities, the preparation of the budget and developing and maintaining financial reporting and internal control systems (National Treasury, 2009:14).

Financial management area: Budgeting

The chief financial officer oversees the preparing and implementation of the budget including other financial management functions. The chief financial officer is

responsible to ensure that the department complies with the direction of the minister, executive authority, accounting officer, treasury regulations and PFMA as well as that the budget complies with preparation, compilation, consultation and implementation processes set out by the PFMA (National Treasury, 2009:29).

Financial management area: Procurement (supply chain management)

According to the guidance from treasury regulations 16A on supply chain management, the PFMA section 38 (1) (iii) and the national treasury's supply chain guide for accounting officers and authorities, the accounting officer has to provide a suitable procurement system that is fair, equitable, transparent, competitive and cost effective. It also mentions that it is recommended for the supply chain management unit employees to report and to be supervised by the chief financial officer because supply chain plays a fundamental role in financial management. The main objectives of the supply chain management policy is: the transformation of the procurement practices into an integrated supply chain system, develop a shared explanation, provide meaning and application of the preferential procurement policy and to encourage usage of good practices in all public departments supply chains (National Treasury, 2009:39-43).

Financial management area: Asset management

Asset management is about effectively managing the life cycles of department's assets in order to obtain the most economical value from the assets. The chief financial officers duty is to ensure that when assets are considered that a maximum benefit analysis is performed on the assets in terms of the departmental objectives and service delivery obligations, which serves as a guide for asset management practices and decision-making. In conducting asset management oversight the chief financial officer is therefore responsible for achieving transparent, economical and value for money through the financial decision making regarding asset resources (National Treasury, 2009:49).

Financial management area: Finance (expenditure management)

As prescribed in the treasury regulations 8.1.1. the accounting officer has to make sure that the critical internal control measures are implemented to ensure public expenditure

is proper, needed, paid timeously, accounted for, documented and reported. According to the PFMA section 38 (1) (g) the chief financial officer in terms of the accounting officer's delegated duty and authority requires the chief financial officer to prohibit and identify any expenditure that is irregular, fruitless, wasteful and unauthorized. The chief financial officer has to derive financial and risk management processes that are transparent, effective, efficient and economical whilst accounting for and keeping track of all expenditure in line with the voted budget. The chief financial officer has to also report monthly and annually on expenditure and if these requirements are not met disciplinary actions can ensue (National Treasury, 2009:30).

Financial management area: Internal control

As prescribed in the treasury regulations 2.1.3. the chief financial officer responsibilities, assigned by the accounting officer according to the PFMA chapter 5, part 2 of the act, states that part of these responsibilities requires the operating and functioning of internal controls in the department. The chief financial officer has to assess if present controls are suitable, address the risks encountered by the department and implement the essential changes needed to manage the internal control system. The duty of the chief financial officer in the operating and functioning of internal controls requires: a cost effective and quality internal control system and establishing appropriate controls for the resources and operations entrusted to employees. The duty of the chief financial officer in designing of the internal controls requires: operational and financial information that is beneficial and reliable, the department resources are used economically and are accounted for and safeguarded from loss while obtaining departmental goals (National Treasury, 2009:50).

Financial role player: Managers

The role of the managers in financial management practices, in terms of this section, are defined and demarcated as the practices performed by the managers in the financial management areas of budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control. The chief financial officer plays an important part in executing the financial management

directives and changes through instructions from the accounting officer with the support of highly skilled financial staff and public managers (National Treasury, 2009:14). The growing importance of financial staff and public managers has been acknowledged by government. The accounting officer and chief financial officer are responsible for financial management but they need to depend on accurate, reliable and useful information to improve the quality of decision making in their roles. Most government institutions employ financial staff and public managers with financial skills and expertise for this purpose. Members of the financial management staff therefore offer financial oversight for the whole organization. The responsibility of financial management staff comprises of monitoring, analysis and recommending (National Treasury, 2001:27).

Financial management area: Budgeting

The method of allocating government resources is performed against a voted budget, authorized to be used by legislative bodies. Public managers are given the mandate to spend such resources on specific government programs. Due to nature and circumstances in running the government's operations public managers have to further assign some of their mandate to lower levels (strata) of staff members to allow for the public resources to be spent. The delegation of authority in all instances is to be clear, in writing and must meet the internal control requirements. Furthermore the delegation of authority does not excuse the delegating officers from their duty of spending resources appropriately. This includes the public managers duty to correctly record and keep audit trails of all expenditure. Public managers also need to address any audit findings and recommendations. In terms of accountability for government financial resources public employees are answerable for any loss due to their negligence or for violating any rules and regulations (Khan, 2007:6). Public managers and employees, as representatives of the CFO and accounting officer according to section 44 of the PFMA (South Africa, 1999), have to make sure the supply chain management system are effective and efficient. Public managers have to spend funds allocated to them in a manner were all supply chain management processes are adhered to.

Financial management area: Procurement (supply chain management)

In procurement every public manager are procurers or requisitioners when it comes to the provisioning of physical goods and services. In terms of accountability for procurement, concerning public employees, authority and limits have to be properly stated, methods for exceptional or emergency acquisitions have to be properly stated and all operations have to be performed in a transparent way including keeping audit trails. The activities and actions by procurement employees will be reviewed by internal supervisors and by external auditors. Besides procurement employees all employees are responsible for issuing accurate and on time requisitions to make sure that physical goods and services acquired are economical, derive value for money and achieve service delivery. Hence this indicates that all public managers are responsible for effective procurement (Khan, 2007:7-8).

Financial management area: Asset management

Over the years the departments purchase assets such as property to deliver on services. Departments are allowed only to purchase and keep assets that are efficient, effective and economical for delivery of its programmes. In addition the assets need to be protected from fraud, loss, misuse and negligence in order for government's resources not to be wasted. All public managers have to therefore ensure that department's get the best return out of their procured assets by proper recording (audit trails), implementation and reviewing of results and outputs produced. Public managers are therefore responsible for the procuring, performance, safekeeping and utilization of these assets (National Treasury, 2009:49).

Financial management area: Finance (expenditure management)

In the past public managers were responsible for spending against the voted budget, they had to account for over and under spending expenditure. The focus has now shifted to resource being utilized in a manner that attains better outcomes and results. The effective utilization of resources can be assessed by looking at the end results, realized outcomes and outputs produced (Khan, 2007:5). The managing of the official business of the department is carried out through the decision making of public

managers. A substantial amount of public managers decisions are made around the spending of expenditure relating to both the provisioning of physical goods and services and financial resources. Public managers are therefore responsible for making decision that are proper, prudent, and economical and derives value for money. Public managers emphasize on the efficient, effective and economic factors before decisions are undertaken regarding the spending of expenditure. The role of public managers is to control the department's revenue, expenditure, assets and liabilities accounts in order to reduce capital expenses and improve cash flow. The duty of public managers is to keep accurate records and audit trails of all transactions and to submit proper, timeous and reliable financial reports (Khan, 2007:6).

Financial management area: Internal control

In financial management the internal control system concept involves: following rules, regulations and procedures, policies, timeous and reliable recording of transactions, protection of assets, reviewing of risks, accurate and reliable information for decision making and monitoring. This indicates that all public mangers have to be mindful of their role and accountability in effective financial management and must possess the basic skills, training, knowledge and resources to help execute such complex duties whilst adhering to the internal controls requirements. The resources and operation of the business are entrusted to all employees so public managers have to enforce and follow the appropriate internal controls while executing their duties for the successful achievement of the departments goals (Khan, 2007:7).

2.2.3 Evaluation of financial management practice

This section of the literature review aims to now analyze and evaluate the financial management practices described and summarized above in section 2.2.2.

Evaluation theory

According to Freeman, Lipsey, and Rossi (2004:9) the subject area concerning the evaluation research concept began in 1970s in the social sciences field. Imas and Rist

(2009:9-15) point out that evaluation is the practice of establishing the importance or value of a strategy or policy, process, therapy, activity or program. Evaluation practices are methodical and impartial which helps enable the proving of whether the proper implementation and outcomes of an intervention materialized and was it successful. The outcomes produced from evaluations can be applied in various ways. For instance evaluations can help all stakeholders of an organization to obtain useful feedback on a program, policy or project. The outcomes can also be used to give information on the manner in which public funds are being managed. The outcomes can further be used to give policy makers and managers information on what works or not in achieving objectives. There are formative, prospective and summative evaluations. Formative evaluations of a program, policy or project focus on enhancing the performance and are carried out in the implementation stage. A prospective evaluation measures the possible results of a proposed current program, policy or project against the results from former studies. Summative evaluation is performed to establish the degree to which a program, policy or project has accomplished its expected results and is carried out at the end of an intervention. Summative evaluations assist in offering knowledge concerning the value and effect of a program.

Diagnostic evaluation

Hence a diagnostic evaluation research technique was chosen for the purpose of this study as it is a summative type of evaluation. In evaluation research, diagnostic evaluation are created for examining and enlightening the researcher around the current state of affairs in the business focusing on present problems, pressures, factors, influences, resources, trends and the beneficial value of several kinds of interventions (Bless, Higson-Smith and Kagee, 2006:58). The uses of diagnostic evaluation research is to identify the root causes of the problem and highlights the factors causing the problematic situation. It is a problem solving evaluation technique that looks at the emergence, diagnosis, solution of the problem and possible recommendations for the problem. The diagnostic evaluation research will help to evaluate the present condition or performance of the financial management practices of the Provincial Department of

Economic Development, Tourism and Environmental Affairs (EDTEA), and to establish likely solutions and interventions.

Evaluation performance

Evaluating the performance of an organization can be defined as a methodical process for acquiring valid information and outcomes regarding organization performance as well as the issues that influences performance. The national treasury (2000:9-10), describes performance evaluation as an on-going systematic procedure that involves initially the strategic planning of the institution, followed by programme implementation and monitoring through to performance evaluation in order to acquire valid information and outcomes regarding the organization. The information and outcomes of the performance evaluation are reported to accounting officers and executive authorities so that it can be used for future strategic planning procedures in the institution. Proper resource management is achieved through the important interrelated activities of planning, implementation, monitoring, evaluation and reporting. The forum of South African director-generals (FOSAD) planning framework highlights the importance of departments having this information available to monitor all operations of the institution. The Act specifies on performance measures of efficiency and economy (outputs – precisely measuring cost, quality, quantity and time) and indicators of effectiveness (outcomes – achieving department objectives, desired results and customer satisfaction). The Act also specifies how critical it is for performance measures and indicators to be established as important aspects of the planning process and how the systems and processes can deliver relevant and valid information (National treasury, 2000:9-10). According to national treasury (2000:10) this is demonstrated in the figure 2.1 below.

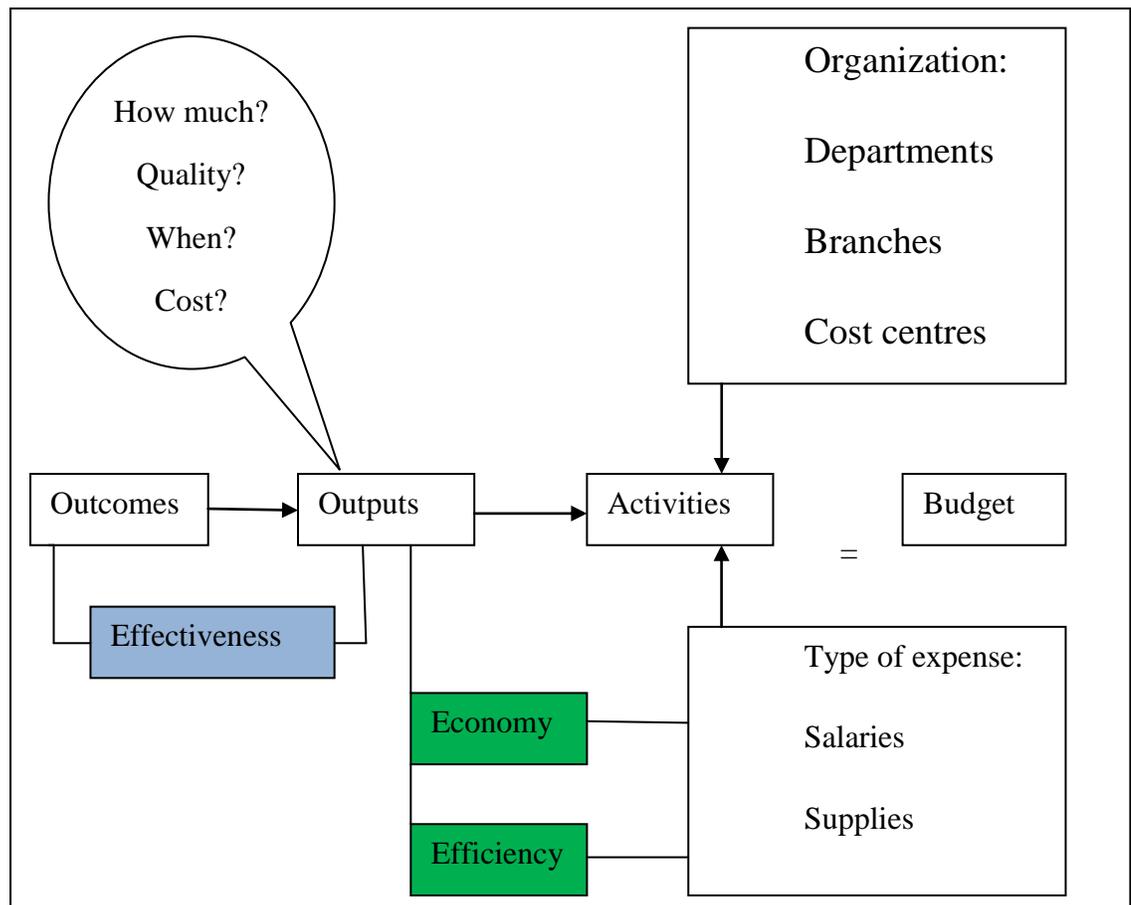


Figure 2.2.3.1 Government evaluation performance measures of efficiency and economy and indicators of effectiveness.

Adapted from National Treasury, (2000:10). **Guidelines for Accounting Officers Public Financial Management Act.** Pretoria: National Treasury.

All stakeholders especially accounting officers and executive authorities due to the evaluation of performance can ascertain if department's objectives, goals or outcomes specified in the strategic plans are met. Hence holding accounting officers and other employees responsible of performance in a manner that is transparent, effective, efficient, and economical for the management of department resources, rather than just the responsibility of merely compliance against the voted budget (National treasury,

2000:9-10). Therefore EDTEA department financial role payers were assessed to the financial indicators according to the following financial function areas: budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control. The assessment provides relevant information that enables timely corrective action where financial health and service delivery may be at risk.

Evaluation of the summarized financial management practices of accounting officers, chief financial officers and managers.

According to Macharia (2015:4) financial management practices in government are defined and demarcated as the practices performed by the financial role players: accounting officer, chief financial officer and managers in the following financial functions areas: budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control. This section of the literature review aims to now analyze and evaluate the financial management practices described and summarized above in section 2.2.2 to demonstrate the present financial performance of the department in terms of the management of resources. The financial performance of the department was reviewed using the financial performance plans, audit reports, annual reports and financial management practices records from the department to provide an adequate and realistic idea of the present state of the departments financial management practices and to evaluate how the departments financial management practices compares to various best practices.

Financial management area: Budgeting

The strategic plan 2015-2020 charts the policy and strategic direction that the department intends to pursue in order to deliver on its mandate (Strategic plan, 2015:2). The department accounting officer prepares and submits a draft budget that consists of the entire sources of funding and the entire operations costs. By reviewing the financial statements over past 6 financial years: 2010/2011, 2011/2012, 2012/2013, 2013/2014, 2014/2015 and 2015/2016 revealed that the spending of the department's strategic budget had resulted in ongoing overspending and under spending of the vote

over the years. According to the audit report (2011:1) the overall under spending reported by the accounting officer for the EDTEA department amounted to R100, 487 million for the 2010/2011 financial year alone. The annual report (2014:86) shows that the overall over spending amounted to R15, 571 million for the 2013/2014 financial year and according to the annual report (2016:158) R6, 987 million for the 2015/2016 financial year. These variances highlights the fact that the EDTEA budget does not line up together with the department's strategic planning and that budget estimates are not accurate.

Although the budget over the years has incurred surpluses, shortfalls, under spending and overspending the department's budget has increased in 6 years from R1, 724,798 billion in 2010/2011 to R2, 997,119 billion in 2015/2016. For the 2013/2014 financial year the annual report (2014:86) discloses the amount of R26, 886 million was expenditure incurred for an event that did not take place and an expenditure amount of R0,685 million for cancellation of an event or venue for the 2012/2013 financial year (Annual report, 2013:149). This indicates that the budget allocation process (MTEF) is not always aligned with the service delivery plans; this can be viewed in the Annual Performance Plan (APP) reports for the past 6 years under the reconciling of programme performance with MTEF budget. In addition the auditor general in the final management report (2012:9), discloses in terms of budget management that the accounting officer has not made sure that all spending of the department's budget adheres to the section 39(1) (a) of the Public Finance Management Act conditions. The auditor general indicated the reason for under spending in the 2014/2015 financial year of R38, 80 million was for the reorganization of the department caused by delays in the establishment of the Small Business Development Agency (SBDA) (Audit report, 2015:2). However, in other financial years, with reference to the auditor general's report, it states that the reasons for the request for the roll-over of funds not being spent were not included in the roll-over submission and the months in which the funds will be spent, this resulted in a non-compliance with the treasury regulation 6.4.2 requirements. This indicates that even though the department has budget controls that

are applied to avoid over and under spending at year end, it lacks in the management of the reviewing and monitoring of compliance (Final management report, 2016:72-73).

The final management report (2012:68) states that long outstanding debt and debts not adequately followed up by the department has been a longstanding issue that was raised in the past three audits. The long outstanding debt still reflects a continuous issue for the department regarding receivables, as the debt has increased in 6 years from R1, 430 million in 2010/2011 to R33, 340 million in 2015/2016. The chief financial officer as mentioned in section 2.2.2 must improve controls over receivables so that regular monitoring and review is performed on outstanding debts in order to recover the debts and comply with legislation (Final management report, 2012:69-70).

The annual performance plan (APP) aims to help accounting officers and managers of institutions to produce quality accountability documents that use performance information appropriately as mentioned in section 2.2.2. The auditor's report revealed that it did not identify any material findings on the usefulness and reliability of the reported performance information for selected programmes in the department's annual performance plan report (Audit Report, 2016:3), the financial management programme was not one of them however this creates a weakness in the reliability of the performance information to be valid, accurate and complete of all programmes as all department programmes have their own allocated budgets and therefore directly affect the entire financial management of the department in some way and vice versa. Furthermore the achievement of planned targets in the APP for selected programmes revealed that of the total number of 132 targets planned for the year, 72 targets were not achieved during the year under review. This represents 54.5 % of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process (Audit Report, 2013:2-3). This reveals that the APP is not always aligned to the budget and service delivery plans.

Public managers are given the mandate to spend such resources on specific government programs. However the delegation of authority does not excuse the delegating officers from their duty of spending resources appropriately. The budgeted goods and services spent on consultants for business and advisory services amounted to the value of R136, 483 million in the 2015/2016 financial year (Annual report, 2016: 155), this seems to be alarming and not in keeping with the rules for spending public resources appropriately. However this was reported by the accounting officer due to the EDTEA structure not being finalized, current provincial austerity measures, capacity restraint in the SCM unit continues to be a challenge, events are still not planned ahead of time and the SCM unit is still much pressurized to procure in a very limited time period. The department therefore has through provincial treasury approved consultants in SCM, asset management and contract administration to meet the demand.

Financial management area: Procurement (supply chain management)

It is the responsibilities of the accounting officer according to (National Treasury, 2015:6) to develop and implement an effective and efficient supply chain management system and policies in the department for the proper procurement of goods and services practices. The department structure (organogram) in the APP illustrates the SCM unit under the administration programme and is under the leadership of the CFO, the department also has an approved SCM policy in place which confirms that there is an implemented and developed supply chain management system in practice for EDTEA, according to theoretical and policy commitments (Annual performance plan, 2016:27). In the annual reports (2013:143) and (2016:165) it discloses in note 24 to the financial statements, irregular expenditure of R35, 671 million and R12, 767 million was incurred in 2013/2014 and 2015/2016 financial years respectively as a result of non-compliance with supply chain management regulations, treasury regulations and the PFMA. Furthermore in 2016 the total amount of irregular expenditure over the financial years had accumulated to R89, 266 million, as a result of controls not being followed. The reasons for this irregular expenditure under investigation were caused by some of the following incidents: proper procurement process not followed on

appointing the service provider, no tax clearance at the time of the award, unsolicited and competitive bidding process not followed, tax clearance certificate and 3 quotes not obtained, and transfer payment not authorised by treasury (Annual report, 2016:166).

Procurement planning is the process of deciding what to buy, when and from what source. In the 2013/2014 financial year the irregular expenditure alone for the department had 5 investigations by national treasury of allegations of irregularities in SCM processes (Audit report, 2014:18) this clearly indicates that EDTEA does not adhere to the SCM procurement plan and that the officials accountable for the provisioning of physical goods and services do not adhere to the procurement procedures. The SCM unit is headed by the CFOs leadership, in view of this reporting structure it was necessary investigate the degree to which SCM practices directed by the CFO comply to proper theoretical and policy commitments. In the 2012/2013 financial year the auditor general reported on the following investigations relating to goods and services: Investigations into allegations of tender manipulation, corruption in awarding services to contractors. Investigations into allegations of events management expenditure. Investigations regarding the utilisation of a service provider when procuring information technology equipment and irregularities relating to the processes followed in securing departmental district office accommodation (Audit report, 2013:3-4). These investigations indicate that the supply chain management (SCM) had indeed not complied with procurement regulations and the theoretical and policy requirements set by the CFO. Furthermore the department links the SCM system to the overall department strategy to contribute substantially with regard to the development and advancement of financial management in the government field, these SCM investigations by national treasury indicates that the EDTEA SCM system appears to be rather weakening the financial management of EDTEA.

Public managers and employees, representatives of the CFO and accounting officer according to section 44 of the PFMA (South Africa, 1999), have to make sure the supply chain management system are effective and efficient. Public managers have to

spend funds allocated to them in a manner where all supply chain management processes are adhered to. Therefore, it is relevant to find out if the managers follow proper theoretical and policy commitments. Referring to the auditor general's report concerning the financial year 2013/2014, it states accruals totaling R38, 123 million has not been paid within 30 days (Final management report, 2014:20), this is evident that there are delays in the provisioning of physical goods and services and that public managers and employees do not always follow proper SCM procedures, regulations and policies.

Financial management area: Asset management

With reference to the Annual Performance Plan (APP) the accounting officer of the department has implemented an asset management system and a policy of asset management within the EDTEA department (Annual performance plan, 2016:27). This indicates that the department does ensure that there are proper asset management procedures and frameworks in place. However it was necessary to find out if, in practice EDTEA asset management practices follow proper theoretical and policy prerequisites whilst being under the direction of the CFO. The asset strategy involves the compilation of asset registers, validation of the completeness thereof through physical identification and counting of assets (National treasury, 2000:37). Although EDTEA has an asset system and policy of asset management according to the auditor general it showed a 10.4% percentage of under-spending of the final appropriation for capital expenditure in the financial year 2012/2013 (Final management report (2014:19). This variance affects the department's overall asset management strategy and highlights that there are still inconsistencies in the asset management area that need to be addressed as the budget and asset strategy are not aligned. In addition, the asset strategy relates to the compilation of asset registers, however the audit report showed R2, 825 million of assets in the 2011/2012 financial year was not disclosed (Final management report (2012:5). This reveals that the department does not always comply with asset management procedures. The employees and public managers within the capacity of their responsibilities are expected to make sure that they themselves protect and maintain all assets. The audit report for the 2013/2014 financial

year raised an audit finding that the assets verification was not performed. During the audit it was noted that the physical verification of assets in the head office was only conducted to a minimal extent which may result in assets not being identified at year end for any impairment, obsolete or unserviceable (Final management report, 2014:35). Hence the department does not always maintain and safeguard the assets. Even though the annual reports for the 2010/2011, 2011/2012, 2012/2013, 2013/2014, 2014/2015 and 2015/2016 financial years shows that the auditor general had approved the EDTEA departments asset management with an unqualified report for compliance with asset management requirements.

Financial management area: Finance (expenditure management)

The function of an expenditure control system is to reflect expenditure according to the voted or authorized budget. Expenditure controls have to contain good financial management principles in order for state resources to be utilized properly (Pattanayak, 2016:6). The accounting officer is responsible to make certain that the expenditure control system is implemented for payment processing of expenditure (National Treasury, 2001:22). The accounting officer is as well as accountable to ensure the collection of revenue (money) from all debtors and that good debt records are kept (National Treasury, 2001:30). According to the APP the accounting officer of the department has implemented an expenditure control system within EDTEA (Annual performance plan, 2016:27). This indicates that the department does ensure that there are proper expenditure control and measures in place. However it was necessary to find out if, in practice EDTEA expenditure control practices follow sound theoretical and policy requirements under the direction of the CFO. However the long outstanding debt still reflects as a continuous issue for the department regarding receivables, as the debt has increased in 6 years from R1, 430 million in 2010/2011 to R33, 340 million in 2015/2016. The collection rate of debtors in the department is extremely poor with debtors collection days numbering 496 (Final management report, 2012:22). With reference to the auditor general's report, it states accruals totaling R38, 123 million has not been paid within 30 days. The department has an average creditor payment period of 36.4 days (Final management report, 2014:20). In the 2015/2016 financial year the

auditor general's report still reflects expenditure payments not made within 30 days (Final management report, 2016:55-56). This shows that not all expenditure or payments are prepared following appropriate state regulations and departmental policy.

Part of expenditure control is that procedures are established for the periodic billing, follow-up and collection of all accounts on a timely basis, with documentation to substantiate all billings for example projects and service providers. With the following expenditure deviations noted over the past 6 financial years such as duplicate payments to suppliers, payment of incorrect suppliers, late payments, fruitless and wasteful expenditure and the exceeding of financial delegations authority limit in payment processing, expenditure control procedures are established but proper oversight needs to improve.

In expenditure payment processing government contracts and purchase-of-service agreements are in writing and are reviewed by an official of the department to monitor compliance with all stated conditions although this is the case the department appears to have not complied entirely. In the 2011/2012 financial year the auditor general's report reflects a transfer of R60, 518 million was paid before the service level agreement (SLA) was in place (Audit report, 2012:2) and the final management report, (2015:29-30) also shows 10 transfer payments paid that were not authorized by provincial treasury. The department by contractually binding itself to suppliers before obtaining approval as a result suppliers may choose to take the department to court on non-delivery of contract thereby increasing contingent liabilities.

With reference to the auditor general's report, it states accruals totaling R38, 123 million has not been paid within 30 days. The department officials and public managers who are responsible for the spending of budget delegated to them are supposed to ensure that expenditure or payments are paid timeously however there appears to be a considerable weakness in this aspect. With reference to the auditor general's report, it states accruals totaling R66, 289 million has not been paid within 30 days in the 2015/2016 financial year (Final management report, 2016:55-56) and an

amount of R0,527 million was paid for late payment of PAYE, UIF and SDL in 2013/2014 financial year (Final management report, 2014:5).

The department expenditure controls and measures are supposed to ensure no payment is made for goods and service not rendered or received yet for the 2013/2014 financial year the annual report (2014:86) discloses the amount of R26, 886 million was expenditure incurred for an event that did not take place and an expenditure amount of R0, 685 million for cancellation of an event or venue for the 2012/2013 financial year (Annual report, 2013:149). Furthermore it can be concluded that the department does not take effective steps to prevent irregular expenditure, wasteful and fruitless and unauthorized expenditure.

Financial management area: Internal control

The accounting officer must ensure an effective and efficient system of internal control and risk management, and to devise a strategy to ensure planned processes are followed and to mitigate against risks that the organization is exposed to. The accounting officer is also responsible to construct an internal audit system (National Treasury, 2001:73). According to the APP the accounting officer of the department has implemented an internal control system within EDTEA (Annual performance plan, 2016:27). This indicates that the department does ensure that there are proper internal control and risk management processes in place. The chief financial officer has the following important financial management responsibilities that assist the accounting officer: reporting on financial management matters and activities, the preparation of the budget and developing and maintaining financial reporting and internal control systems (National Treasury, 2009:14). The department has a documented set of internal controls, including handling of cash and deposits and approval over spending and disbursements. Although the budget over the past 6 years from 2010 to 2016, has been underspent and overspent, with reference to the auditor general's report, it states that the reasons for the request for the roll-over of funds not being spent were not included in the roll-over submission and the months in which the funds will be spent, this resulted in a non-compliance with the treasury regulation 6.4.2 requirements (Final

management report, 2016:72-73). This indicates that even though the department has internal controls that are applied; it lacks the management of the reviewing and monitoring of compliance.

The resources and operation of the business are entrusted to all employees so public managers have to enforce and follow the appropriate internal controls while executing their duties for the successful achievement of the departments goals (Khan, 2007:7). The department has a policy identifying authorized check signers and the number of signatures required on checks in excess of specified rand amounts. However in the financial year 2010/2011 the department did not comply as the irregular expenditure for the amount of R14, 408 million was incurred due to the exceeding of financial delegations authority limit in payment processing (Annual report, 2011: 109).

All expenses of the department are approved by a designated person before payment is made and the department makes sure that there is adherence with the prevailing internal control rules and measures. However in the 2011//2012 financial year the auditor general states that the management had not provided effective leadership based on a culture of ethical business practices and good governance by undertaking unsolicited bids and in so doing have not protected and enhanced the best interests of the department, this proves non-compliance with internal control measures (Final management report, 2012:32-34).

It has been noted that the department does not conduct financial meetings as a control tool. This doesn't allow for time for financial staff to network, share ideas to emphasize teamwork, and inform management of new developments within the financial management department which would negatively affect the financial performance.

The department has no adequate monitoring of service providers or contractors. According to the auditor general management should improve controls over the payment of suppliers to ensure that all internal processes have taken place and

documentation is ready and available on receipt of invoice so that the department is in a position to comply with treasury regulations. Yet during the audit of accruals it was noted that the suppliers listed were not paid within 30 days as required, mostly due to internal delays or orders (commitments) not being available for processing (Final management report, 2012:73-74).

The department has to provide an annual, independent audit of their financial statements, prepared by a certified public accountant. The accounting officer is personally accountable to implement best practices controls, employ quality financial expertise staff. In the event of any problems occurring this will prevent the accounting officer from being personally accountable (National Treasury, 2000:13). The department's financial statements is not prepared by a certified public accountant although the department has over the 6 financials years from 2010 to 2016 obtained an unqualified opinion on their financial statements, the department exhibits financial statement records and statements that are fair and appropriately presented and in accordance with Generally Recognized Accounting Principles (GRAP).

The department has taken effective steps to prevent internal control deficiencies that result in the findings of non-compliance, irregularities, mismanagement of funds and fraud and corruption. Although in 2015/2016 financial year the department incurred unauthorized expenditure amounted to R6, 698 million (Final management report, 2016:65) and over the 6 financials years from 2010 to 2016 the provincial treasury had performed 7 investigations. The investigations were based on allegations of possible irregularities relating to process followed in securing departmental district offices, possible mismanagement of funds by a co-operative, fraud and corruption on local economic development project and possible irregularities relating to events management expenditure (Annual report, 2016: 109). The department had been pursuing the investigations which resulted in criminal dockets being registered with the South African Police Service and the Anti-Corruption Task Team. Completed investigations resulted in criminal proceedings being instituted against the employee's involved (Annual report, 2015: 96). This verifies that the department did not take

effective and appropriate steps to prevent unauthorized, irregular, fruitless and wasteful expenditure and losses from criminal conduct.

2.3 Empirical review

There are many studies carried out on the financial management practices of organizations. By observing studies like Khan (2007) that highlights the research about the concept of the importance of accountability of public servants at all levels towards financial management. This research provides the concepts and principles that can assist all public servants to fully comprehend their responsibilities and duties in financial management. The research conducted further suggests systems to evaluate the financial management accountability in an organization and identify gaps and recommend ways, such as policy intervention for reinforcing it. The questionnaire administered to EDTEA staff found that a few of the respondents agree that public servants are not always accountable in performing financial management duties.

In Kitonga's (2013) research it mentions the study of the relationship between sophisticated capital budgeting methods and financial performance in US, found out that, despite the growing adoption of sophisticated capital budgeting methods, there was no consistent significant association between financial performance and capital budgeting techniques but on the other hand the firms performance and use of modern analytical tools and financial techniques study in 500 firms in US, found out that, they showed that firms adopting sophisticated capital budgeting techniques had better than average firm financial performance. The department's budget remains solely as the crucial defining element for the management of public funds and resources in government. All in all financial management is concerned with sound budgeting and effective distribution of scarce resources. The questionnaire administered to EDTEA staff found that a few of the respondents did not agree that the department budget processes are running appropriately.

The research paper conducted by Mathiba (2011), studied the evaluation of financial management practices within a specific public department and found that the financial performance of the department was reviewed using the financial performance plans, audit reports, annual reports and financial management practices records from the department to provide an adequate and realistic idea of the present state of the departments financial management practices and to evaluate how the departments financial management practices compares to various best practices. The research conducted by Mathiba (2011), found that functional financial management system and mechanisms must be in place to achieve proper financial management practices. In addition it was discovered that the development and implementation of sound financial practices through the use of policy and processes must be performed to help officials with the execution and accountability of their roles. The issue of financial management activities and areas being neglected were due to a lack of staff therefore it was suggested that by the filling of vacancies, the department will eventually improve the internal control measures that are in place, especially with compliance. Furthermore the study found there is a lack of staff that possesses the proper financial management understanding and expertise which leads to a lack of understanding of financial management practices which further impacts on compliance. Hence emphasis should be on the continuous recruitment, training, workshopping and development of all department employees concerning PFMA (South Africa, 1999), integrated supply chain management (SCM), and any related additional financial management policies, is essential and necessary. The questionnaire administered to EDTEA staff found that some of the respondent answers highlighted deficiencies in these areas emphasized in Mathiba's (2011) research. These results led to the conclusion that the department's financial management performance is heavily depended on the good practice of formal financial management.

2.4 Conclusion/Summary of literature review and Research gaps

This chapter of the literature review aimed to analyze and evaluate the financial management practices in government are defined and demarcated as the practices performed by the financial role players: accounting officer, chief financial officer and managers in the following financial functions areas: budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control. The informative literature on the financial functions areas: budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control visibly demonstrates that financial management has far reaching effects and affects all levels of department employees. In the public sector, financial management is the management of funds used to deliver public services. It is concerned with budgets or expenditure and how scarce public resources are mobilized in such a manner that achieves value for the public's money whilst accomplishing government goals (Cangiano *et al*, 2013: 1-2). The determination or ultimate goal of the budget process is the budget and is an influential policy report stating publicly the objectives for delivering public services by an authority that wants to accomplish this through the effective and efficient spending of expenditure. By means of a sound financial management (attributed to the assistance of a budget), teamwork, participation, contribution and direction are formed. It is somewhat alarming to discover that there is a vast amount of knowledge on financial management yet institutions are still not able to comply with processes, procedures and policies in financial management. It is noted that financial role players are not only responsible for the actual financial management operations but it is important that they are also be held accountable when it comes to performing their duties and for managing resources allocated to them. It has been brought to light that political interference in public financial management affairs is common and it cannot be shielded from politicians who intrude and interfere in the affairs of the local government administrators who implement policies while under current provincial austerity measures and pressurized circumstances to fulfill demands in a very limited time period. Rightfully public financial management affairs should be controlled within the legal frameworks such as the PFMA (South Africa, 1999). The integrated SCM is a crucial concept that involves the provisioning of physical goods and services in all public departments to help

facilitate the PFMA requirements. In order for proper financial management to happen, every role player needs to recognize that the most effective way is the implementation of the PFMA, the PPPF Act 5 of 2000 and financial treasury regulations needs to happen.

This chapter outlined the necessary theory, policy and legislation related about financial management that is specifically linked to the South African government field and focuses on what is currently going on in practice within the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA). It has been observed that the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA) have a fully functional financial management system established and proper mechanisms in place in the department. The department also has financial management practices that have been developed to help officials in the execution of their roles and responsibilities that involve procedures, processes and policies. There is a significant association between budgeting methods and financial performance and for this reason the EDTEA department needs to improve their budget processes in order for the organization to achieve better financial performance. Through the finalizing of an approved structure and hiring of employees to fill critical job positions, the EDTEA department will ultimately make good progress with the internal control compliance measures established. Emphasis should be on the continuous recruitment, training, workshopping and development of all department employees concerning PFMA (South Africa, 1999), integrated supply chain management (SCM), and any related additional financial management policies, is essential and necessary, in order to assist all public employees to effectively execute their responsibilities of financial management practices so that the entire organization achieves better financial performance.

2.5 Conceptual framework and Measurement of variables

Topic: Analysis of the Financial Management practices in the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA) Pietermaritzburg, South Africa. This was conceptualized as shown below:

The study involves the theory of financial management that is evaluated by the financial management practices (independent variable) to financial management performance (dependent variable). The intervening variable is the political interference. The mediating variables or moderating variables is the human capital capability. The study variables and scholars attributed to these variables are illustrated in Table 2.5.1.

Table 2.5.1: Scholars that attributed to the measurement variables

Variables	Identified variables	Scholars attributed to variables
Independent variable	Financial management practices	Budget Analysis Manual internet Callender G., Harland C., Knight L., Talgen J. and Thai H.V. Cangiano M., Curristine T.R. and Lazare M. Correia C., Flynn D., Uliana E. and Wormald M. Finkler S.A. Gildenhuis J.S.H. Manase D. and Ngwira M. Macharia K.K. Mathiba L.S. Pattanayak S. Policy to Guide internet South Africa, National Treasury South Africa, PFMA Trenergy A. Walker J.
Dependent variable	Financial management performance	Bless C., Higson-Smith C. and Kagee A. Cangiano M., Curristine T.R. and Lazare M. EDTEA, APP Reports EDTEA, Annual Reports EDTEA, Strategic Plans Freeman H.E., Lipsey M.W. and Rossi P.H. Imas L.G.M. and Rist R.C. Khan M. Kitonga K.G. Macharia K.K. Mathiba L.S. Office of the Auditor General, EDTEA Audit Reports

		Office of the Auditor General, EDTEA Final Management Reports South Africa, National Treasury South Africa, PFMA
Intervening variable	Political interference	Johnston K. and Massey A. Khan M.
Mediating variables	Human capital capability	Deneulin S. and Shahani L. Khan M. Macharia K.K. South Africa, National Treasury South Africa, PFMA

A developed conceptual framework for the proposed study is demonstrated in the figure 2.1 below.

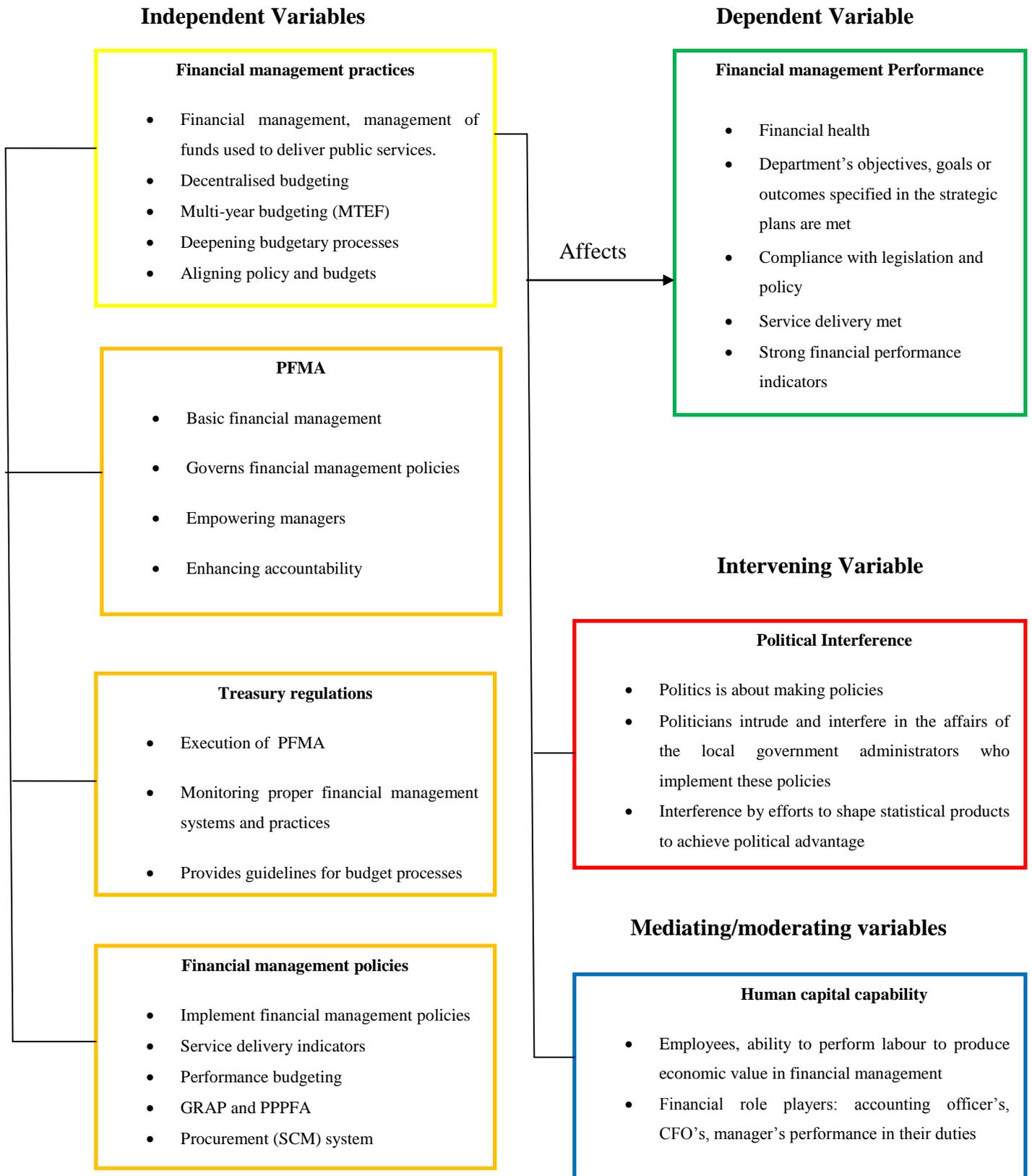


Figure 2.5.1 A developed conceptual framework for the proposed study

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on the blueprint of the research methodology that was used to conduct this study. According to Creswell (2014:3), research methodology refers to the methods, techniques, and procedures that are employed in the process of implementing the research design or research plans. This chapter, therefore, discusses the research philosophy, the research design, the target population, the sampling strategy, the research instruments, the pilot study, the administration and collection of the questionnaires, validity and reliability of the study, limitations of the study, elimination of bias, and ethical consideration applicable to this study.

3.2 Research design and methods

There are different types of research designs that a researcher can use depending on what is being studied. Research can be classified into 3 groups: exploratory, descriptive, and casual research methods. Causal research is called experimental because it follows an experimental design. In explanatory and descriptive designs, the researcher is a collector of data that already exists (McNabb, 2015:125). Casual research is conducted to identify the cause and effect relationship between two or more business (or decision) variables. Exploratory research is mostly used to explore the insight of the general research problem. Descriptive research is conducted to describe the business or market characteristic which is classified into cross sectional study and longitudinal study. Cross sectional research design involves collection of information from sample of a population at only one point of time. Longitudinal study involves survey of the same population over a period of time (Bajpai, 2011:38). “Quantitative research can have as its fundamental focus either the illumination of concepts and themes, the description of events or phenomena, or the determination of causal effects

that the manipulation of one or more factors may have on some variable of interest” (McNabb, 2015:125). For this study a quantitative research was undertaken to describe a particular situation in the business therefore a descriptive research design that involves a cross sectional study was chosen.

According to Freeman, Lipsey, and Rossi (2004:9) the subject area concerning the evaluation research concept began in 1970s in the social sciences field. Imas *et al* (2009:9-10) point out that evaluation is the practice of establishing the importance or value of a strategy or policy, process, therapy, activity or program. Evaluation practices are methodical and impartial which helps enable the proving of whether the proper implementation and outcomes of an intervention materialized and was it successful. A diagnostic evaluation design was also chosen for the purpose of this study. In evaluation research, diagnostic evaluation are created for examining and enlightening the researcher around the current state of affairs in the business focusing on present problems, pressures, factors, influences, resources, trends and the beneficial value of several kinds of interventions (Bless *et al*, 2006:58). The researcher uses diagnostic research design to identify the root causes of the problem and highlights the factors causing the problematic situation. It is a problem solving evaluation research design that looks at the emergence, diagnosis, solution of the problem and possible recommendations for the problem. The chosen research design has helped to evaluate the present condition or performance of the financial management practices of the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA), and to establish likely solutions and interventions.

This research was evaluative and descriptive in nature, as it sought to gather information, evaluate, describe, and explain the present condition of the financial management practices of the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA) by looking at a number of different variables. Specifically, this type of research was about the evaluation of things.

3.3 Research paradigms

Trochim (2009:261) states that there are two widely recognised research paradigms. These are the positivist paradigm, commonly referred to as the quantitative research philosophy, and the phenomenological paradigm, commonly referred to as the qualitative research philosophy. Trochim (2009:261) refers to the qualitative research philosophy as naturalism, because it is especially appropriate to the study of attitudes and behaviours that are best understood within the natural setting of the respondents. Qualitative research includes measuring the quality of things. Quantitative research, on the other hand, is research that involves measuring quantities of things, usually numerical quantities. Quantitative research philosophy commences with theory, where theory and past theory is studied to form the theoretical framework. From here hypotheses are made that proceeds to data collection and a strategy to investigate these hypotheses. After this the data is analysed in relation to the hypothesis and conclusions are made. The conclusions either agree or disagree with the theory (Benz and Newman, 1998:20-22). Therefore quantitative research philosophies was chosen to be a suitable approach for this study as measurement is required for analysis purposes rather than rich and personal data which a word based qualitative approach would require.

3.4 Study area and setting

The study will be conducted in Pietermaritzburg at the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA) due to the fact that it is the head office and all reliable and relevant information can be attained with ease. The department is constantly trying to improve their financial management standards. This organization was chosen for this study as the research caters to the need to achieve financial management objectives by government departments through better financial management practices to improve financial management performance. The outcomes of this study aims to provide accounting officers of government departments with more useful information and better understanding regarding financial

management and performance to solve issues concerning a lack of improvement in this area.

3.5 Target population and the sample of the study

Celsi, Hair, Money, Page and Samouel (2015:163-164) state that the target population is defined as the population used by the researcher to generalize the findings of the study. The purpose of this quantitative study is to test the theory of financial management that is evaluated by the financial management practices to financial management performance therefore the population target chosen for this study was administration employees within the financial management section. The target population was 42 administration employees within financial management section in Pietermaritzburg at the Provincial Department of Economic Development. The 42 employees consisted of both management and non-management financial management administration staff. The management staff comprised of different levels (strata) of management, namely senior management, middle management, and junior management. The study consisted of 3 senior managers, 4 middle managers, 8 junior managers, and 27 administration clerks under the financial management section. A representative sample of the target population was selected to ensure validity to the study. A sample from the staff with a confidence level of 95% was chosen with a 5% margin of error from the target population. Based on the sampling frame, a random sample size of 38 employees was surveyed.

3.6 Sample strategy

There are two main types of sampling, which are probability and non-probability sampling. Probability sampling involves random selection of the sample. Random sampling is a method in which all members of a group (population or universe) have an equal and independent chance of being selected (Bougie and Sekaran, 2010:270). Non-probability sampling, on the other hand, does not involve random selection of the

sample. It involves sample selection techniques that do not give all the individuals in the population an equal chance of being selected as part of the sample (Bougie *et al*, 2010:276).

During the study the selection of the sample involved using the inclusion criterion that included only participants that are administration employees working in the financial management field. The exclusion criterion involved only disqualifying participants that are not permanent staff members like interns as they are employed for a twelve month period by the department. Based on the inclusion and exclusion criteria explained above, convenience purposive sampling was used to select the sample population of the financial management administration staff. The researcher chose staff members who were available and willing to participate in the study and who met the criteria for inclusion in the sample. A target population of 42 financial management administration staff, comprising of 15 managers and 27 administration clerks, was selected for this study.

The simple random sampling technique was used to select participants in the study. Simple random sampling is where each item or element is selected by chance and each item in the population has an equal chance of being chosen in the sample. This resulted in the sample size of 38 department employees' names being chosen out of a hat from a target population of 42 financial management administration staff. Yogo, (2013:23) claims that carefully selected samples that represent 10% of the population often provides good reliability hence the sample size of 38, which is based on 90% of the target population, was more than adequate for the study. The study has covered information contained and retrieved from the 2010-2016 period which is the recent past 6 financial year ends of financial management performance and audit reports. Over the financial years: 2010/2011, 2011/2012, 2012/2013, 2013/2014, 2014/2015 and 2015/2016 financial management for the department has come into question about the lack of improvement in the standard and compliance of financial management practices in order to evaluate the present condition of the departments financial management performance levels these financial year ends have been chosen.

3.7 Research Instruments

The research instrument that was used in this study was a questionnaire. A questionnaire is an instrument used for collecting data and almost always involves asking a given subject to respond to a set of oral or written questions. Questionnaires are usually used to assess thoughts, opinions, feelings, and, for it to be successful, it should be comparatively short and simple (Kothari, 2012:103). In this study the type of information collected by the means of a questionnaire are about the perceptions of employees and performance measurement data. The questionnaire used for the study was composed of questions that were structured or closed-ended. These questions are predetermined, specific and controlled to make sure the study questions are understood with ease by the participants. The designing of the questionnaire was structured using the Linkert measurement scale format so the study under investigation can be translated into a form that can be analysed by the researcher. The questionnaire was divided into five sections; each part was divided into the main objectives of the financial management functions. The objectives or requirements of financial management are performed through the following financial functions: budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control. The first section, of the questionnaire, consisted of questions concerning the department's strategic budgeting function, the second section, comprised of questions on the department's procurement (supply chain management) function, the third section, questions focused on the department's asset management function, the fourth section, questions were concerning the department's finance function and the last section of the questionnaire contained questions on the department's internal control function. While developing the questionnaire it covered the department's information that was contained and retrieved from the 2010-2016 period which is the recent past 6 financial year ends of financial management performance and audit reports in order to obtain the department's expectations relating to the financial management performance levels. The review of the documents was also undertaken to establish the objectives of financial management and to determine what the departments expected outcomes of financial management were. In addition,

the documents also identified measures that were in place to track the financial management performance levels. The information in these documents, together with the information gained from the literature review, the purpose, and objectives of this study, guided the researcher in the construction of the questionnaire.

3.8 Construction of the instrument (Questionnaire)

Numerous factors were considered during the construction of the questionnaire. The questionnaire was divided into five sections; each part was divided into the main objectives of the financial management functions. This was necessary as the researcher wanted to establish as many questions pertaining to the following issues: whether the financial management provided was aligned to the organisational objectives, whether the financial management practices addressed the identified gaps, whether the working environment is conducive for financial management practices, whether there is a relationship between financial management practices and the financial management performance levels in the department, and, lastly, whether the lack of resources affected financial management. The researcher focused on these factors, as they were prominent factors that emerged from the reviewed literature.

The questionnaire was structured using a Likert measurement scale format. The Likert scale is a psychometric scale commonly involved in research that uses questionnaires. The questionnaire included response categories such as strongly agree, agree, neutral or unsure, disagree, and strongly disagree (Bougie *et al*, 2010:197). It is the most widely used approach to scaling responses in survey research. When responding to a Likert questionnaire item, respondents specify their level of agreement or disagreement on a symmetric agree to disagree scale for a series of statements. Thus, the range captures the intensity of their feelings for a given item (Trochim, 2009:146). Closed questions were used in the composing of the questionnaire. Closed questions provide the range of responses the participant may choose from. Closed questions are useful in that they can generate amenable to statistical treatment and analysis. They are quicker

to analyse and code up than word based data. They are often directly to the point and deliberately more focused than open ended questions. (Cohen, Manion, and Morrison, 2007:321-322).The purpose of this questionnaire was to get an in-depth understanding of the issues. All five sections of the questionnaire contained questions on the requirements in performing financial management and its performance levels as well as questions on the financial management practices adopted. With the use of close ended questions, it was envisaged that the participants responses would facilitate in the evaluation of the financial management performance of the department and in the formulation of recommendations to be made to the management of the department.

3.9 Pre-Testing

The term pre-test or pilot study refers to a mini version of a full-scale study in preparation for a study and is a method of testing that the survey can be administered and gives accurate data. A pilot study is usually done to pre-test a research instrument such as a questionnaire or interview schedule (Thomas, Silverman and Nelson, 2015:291). A pilot study is a vital element of the study design. Whilst conducting a pilot study does not guarantee success in the main study, it does increase the likelihood of success. According to Zikmund (2011:64), no matter how carefully you design the data collection instrument such as a questionnaire, there is always the possibility of error. Therefore, before administering the questionnaire to the study participants, it is important for the researcher to test it on a small sample. Zikmund (2011:64) further states that researchers are certain to make some mistakes, such as asking an ambiguous question or asking questions that participants cannot answer. A pilot study was conducted with 5 employees from the department. Three managers, one from each stratum of management, and two administration clerks participated in the pilot study. The participants raised a few concerns and sought clarity on the questions that they did not understand. The participants also commented that the questionnaire was too long. The participants concerns were addressed. Certain questions were reworded and the questionnaire was shortened. The pilot study showed the questionnaire to be suitable to the purpose and objectives of the study.

3.10 Administration and collection of the questionnaires

According to Babbie (2010:286) the method of administering a questionnaire to a sample of participants can be explained as a traditional self-completed questionnaire whereby participants are requested to complete a hard copy of the questionnaire by themselves. A self-completed questionnaire (delivery and collection questionnaire) was administered to participants. As the researcher worked in the same building as the participants, delivery and collection questionnaire of the questionnaires was possible. A self-completed questionnaire was deemed to be appropriate for this study, as the study was a quantitative study and required an in depth understanding of issues covered in the questionnaire. The delivery and collection arrangement of administering the questionnaire allowed the researcher to personally meet with the participants and to take note of their opinions first hand. In addition, if the respondents required clarity on any question, the researcher was available to do so. This is done to ensure participants understand the questionnaire and give appropriate responses. It is common for researchers to receive questionnaire that are unusable. In an attempt to avoid this, the administration of the questionnaire took the form of a self-completed questionnaire (delivery and collection questionnaire). The questionnaires were administered at the offices of either the participants or the researcher and the completed questionnaires were handed to the researcher. Thus, the delivery and collection questionnaire arrangement also assisted in the collection of the completed questionnaires. All completed questionnaires and the researcher's remarks notes were filed for later analysis.

3.11 Validity and Reliability

The opinion of experts (academics) in the literature study regarding the construct and items will be obtained in order to ensure the face and content validity of the

questionnaire. The items in the questionnaire will be based on the literature study, thereby enhancing the content and construct validity of the items. Seeing that the intended questions to be used in the questionnaire were already used in previous studies, the researcher did not deem it necessary to statistically prove the reliability and validity of the questions. In quantitative study the first measure of validity is the degree to which a notion is precisely measured. The second measure of reliability is the precision of a research instrument. For quantitative instruments there are variety of statistical tests and measures to examine the validity that usually involves pilot testing. The reliability is assessed through testing and re-testing methods. (Muijs, 2010:56-71). Validity and reliability in quantitative research is not always accurate however through the use of techniques, such as participant/member checks, peer evaluation, which involves another researcher checking the researcher's inferences based on the instrument and methods used and the use of triangulation, the validity and reliability of the research can be increased. The questionnaire designed was guided by objectives and questions for the research. After the questionnaire was designed it was tested before it was utilised to a large scale, to observe that it obtained the result required. This was done by sending the questionnaire to supervisor to read it through and check if there were any ambiguities which might not have been noticed. He commented on what was needed to be corrected, this included the structure and the phrasing of the questionnaire and questions were altered accordingly. The need for using Cronbach's alpha coefficient to test the reliability of questionnaire was identified and used in this study.

3.12 Data collection techniques/procedures

In the study the research covers primary and secondary data. The researcher made use of a questionnaire in the study for primary data collection and for empirical analysis. Participant's insight on the study variables was gained through a self-completed questionnaire administered to employees (state accountants, managers and heads of financial management) responsible for planning and executing financial management practices. The questionnaire consisted of structured or closed-ended questions that

were hand delivered. The questionnaire was structured to consist of questions pertaining to the objectives of financial management and its performance data and the financial management practices adopted. The questionnaire had a five-point Likert measurement scale format with response categories such as strongly agree, agree, neutral or unsure, disagree, and strongly disagree in the design of the financial management practice questions. According to Bougie *et al* (2010:197), in research the Likert measurement scale is used to rank or rate subjective and intangible information. The advantages of the numeric aspect of the scale helps reduce subjectivity in the study and also makes quantitative analysis possible. Secondary data refers to the collection of data which is knowledge and information found in textbooks, newspapers, reports and journal articles (Cooper and Schindler, 2008:34). The secondary data collection was performed through desk research which exposed the researcher to literature reviews about past research related to financial management practices and the financial performance of organizations. The advantages of using data of this nature are that it provides guidance to individual researchers that may not have access to this sort of data, data that provides a vast knowledge, expertise and professionalism. Financial performance plans, audit reports, annual reports and financial management practices records from the department was also used.

3.13 Data analysis

Israel (2009: xv-xvi) defines data analysis as the process that involves the collection of data, analyzing this data and subsequently making conclusions and decisions from analyzing this data. Data analysis is performed to avoid going back to the raw data from questionnaires and interviews. Data analysis transforms raw data into usable information through data sorting, editing and cleaning. Data analysis can be divided into descriptive statistics and inferential statistics. From the research objectives of the study, research questions were generated to be able to analyze the financial management practices in the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA). The findings or data was analyzed

descriptively to understand the effect of financial management practices in the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA) and to provide suggestions for progression in this area. Descriptive statistics are used in the study to describe what the data is or what the data in the study shows. Therefore descriptive statistics is the discipline of quantitatively describing the main features of information collected or the quantitative description of the data itself. The difference between descriptive statistics (deductive statistics) and inferential statistics (inductive statistics), descriptive describes and summarizes the data collected in the sample whereas inferential uses the data from the sample based on the population to make conclusions and inferences about the population (Israel, 2009: xvi-xvii). Tables and figures were used to present the analysed data. This data was interpreted and analysed descriptively.

3.14 Elimination of bias

Cohen *et al* (2007:321) explains that a closed question questionnaire would not enable participants to put in comments, experiences and details to the categories and there is a possibility that these categories could not be far-reaching and thorough enough which could mean that there could be bias in them. There are a number of methods that the researcher employed to eliminate this bias. The researcher included elements of exploratory research. The researcher did a preliminary study amongst colleagues, where open ended questions were asked and their responses provided the researcher with the perspectives of different people. This made it easier to design the closed question questionnaire and to cater for the different perspectives of participants, which, in turn, increased the value of the results.

3.15 Ethical considerations

The ethical considerations in business research focuses on the role of values in the research processes pertaining to how the researcher addresses these ethical concerns to ensure the integrity of the research process and the dignity and wellbeing of the research subjects (Bell and Bryman, 2015:129-130). The first consideration the researcher took into account was to draft a letter requesting the consent of the participants to administer the questionnaire. The letter also outlined the purpose of the study, how the study was to be conducted, and the rights that the participants had during the research process, such as their right to discontinue participation at any time if they felt uncomfortable. The researcher ensured that the identity of all participants was protected. The protection of confidentiality involved restricting access to raw data and storing all data securely. The names of participants were not used in the writing of the research report. Permission to conduct the study was obtained from the head of department at the organisation. A copy of this permission letter was given to each participant in the study. Participation in the research was voluntary and no participant was forced to participate or alternatively paid for their participation.

3.16 Summary

In this chapter, the research methodology used in this study was presented. The research instruments, the sampling method, sample selection, and size of sample were described. The data collection and analysis processes were presented. Steps taken to ensure the elimination of bias and ethical considerations were described. The next chapter presents the results, discussion, and interpretation of the findings from this study.

CHAPTER FOUR: PRESENTATION OF RESULTS, DISCUSSION AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter presents the results from the data collected and links the findings to the literature reviewed. According to Zikmund (2011:175), questionnaires or interviews may be utilised to collect data via the telephone, in a face-to-face setting, or through other communication media. The questionnaire consisted of questions that were structured using a Likert-scale format combined with closed-ended questions. The administration of the questionnaire took the form of a traditional self-completed questionnaire. In most instances, “strongly agree” and “agree” responses and “strongly disagree” and “disagree” responses were combined when responses were being analysed. The responses were analysed quantitatively and discussed descriptively through a narrative discussion and a graphical presentation of the data.

4.2 Presentation of the research findings

A sample of thirty eight respondents was surveyed. The data and the results are presented according to themes. The use of themes assisted the researcher to interpret the data and to draw conclusions. The questionnaire used to collect data is attached in Appendix 4. The themes used to present the data are demographic information, the present quality of the financial management practices in the department, an assessment to how the financial management practices in the department compares to best practices, and an analysis of the closed-ended questions in the questionnaire.

4.3 Methods used for statistical analysis

To determine if data are reliable, a Cronbach's alpha was calculated along with the proportion of respondents. To determine if the response to questions in each section were different a Chi-square analysis was performed. To determine if there is a significant relationship between the responses to questions in each section a Spearman's correlation was performed. All statistical analysis was performed using IBM SPSS Statistics v24, and was considered significant at a 0.05 level.

Cronbach's alpha co-efficient reliability measure

Table 4.3.1: Reliability statistic

Statistical test	Test Value	N
Response rate	92%	35/38
Cronbrach's Alpha	0.925	30

The measure of reliability is the precision of a research instrument. For quantitative instruments the reliability is assessed through testing and re-testing methods. (Muijs, 2010:56-71). The need for using Cronbach's alpha coefficient to test the reliability of the questionnaire was identified and used in this study. The reliability statistics shows that this survey had a high response rate of 92%, a high response rate shows that many of the participants approached and answered the study. The high Cronbach's alpha value of 0.925 (any value >0.7 is considered acceptable), shows that the data is reliable.

Pearson's chi-square analysis

Table 4.3.2: Measuring different responses by respondents on financial management practices.

	χ^2	df	p
Strategic Budgeting	18.91	12	.091
Supply Chain Management	62.85	20	.000
Asset Management	7.39	8	.495
Finance	22.03	15	.107
Internal Control	35.72	21	.024

The chi-square analysis is a non-parametric test that compares the observed frequencies to expected frequencies within a given distribution. The Chi-Squared analysis measures if there is a difference in the response to questions, but does not tell you where the differences are. In chi-square analysis values <0.05 are considered significant. Aspects of procurement (SCM) and internal control exhibited significant differences within their respective responses. There was a significant difference in responses to questions posed in SCM ($\chi^2=62.85$, $df=20$, $p<0.0001$). There was a significant difference in responses to questions posed in internal control ($\chi^2=35.72$, $df=21$, $p=0.024$). There were a high percentage of respondents who showed favourable responses to each section, however, those in SCM and internal control were significantly different.

4.4 Demographic information

The respondents were asked to provide information in order to establish a biographical profile of the respondents who represent the employees from the EDTEA department. The data are presented graphically and discussed descriptively.

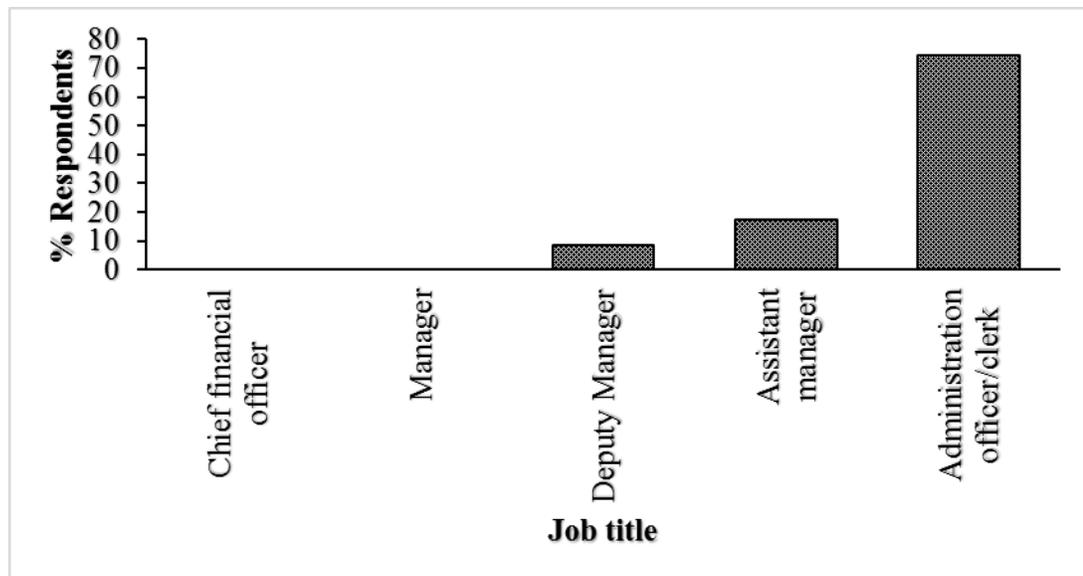


Figure 4.4.1: Job title of respondents.

The management staff comprised of different levels (strata) of management, namely senior management, middle management, and junior management. The study consisted of 3 senior managers, 4 middle (deputy) managers, 8 junior (assistant) managers, and 27 administration clerks (officers), non-management staff, under the financial management section. A representative sample of the target population was selected to ensure validity to the study. A sample from the staff with a confidence level of 95% was chosen with a 5% margin of error from the target population. Based on the sampling frame, a random sample size of 38 employees was surveyed.

The survey shows that financial management employees at EDTEA are predominantly occupying administration clerk roles. Amongst the financial management staff, 74% are administration clerks, 17% are junior managers and 9% are middle managers. Hence this emphasizes the importance of the department having strong oversight, accountability and compliance rules as the majority of staff carrying out financial management practices are mainly administration clerks. This would help the manager's deal with the capacity constraints as strong controls and measures are in place to assist in supervising a lot of staff and ensuring compliance with financial management practices.



Figure 4.4.2: Length of service of respondents.

Amongst the financial management staff, 34% had 1 to 3 years of service, 23% had 4 to 7 years, 26% had 7-10 years and 17% had 10 years and more. This sample was an adequate representation of the data in the research. The findings show that the majority of financial management staff respondents have a service length of 3 years and below, which is double the amount of respondents that have a service of 10 years and above. This further reinforces the notion that EDTEA has a fairly new working force for providing financial management support and expertise to the organization. This means there is a lot of room for improvement which financial management employees have still to gain from financial management practices in terms of development, learning and practical experience. Hence this emphasizes the importance of continuous recruitment, training, workshopping and development of all department employees concerning PFMA (South Africa, 1999), budgeting techniques, integrated supply chain management (SCM), and any related additional financial management policies..

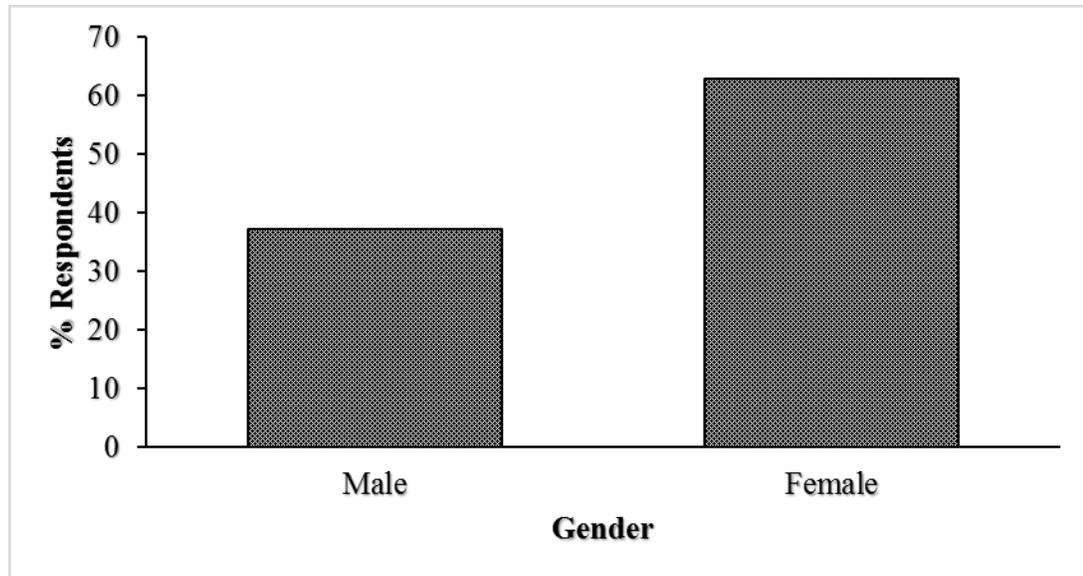


Figure 4.4.3: Gender of respondents.

Of the 38 financial management staff (total sample), 63% consisted of females and 37% consisted of males who were interviewed. This sample was an adequate representation of the target population relating to the research and thus any generalisation will be valid due to the probability sampling technique used.

4.5 Objectives of the study

The primary objective of the study is: the degree to which the EDTEA department's financial role players: accounting officer, the chief financial officer and managers carry out the requirements for financial management in their practice in performing the following financial functions areas: budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control. As part of this study, to be able to achieve this primary objective, secondary objectives were established. For every secondary objective established, a sequence of sub statements was formulated from the literature review and the quantitative data collection procedure. These statements were further evaluated through the Likert scale

measurement to ascertain the perception of the sample of the population. The next section will show these secondary objectives and the evaluation of the sub statements that are structured from the secondary objectives.

4.5.1 The present quality of the financial management practices in the department

The first research objective of the study was to get a reasonable impression of the quality of the financial management practices in the EDTEA department. The findings represented in the figures and tables, below, seek to present, interpret and discuss this objective.

In order to present the quality of the financial management practices in the department, for the purpose of this study one has to look at the standard of financial management practices in the EDTEA department which can be described as Macharia (2015:4) explains, the financial management practices in government are defined and demarcated as the practices performed by the financial role players: accounting officer, chief financial officer and managers in the following financial functions areas: budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control.

Financial management area: Budgeting

Strategic Budgeting	% Response				
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The department prepares and submits a draft budget, which includes costs for all operations and all sources of funding. This annual budget is reviewed and approved by the Accounting Officer. Do you agree that this budget is always aligned with the strategic plan?	0.00%	2.90%	14.30%	60.00%	22.90%

The MTEF is annual, rolling three year-expenditure planning. It sets out the medium-term expenditure priorities and hard budget constraints against which sector plans can be developed and refined. MTEF also contains outcome criteria for performance monitoring. Do you agree that the budget allocation process (MTEF) is always aligned with the service delivery plans?	0.00%	5.70%	14.30%	65.70%	14.30%
The APP focuses on the generic content of Strategic Plans and Annual Performance Plans and the time frames for their production. It also aims to help accounting officers and managers of institutions to produce quality accountability documents that use performance information appropriately. Do you agree that the APP is always aligned with the budget and service delivery plans?	0.00%	11.40%	14.30%	62.90%	11.40%
The budget plans/ estimates submitted by the department are always accurate estimates.	2.90%	17.10%	28.60%	51.40%	0.00%

Table 4.5.1.1: Frequency of responses statistic for budget indicators.

In table 4.5.1.1 each question represents an indicator for budget practices for the department. There were a few participants who responded as strongly disagree and disagree across questions in the strategic budgeting section, although these responses are not significantly different ($\chi^2=18.91$, $df=12$, $p=0.091$ - table 4.3.2). The highest number of respondents agreed with the questions posed in strategic budget planning (table 4.5.1.1).

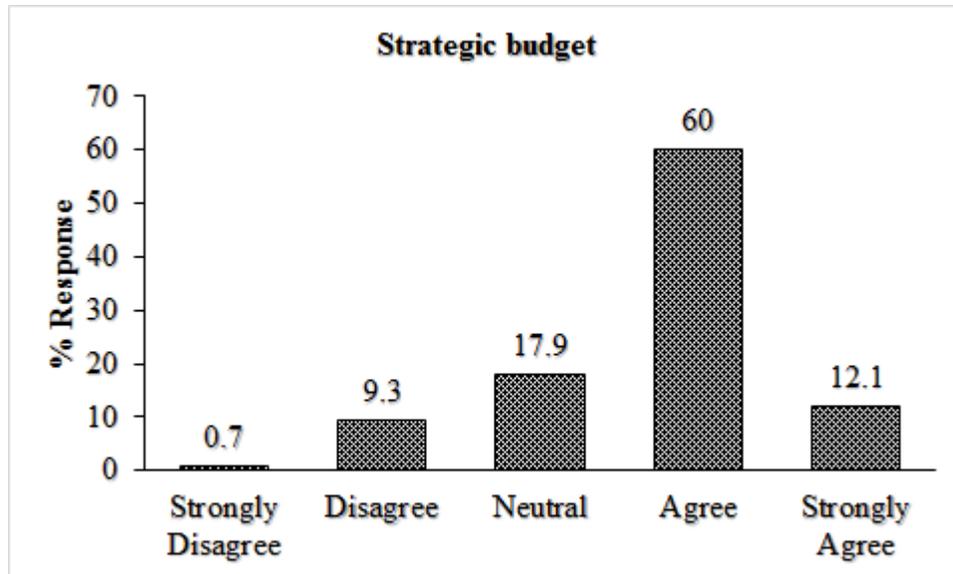


Figure 4.5.1.1: Evaluation of the financial management practices in the budget function by respondents.

Figure 4.5.1.1 shows that at least 72% respondents were in agreement with the strategic budget planning. Although the responses are not significantly different ($\chi^2=18.91$, $df=12$, $p=0.091$ - table 4.3.2) there were a high proportion of respondents who were in agreement with budget practices (table 4.5.1.1).

A total of 72% of respondents agreed that the EDTEA department's budget function complies with financial management practices, 26% were neutral and 10% disagreed (figure 4.5.1.1). The majority of the respondents agreed that budget adheres to financial management practices requirements, which means the department budget processes are running appropriately. The fact that the majority of respondents agreed with the statement correlates with the view of Kitonga (2013), who's research on budgeting, mentions the study of the relationship between sophisticated capital budgeting methods and financial performance in US, found out that, despite the growing adoption of sophisticated capital budgeting methods, there was no consistent significant association between financial performance and capital budgeting techniques but on the other hand the firms performance and use of modern analytical tools and financial techniques study in 500 firms in US, found out that, they showed that firms

adopting sophisticated capital budgeting techniques had better than average firm financial performance. The PFMA (South Africa, 2010:39) states that the responsibility of the accounting officers in terms of budgetary control is to ensure the departments expenditure adheres to the vote of the department. Gildenhuis (1993:157) expresses that the accounting officer's reporting responsibilities are to ensure that preparation of the draft budget, the submission of the budget to treasury and the execution of the department's budget are performed. Cangiano et al (2013: 1-2) says the budget is concerned with expenditure and how scarce public resources are mobilized in such a manner that achieves value for the public's money whilst accomplishing government goals (Cangiano et al, 2013: 1-2).

Financial management area: Procurement (Supply chain management (SCM))

Supply Chain Management	% Response				
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The department links SCM system to overall Department strategy to contribute significantly towards the improvement of financial management in the public sector.	2.90%	0.00%	20.00%	54.30%	22.90%
The department develops and implements an effective and efficient SCM as stipulated in the department policies.	2.90%	0.00%	11.40%	57.10%	28.60%
Procurement planning is the process of deciding what to buy, when and from what source. Do you agree that the department adheres to the SCM procurement plan?	0.00%	5.70%	17.10%	48.60%	28.60%
The department officials responsible for the procurement of goods and services comply with the processes of procurement.	2.90%	5.70%	2.90%	57.10%	31.40%
The department ensures compliance with procurement procedures.	2.90%	2.90%	17.10%	48.60%	28.60%
There are no delays in the procurement of goods and services.	2.90%	40.00%	20.00%	34.30%	2.90%

Table 4.5.1.2: Frequency of responses statistic for SCM indicators.

In table 4.5.1.1 each question represents an indicator for SCM practices for the department. There were a few participants who responded as strongly disagree and disagree across most questions in the SCM section, although the question pertaining to delays in procurement of good and services showed a disparity in response, at least 40% of respondents disagreed, 34% agreed and 20% remained neutral (table 4.5.1.2). These responses were significantly different ($\chi^2=62.85$, $df=20$, $p=0.000$ - table 4.3.2), however the general response agreed with the questions posed in SCM (table 4.5.1.2).

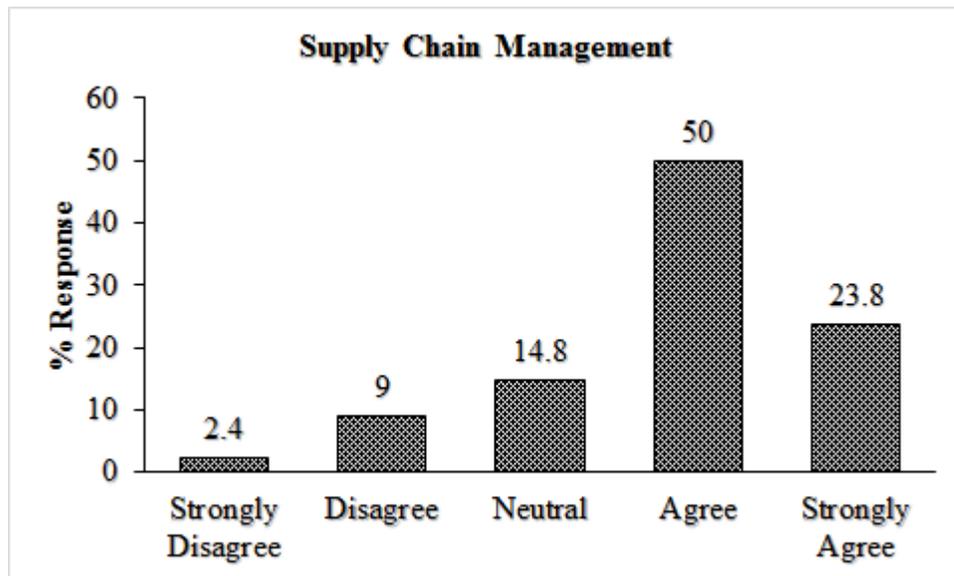


Figure 4.5.1.2: Evaluation of the financial management practices in the SCM function by respondents.

Figure 4.5.1.2 shows that at least 74% of respondents were in agreement with the supply chain management (SCM) procedures. There was a significant difference in response to questions posed in SCM ($\chi^2=62.85$, $df=20$, $p=0.000$ - table 4.3.2).

A total of 74% of respondents agreed that the EDTEA department's supply chain management (SCM) function complies with financial management practices, 15% were neutral and 11% disagreed (figure 4.5.1.2). It was noted however that there was a

significant difference in response to questions posed in SCM ($\chi^2=62.85$, $df=20$, $p=0.000$ - table 4.3.2), specifically with the question pertaining to delays in provisioning of physical good and services showed a disparity in response, at least 40% of respondents disagreed, 34% agreed and 20% remained neutral (table 4.5.1.2). The majority of the respondents disagreed that SCM adheres to financial management practices requirements when it comes to the delays in provisioning of physical good and services, which means the department SCM processes in this aspect is not running appropriately. The fact that the majority of respondents disagreed with the statement correlates with the view of Khan (2007:7-8), who comments on the provisioning of physical good and services, that besides procurement employees all employees are responsible for issuing accurate and on time requisitions to make sure that physical goods and services acquired are economical, derive value for money and achieve service delivery (Khan, 2007:7-8). Public managers and employees, representatives of the CFO and accounting officer according to section 44 of the PFMA (South Africa, 1999), have to make sure the supply chain management system are effective and efficient. Public managers have to spend funds allocated to them in a manner were all supply chain management processes are adhered to. Therefore, it is relevant to find out if the managers follow proper theoretical and policy commitments. Referring to the auditor general's report concerning the financial year 2013/2014, it states accruals totalling R38, 123 million has not been paid within 30 days (Final management report, 2014:20), this is evident that there are delays in the provisioning of physical goods and services and that public managers and employees do not always follow proper SCM procedures, regulations and policies in the provisioning of physical good and services.

Financial management area: Asset management

Asset Management	% Response				
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The department ensures that there are proper asset management procedures.	2.90%	0.00%	8.60%	65.70%	22.90%
The department has adequate maintenance and safeguards of assets.	2.90%	8.60%	14.30%	60.00%	14.30%

The department adheres to asset management procedures.	2.90%	2.90%	8.60%	77.10%	8.60%
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Table 4.5.1.3: Frequency of responses statistic for asset management indicators.

In table 4.5.1.3 each question represents an indicator for asset management practices for the department. There were a few participants who responded as strongly disagree and disagree across questions in the asset management section. Although these respondents are not significantly different ($\chi^2=7.39$, $df=8$, $p=0.495$ - table 4.3.2). The highest number of respondents agreed with the questions in asset management (table 4.5.1.3).

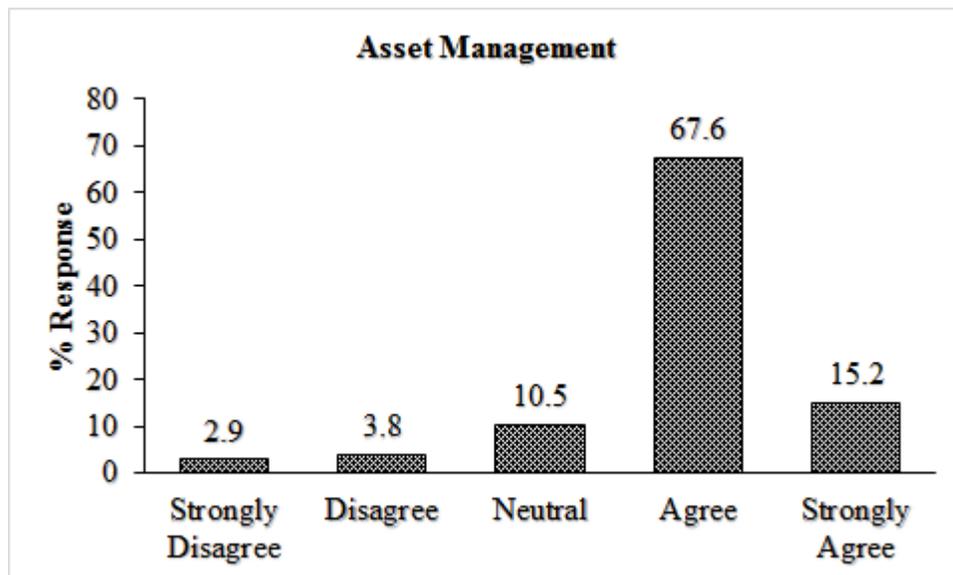


Figure 4.5.1.3: Evaluation of the financial management practices in the asset management function by respondents.

Figure 4.5.1.3 shows that at least 83% of respondents were in agreement with the asset management procedures. Although the responses are not significantly different

($\chi^2=7.39$, $df=8$, $p=0.495$ - table 4.3.2). There were a high proportion of respondents who were in agreement with asset management practices (table 4.5.1.3).

A total of 83% of respondents agreed that the EDTEA department’s asset management function complies with financial management practices, 10% were neutral and 7% disagreed. The majority of the respondents agreed that asset management adheres to financial management practices requirements, which means the department asset management processes are running appropriately. The fact that the majority of respondents agreed with the statement correlates with the views of Manase *et al* (2016:2) that refer to asset management as a coordinated process that strives to derive value for money from assets whilst delivering on the governments strategic objectives. The PFMA (South Africa, 1999) section 38(1) (d) also correlates with this statement as it addresses the importance and the requirements for effective asset management in public financial management. The national treasury (2001:29) states that the accounting officer is responsible to ensure suitable asset control systems are implemented for the optimum and economic use of state assets and is responsible for enforcing precautionary processes to safeguard assets against waste, misuse, theft and losses. The national treasury (2009:49) further states the chief financial officers duty is to ensure that when assets are considered that a maximum benefit analysis is performed on the assets in terms of the departmental objectives and service delivery obligations, which serves as a guide for asset management practices and decision-making. In conducting asset management oversight the chief financial officer is therefore responsible for achieving transparent, economical and value for money through the financial decision making regarding asset resources.

Financial management area: Finance (expenditure management)

Finance	% Response				
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
All expenditure/payments are prepared following appropriate state/provincial regulations and departmental policy.	0%	2.90%	17.10%	65.70%	14.30%
Procedures are established for the periodic billing, follow-up and	0%	5.70%	28.60%	57.10%	8.60%

collection of all accounts on a timely basis, with documentation to substantiate all billings for example projects and service providers.					
Government contracts and purchase-of-service agreements are in writing and are reviewed by an official of the department to monitor compliance with all stated conditions.	0%	2.90%	8.60%	68.60%	20.00%
The department expenditure/payments are paid timeously.	0%	17.10%	14.30%	57.10%	11.40%
No payment of goods and service not rendered/received.	0%	2.90%	14.30%	54.30%	28.60%
Do you agree that the department has taken effective steps to prevent irregular, wasteful and fruitless and unauthorized expenditure?	0%	11.40%	25.70%	42.90%	20.00%

Table 4.5.1.4: Frequency of responses statistic indicators for finance (expenditure management).

In table 4.5.1.4 each question represents an indicator for finance (expenditure management) practices for the department. There were a no participants who responded as strongly disagree and few who responded as disagree across questions in the finance section. Although these respondents are not significantly different ($\chi^2=22.03$, $df=15$, $p=0.107$ - table 4.3.2). The highest number of respondents agreed with the questions posed in expenditure management (table 4.5.1.4).

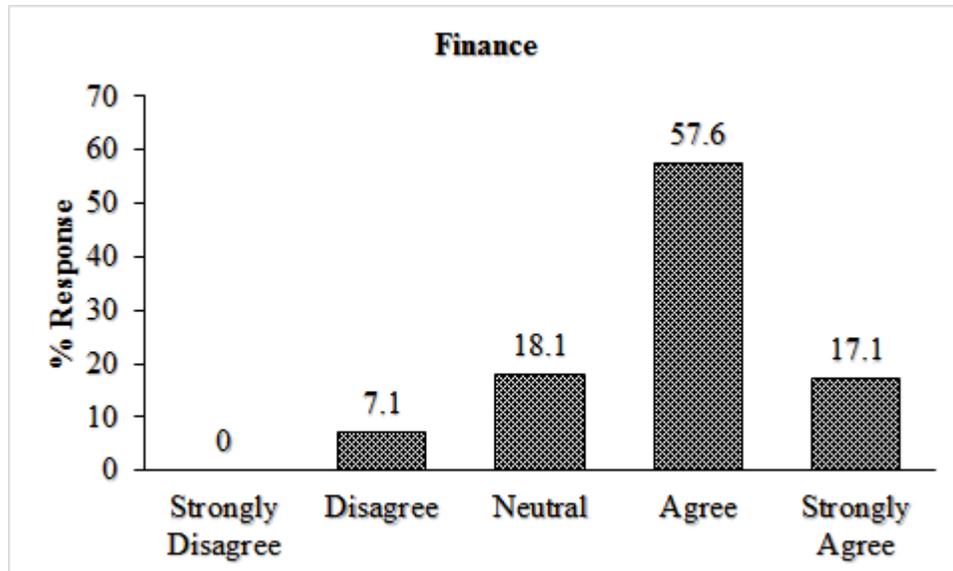


Figure 4.5.1.4: Evaluation of the financial management practices in the finance (expenditure management) by respondents.

Figure 4.5.1.4 shows that at least 75% of respondents were in agreement with the expenditure management procedures. Although the responses are not significantly different ($\chi^2=7.39$, $df=8$, $p=0.495$ - table 4.3.2). There were a high proportion of respondents who were in agreement with expenditure management practices (table 4.5.1.4).

A total of 75% of respondents agreed that the EDTEA department's expenditure management function complies with expenditure management practices, 18% were neutral and 7% disagreed. The majority of the respondents agreed that expenditure management adheres to financial management practices requirements, which means the department expenditure management processes are running appropriately. The fact that the majority of respondents agreed with the statement correlates with the views of Pattanayak (2016:6) that expenditure controls have to contain good financial management principles in order for state resources to be utilized properly, for obligations to be met timeously, for the misuse of funds to be avoided and for fair practice in the issuing of government contracts. Khan (2007:5) states in the past public managers were responsible for spending against the voted budget, they had to account for over and under spending expenditure. The focus has now shifted to resource being

utilized in a manner that attains better outcomes and results. The effective utilization of resources can be assessed by looking at the end results, realized outcomes and outputs produced.

Financial management area: Internal control

Internal Control	% Response				
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The department has documented a set of internal controls, including handling of cash and deposits and approval over spending and disbursements.	0%	2.90%	14.30%	74.30%	8.60%
The department has a policy identifying authorized check signers and the number of signatures required on checks in excess of specified rand amounts.	0%	2.90%	14.30%	60.00%	22.90%
All expenses of the department are approved by a designated person before payment is made.	0%	0.00%	2.90%	62.90%	34.30%
The department ensures that there is compliance with the established internal control measures.	0%	5.70%	8.60%	68.60%	17.10%
The department conducts financial meetings as a control tool.	0%	5.70%	25.70%	54.30%	14.30%
The department has adequate monitoring of service providers/contractors.	0%	8.60%	37.10%	45.70%	8.60%
The department has an annual, independent audit of their financial statements, prepared by a certified public accountant.	0%	0.00%	14.30%	57.10%	28.60%
Do you agree that the department has taken effective steps to prevent internal control deficiencies that result in the findings of non-compliance, irregularities, mismanagement of funds and fraud and corruption?	0%	5.70%	20.00%	57.10%	17.10%

Table 4.5.1.5: Frequency of responses statistic indicators for internal control.

In table 4.5.1.5 each question represents an indicator for internal control practices for the department. There were a no participants who responded as strongly disagree and a few who responded as disagree across most questions in the internal control section, although the question pertaining to adequate monitoring of service providers or contractors showed disparity in response, a higher proportion of 37% respondents remaining neutral, whilst 46% agreed, at least 9% of respondents disagreed (table 4.5.1.5). These responses were significantly different ($\chi^2=35.72$, $df=21$, $p=0.024$ - table 4.3.2), however the general response agreed with the questions posed in internal control (table 4.5.1.5).

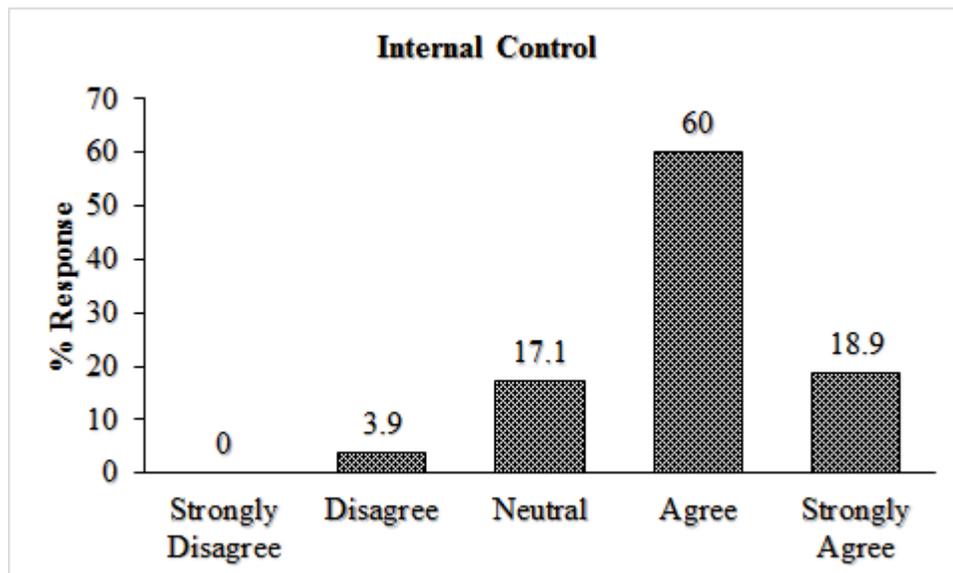


Figure 4.5.1.5: Evaluation of the financial management practices in the internal control function by respondents.

Figure 4.5.1.5 shows that at least 79% of respondents were in agreement with the internal control procedures. There was a significant difference in response to questions posed in internal control ($\chi^2=35.72$, $df=21$, $p=0.024$ - table 4.3.2). There were a high proportion of respondents who were in agreement with expenditure management practices (table 4.5.1.5).

A total of 79% of respondents agreed that the EDTEA internal control function complies with financial management practices, 17% were neutral and 4% disagreed (figure 4.5.1.5). It was noted however that there was a significant difference in response to questions posed in internal control ($\chi^2=35.72$, $df=21$, $p=0.024$ - table 4.3.2), specifically with the question pertaining to adequate monitoring of service providers or contractors showed a disparity in response, at least 9% of respondents disagreed, 46% agreed and 37% remained neutral (table 4.5.1.5). A higher proportion of respondents remaining neutral that internal control adheres to financial management practices requirements when it comes to the adequate monitoring of service providers or contractors, which means that most respondents are unsure if the department SCM processes in this aspect are running properly. The fact that the higher proportions of respondents are remaining neutral with the statement correlates with the view of Khan (2007:7) who comments on the adequate monitoring of service providers or contractors, the resources and operation of the business are entrusted to all employees so public managers have to enforce and follow the appropriate internal controls while executing their duties for the successful achievement of the departments goals (Khan, 2007:7). According to the auditor general management should improve controls over the payment of suppliers to ensure that all internal processes have taken place and documentation is ready and available on receipt of invoice so that the department is in a position to comply with treasury regulations. Yet during the audit of accruals it was noted that the suppliers listed were not paid within 30 days as required, mostly due to internal delays or orders (commitments) not being available for processing (Final management report, 2012:73-74). The department has no adequate monitoring of service providers or contractors.

These results led to the conclusion that the department's present quality of financial management is of a fairly good standard with the exception of a few areas that needs improvement in the financial management practices.

4.5.2 An assessment to how the financial management practices in the department compares to best practices

The second research objective of the study was to assess how the financial management practices in the EDTEA department compares to best practices. The findings represented in the figures and tables, below, seek to present, interpret and discuss this objective.

This part of the study involved using a non-parametric test, called a Spearman's rho correlation. A Spearman's correlation was performed to determine if there is a significant relationship between the responses to questions in each section.

Table 4.5.2.1: Correlation matrix per section or function.

	Budget	Supply Chain Management	Asset Management	Finance	Internal Control
Budget	1.000				
Supply Chain Management	.305**	1.000			
Asset Management	.407**	.502**	1.000		
Finance	.393**	.381**	.463**	1.000	
Internal Control	0.092	.468**	.313*	.406**	1.000

* Correlation is significant at the 0.001 level.

** Correlation is significant at the <0.0001 level.

In the table 4.5.2.1 the results here were highly significant, this means there is a significant relationship between the variables. The following sections identified had significant correlations:

There is a significant relationship between the responses in the budget and SCM (p<0.0001). There is a significant relationship between the responses in the budget and asset management (p<0.0001). There is a significant relationship between the

responses in the budget and finance ($p < 0.0001$). There is a significant relationship between the responses in the SCM and asset management ($p < 0.0001$). There is a significant relationship between the responses in the SCM and finance ($p < 0.0001$). There is a significant relationship between the responses in the SCM and internal control ($p < 0.0001$). There is a significant relationship between the responses in the asset management and finance ($p < 0.0001$). There is a significant relationship between the responses in the asset management and internal control ($p = 0.001$). There is a significant relationship between the responses in the finance and internal control ($p < 0.0001$).

Although the relations are moderate (> 0.7 is considered great, however, in reality it is usually between 0.4-0.6) and because there are so many, it is obvious that each section has a strong relation with the other. With the exception of budget and internal control, all responses to each section were significantly related to each other. This indicates that the responses from each section are strongly related to each other. In other words, those who agree with the questions in SCM also agree with questions in asset management.

It is obvious that each section has a strong relation with the other and the significance of this can be linked to, that proper financial management is achieved through the important interrelated activities of budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control so that proper resource management can be achieved through the important interrelated activities of planning, implementation, monitoring, evaluation and reporting. This enables timely corrective action where financial health and service delivery may be at risk (National treasury, 2000:9-10). The research by Mathiba (2011), found that functional financial management system and mechanisms must be in place to achieve proper financial management practices. In addition it was discovered that the development and implementation of sound financial practices through the use of policy and processes must be performed to help officials with the execution and

accountability of their roles. This is further reinforced by the overall responses, which were positive across every section indicating that majority of respondents agreed with the questions posed relating to financial management practices (figure 4.5.1.1 to 4.5.1.5). This indicates that the EDTEA department is in keeping with the financial management best practices as their functional financial management system and mechanisms are of sound and good financial practices.

The research by Mathiba (2011), states on the issue of financial management activities and areas being neglected can be caused by various reasons such as being short staffed therefore the department needs to address such issues, in this instance by filling vacancies to be able to eventually improve the internal control measures that are in place, especially with compliance. This is further reinforced by the fact that even though most responses were consistent in agreement with many questions posed, there are a few which were not as distinct (pointed out in the table 4.5.1.1 to 4.5.1.5), indicating some areas were weak and needed attention for improvement in financial management practices. This indicates that the EDTEA department is not always in keeping with the financial management best practices due to certain weakness in the implementation of financial management activities and areas.

The research by Mathiba (2011), furthermore found there could be a lack of staff that possesses the proper financial management understanding and expertise which leads to a lack of understanding of financial management practices which further impacts on compliance. Hence emphasis should be on the continuous recruitment, training, workshopping and development of all department employees concerning PFMA (South Africa, 1999), integrated supply chain management (SCM), and any related additional financial management policies, is essential and necessary. This is further reinforced by the notion that specific relationships like responses to SCM and internal control are significantly different, and are also positively correlated with each other (table 4.3.2). As there were a high percentage of respondents who showed favourable responses to each section, however, those in SCM and internal control were significantly different.

This indicates that the EDTEA department is not always in keeping with the financial management best practices due to a lack of proper financial management knowledge, understanding and expertise.

These results led to the conclusion that despite a few weak areas, the department's financial management is of a good standard stemming from the proper use of formal financial management practices by the EDTEA department and as a result the financial management practices in the EDTEA department compares well against best practices.

4.5.3 Analysis of the closed-ended questions

The finding represented by the closed-ended question respond to the last two objectives, which is to make recommendations to the management of the EDTEA regarding the improvement in the financial management practices and financial management area to ensure a strong foundation from which to undertake a major change effort in the financial management practices and financial management area. The responses of the participants led the researcher to make certain conclusions and recommendations.

Financial management area: Budgeting

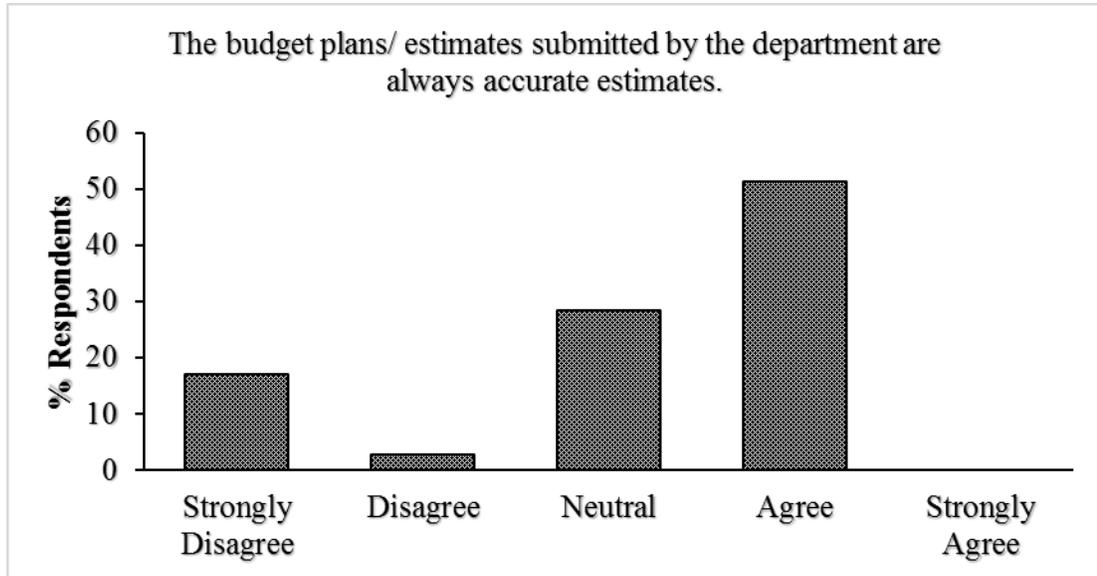


Figure 4.5.3.1: Response to a question posed in budget.

From the responses, it was obvious that the majority of responses agreed with the budgeting section practices by EDTEA. However the question pertaining to whether the budget plans or estimates submitted by the department are always accurate estimates, had 29% remaining neutral, 20% disagreed and 51% agreed (figure 4.5.3.1). The responses to this question varied showing that there were some responses that were not clear if the budget plans or estimates submitted by the department are always accurate estimates and this area can be highlighted as an area that needs improvement. The suggestion to improve would be to adopt more efficient budgeting techniques to ensure the accurate budget plans or estimates.

Financial management area: Procurement (Supply chain management (SCM))

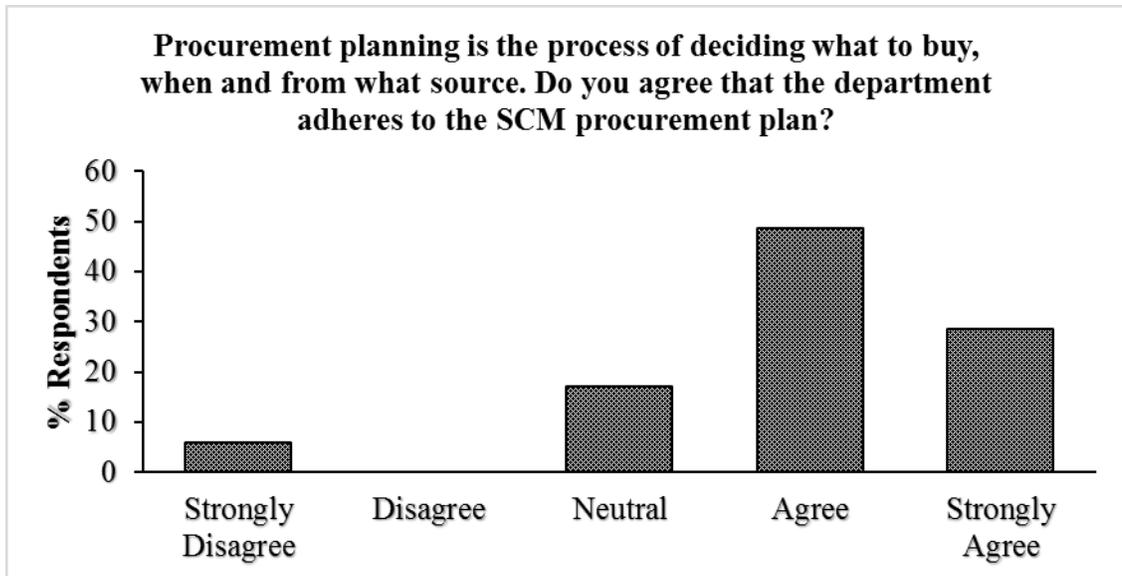


Figure 4.5.3.2: Response to a question posed in SCM.

From the responses, it was obvious that the majority of responses agreed with the SCM section practices by EDTEA. However the question pertaining to whether the department adheres to the SCM procurement plan, had 17% remaining neutral, 6% strongly disagreed and 77% agreed (figure 4.5.3.2). The responses to this question varied showing that there were some responses that were not clear if the department adheres to the SCM procurement plan and this area can be highlighted as an area that needs improvement. The suggestion to improve would be to enforce stronger oversight and compliance control measures so the department adheres to the SCM procurement plan.

Financial management area: Asset management

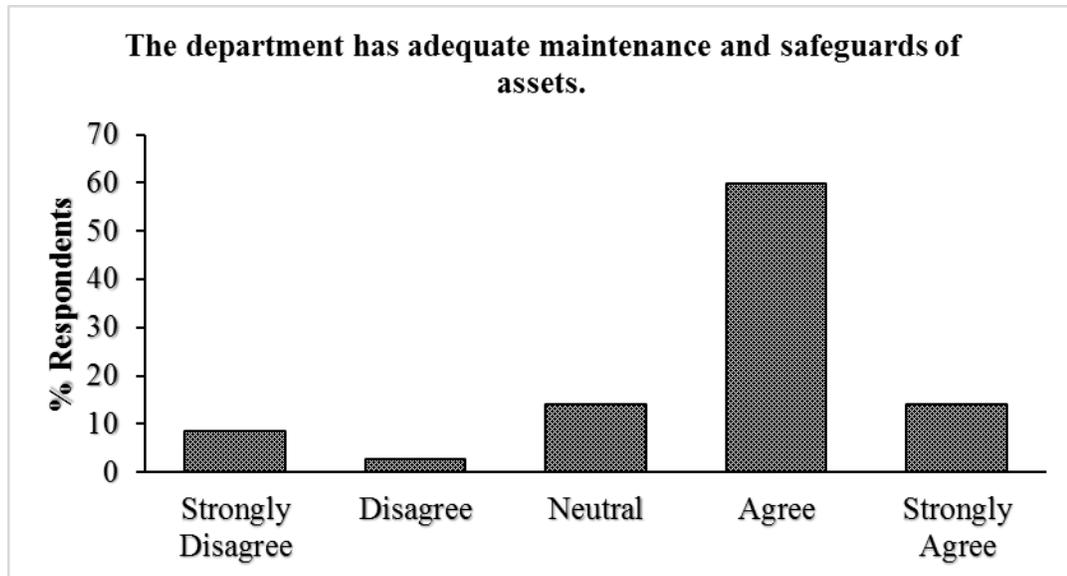


Figure 4.5.3.3: Response to a question posed in asset management.

From the responses, it was obvious that the majority of responses agreed with the asset management section practices by EDTEA. However the question pertaining to whether the department has adequate maintenance and safeguarding of assets, had 14% remaining neutral, 12% disagreed and 74% agreed (figure 4.5.3.3). The responses to this question varied showing that there were some responses that were not clear if the department has adequate maintenance and safeguarding of assets and this area can be highlighted as an area that needs improvement. The suggestion to improve would be to adopt more consistent asset verifications and to employ more staff to be able to conduct the asset verifications regularly.

Financial management area: Finance (expenditure management)

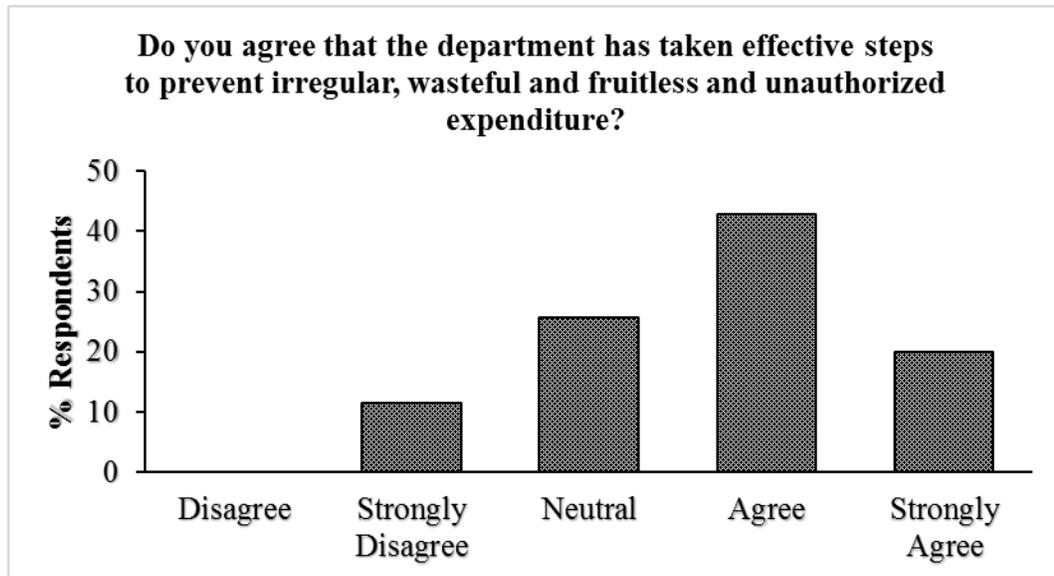


Figure 4.5.3.4: Response to a question posed in expenditure management.

From the responses, it was obvious that the majority of responses agreed with the expenditure management section practices by EDTEA. However the question pertaining to whether the department has taken effective steps to prevent irregular, wasteful and fruitless and unauthorized expenditure, had 26% remaining neutral, 11% strongly disagreed and 63% agreed (figure 4.5.3.4). The responses to this question varied showing that there were some responses that were not clear if the department has taken effective steps to prevent irregular, wasteful and fruitless and unauthorized expenditure and this area can be highlighted as an area that needs improvement. The suggestion to improve would be enforce stronger oversight and compliance control measures so the department improves in this aspect.

Financial management area: Internal control

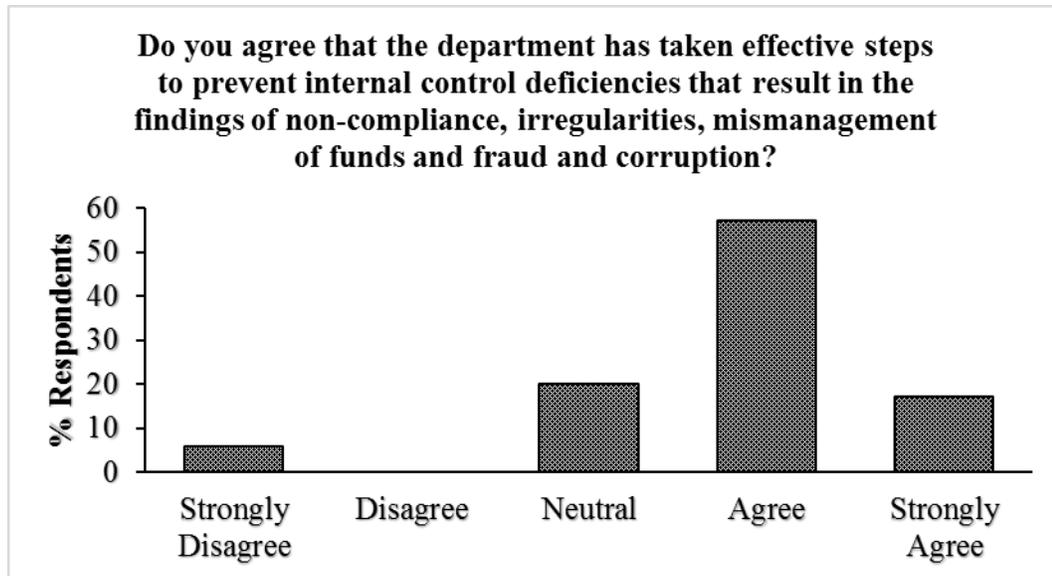


Figure 4.5.3.5: Response to a question posed in internal control.

From the responses, it was obvious that the majority of responses agreed with the internal control section practices by EDTEA. However the question pertaining to whether the department has taken effective steps to prevent internal control deficiencies that result in the findings of non-compliance, irregularities, mismanagement of funds and fraud and corruption, had 20% remaining neutral, 6% strongly disagreed and 74% agreed (figure 4.5.3.5). The responses to this question varied showing that there were some responses that were not clear if the department has taken effective steps to prevent internal control deficiencies that result in the findings of non-compliance, irregularities, mismanagement of funds and fraud and corruption and this is area can be highlighted as an area that needs improvement. The suggestion to improve would be enforce stronger oversight and compliance control measures so the department improves in this aspect.

4.6 Summary

In this chapter, the findings from the study were presented according to themes. The findings were then discussed and linked to the literature review. The results confirmed

that proper financial management practices are a very important component of financial management in any organization. In the next chapter, the research findings are used as a basis for drawing conclusions and for making recommendations that are applicable to the EDTEA department.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The previous chapter provided an analysis and discussion of the findings pertaining to the primary research. The purpose of this chapter is to provide a summary of the research findings, from both the primary research, which was reported on in the previous chapter and the literature review, which was discussed in chapter 2. The findings from this study are used to make recommendations to the management of the EDTEA department regarding the improvement in the financial management practices and financial management area to ensure a strong foundation from which to undertake a major change effort in the financial management practices and financial management area. By linking the findings from the primary and secondary research, suitable and practical recommendations will be made as possible solutions to the challenges that were identified. The scope for further research related to this topic is also identified. The conclusions and recommendations are based on the aim and objectives of this study.

5.2 Findings from the literature review

A detailed literature review was undertaken and reported on in chapter 2. The findings of the literature review can be summarised as follows:

- The study identified, evaluated and analyzed the effect of financial management practices in the EDTEA department.
- Practices performed by the financial role players: accounting officer, the chief financial officer and managers in the following financial functions areas:

budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control were described.

- Some of the main findings from the analysis of the EDTEA department can provide for their role players: the accounting officer, chief financial officer and managers in the public sector were identified.
- Focus was on the financial management practices that can be explained through how procedures should be performed and how these practices are important to the successful operations of an organization as it relates to how the organizations available resources are used.
- The main strategic objective relating to the financial management practices is to ensure the implementation of the PFMA and other related financial regulations and policies.
- The financial management unit, which manages the financial management practices, oversees the full financial cycle of budgeting, procurement, processing of expenditure, and recording of financial transactions.
- This study was based on evaluation questions. The findings of the evaluation questions were used to understand the effect of financial management practices and financial performance in the EDTEA department taking into account the reviews from the departments financial performance plans, audit reports, annual reports and financial management practices records.
- There are many studies carried out on the financial management practices of organizations. By observing studies like Khan (2007) that highlights the research about the concept of the importance of accountability of public servants at all levels towards financial management.
- This research provides the concepts and principles that can assist all public servants to fully comprehend their responsibilities and duties in financial management.

- The research further suggests systems to evaluate the financial management accountability in an organization and identify gaps and recommend ways, such as policy intervention for reinforcing it.
- In Kitonga's (2013) research it mentions the study showed that firms adopting sophisticated capital budgeting techniques had better than average firm financial performance.
- The department's budget remains solely as the crucial defining element for the management of public funds and resources in government.
- Financial management is concerned with sound budgeting and effective distribution of scarce resources.

5.3 Findings from the primary research

The primary research was a case study in the Department of Economic Development, Tourism and Environmental Affairs (EDTEA). Data was collected through the use of a questionnaire. Participant's responses were analysed quantitatively. The findings from the primary research are summarised in the sections below.

Demographic information

5.3.1 Job title of respondents

- The management staff comprised of different levels (strata) of management, namely senior management, middle management, and junior management.
- The non-management staff comprised of administration clerks only.
- The survey shows that financial management employees at EDTEA department are predominantly occupying administration clerk roles.

- Amongst the financial management staff, 74% are administration clerks, 17% are junior managers and 9% are middle managers.
- This emphasized the importance of the department having strong oversight, accountability and compliance rules as the majority of staff carrying out financial management practices are mainly administration clerks.

5.3.2 Length of service of respondents

- Amongst the financial management staff, 34% had 1 to 3 years of service, 23% had 4 to 7 years, 26% had 7-10 years and 17% had 10 years and more.
- This sample was an adequate representation of the data in the research.
- The findings show that the majority of financial management staff respondents have a service length of 3 years and below, which is double the amount of respondents that have a service of 10 years and above.
- This further reinforces the notion that EDTEA has a fairly new working force to provide financial management support and expertise to the organization.

5.3.3 Gender of respondents

- Of the 38 financial management staff (total sample), 63% consisted of females and 37% consisted of males who were interviewed.
- This sample was an adequate representation of the target population relating to the research and thus any generalisation will be valid due to the probability sampling technique used.

Objectives of the study

5.3.4 The present quality of the financial management practices in the department

Evaluation of the current financial management practices per section or function, namely: budget, procurement (SCM), asset management, finance (expenditure management) and internal control section.

- The majority of the respondents agreed that budget adheres to financial management practices requirements, which means the department budget processes are running appropriately.
- From the responses, it was obvious that the majority of responses agreed with the SCM section practices by EDTEA. There were a few participants who responded as strongly disagree and disagree across most questions in the SCM section.
- The majority of the respondents agreed that asset management adheres to financial management practices requirements, which means the department asset management processes are running appropriately.
- The majority of the respondents agreed that expenditure management adheres to financial management practices requirements, which means the department expenditure management processes are running appropriately.
- From the responses, it was obvious that the majority of responses agreed with the internal control section practices by EDTEA. There were a no participants who responded as strongly disagree and a few who responded as disagree across most questions in the internal control section.
- These results led to the conclusion that the department's present quality of financial management is of a fairly good standard with the exception of a few areas that needs improvement in the financial management practices.

5.3.5 An assessment to how the financial management practices in the department compares to best practices

Assessment of the current financial management practices against best practices per section or function, namely: budget, procurement (SCM), asset management, finance (expenditure management) and internal control section.

- It is obvious that each section has a strong relation with the other and the significance of this can be linked to, that proper financial management is achieved through the important interrelated activities of budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control.
- Therefore proper resource management can be achieved through the important interrelated activities of planning, implementation, monitoring, evaluation and reporting.
- This enables timely corrective action where financial health and service delivery may be at risk.
- The functional financial management system and mechanisms must be in place to achieve proper financial management practices.
- In addition it was discovered that the development and implementation of sound financial practices through the use of policy and processes must be performed to help officials with the execution and accountability of their roles.
- This is further reinforced by the overall responses, which were positive across every section indicating that majority of respondents agreed with the questions posed relating to financial management practices.
- The issue of financial management activities and areas being neglected can be caused by various reasons such as being short staffed therefore the department needs to address such issues, in this instance by filling vacancies to be able to eventually improve the internal control measures that are in place, especially with compliance.
- This is further reinforced by the fact that even though most responses were consistent in agreement with many questions posed, there are a few which were

not as distinct, indicating some areas were weak and needed attention for improvement in financial management practices.

- There could be a lack of staff that possesses the proper financial management understanding and expertise which leads to a lack of understanding of financial management practices which further impacts on compliance.
- Hence emphasis should be on the continuous recruitment, training, workshopping and development of all department employees concerning PFMA (South Africa, 1999), integrated supply chain management (SCM), and any related additional financial management policies, is essential and necessary.
- This is further reinforced by the notion that specific relationships like responses to SCM and internal control are significantly different, and are also positively correlated with each other.

5.4 Conclusions

The commencement of the PFMA (South Africa, 1999) was in April 2000 and has been in implementation for the past sixteen years. The PFMA (South Africa, 1999) provides responsibilities to entrusted persons such as accounting officers or executive authorities, to enable them to deal with the financial management requirements prescribed by rules and regulations in government. For this reason the government also established the governments integrated supply chain management (SCM) mechanisms for enabling significant changes of improvement in the financial management area within the public sector.

The objective of the research study was to identify, evaluate and analyze the effect of financial management practices in the Provincial Department of Economic

Development, Tourism and Environmental Affairs (EDTEA). To achieve such objectives the researcher concentrated on the financial management practices carried out by the accounting officer, chief financial officer and managers in the areas of budgeting, procurement (SCM), asset management, finance (expenditure management) and internal control. It was thereby necessary to review theory, policy, legislation and practice especially through the outlook of the South African public sector financial management.

To deal with the issues of constantly getting the same recurring internal audit findings and the continuous deteriorating standard of external audit reports that the EDTEA department receives yearly, the researcher embarked on looking at the literature on financial management theory, financial management policies and legislation, and, finally, financial management practices within the EDTEA department. The findings, conclusions, and recommendations from this study aimed to improve the effectiveness of the financial management practices within an organisation, which will ultimately benefit the organisation.

5.5 Implications of this research

Organizations are constantly trying to improve their productivity and service delivery. Research suggests that financial management practices impact and effects the financial management which correlates to the performance of the organization. This study caters to the need to achieve financial management objectives by government departments through better financial management practices to improve financial management performance. The outcomes of this study aimed to provide accounting officers of government departments with more useful information and better understanding regarding financial management and performance to solve issues concerning a lack of improvement in this area.

All stakeholders especially accounting officers and executive authorities due to the evaluation of performance can ascertain if department's objectives, goals or outcomes specified in the strategic plans are met. Hence holding accounting officers and other employees responsible to performance in a manner that is transparent, effective, efficient, and economical for the management of department resources, rather than just the responsibility of merely compliance against the voted budget (National treasury, 2000:9-10).

Evaluation practices are methodical and impartial which helps enable the proving of whether the proper implementation and outcomes of an intervention materialized and was it successful. The outcomes produced from evaluations can be applied in various ways. For instance evaluations can help all stakeholders of an organization to obtain useful feedback on a program, policy or project. The outcomes can also be used to give information on the manner in which public funds are being managed. The outcomes can further be used to give policy makers and managers information on what works or not in achieving objectives.

5.6 Limitations (anticipated shortcomings) of the study

Overview of the study

A limiting factor of this study is that although the research is conducted using information contained in the performance plans and audit reports of the department, these reports have their own shortcomings for instance in terms of: the auditor's report revealed that it did not identify any material findings on the usefulness and reliability of the reported performance information for selected programmes in the department annual performance plan (APP) report (Audit Report, 2016:3), the financial management programme was not one of them however this creates a weakness in the

researchers efforts to evaluate as it is dependent on the reliability of the performance information to be valid, accurate and complete of all programmes in order to test the degree to which the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA) financial role players: accounting officer, the chief financial officer and managers carry out the requirements for financial management in their practice in performing the following financial functions areas: budgeting, procurement (supply chain management), asset management, finance (expenditure management) and internal control. As all department programmes have their own allocated budgets and therefore directly affect the financial management of the department in some way and vice versa.

Quantitative research

The study only focuses on the financial management practices of the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA). This is a limitation in the sense that the findings of the study cannot be taken as a general representation of the financial practices of all departments for South Africa as a whole.

5.7 Recommendations to solve the research problem

- Even though budget controls are applied to avoid over and under spending at year end, irregular expenditure, wasteful and fruitless, unauthorized expenditure, under spending and poor strategic budget planning in the EDTEA department is attributed to a lack in the management of the reviewing and monitoring of compliance in this area. The recommendation to improve would be enforce stronger oversight and compliance control measures so the department improves in this aspect. By adopting sophisticated capital budgeting techniques the department can have better than average firm financial performance.

- Public managers are given the mandate to spend such resources on specific government programs. However the delegation of authority does not excuse the delegating officers from their duty of spending resources appropriately. The excessive amounts spent on consultants for business and advisory services seem to be alarming and not in keeping with the rules for spending public resources appropriately. The recommendation is to emphasize the importance of accountability of public servants at all levels towards financial management, the concepts and principles that can assist all public servants to fully comprehend their responsibilities and duties in financial management.
- Non-compliance with supply chain management prescripts, treasury regulations and the PFMA as reflected in audit reports can be due to a lack of proper financial management knowledge, understanding and expertise. Having a lack of staff that possesses the proper financial management understanding and expertise which leads to a lack of understanding of financial management practices which further impacts on compliance. Furthermore the department links the SCM system to the overall department strategy to contribute substantially with regard to the development and advancement of financial management in the government field, SCM investigations by national treasury indicates that the EDTEA SCM system appears to be rather weakening the financial management of EDTEA department. Hence emphasis should be on the continuous recruitment, training, workshopping and development of all department employees concerning PFMA (South Africa, 1999), integrated supply chain management (SCM), and any related additional financial management policies. An informed workforce will adhere to supply chain management prescripts, policies, PFMA (South Africa, 1999) and treasury regulations. This will also enhance the cohesion between SCM and the department strategy.
- The financial management employees at EDTEA are predominantly occupying administration clerk roles. Hence this emphasizes the importance of the department having strong oversight, accountability and compliance rules as the majority of staff carrying out financial management practices are mainly

administration clerks. This would help the manager's deal with the capacity constraints as strong controls and measures are in place to assist in supervising a lot of staff and ensuring compliance with financial management practices.

- During the audit it was noted that the physical verification of assets in the head office was only conducted to a minimal extent which may result in assets not being identified at year end for any impairment, obsolete or unserviceable. Hence the department does not always maintain and safeguard the assets. . The recommendation to improve would be to adopt more consistent asset verifications and to employ more staff to be able to conduct the asset verifications regularly.
- The recurring issue with receivables as reflected in audit reports can be mainly due to the lack of checking and control. The department must improve controls over receivables so that regular monitoring and review is performed on outstanding debts in order to recover the debts and comply with legislation. The department may outsource the services of debt collection to private debt collectors. Another viable option is by outsourcing the training of employees in debt collection to professional debt collectors.
- With the following expenditure deviations noted over the past 6 financial years such as duplicate payments to suppliers, payment of incorrect suppliers, late payments, fruitless and wasteful expenditure and the exceeding of financial delegations authority limit in payment processing, expenditure control procedures are established but proper oversight needs to improve considerably.
- It has been noted that the department does not conduct financial meetings as a control tool. This should be addressed in order to allow for time for financial staff to network, share ideas to emphasize teamwork, and inform management of new developments within the financial management department which would positively affect the financial performance.
- Over the 6 financials years from 2010 to 2016 the provincial treasury had performed 7 investigations in the department. The investigations were based on

allegations of possible irregularities relating to process followed in securing departmental district offices, possible mismanagement of funds by a co-operative, fraud and corruption on local economic development project and possible irregularities relating to events management expenditure (Annual report, 2016: 109). The department had been pursuing the investigations which resulted in criminal dockets being registered with the South African Police Service and the Anti-Corruption Task Team. Completed investigations resulted in criminal proceedings being instituted against the employee's involved (Annual report, 2015: 96). This verifies that despite the internal controls in place the department were not able to prevent unauthorized, irregular, fruitless and wasteful expenditure and losses from criminal conduct. The department internal controls seem to lack in the management of the reviewing and monitoring of compliance. The recommendation to improve would be to enforce stronger oversight and compliance control measures so the department improves in this aspect.

- In addition to the above recommendations, performance audits need to be performed to make sure that the internal control mechanisms are running effectively and efficiently. This would help to identify any corrective measures that need to be put in place to make certain of compliance with financial management practices.

5.8 Recommendations for future studies

This research was a case study of the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA), and, thus, the findings are limited to this department only. This study could be expanded to other departments within the government sector in order to develop the financial management practices across the government sector, thereby enhancing service delivery within this sector.

Another area for further research would be to quantify the return on financial management practices within the organisation by using a quantitative study. Such a study would yield quantifiable data that would assist organisations to make better decisions regarding the financial management of an organization.

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Appendix

List of appendices

Addendum 1 - Gatekeepers letter



edtea
Department of
Economic Development, Tourism and
Environmental Affairs
PROVINCE OF KWAZULU-NATAL

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Tel: +27 (0) 334 2556, Fax: 033 479 4940
Private Bag 9 900
Pietermaritzburg, 3201
sheryl.singh@edtea.gov.za
www.edtea.gov.za

TO	MR. SIBUSISO MYEZA ACTING HEAD OF DEPARTMENT
CC	MR. QINISO MNYANDU ACTING DIRECTOR : HUMAN RESOURCE MANAGEMENT
FROM	MS. ASHNEE RAMPHAL FINANCIAL OFFICER: FINANCIAL MANAGEMENT
DATE	28 MARCH 2011
SUBJECT	GATEKEEPERS LETTER PERMISSION TO CONDUCT RESEARCH IN THE DEPARTMENT

1. PURPOSE
The purpose of this memorandum is to request as a bursary holder of the Department approval from the HOD to conduct research in the Department towards Master of Business Administration (MBA) studies.

2. DISCUSSION AND BACKGROUND
The MBA consists of course work that takes a period of two years. After completing the course work, the student has to conduct a research in any business-related area. The research will result in a compilation of a thesis. The title of the thesis research project is: "Analysis of the Financial Management practices in the Provincial Department of Economic Development Pietermaritzburg, South Africa".

3. REASONS FOR CONDUCTING THIS STUDY
There are a number of reasons why the Department was chosen to conduct this study and are written below:

- The researcher is an employee to the department and hopes to add value through this research.
- The study will be used to understand the effect of financial management practices in the Department and to suggest recommendations for improvement in this area.
- This study can be useful to the department to help the department better achieve its mandate and achieve its goal to deliver services to the citizens.

4. PERIOD OF STUDY
The process of drafting and completing the thesis is for a period of six months. Hence, there is pressure to commence as soon as possible. It is noted that the researcher will be

MEMORANDUM 127/11 - PERMISSION TO CONDUCT RESEARCH IN THE DEPARTMENT Page 1 of 1

conducting a sample with a request for responses in the department. The researcher will be authorized to have access to the relevant departmental information and to engage with and distribute the questionnaire to staff using Microsoft Outlook address book or by hand. Please note that the data collected will be treated with due confidentiality and anonymity and that it will be done within the policy framework of access to state information and other relevant prescripts.

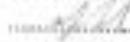
5. FINANCIAL IMPLICATIONS

There will be no funds required from the Department to carry out this study.

6. RECOMMENDATIONS

It is recommended that the Head of Department approves the request for gatekeeper's permission to be granted for the researcher to conduct research within the Department towards Master of Business Administration (MBA) studies.

SUBMITTED BY



MS. A. RAMPHAL

FINANCIAL OFFICER: FINANCIAL MANAGEMENT

DATE : 24/03/2017

SUPPORTED / NOT SUPPORTED



MR. S. WUST

ACTING CHIEF FINANCIAL OFFICER: FINANCIAL MANAGEMENT

DATE : 27/03/2017

RECOMMENDED / NOT RECOMMENDED



MR. D. MNYANDU

ACTING DIRECTOR: HUMAN RESOURCE MANAGEMENT

DATE : 27/04/2017

APPROVED / NOT APPROVED



MR. S. MVEZA

ACTING HEAD OF DEPARTMENT

DATE : 04/05/2017

COMMENTS :

Addendum 2 – Informed consent letter 3c

Informed Consent Letter 3C

**UNIVERSITY OF KWAZULU-NATAL
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP**

Dear Respondent,

MBA Research Project

Researcher: Ms. A. Ramphal 076 7672721

Supervisor: Prof. S. Migiros 031-260 8104

Research Office: Ms. P. Ximba 031-2603587

I am, **Ms. Ashnee Ramphal** an MBA student, at the Graduate School of Business and Leadership, of the University of KwaZulu Natal. You are invited to participate in a research project entitled **Analysis of the Financial Management practices in the Provincial Department of Economic Development, Tourism and Environmental Affairs Pietermaritzburg, South Africa**. The aim of this study is to: The aim of this research is to identify some of the main findings from the study of the analysis of the financial management practices in the Provincial Department of Economic Development, Tourism and Environmental Affairs. The findings will be used to understand the effect of financial management practices in the Provincial Department of Economic Development and to suggest recommendations for improvement in this area.

Through your participation I hope to understand for the purpose of this research, the present situation in the organization concerning financial management practices and its current problems, trends, forces, resources and the positive consequences of various types of interventions. The results of the focus group are intended to contribute to and help the researcher to evaluate the current state of the financial management practices of the Provincial Department of Economic Development, Tourism and Environmental Affairs, and to identify possible interventions.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this survey/focus group. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business and Leadership, UKZN.

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor at the numbers listed above.

The survey should take you about **15** minutes to complete. I hope you will take the time to complete this survey.

Sincerely

Investigator's signature _____ Date _____

This page is to be retained by participant

Addendum 3 – Consent letter

**UNIVERSITY OF KWAZULU-NATAL
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP**

MBA Research Project
Researcher: Ms. A. Ramphal 076 7672721
Supervisor: Prof. S. Migiros 031-260 8104
Research Office: Ms. P. Ximba 031-2603587

CONSENT

I..... (Participant name – Optional) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

SIGNATURE OF PARTICIPANT

DATE

.....

This page is to be retained by researcher

Addendum 4 - Questionnaire

Evaluation of Financial Practices in the Department (Public sector)

This assessment tool can be used to get a reasonable impression of the quality of the financial management practices in the department.

The results of this assessment tool can be used to:

- To get a reasonable impression of the quality of the financial management practices in the department of Provincial Department of Economic Development, Tourism and Environmental Affairs.
- To assess how the financial practices in your department compare to various best practices.
- To ensure a strong foundation from which to undertake a major change effort in the financial practices and financial management area.
- To develop a common understanding among leaders regarding what needs to be done to improve in the financial practices and financial management area.

Each indicator is marked as Essential (“E”), Recommended (“R”), or Additional (“A”) practices for the department.

Next to each specific indicator are choices, including “Strongly agree,” “Agree,” “Neutral,” “Disagree” and “Strongly disagree.” After reading each indicator, the participant will place a cross under the appropriate choice as to how the department performs to that indicator.

After the assessment is completed, the results will be evaluated using the scores. Attention would be drawn to those areas that need work, especially those marked "E".

EVALUATION QUESTIONNAIRE

FINANCIAL MANAGEMENT -- The following indicators are in regard to ensuring high-quality financial transactions, analysis and management.

Participant Name (optional): _____

Date: _____

Job Title: _____

Years in present position: _____

INSTRUCTIONS:

PLEASE CROSS (X) THE RESPONSE THAT REPRESENTS YOUR OPINION

	Strongly agree	Agree	Neutral	Strongly disagree	Disagree
Strategic Budgeting					
a. The department prepares and submits a draft budget, which includes costs for all operations and all sources of funding. This annual budget is reviewed and approved by the Accounting Officer. Do you agree that this budget is always aligned with the strategic plan? (E)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. The MTEF is annual, rolling three year-expenditure planning. It sets out the medium-term					

expenditure priorities and hard budget constraints against which sector plans can be developed and refined. MTEF also contains outcome criteria for performance monitoring. Do you agree that the budget allocation process (MTEF) is always aligned with the service delivery plans? (E)	<input type="radio"/>				
c. The APP focuses on the generic content of Strategic Plans and Annual Performance Plans and the timeframes for their production. It also aims to help accounting officers and managers of institutions to produce quality accountability documents that use performance information appropriately. Do you agree that the APP is always aligned with the budget and service delivery plans? (E)	<input type="radio"/>				
d. The budget plans/ estimates submitted by the department are always accurate estimates. (R)	<input type="radio"/>				
Supply Chain Management					
e. The department links SCM system to overall Department strategy to contribute significantly towards the improvement of financial management in the public sector. (E)	<input type="radio"/>				
f. The department develops and implements an effective and efficient SCM as stipulated in the department policies. (R)	<input type="radio"/>				
g. Procurement planning is the process of deciding what to buy, when and from what source. Do you agree that the department adheres to the SCM procurement plan? (E)	<input type="radio"/>				
h. The department officials responsible for the procurement of goods and services comply with the processes of procurement. (E)	<input type="radio"/>				
i. The department ensures compliance with procurement procedures. (R)	<input type="radio"/>				
j. There are no delays in the procurement of goods and services. (E)	<input type="radio"/>				
Asset Management					
k. The department ensures that there are proper asset management procedures. (E)	<input type="radio"/>				

l. The department has adequate maintenance and safeguards of assets. (E)	<input type="radio"/>				
m. The department adheres to asset management procedures. (R)	<input type="radio"/>				
Finance (expenditure management)					
m. All expenditure/payments are prepared following appropriate state/provincial regulations and departmental policy. (E)	<input type="radio"/>				
n. Procedures are established for the periodic billing, follow-up and collection of all accounts on a timely basis, with documentation to substantiate all billings for example projects and service providers. (E)	<input type="radio"/>				
o. Government contracts and purchase-of-service agreements are in writing and are reviewed by an official of the department to monitor compliance with all stated conditions. (E)	<input type="radio"/>				
p. The department expenditure/payments are paid timeously. (E)	<input type="radio"/>				
q. No payment of goods and service not rendered/received. (R)	<input type="radio"/>				
r. Do you agree that the department has taken effective steps to prevent irregular, wasteful and fruitless and unauthorized expenditure? (E)	<input type="radio"/>				
Internal Control					
s. The department has documented a set of internal controls, including handling of cash and deposits and approval over spending and disbursements. (E)	<input type="radio"/>				
t. The department has a policy identifying authorized check signers and the number of signatures required on checks in excess of specified rand amounts. (E)	<input type="radio"/>				
u. All expenses of the department are approved by a designated person before payment is made. (E)	<input type="radio"/>				

v. The department ensures that there is compliance with the established internal control measures. (R)	<input type="radio"/>				
w. The department conducts financial meetings as a control tool. (R)	<input type="radio"/>				
x. The department has adequate monitoring of service providers/contractors. (R)	<input type="radio"/>				
y. The department has an annual, independent audit of their financial statements, prepared by a certified public accountant. (R)	<input type="radio"/>				
z. Do you agree that the department has taken effective steps to prevent internal control deficiencies that result in the findings of non-compliance, irregularities, mismanagement of funds and fraud and corruption? (E)	<input type="radio"/>				

Addendum 5 – Ethical clearance



02 June 2017

Ms Fahnee Ramphal (210553046)
Graduate School of Business & Leadership
Westville Campus

Dear Ms Ramphal,

Protocol reference number: HSS/0501/017M

Project title: Analysis of the Financial Management practices in the Provincial Department of Economic Development, Tourism and Environmental Affairs Pietermaritzburg, South Africa

Full Approval – Expedited Application

In response to your application received on 05 May 2017, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and FULL APPROVAL for the protocol has been granted.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

Dr. Sheruka Singh (Chair)

/ms

Cc Supervisor: Professor Stephen Migiro
Cc Academic Leader Research: Dr Muhammad Hoque
Cc School Administrator: Ms Zarina Bullyraj

Humanities & Social Sciences Research Ethics Committee
Dr Sheruka Singh (Chair)
Westville Campus, Govan Mbeki Building
Postal Address: Private Bag X64001, Durban 4000
Telephone: +27 (0) 31 260 3887/30604667 Facsimile: +27 (0) 31 260 4009 Email: shs@ukzn.ac.za / shs@ukzn.ac.za / shs@ukzn.ac.za
Website: www.ukzn.ac.za



Founding Campuses: Edgewood Howard College Medical School Pietermaritzburg Westville

Addendum 6 – Turnitin report

Turnitin Originality Report

DRAFT3 by Aahncc Ramphal

From Dissertation for turnitin 2017 (MBA dissertation for turnitin 2017)

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- 2 1% match (Internet from 25-Sep-2012)
<http://www.surveymonkey.com/s.asp?u=88982454855>
- 3 1% match (student papers from 08-Feb-2017)
[Submitted to University of KwaZulu-Natal on 2017-02-08](#)
- 4 1% match (Internet from 24-Aug-2015)
http://www.researchgate.net/publication/50369845_Evaluation_of_financial_management_practices_in_the