OVERSIGHT AND SUPPORT ROLES OF LIMPOPO PROVINCIAL TREASURY

Mosibudi Patricia Raphesu

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ABSTRACT

The state has a developmental mandate to the citizens of the country. This development is achieved through, among others, the allocation and distribution of resources in specific areas of developmental need. This allocation and distribution of resources is conducted through the budget process to various State departments and entities.

However, financial management in state departments has, over the past years, and continues to be under immense scrutiny. This is as a result of various Auditor General's reports and media coverage on corruption cases. The Public Service Commission has also published damning reports of financial misconduct in State departments.

The introduction and enactment of the Public Finance Management Act and the Municipal Finance Management Act tries to provide a legal framework to address these challenges faced with financial management within departments, municipalities and public entities.

National and Provincial Treasuries are mandated by the two (2) Acts to monitor their implementation in public institutions. The Provincial Treasuries are also required to provide support to provincial public institutions for the effective implementation of the Acts. It is the effectiveness of these provincial treasuries that will go a long way in improving financial management in state departments.

This study will look at the oversight/monitoring and support roles of Limpopo Provincial Treasury and determine the factors that lead to poor financial management oversight and support in Limpopo province. Trends in the

current financial management oversight and support will also be determined through the study and recommendations will be made on strategies to be considered by Limpopo Provincial Treasury in improving these mandated roles.

DECLARATION

I declare that this report is my own, unaided work. It is submitted in partial fulfilment of the requirements of the degree of Master of Management (in the field of Public and Development Management) in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in any other University.

Mosibudi Patricia Raphesu

June 2010

DEDICATION

To my parents, Mr and Mrs TE Raphesu, my three daughters (Morongwa, Mahlatse & Mahlogonolo), my sister Sophy (Ntsikwane), my cousin Nelia Geel and to Sasa Mulenga. Thank you for your support, love and understanding. I could not have done this without your valued support and encouragement. To especially my little twin daughters, Mahlatse and Mahlogonolo – my absence from home and your missing my being there for you has given me courage to see this Masters through. This is for all of you.

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LIST OF ABBREVIATIONS

Abbreviation	Description
AG	Auditor General
CFO	Chief Financial Officer
FMIP	Financial Management Improvement Programme
GRAP	Generally Recognized Accounting Practices
IYM	In Year Monitoring
LEDET	Limpopo Economic Development, Environment and Tourism
LPT	Limpopo Provincial Treasury
M&E	Monitoring and Evaluation
MFMA	Municipal Finance Management Act
MTSF	Medium Term Strategic Framework
PFMA	Public Finance Management Act
PGDS	Provincial Growth and Development Strategy
PSC	Public Service Commission
RDP	Reconstruction and Development Programme
SMS	Senior Management Service

CHAPTER 1

INTRODUCTION

1.1 Introduction

The dawn of the democratic dispensation has brought with it the need for increased development. This need was also identified in the Reconstruction and Development Programme (RDP) (1994) which was designed to address poverty and inequalities. Section 195(1)(c) of the South African Constitution also recognised the need for development as it provides that "Public administration must be development-oriented."

The RDP White Paper further provides that the RDP will harness "all our resources in a coherent set of strategies which will be implemented at national, provincial and local levels by Government, parastatals and local authorities." (RSA, 1994:8) There are different perspectives on what scholars believe development is. Todaro (1994:67) contends that "development is not purely an economic phenomenon". He believes that development should be "perceived as a multidimensional process involving the reorganization and reorientation of the entire economic and social systems".

Todaro (1989:90) believes that "development in all societies must have at least the following objectives:

1. To increase the availability and widen the distribution of basic life-sustaining goods such as food, shelter, health and protection
2. To raise levels of living including, in addition to higher incomes, the provision of more jobs, better education, and greater attention to cultural and humanistic values, all of which will serve not only to

enhance material well-being but also generate greater individual and national self-esteem

3. To expand the range of economic and social choices available to individuals and nations by freeing them from servitude and dependence not only in relation to other people and nation-states but also to the forces of ignorance and human misery."

The objectives of development as indicated by Todaro above are similar to the five government objectives as reflected in the Medium Term Strategic Framework (MTSF) (2009 – 2014), namely:

- Halve poverty and unemployment by 2014
- Ensure a more equitable distribution of the benefits of economic growth and reduce inequality
- Improve the nation's health profile and skills base and ensure universal access to basic services
- Improve the safety of citizens by reducing incidents of crime and corruption
- Build a nation free of all forms of racism, sexism, tribalism and xenophobia.

Todaro (1994:67) further indicates that "in addition to improvements in incomes and output", development "typically involves radical changes in institutional, social, and administrative structures as well as in popular attitudes and, in many cases, even customs and beliefs." The State is, therefore, the administrative structure for development. South Africa, as a decentralised State, implements its development agenda through three tiers of government, namely, national, provincial and local spheres. Liou (2001:6) defines decentralization as "the transfer of responsibility for planning, management, and the raising and allocation of resources from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, area-wide, regional or functional authorities, or nongovernmental private or voluntary organisations."

The focus and context of this study is at the provincial level, specifically in Limpopo Province. One way of ensuring that development takes place is through efficient deployment or allocation of resources. Provincial Treasuries were established to ensure efficient allocation and management of resources as mandated by the Public Finance Management Act No 1 of 1999, as amended by Act 29 of 1999.

However, financial management in the South African public sector has come under great scrutiny and criticism due to a lack of sound financial management. This is evident with the continuous qualified audit reports received by national as well as Provincial Government departments and especially municipalities. The proclamation of legislation such as the Public Finance Management Act and the Municipal Finance Management Act was to ensure that the three tiers of government practice sound financial management in line with the principles of economy, efficiency, effectiveness, transparency and accountability.

National and Provincial Treasuries are obliged by these two Acts (PFMA and MFMA) to monitor and support departments, public entities and municipalities to ensure that they practice sound financial management. However, the capacity and effectiveness of these Provincial Treasuries in monitoring and supporting these departments and municipalities is doubtful, in view of the continuing qualified audit reports and mismanagement of public funds taking place.

This study focused on the oversight and support roles of Limpopo Provincial Treasury (LPT) to ensure sound financial management in the province. Key internal and external stakeholders participated in this qualitative research to try and understand factors that may be contributing to poor oversight and support by LPT. Internal stakeholders' involvement assisted in determining the internal organisational environment of LPT. The external stakeholders assisted in determining how they view the support and monitoring role provided that they receive from LPT. The results of this research would assist LPT in developing strategies to improve their oversight and support role for effective financial management in Limpopo province.

The research report is divided into six chapters.

This first chapter provides an overview of the study, the rationale, context, purpose and scope of the research. This chapter also spells out the research questions to be addressed by the study.

The second chapter entails the review of significant prior literature in the area of organisational effectiveness and effective financial management, to provide an in-depth understanding of the research problem. It is this chapter that also sets out the conceptual framework.

The third chapter provides research methodology details where data collection techniques used in the study are explained, as well as the data presentation and analysis strategies utilised.

The fourth chapter presents findings of the research for both the internal environment and external environment.

Chapter five is an interpretation and analysis of research data presented in chapter four.

The final chapter (chapter 6) presents conclusions based on the findings and recommendations for implementation and for further research.

1.2 Background

Limpopo province has a population of 5.23 million citizens. It is one of the three (3) provinces whose percentage of households that have access to piped water (83.6%) is below the national average (88.6%). More than half the proportion of households in Limpopo (53.6%) used a pit latrine without ventilation – which is above the national average of 21.5%. Limpopo also had the lowest percentage (40.2%) of households using electricity for cooking, compared to the national average of 66%. It is the Province with the lowest percentage of households whose refuse was removed by local authority or private company (18.0%) compared to the national figure of 61.6% (Statistics South Africa, 2007).

The official unemployment rate (population aged 15 -64 years) in Limpopo is the second highest in the country, at 24.7% and it is above the national average of 21%. The province also has the lowest labour absorption rate in the country, at 30.8% compared to the national average of 44.7% (Statistics South Africa, 2009).

The above statistics indicate that Limpopo Province is still behind in the provision of basic services to its citizens. Its economy is also behind in terms of labour absorption and employment rates. It is for this reason that the Limpopo provincial government should improve its service delivery and economic development to improve on the above statistics. The role of

Limpopo Provincial Treasury is, therefore, important in the appropriate allocation and monitoring of resources for the improved delivery of basic services and economic development within the province. The Infrastructure Delivery Improvement Programme (IDIP) managed by Limpopo Provincial Treasury is also vital in the increase in investment within the province.

In 2003 similar legislation was enacted for Local Government in the form of the Municipal Finance Management Act No 56 of 2003. The Auditor General (AG) in his “General Report on Audit Outcomes of National and Provincial departments and public entities and Constitutional Institutions for the Financial year 2006/07” indicated that one of the measures to addressing identified shortcomings in financial management is to strengthen the capacity of National and Provincial Treasuries to enable effective accounting technical support and evaluation of the readiness of government departments to cope with migration from cash to accrual accounting.

The AG further, in his press overview of audit opinions for the 2007/08 financial year, provided the following audit results:

Of the audited 463 national and provincial departments, institutions and entities, the audit outcomes with regard to clean audit opinions are as follows: National departments – 7 out of 34 (21%); 1 constitutional institution out of 9; seven provincial departments out of 119 (5%); 41% of national public entities (80 out of 195); and 17 out of 106 (16%) provincial public entities.

Overall, the audit outcomes for the national and provincial government are as follows: 9 (2%) received adverse audit opinions; the reports of 21 (5%) had disclaimers; 105 (23%) received qualified audit opinions; the reports of 216 (47%) departments and entities that received unqualified financial opinions had concerns raised on “other matters”; while 112 (23%) received an unqualified financial opinion without significant concerns on any other matters (referred to as clean audit opinions.

The Public Service Commission (PSC) in its Overview Report on Financial Misconduct for the 2006/07 financial year revealed the following:

There has been a significant increase (35%) in the number of cases reported to the PSC for the 2006/2007 financial year in comparison to the previous financial years. National departments (15%), Gauteng (817%), Kwa-Zulu-Natal (146%), North West (4.3%) and Western Cape (299%) provinces had an increase in cases in the 2006/07 financial year.

Financial misconduct cases in the category "fraud" and "theft" have since the 2001/2002 financial year remained the category with the highest number of cases, with cases in the category "misappropriation and abuse", being the second highest. Although there had been a decline in fraud and theft cases during the 2004/2005 to 2005/2006 financial years, the trend of the previous year (2001/2002) has again emerged in the 2006/2007 financial year whereby fraud and theft cases comprise more than 70% of the overall number of cases reported.

The above audit and financial misconduct situation of national and provincial governments highlight the need for better monitoring and support from Provincial Treasuries to improve the financial management in provincial departments.

1.3 Problem Statement

Government departments, municipalities and public entities face a challenge of inefficient and ineffective financial management. This is evident by the constant reports of financial mismanagement, over or under-expenditures experienced in these government institutions as reported in the Auditor General's reports. Provincial Treasuries are mandated by the Public Finance Management Act to exercise control over the implementation of the provincial budget; and monitor the implementation of the Municipal Finance Management Act. The PFMA further provides in section 18(1)(c) that Provincial Treasuries must promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of provincial departments and provincial public entities.

An assessment of Limpopo Provincial Treasury's effectiveness in provincial financial management oversight has never been conducted since its split from the Department of Finance, Economic Affairs and Tourism in December 2004. The current economic environment necessitates prudent financial management in government departments and, therefore, the need for Provincial Treasuries to develop improved strategies in their oversight and support roles to provincial departments, public entities and municipalities.

1.4 Purpose statement

The purpose of this research is to investigate factors leading to poor financial management oversight and support/poor management of finances in Limpopo Province. The study intends to look at the oversight and support role of Limpopo Provincial Treasury in ensuring sound financial management in the province.

The study will, further, present the findings of current trends in financial management oversight and support within the province. This study will also interpret and analyse these findings.

This study will, lastly, recommend strategies for Limpopo Provincial Treasury to consider, ensuring improved organisational effectiveness in its role of financial management oversight and support in the province, for the development of its citizens.

1.5 Research Questions

The study will also answer the following research questions:

1. What are the factors that lead to poor financial management oversight and support by Limpopo Provincial Treasury?
2. What are the trends in the financial management oversight and support role by Limpopo Provincial Treasury?

3. What are the strategies for consideration in the financial management oversight and support by Limpopo Provincial Treasury?

1.6 Conclusion

The above statistics and literature highlighted the challenges faced by government departments and the need for capacity and monitoring. This is where Provincial Treasuries' role is most crucial. This is, also, where their (Provincial Treasuries) effectiveness in implementing their mandate would go a long way in improving the financial management situation in government departments, municipalities and public entities.

The aim of the study is to determine the effectiveness of Limpopo Provincial Treasury in fulfilling its PFMA and MFMA mandate, specifically those of oversight and support. The findings of the research will provide the management of LPT with improvement strategies for effective financial management oversight and support for the province.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Majam & Theron (2006:603) describe literature review as "a systematic and structured process of identifying relevant literature to be used in writing a research proposal and eventually a thesis." Taylor (2001:1) and Bless, Higson-Smith and Kagee (2006.19-28), as cited by Majam & Theron (2006:605) define a literature review as "a structured evaluation and classification of what reputable scholars previously have written on a topic; the sources and identification of a particular research problem; the analytical points of departure employed and a guiding golden thread hypothesis."

Neuman (2006) indicates that the goals of a literature review are to demonstrate a familiarity with a body of knowledge; to show the path of prior research and how a current project is linked to it; to integrate and summarise what is known in an area; and to learn from others and stimulate new ideas.

2.2 Definition of terms/concepts

It is clear from the background above that the role of Provincial Treasury is the management of financial resources in the province as well as oversight and support. It is, therefore, important to understand the concepts of management, oversight and effective financial management.

2.2.1 Oversight

Porter (2008) equates oversight with supervision "in the sense of being a general review of institutional performance with particular attention to failures to carry out mandates, to preserve discipline and to inefficiency and poor productivity.” Oversight, according to her, “is performed by bodies, units and processes that provide ‘supervision’ and ‘watchful care’ to an organization. Through its fundamental elements of audit, evaluation, monitoring, inspection and investigation, oversight helps an organization to enhance its effectiveness, productivity and integrity.”

Smith (2007) indicates that oversight “is a funny word. It has two meanings, one the opposite of the other.” He points out that oversight “can mean watching over, supervising or reviewing an action, a policy, or a process; or it can mean the failure to do so, as in: ‘I meant to keep an eye on those guys, but I didn't. I guess that was an oversight on my part’.” In his article, Smith (2007) explains that sometimes when monitoring activities are practiced by some institutions, the only oversight that happens is the latter.

2.2.2 Management

The definition of management has been extensive and has not changed substantially over time. Briggs (1974:6) posits that “a manager is a man who gets things done by working with people and other resources.”

Swanepoel et al (2008) citing Stone (2005) define management from a human dimension as the “art of getting things done through people”. Weihrich and Koontz (1994:4) define management as “the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims.” They identify five managerial functions, namely; planning, organising, staffing, leading and controlling.

However, the old definition by Briggs (1974) identified four managerial functions, namely; organising, planning, leading and controlling. Samson and

Daft (2005) cited by Swanepoel et al (2008:8) define management as the "attainment of organizational goals in an effective and efficient manner through the planning, organizing, leading and controlling of organisational resources."

From the above identified functions, it is important to explain and define as well as indicate the Limpopo Provincial Treasury's oversight and support roles in the context of the five management functions.

a) Planning

Briggs (1974:7) explains that "the process of planning can be best understood if the basic stages in making a specific decision are first examined. These stages are diagnosing the problem, finding good alternative solutions, projecting the results of each alternative, and, finally, selecting the one course of action to be followed."

Robbins (2000:137) posits that planning "encompasses defining an organisation's goals, establishing an overall strategy for achieving those goals and developing a comprehensive hierarchy of plans to integrate and coordinate activities." Marx (1981) regards planning as a management task which is concerned with deliberately reflecting on the objectives of the organisation, the resources as well as the activities involved and drawing up the most suitable plan to effectively achieve these objectives.

Limpopo Provincial Treasury plays an important role in the planning process of the province. Its oversight and support roles include:

- Supporting departments by providing planning guidelines and training to provincial departments and public entities.

- Analysis of Annual Performance Plans (APP) and Strategic Plans for the purpose of deciding on appropriate resource allocation, in line with government priorities.

b) Organising

Koontz and O'Donnell (1964:214), states that "organizing is a process by which the manager brings order to chaos, removes conflicts between people over work or responsibility and establishes an environment suitable for teamwork." Briggs (1974:6) indicates that during organising "various tasks must be assigned to different people and their efforts coordinated." He however cautions that a manager must also view organization as "a social arrangement, because it is composed of people rather than physical objects." Briggs, further, states that the in organising, ways must be sought to get the necessary work done, but at the same time "that a social structure is built that helps meet the needs of people doing the work."

Robbins (2000:39) posits that organising "refers to designing an organisation's structure which includes the determination of what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom and where in the organisation decisions are to be made." For Limpopo Provincial Treasury to efficiently perform its oversight and support roles, it needs to organise itself and ensure that the right people are allocated the right tasks, and that their efforts are coordinated to achieve the maximum results for the attainment of set goals. The well-being of its staff is also important in ensuring that Limpopo Provincial Treasury fulfills its roles.

c) Staffing

Weihrich and Koontz (2008:21) purport that staffing involves "filling, and keeping filled, the positions in the organisation structure", "by identifying work-force requirements; inventorying the people available; and recruiting, selecting, placing, promoting, appraising, planning the careers of, compensating, and training or otherwise developing both candidates and current jobholders so that tasks are accomplished effectively and efficiently." Swanepoel et al (2008:14) refers to staffing as "people resourcing". They believe that "people resourcing refers to all that needs to be done in order to secure for the organisation the right work services and people with the required work potential and talent, at the right place and at the right time to help ensure organisational success."

Limpopo Provincial Treasury as a key department in ensuring financial management oversight, should ensure that it is properly staffed at all times and that staff is developed to be able to achieve organisational objectives of oversight and support to provincial departments.

d) Leading

Kotter (2001) points out that leadership is about "coping with change; setting a direction; aligning and motivating people". Brevis, Vrba & de Klerk (1997:278) define leadership as the "process of directing the behaviour of others towards the accomplishment of organisational objectives."

DuBrin (2002:207) indicates that leadership "involves influencing others to achieve objectives important to them and the organisation." It is, therefore, important that the leadership in Limpopo Provincial Treasury is able to set the direction, align and motivate its people towards achieving its oversight and support role.

e) Controlling

Controlling is the process of establishing and implementing mechanisms to ensure that objectives are achieved (Lussier: 2000). Briggs (1974:6) posits that controlling is "the process of measuring progress, comparing it with plans and taking corrective action." Kotter (2001:4) purports that "controlling involves monitoring results versus plan in some detail, both formally and informally, by means of reports, meetings, and other tools; identifying deviations; and then planning and organizing to solve the problems."

Limpopo Provincial Treasury's oversight role is about controlling plans developed by departments by monitoring results (expenditure and performance) in relation to those plans, through monthly in year monitoring reporting and quarterly performance reporting. This, it does by also monitoring its own departmental plans. It is therefore important that its controlling capacity is strong for effective monitoring.

2.2.3 What is effective financial management?

Van Wyk (2004:411) states that "effective financial management is intimately connected to the ability of government to meet the expectations of stakeholders regarding the achievement of government objectives". From the feedback of respondents from provincial departments, Van Wyk (2004:416) identified top 10 features of effective financial management ranked in the order of importance:

1. Appropriate internal controls (reducing risks) - 98%
2. Professional financial personnel - 95%
3. Excellent information and advice - 92%
4. Outcome-based budgeting - 91%
5. Financial input to strategic and operational planning - 91%
6. Financial management the responsibility of managers - 89%
7. Outcome-based management (performance agreements - 88%
8. Accrual-based accounting and reporting - 86%
9. A focus on results rather than on processes and rules - 83%
10. Financial advice and the responsibility of financial personnel 81%

The above features were further divided into three broad categories by Van Wyk (2004) and 97% of the respondents agreed categories, namely:

- Committed and competent line managers
- Outcomes-based budgeting
- Accrual-based reporting

Based on the above, Van Wyk (2004:419) concluded that “financial management can only be effective if (i) line-managers are competent and committed; (ii) outcome-based budgeting is applied; and (iii) accrual-based reporting is introduced in the public sector”. He, further, indicates that the three (3) categories are the cornerstones for effective financial management and prerequisites of performance measurement. Madue (2007:311) advises that “financial management training, particularly in the implementation of the PFMA, is essential for ensuring that managers adhere to their responsibilities and are held accountable.”

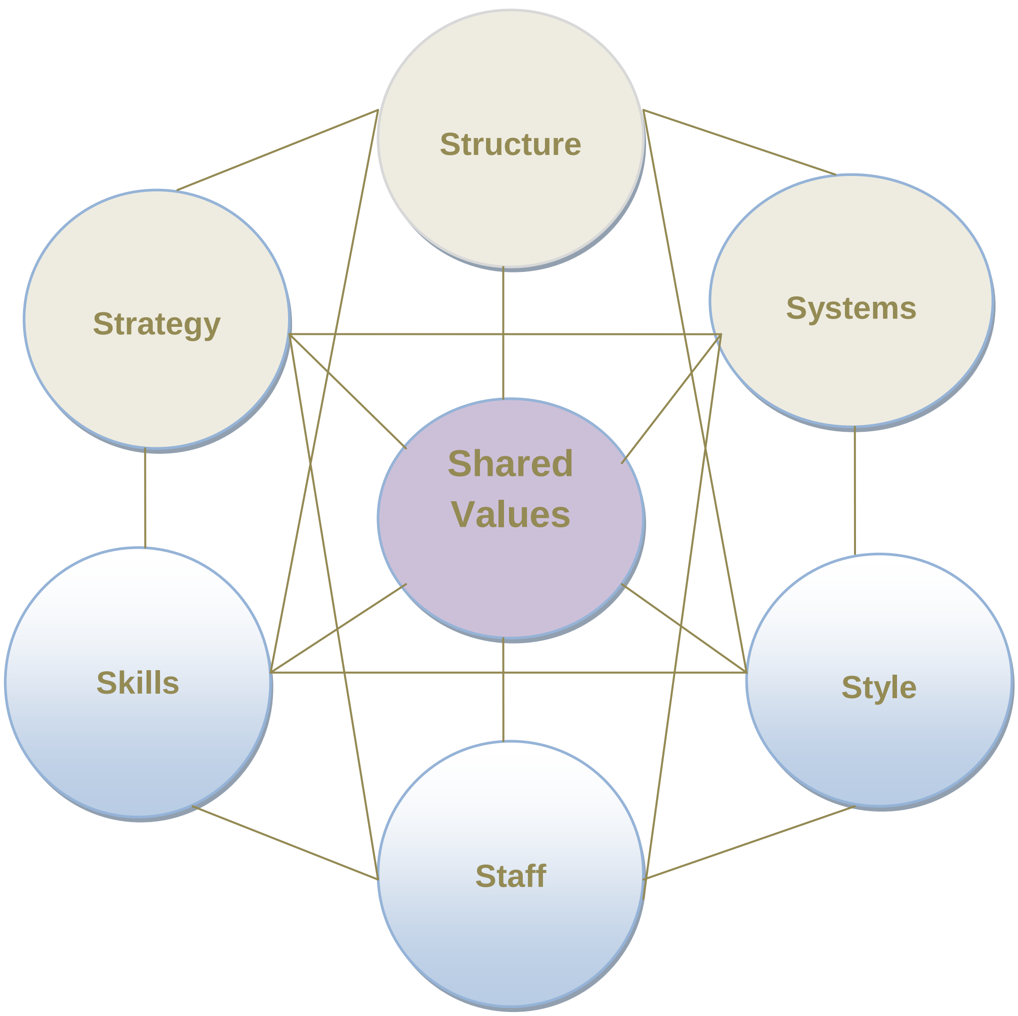
2.2.4 McKinsey 7S Framework/Model

The conceptual framework for this study will be based on the McKinsey 7S Framework. Waterman, Peters and Phillips (1984:17) posit that the 7S framework “has repeatedly demonstrated its usefulness both in diagnosing organisational malaise and in formulating programs for improvement.” Their central idea is that “organisational effectiveness stems from the interaction of several factors, namely; structure, strategy, systems, style, skills, staff and superordinate goals”.

Manktelow (2009:105) purports that “while some models of organisational effectiveness go in and out of fashion, the one that has persisted is the

McKinsey 7S Framework." He, further, points out that the "McKinsey 7S model involves seven interdependent factors which are categorized as either 'hard' or 'soft' elements". Manktelow points out that the 'soft' elements are the shared values, skills, style and staff; while the 'hard' elements are strategy, structure and systems. The diagram below (**Figure 1**) indicates the interrelatedness of the 7S's. Manktelow indicates that "placing shared values in the middle of the model emphasises that these values are central to the development of all the other critical elements. As the values change, so do all the other elements."

<u>Figure 1: The McKinsey 7S Model</u>



Waterman *et al* (1980) point out that "the diagram is intended to convey the notion of interconnectedness of the variables – the idea is that it's difficult, perhaps impossible, to make significant progress in one area without making progress in the others as well." They further conclude that organizational change processes that "ignore its many aspects or their interconnectedness are dangerous."

The Seven Elements

a) Strategy

Manktelow (2009:107) states that strategy "is the plan devised to maintain and build competitive advantage over the competition." Crainer (1998: 82) posits that "strategy remains deeply bedded in confusion". The confusion, he contends, is "between what an organization is actually doing, what it says it is doing and what it should be doing." He believes that "in practice, strategy tends to embrace all three."

Waterman (1984:20) believes that strategy "is or ought to be an organization's way of saying: Here is how we will create unique value." In agreement with Waterman's explanation of strategy it is, therefore, important for Limpopo Provincial Treasury to develop plans that will "create unique value" in their oversight and support roles.

b) Structure

Manktelow (2009:107) indicates that a structure is *"the way an organisation is structured and who reports to whom."* DuBrin (2002:256) describes an organisational structure as "the arrangement of people and tasks to accomplish organisational goals." How an organisation is structured and the reporting lines are crucial. The way Limpopo Provincial Treasury is structured would, therefore, determine whether it is and would be able to achieve its mandate required by the Public Finance Management Act and Municipal Finance Management Act.

c) Systems

Manktelow (2009:107) posits that systems are "daily activities and procedures that staff members engage in to get the job done." Waterman (1984:20) indicates that systems are "all the procedures, formal and informal, that make the organisation go, day by day and year by year: capital budgeting systems, training systems, cost accounting procedures, budgeting systems." Waterman, further, contends that if there is a variable in the model that threatens to dominate others, "it could well be systems."

The above definitions of systems indicate the importance of an organisation having systems that would enable it to achieve their set goals and objectives. To this end, it is important for Limpopo Provincial Treasury to put systems in place that would enable it to fulfill its oversight and support role for effective financial management in the province.

d) Skills

Manktelow (2009:107) purports that these are "the actual skills and competencies of the employees working for the company." Watson (1983:44) explains that "skills are company's unique competences and dominating attributes."

e) Style

Watson (1983:44) describes style as "the patterns of action, symbolic and actual, which top management communicates to the organization at large, and which the organization itself ultimately adopts as a cultural orientation." Manktelow (2009:107) indicates the style refers to the "style of leadership adopted." The style of leadership is important as indicated in one of the management functions above.

f) Staff

Manktelow (2009:107) points out that staff refer to "the employees and their general capabilities." Watson (1983:44) posits that staff means "the people side of the organisation equation, especially the socialization and development process which moulds managers into effective, acculturated performers."

In any organisation, it is the people/staff that implement plans and strategies devised by management. It is therefore important that Limpopo Provincial Treasury appoints the appropriate staff that is capable of achieving tasks given to them, thereby contribution to the organisational achievement of goals.

g) Shared values (super-ordinate goals, Waterman *et al: 1984)*

Manktelow (2009:107) indicates that shared values "also called 'superordinate goals' when the model was first developed, are the core values of the company that are evidenced in the corporate culture and the general work ethics." DuBrin (2002:278) indicates that organisational culture "is a system of shared values and beliefs that influence worker behavior." He further purports that "organisational culture responds to and mirrors the conscious and unconscious choices, behavior patterns, and prejudices of top-level managers." Watson (1983:44) believes that "superordinate (or shared) goals, are "the set of values or aspirations which underpin what a company stands for and believes in."

2.3 Conclusion

The research conducted at Limpopo Provincial Treasury would contribute to the body of knowledge of strategies that need to be employed by the department to improve its oversight and support role for the effective management of finances in the Limpopo province, while the research conducted with external stakeholders would provide Limpopo Provincial Treasury with feedback on how to improve their support and oversight of provincial departments, municipalities and public entities.

There is, generally, consensus on the principles of effective financial management, such as the 3Es, transparency and accountability. Madue (2007:313) in his study to determine a compliance strategy for implementation of the PFMA, recommends that “providing information through regular reporting to management, the Minister, the Treasury, the Cabinet and Parliament is one of the crucial aspects in the implementation of the PFMA when it comes to ensuring compliance”. This highlights the importance of the role of Treasuries, among other stakeholders, in the implementation of the PFMA.

Watson (1983:44) indicates that “in terms of the McKinsey 7-S model, the typical manager is seen as overrelying on the "hard" S's (strategy, structure and systems), while the leader's mastery of the "soft" elements (style, skills, staff and shared values) helps to galvanize his organisation into superior long-term performance.” However, Watson contends that “the truth is in the distinction” and that in real life, "hard" management can he combined with "soft" leadership in an enlightened interplay to provide the best of both worlds.”

Watson (1983:44) further points out that “in this sense, the 7-S framework underscores the importance of balance, of attention to style, shared values, systems, structure, and so forth equally, in the enlightened interplay of the hard and the soft. The whole can become larger than the sum of the parts; management and leadership can be made to converge.” The above literature on the McKinsey 7S framework indicates that this framework is ideal in determining an organisation’s effectiveness to achieve its goals; and to make the necessary changes by aligning the 7S’s, with shared goals being central, in order to have synergy within an organisation.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the research design, data collection, data analysis strategy as well as validity and reliability of the research will be discussed. Singleton and Strait (2004), as cited by Webb and Auriacombe (2006:589), state that a research design comprises a clear statement of the research problem, as well as plans for collecting, processing, and interpreting the observations that provide answers to the research question or to test the hypothesis.

Webb & Auriacombe (2006:591) indicate that there are mainly two paradigms in social research, namely, quantitative research designs and qualitative research designs. Quantitative research predominantly seeks explanations; qualitative research aims at in-depth description. Quantitative research measures what it assumes to be a static reality to developing generalisations.

Neuman (2006:149) indicates that quantitative researchers on the one hand “are more concerned about issues of design, measurement, and sampling because their deductive approach emphasizes detailed planning prior to data collection and analysis.” He, further, points out that qualitative researchers, on the other hand “are more concerned about issues of the richness, texture, and feeling of raw data because their inductive approach emphasizes developing insights and generalizations out of the data collected.”

3.2 Research Design

The research that was conducted adopted an Interpretive Social Science approach using a qualitative research design which is descriptive in nature. Bazeley (2007:2) explains that qualitative research approaches are chosen in situations where a "detailed understanding of a process or experience is wanted, where more information is needed to determine the exact nature of the issues being investigated or where the only information available is in non-numeric form."

A qualitative approach was necessary for this study as the data collected provided insights and generalisations about Limpopo Provincial Treasury. The fact that this study was contextual in nature, and was attempting to conduct an in-depth description and understanding of the effectiveness of the Department in its oversight and support role for effective financial management, made it more appropriate for a qualitative approach. As a qualitative research, the findings of this would not lead to generalisations about other Provincial Treasuries in other provinces.

3.3 Data collection

3.3.1 Primary Data

Mouton, Auriacombe and Lutabingwa (2006:580) indicate that primary data is "original data gathered through a research study." Auriacombe (2005) as cited by Mouton *et al* (2006) distinguishes two types of primary data; qualitative data and quantitative data. The qualitative data does not aim to generalise about a specific population but to "uncover new ideas from, or hidden feelings/beliefs of respondents." Methods of collecting qualitative data include focus groups, one-on-one in-depth interviews and observational methods (Auriacombe, 2005). Quantitative data, on the other hand, aims to generalise about a specific population based on the results of a representative sample of that population (Auriacombe, 2005).

Kvane and Brinkman (2009:2) provide an interesting literal meaning of *"interview" as "an inter-change of views between two persons conversing about a theme of mutual interest."* Jarbandhan and Schutte (2006:674) further indicate that the purpose of the interview is "to get reliable and valid (usually verbal) information from a respondent during a (usually face-to-face) conversation regarding a topic required for research purposes."

In this study, primary data was collected through one-on-one interviews as well as focus groups. The interviews were conducted with two Senior General Managers of Provincial Treasury from the Sustainable Resource Management branch and the Financial Governance branch.

Other interviews were conducted with four Chief Financial Officers from provincial departments (Department of Economic Development, Environment & Tourism), municipalities (Capricorn District and Polokwane Local municipalities) and public entities (1). The CFOs were selected through non-probability convenience sampling method as they were the nearest municipalities and therefore there were no travel costs associated with these interviews.

Wibeck, Dahlgren and Oberg (2007:249) explain that a focus group is a "research methodology in which a small group of participants gathers to discuss a specified issue under the guidance of a moderator". Wibeck et al (2007:249) further indicate that focus groups are of particular value "because of their ability to allow researchers to study how people engage in collective sense-making; i.e. 'how views are constructed, expressed, defended and (sometimes) modified in the context of discussion and debate with others'"

(Wilkinson, 1998a:186). However, Kvane and Brinkman (2009:150) point out that "the aim of the focus group is not to reach consensus about, or solutions to the issues discussed, but to bring forth different viewpoints on an issue."

Van der Riet and Boettiger (2009:4) citing Chambers (1994) expand on the need for homogeneity by indicating that according to the principles of participatory research, "changing the power dynamics in the research situation occurs through (a) ensuring that the research process is designed and managed equally by researchers and participants, and (b) through ensuring that all the members of the context of study are enabled to participate in the research process and express their viewpoints." They, further, indicate that a constraint on the above is that "groups of research participants are not homogenous and hierarchies within the research community will also generate power differentials."

In this study, two focus group discussions were conducted, one for managers and the other for Senior Managers. This was done to ensure homogeneity to avoid the power dynamics referred to by Chambers (1994) as cited by Van der Riet and Boettiger (2009). Six (6) Managers and nine (9) Senior Managers participated in the two focus group discussions. The participants were from the various branches/directorates. In the case of managers, participants were from the following directorates: 1) Financial Systems Administration 2) Norms and Standards 3) Financial Accounting 4) Legal Services 5) Public Private Partnerships. Financial Accounting had a representation of two managers.

Senior Manager participants were from the following branches:

1) Sustainable Resource Management

2) Assets, Liabilities and Supply Chain Management (three representatives)
3) Corporate Governance (three representatives)
4) Financial Management and 5) Financial Governance.

It should be noted that all the branches were represented in the focus group. The difference in number of representatives was due to availability of invited officials. Two sets of interview protocols were developed for (1) Chief Financial Officers (external stakeholders) and for (2) focus groups and interviews with internal Senior General Managers (internal stakeholders).

Questions for the internal stakeholders (Provincial Treasury Senior General Managers and focus group participants) were based on the theoretical framework of McKinsey 7s model. Respondents were also provided with an explanatory summary of the McKinsey framework to ensure that they understand the seven elements. The summary of the McKinsey framework provided to respondents is indicated on the sheet below:

Sheet 1: Summary of McKinsey 7S framework provided to internal respondents

MCKINSEY 7S FRAMEWORK

In assessing Limpopo Provincial Treasury's organizational effectiveness in fulfilling its mandate, a McKinsey 7s Framework was used. The 7s model is also known as the Diagnostic Model for Organizational Effectiveness. This model is useful in determining the current state of each element in an organization and compares this with the ideal state.

The McKinsey 7S model involves seven interdependent factors which are categorized as either "hard" or "soft" elements:

Hard Elements	Soft Elements
Strategy	Shared Values
Structure	Skills
Systems	Style
	Staff

The 7 elements of the model can be explained as follows:

1. **Strategy –** is the coherent set of plans and actions selected as a course of action
2. **Structure –** the division of tasks as shown on the organizational chart and who reports to whom
3. **Systems -** the processes, flows and procedures that show how the organization gets things done.
4. **Style –** how management behaves or the style of leadership adopted
5. **Staff –** the employees and their general capabilities
6. **Shared-values -** the corporate culture and the work ethics of the organization
7. **Skills -** the actual skills and competencies of the employees

Effective organizations achieve a fit between these seven elements. It is important to note that the 7s model focuses its analysis on the internal environment of an organization.

Waterman *et al* (1984:17) have indicated that the 7S framework “has repeatedly demonstrated its usefulness both in diagnosing organisational malaise and in formulating programs for improvement.” Their central idea is that “organisational effectiveness stems from the interaction of several factors, namely; structure, strategy, systems, style, skills, staff and superordinate goals [also known as shared values]”.

The two (2) focus group discussions were tape recorded as well as a scribe taking notes during the discussion. Consent was first sought from the focus group participants before the proceedings were recorded. The researcher was the moderator at all the focus group discussions.

Questions for external stakeholders (Chief Financial Officers) were based on the support and oversight role provided by Limpopo Provincial Treasury and, therefore, the questions were grouped into two main themes, of support and oversight/monitoring. These questions were to make sure that the research questions would be answered at the end of the interview.

The questions were forwarded to the Chief Financial Officers at least three days prior to the interviews to ensure informed consent. Crow *et al* (2006:86) indicate that “informed consent can help to guard against what one email contributor called ‘hit and run’ research in which there is little or no accountability and where the quality of the data collected could be considered questionable on the grounds that research participants had not been given sufficient time to prepare. One interviewee identified it as ‘good practice to try and get as much information to somebody in advance because … it gives them an opportunity to think it through but also obviously just to talk it through’ with others such as friends and family members.”

3.3.2 Secondary Data

Mouton, Auriacombe and Lutabingwa (2006:580) explain that secondary data is “data on research project/study already collected by others.” In this study, the secondary data was collected through consulting secondary sources that have already been published and existing departmental reports. A literature review of secondary sources was also conducted to collect data relevant to the study. Examples of secondary data used are LPT Annual Performance Plans and performance reports, relevant legislative documents such as the PFMA and MFMA, books and articles.

3.4 Data Presentation

In this study data from the internal environment was presented according to the themes extracted from the seven elements of the McKinsey 7S framework namely; (1) Strategy (2) Structure (3) Systems (4) Skills (5) Style (6) Staff and (7) Shared values; while data from the external environment was presented into two main themes based on the research questions namely; (1) oversight and (2) support.

3.5 Data Analysis

Data from the internal environment was analysed using the seven elements of the McKinsey 7s Framework as themes. The analysis was based on the data collected through one-on-one interviews with the Senior General Managers of Provincial Treasury as well as the two focus group discussions for managers and senior managers of Provincial Treasury.

Data from the external environment was analysed based on information gathered through the one-on-one interviews conducted with the sampled Chief Financial Officers of provincial departments, municipalities and public entities. Analysis was also based on the research questions regarding the oversight and support roles of Limpopo Provincial Treasury.

3.6 Validity and Reliability

McMillan & Schumacher (2001:181) explain that "reliability in qualitative research refers to the consistency of the researcher's interactive style, data recording, data analysis and interpretation of participant's meaning from the data." They, further, explain that validity of qualitative design is "the degree to which the interpretations and concepts have mutual meaning between the participants and the researcher."

Hewlett (2003:45) explains that one way to be sure that the information collected is "reliable and to reduce bias (whether in the collectors or the informants) is to use more than one method to collect similar information. This approach to cross-checking qualitative information is called Triangulation."

The use of multiple data collection methods (face to face interview and focus group discussions) will ensure confirmation of emerging findings through triangulation. The use of other sources such as existing studies conducted on similar subject ensured that there is triangulation. For example, the use of the HSRC report on the study regarding the efficiencies and effectiveness in implementing the PGDS ensured that there is triangulation. Data collected from the interviews and focus groups was also compared with existing departmental records to ensure reliability of the information. The interviews and focus group discussions were recorded with a voice recorder where consent was given and notes were taken by a scribe. This ensured that the two sources could be compared for reliability and accuracy of information.

The fact that the researcher is also an employee of Limpopo Provincial Treasury may lead to some bias as she has prior relationship with the researched, as a co-worker. The researcher will, therefore, ensure that any bias is avoided through professionalism and objectivity.

3.7 Conclusion

The use of the qualitative approach in this study has provided insights into the researched areas. Unstructured questions also provide a platform to express their opinions without being restricted. The use of one-on interviews as well as focus groups has increased the validity of the findings in this study.

CHAPTER 4

PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

The research data and findings in this Chapter are from the internal environment where interviews and focus group discussions were conducted with various levels of managers in Limpopo Provincial Treasury. Other data is from the external environment where one-on-one interviews were conducted with Chief Financial Officers of provincial departments, municipalities and a public entity. Data from the internal environment was categorised according to the seven elements of the McKinsey 7S framework namely; (1) Strategy (2) Structure (3) Systems (4) Skills (5) Style (6) Staff and (7) Shared values; while data from the external environment was categorised into two main themes; oversight and support.

4.2 Findings from the Internal Environment

The research findings from the internal environment are based on the face-to-face interviews that were conducted with two Senior General Managers in Provincial Treasury who are responsible for providing the support and monitoring role to provincial departments, municipalities and public entities. The findings also include results from the two focus groups of Middle and Senior Managers within Provincial Treasury.

4.2.1 What is the STRATEGY of LPT and is it effective?

This question was asked to determine what plans are in place for LPT to effectively fulfill its oversight and support role. The question will determine if strategy development or planning is one of the factors that might lead to poor oversight and support by LPT, thereby responding to the first research question (What are the factors that lead to poor financial management oversight and support by Limpopo Provincial Treasury?).

Although some respondents believe that the structure of the department is aligned to its mandate and objectives, the majority of them believe that the strategy and plans of the departments are developed "for the sake of compliance" and that "plans are not aligned to what we are supposed to achieve". A major concern raised by the Middle Managers is that they are excluded from the strategic planning process and that "there is a top down approach in the strategic planning process".

One Senior Manager in the focus group used an analogy of a cake in referring to the strategic plan of the department. "The challenge with Treasury is that we don't have a cake; there is a cake on paper but we refuse to realise what is on paper and turn it into actuality." Another Senior Manager bluntly referred to strategy and planning of the department as follows: "Holistically we don't have a vision, we don't know where we are going, we are operating in silos and there is no coordination".

A follow up question was put to the focus groups and interviewees asking them how the strategy can be improved to ensure that LPT achieves its goals and objectives. This question would reveal some of the strategies that LPT should consider in improving its oversight and support roles, thereby responding to the third research question (What are the strategies for consideration in the financial management oversight and support by Limpopo Provincial Treasury?).

All the respondents agree that there needs to be better strategy coordination and integrated planning to involve all relevant stakeholders in the strategic planning process. Another analogy was used to indicate change that is needed in LPT; one senior manager referred to the lyrics of Michael Jackson's song "Man in the Mirror": "If you want to make this world a better place, you better look at yourself and then make that change". He further indicated that the challenges faced by LPT are mainly because "we put the destiny of the institution in the hands of a person, and whatever strategy that has to come should be the strategy that belongs to all of Treasury".

4.2.2 How is the Department STRUCTURED?

This question sought to determine how LPT is organised and whether the structure will assist the department in achieving its objectives and mandate. The responses to this question will determine whether the organisation's structure is one of the factors that lead to poor oversight and support by LPT, thereby also responding to research question number 1 (What are the factors that lead to poor financial management oversight and support by Limpopo Provincial Treasury?)

All the respondents and focus group participants believe that the structure at LPT has problems. The challenges identified by respondents reveal that the structure of the department is not aligned to the strategy and the objectives of the department. For example, some respondents indicated that "some units on the structure have many people (posts) but the work is not much; while in critical areas there are not enough people (posts) to perform the required function." Another challenge raised by one respondent is that some functions on the structure are not aligned to the mandate of the department, such as Infrastructure Management function; and where some functions that are being performed are not on the structure, such as the Tribal Levies."

A very concerning factor that the majority of respondents revealed is that the structure of the department is developed around people and "there are personal agendas when amendments are made to the structure". One respondent even when to the extent of indicating that "there is a practice in the department where the creation of posts/amendments to the structure is not informed by the Strategic Plan, but by personal need – where people want to beef up their units by creating more posts, sometimes leading to duplication of functions". To emphasise this point, another respondent indicated that "functions are sometimes shifted to another directorate without good reasons for it and it seems we are lost as a department."

Another challenge identified is that amendments to the structure take too long. Sentiments in this regards are that "if a structure needs to be adjusted it needs to go through the Office of the Premier, the DPSA and after years of investigations and negotiations, it eventually returns to the department. The moment the MEC signs it is already outdated."

A challenge that has been mentioned several times throughout the interviews is that of the placement process that took place when the newly approved structure was implemented with effect from 01 April 2009. The major concern is that people were placed into posts that they were not qualified for or lacked experience in. One focus group participant reflected on this challenge by saying that:

"The placing of people in posts because the posts are vacant despite the fact that they do not fit in those posts is wrong. Individuals should be placed in positions that they understand and can perform in. This will lead to the structure not achieving the goals of the department. Sometimes people are placed in the one unit while working in another. This then means that where they are placed they can't advertise the post, and this does not help the situation." A positive factor where there is also general consensus is that reporting lines on the organisational structure are clear.

4.2.3 What SYSTEMS does LPT have in fulfilling its mandate?

This question, like the ones above, seeks to respond to the first research questions (What are the factors that lead to poor financial management oversight and support by Limpopo Provincial Treasury?). By understanding what systems LPT has, one will determine whether these systems are a contributory factor that lead to poor oversight and support role by the department.

Again, there is general consensus among all respondents that there are weaknesses in this area. The general sentiments are that "there are no formally documented processes and procedures"; "knowledge and information management system are lacking"; "there was a process that was initiated of developing procedure manuals in Corporate Governance and they were finalised but not adopted/approved"; "we don't have proper systems in place, and if they are in place they are not well communicated to the staff"; "information does not flow properly from the top to bottom"; "there is no knowledge of the existing systems, and instead people create their own systems/procedures despite the existence of such systems"; "the performance management system must just be thrown away, it's a waste of time and managers are not playing the role as expected"; "the internship system is not working well"; "there is no succession planning in the department"; "our information sharing system is not good"; "M&E system is focused only on quarterly reporting; “monitoring and evaluation is not based on evidence as reports are not truthful”;

A follow up question was asked requesting respondents to give suggestions on necessary improvements to the systems that will enable LPT to fulfill its mandate and objectives. This follow up question seeks to respond to research question number 3 (What are the strategies for consideration in the financial management oversight and support by Limpopo Provincial Treasury?). In responding to the follow up question, respondents made the following suggestions:

“More capacity and more analysis are necessary in the M&E process”; “the performance management system needs to be simplified as it is cumbersome”; “we need to develop checklists for different processes”; “there is a need for a driver of processes and procedures”; “Personal development identified during the performance assessment process needs to be addressed to improve individual performance”; “managers need to play their role in performance management”;

4.2.4 What caliber of STAFF does LPT have?

This question seeks to determine the general capabilities of employees in LPT. The responses to the question will show whether LPT has capable staff to enable the department to fulfill its oversight and support role.

There are different opinions on whether LPT has capable staff, and interestingly the opinions differ according to management levels. For example, Senior General Managers interviewed believe that there are enough employees but they are not capable of performing their required functions. All Senior Managers indicated that the department does have capable staff but these staff members are not being utilised to their full potential. This, they believe, is a result of “staff that are not correctly placed and not being re-skilled for these posts”. Others believe that the work environment is not motivating and “most staff is depressed due to them being overworked or their expectations of the institutions are not being met.”

Middle Managers, on the other hand, believe that LPT generally does not have capable staff. For example, some believe that “quality of SMS members and other levels is not good, for example deputy managers operate at the level of clerks”. They also believe that “there are many lazy people but during performance assessments everyone is achieving at the expected level and gets 3 out of 5, and some even receive bonuses.”

4.2.5 Do the current employees have SKILLS to do the job?

This question seeks to determine the level of skills and competencies available in the department. The responses will reveal whether LPT has skilled and competent staff to enable the department to achieve is oversight and support role.

Senior General Managers and Middle Managers believe that the department does not have skilled and competent people, especially technical skills in key functions. In one response, it was indicated that “Treasury officials should be experts in their fields but we can’t do it because departments are smarter and better skilled than us”. One Middle Manager responded by saying:

> “As a Treasury, we are not in a position to meet the expectations of our stakeholders. We are not making a difference in the departments.

> When departments need help from us, we then get the assistance of National Treasury to help these departments. On our own we are not able to do so. Most of the time, Treasury is just a post office. We send documents that have many mistakes to National Treasury instead of us analyzing those documents to ensure that they are corrected. Even skills at top management leave much to be desired."

Other middle managers believe that "people just occupy positions without adding value to those positions and should be encouraged to take early retirement". On the other hand, most Senior Managers believe that the department does have skilled people but those skills are not being utilised, while others believe the placement process placed skilled people in wrong positions and therefore cannot perform as expected. Some concerns were raised by Senior Managers on skills development in the department that "personal development plans are developed but when the time comes, there is no budget". "The Workplace Skills Plan should be implemented and not just be developed for compliance's sake".

4.2.6 What is the leadership STYLE in LPT and is it effective?

This question seeks to determine the style of leadership adopted in LPT as well as what Watson (1983:44) describes as "the patterns of action, symbolic and actual, which top management communicates to the organization at large, and which the organization itself ultimately adopts as a cultural orientation". This question is important because it will also reveal the kind of environment employees are working under. Risher (2003:23) explains that "the phrase 'work environment' is broad and encompasses a multitude of issues, but all are subject to management control or influence." He further points out that "management is responsible, and when worker performance fails to meet expectations, the work environment is often the root cause."

From the interview and focus group responses, it is clear that there are major leadership and management problems in LPT. These sentiments cut across all management levels interviewed. For example, Senior General Managers (top management) interviewed believe that:

> "There is no decisive leadership in LPT, and that the way management decisions are taken shows preferential treatment; not considering the impact of decisions made. Executive Management Committee has no impact or decision making powers because major decisions are taken outside this structure – with no consultation or basis for decisions. Not working as a team as top management is one of our biggest problems. We take debates and criticism personal. Departments do not respect us as Provincial Treasury has no credibility."

One Senior Manager indicated that the leadership style in LPT is the one that says "Do as I tell you and not as I do". There is also a general belief that the leadership style in LPT is "not motivating and does not encourage creativity".

4.2.7 What are the SHARED VALUES in LPT?

This question seeks to determine the core values of the department that are evidenced in the corporate culture and the general work ethics. DuBrin (2002:280) points out that "depending on its strength, a firm's organizational culture can have a pervasive impact on organizational effectiveness." From the interviews and focus group discussions, there is general consensus that the organizational culture at the Department is not assisting in achieving the department's objectives. These sentiments are expressed across all the management levels interviewed in the study. The following are some of the responses regarding the organizational culture and work ethics prevalent in the department:

> "There is no sense of belonging in the department. Not honest with each other. There are no shared values and culture. The culture is that of 'ganging up. We don't have good values and professional ethics, and it comes from the top. Our culture does not encourage people performing to their best. No team building, no induction. We need to encourage the culture of recognition on a job well done, which is currently not being done."

Despite the negative sentiments expressed above, a minority (two middle managers) believe that there are some improvements in some areas. For example the lone voices believe that "there is improvement in communication between units and we are moving to the right direction; and that "we are on the right track but plenty of work needs to be done to align the other S's."

4.3 Findings from the External Environment

The research findings from the external environment are based on the individual interviews conducted with the Chief Financial Officers from provincial departments, municipalities and public entities. It should be noted that in some cases, there were Acting CFOs (Capricorn District Municipality), while in other cases CFOs were not available or not willing to participate. For example the CFO of the municipal entity (Polokwane Housing Project) was on suspension and therefore was not available; while a provincial department

CFO (Health & Social Development) never made himself available despite several attempts to secure an appointment for the interview.

4.3.1 What SUPPORT is LPT providing and is it effective?

This question seeks to determine the current support that is being provided by LPT to provincial departments, municipalities and public entities. Responses to this answer will provide a partial answer to research question number 2 (What are the trends in the financial management oversight and support role by Limpopo Provincial Treasury?).

Responses from the Chief Financial Officers interviewed indicate that LPT provides support in various ways. For example, in provincial departments, the support provided include training on financial management, financial systems as well as training on new Strategic Planning formats/templates. Other support provided is through various Forums such as the Risk Management, Asset Management and Supply Chain Management Forums.
The support provided to municipalities, as indicated by the respondents includes hands on support related to budgets, section 71 and 72 reports; "issuing of audit files to help the municipality to be better prepared for audits"; issuing of GRAP tools and guidelines and evaluation of the Supply Chain Management systems in order to assist where there are weaknesses.

However, the support provided to public entities is very limited compared to the one provided to provincial departments and municipalities. For example, the respondent from the public entity indicated that "there is not much direct support from the Treasury. Direct interaction is only at year end where there is assistance/training on templates for Annual Financial Statements. Instead, the support is received via the parent department."

In response to the question regarding the effectiveness of the support, the district municipality indicated that there is marked improvement in the support and LPT officials are always available to provide support. The provincial department respondent indicated that the support is satisfactory.

A follow up question was posed asking whether respondents thought there were weaknesses in the support and if so, what improvements could be made by LPT. This follow up question would assist in responding to both research question 2 and 3. To this question, provincial department respondent indicated that the support in the areas of unauthorized expenditure and management of assets to the value of R1 was poor. The unauthorized expenditure matter has not been resolved and there are inconsistencies in the advice received by Provincial Treasury and National Treasury. Another great concern was that LPT is not organised as a department. An example was given where the respondent indicated that LPT officials contradict each other in meetings and are not “speaking in one voice.”

For the district municipality, areas of improvement that were identified include the involvement of LPT in oversight structures such as Audit and Risk Management Committees, “by capacitating these structures to ensure that they are functional.” Although the local municipality indicated the need for LPT to improve their support, the respondent acknowledged that the reason LPT is not providing adequate support is that “the municipality is a non-delegated one.” This means that National Treasury has not delegated powers to the provincial treasury and therefore the municipality receives support directly from National Treasury. The public entity respondent indicated that “the support received can be improved by more direct interaction and proactive visibility by Provincial Treasury and not only communicate with the parent department”.

4.3.2 What OVERSIGHT function is LPT providing and is it effective?

This question seeks to determine the current oversight that is being conducted by LPT to provincial departments, municipalities and public entities. Responses to this answer will provide a partial answer to research questions number 2 (What are the trends in the financial management oversight and support role by Limpopo Provincial Treasury?).

Respondents interviewed indicated that the oversight that is being conducted by LPT involves submission of various reports and through various structures/forums. For example, municipalities submit monthly, quarterly, mid-year and annual reports. These reports include section 71 reports (monthly), section 72 reports (mid-year), performance reports (quarterly), conditional grants reports (monthly) and annual reports.

Provincial departments also submit various reports such as monthly in-year monitoring reports, quarterly performance reports, quarterly audit progress reports, quarterly Risk Management reports and quarterly Supply Chain Management Statistics. Public entities on the other hand only submit monthly expenditure reports.

A follow up question was posed asking whether there any weaknesses in the oversight and whether feedback is received on reports submitted. The district municipality respondent indicated that feedback is being provided through forums and special feedback meetings, and the feedback provided is very useful. The weakness identified is that oversight on Conditional Grants could be improved by verifying what is reflected in the reports.

The provincial department respondent also indicated that feedback is being received although in some areas such as the Financial Capability Model and action plans to deal with AG's report, there was no feedback in the former and the feedback was late in the latter. The feedback that used to be provided on the monthly in-year monitoring report is no longer being provided.

The respondent also indicated that there is a need for improvement in the feedback received on Strategic and Annual Performance Plans. His concern is that feedback received on the plans "is mostly about compliance to templates rather than analyzing strategies in relation to government priorities." Public entity respondent indicated that they do not receive feedback from LPT but instead receive it from the parent department.

Other concerns indicated are that LPT "should get its house in order" and that the monitoring/oversight role by LPT, Department of Local Government and Housing as well as Office of the Premier is "confusing". This concern was also raised by the municipality respondents and the general sentiment is that "the three institutions need to pool their resources to avoid duplications in their various oversight/monitoring functions."

4.3.3 Conclusion

The research findings obtained from the one-on-one interviews and focus group discussions provided a picture of the status of the internal and external environment. Data from the internal environment provided critical information regarding the contribution of the work environment to the effectiveness of an organization, in this case Limpopo Provincial Treasury. Data from the external environment provided critical information on status of the support and oversight provided by LPT.

CHAPTER 5

INTERPRETATION AND ANALYSIS OF DATA

5.1 Introduction

Neuman (2006:467) states that in general, data analysis means “a search for patterns in data – recurrent behaviors, objects, phases, or ideas.” He further indicates that data analysis “involves examining, sorting, categorizing, evaluation, comparing, synthesizing, and contemplating the coded data as well as reviewing the raw and recorded data.” In this study, data analysis was based on information gathered from one-on-one interviews as well as focus group discussions.

Analysis of data from the external environment was based on the data collected through one-on-one interviews with Chief Financial Officers of provincial departments, municipalities and public entities. This analysis was conducted by categorizing data into two main themes; (1) support and (2) oversight/monitoring. These two main themes were then further categorized into sub-themes based on responses by the interviewees and by looking at the research questions to ensure that answers to those questions are ultimately reflected in the analysis.

5.2 Data Analysis from the internal environment

Data from the internal environment was analysed using the seven elements of the McKinsey 7s Framework as themes. The analysis was based on the data collected through one-on-one interviews with the Senior General Managers of Provincial Treasury as well as the two focus group discussions for managers and senior managers of Provincial Treasury.

5.2.1 Strategy

From the interviews conducted, it is clear that respondents generally believe that the strategy of the department is developed for the sake of compliance, without much thought and consideration of the mandate, objective and priorities of the department. From the focus group discussion with the middle managers, it is interesting to note that middle managers are concerned that they are not involved in the development of the strategy/plans although they are the ones who will implement them. The strategy management process, according to these managers, is a top down approach.

Although Senior Managers participate in the strategic planning process of the department, there are also sentiments that the strategy is developed for compliance's sake and that there is no vision in the development of the strategy. Another major concern is lack of integrated planning, where units operate in silos and do not talk to each other. This point is further emphasized by comparing the strategy to a cake, where one respondent said that the department "might have cake on paper but the department fails to actualize it in reality." Other comments relate to staff in Provincial Treasury that does not support each other and that no good plan or strategy will achieve its objectives if there is no such support.

Manktelow (2009:107) states that strategy "is the plan devised to maintain and build competitive advantage over the competition." Crainer (1998:82) posits that "strategy remains deeply bedded in confusion". The confusion, he contends, is "between what an organization is actually doing, what it says it is doing and what it should be doing." He believes that "in practice, strategy tends to embrace all three."

From the data collected, it is clear that the strategy of LPT is deeply embedded in confusion as indicated by Crainer (1998). The analogy of the cake proves the point that the confusion in Limpopo Provincial Treasury is between what it says it is doing in the plans, and what it is actually doing in reality. It is also clear that the plan devised by LPT is not building any competitive advantage.

5.2.2 Structure

Manktelow (2009:107) indicates that a structure is “the way organisation is structured and who reports to whom.” DuBrin (2002:256) describes an organisational structure as “the arrangement of people and tasks to accomplish organizational goals.”

From the data collected, there is general consensus that the organisational structure is not aligned to the strategy and to the mandate of the department. For example, it is interesting to note that some functions that are performed in some units are not reflected on the structure (Tribal Levies), while others are on the structure but are not aligned to the mandate of the department (Infrastructure Management). From the interview responses, there is also general agreement that reporting lines are clear.

A general concern about the structure is the process followed to amend it. There seems to be no proper consultation during structural amendments, and in some instances the view is that personal agendas are involved in the amendment of the structure. The red tape involved in structural amendments is also an area of concern.

The placement process that took place in the department is also creating challenges in the implementation of the structure, thereby limiting effective achievement of objectives. Of great concern is the placement of employees in posts that they are not qualified for and cannot perform in them. It is clear from the above data that the arrangement of people and tasks is not conducted in a manner that ensures achievement of goals.

5.2.3 Systems

Manktelow (2009:107) posits that systems are "daily activities and procedures that staff members engage in to get the job done." Data from both the interviews and focus groups indicates that Limpopo Provincial Treasury has enormous challenges when it comes to systems. The following are the systems challenges faced by the department:

- No formally documented processes and procedures. Although a process to develop procedure manuals was started in Corporate Governance branch, these were not approved.
- Knowledge and Information/Document Management systems are inadequate, and where they exist, employees are not aware of them due to lack of communication and therefore create their own systems. Information does not flow effectively from top to bottom levels of the organization and there is inadequate information sharing within the department.
- Human Resource Management systems such as performance management and development, internship, induction and succession planning are inadequate and are not achieving their intended objectives where they exist. Some of the reason for the inadequacies is that managers are not playing their management role.
- The monitoring and evaluation system is based only on quarterly reporting and does not add value. The monitoring and evaluation is

also not evidence-based as reports are not reflecting the true situation. There is limited capacity in this area.

Waterman (1984:20) further contends that if there is a variable in the 7S model that threatens to dominate others, “it could well be systems.” From the findings reflected above, Limpopo Provincial Treasury has a great challenge in fulfilling its mandate, based on the current state of its systems.

5.2.4 Skills

Watson (1983:44) explains that skills are company's unique competences and dominating attributes.” Manktelow (2009:107) purports that these are “the actual skills and competencies of the employees working for the company.”

There are varying opinions of whether the department has skilled and competent employees. There is the view that the skills in the department, particularly financial technical skills, are not adequate or are limited, while another view is that skills exist but they are not being utilized properly or are not in the right place to have the desired impact. The misplacement is mainly as a result of the placement process where employees were just put in positions to hold those posts while operating at different areas or are not suitably qualified for those positions. Some of the available competencies are redundant and there are suggestions that such employees should be encouraged to take early retirement as they do not have the requisite skills.

The major challenge identified by the respondents is that Personal Development Plans and Workplace Skills Plans to improve on the skills gaps are being developed for compliance’s sake, as the identified needs are ultimately not addressed due to unavailable budget. From the interviews it is clear that Limpopo Provincial Treasury is not in a position to meet stakeholders' expectations of supporting and monitoring due to the limited skills. This has an impact on the level of service delivery by the department where departments that are meant to be supported are better skilled than the Provincial Treasury staff. Lack of management and leadership skills is another area of concern, as well as the inability by management to manage the development of skills in the department.

5.2.5 Style

The style referred to in the 7S model is the leadership style. DuBrin (2002:208) explains that leadership involves influencing others to achieve objectives important to them and the organization. An array of literature indicates that leadership and management styles have a great influence on various areas in an organization. For example, Risher (2003) indicates that management has control and an influence on the work environment, and most poor performance takes root from the work environment. DuBrin (2002) also indicates that the organisational culture of an institution is influenced by top management, consciously or unconsciously so.

The interviews and focus groups are consistent in responding to this element. The style of management/leadership in Limpopo Provincial Treasury leaves much to be desired. Employees are not motivated by the style of management. This is due to the prevailing inconsistencies in the application of policies and preferential treatment in decision making. The leadership style does not encourage creativity. The top management of the department is not a team and senior management in general does not lead by example. The decision making structure, the Executive Committee has limited decision making powers as some decisions are taken outside this structure without consultation or informed basis.

This fragmented leadership is also exposing the department to external stakeholders to the extent that the department has lost its credibility. This situation is worrying in view of the impact leadership and management has on the organization. The data implies that the work environment within Limpopo Provincial Treasury is not conducive for the effective achievement of its goals and objectives. Therefore its support and oversight roles will not be effectively achieved.

5.2.6 Staff

Responses from the interviews and focus groups reveal that although there is a reasonable number of staff in Provincial Treasury, it is the quality and capability of this staff that is of concern. Respondents believe that staff in the department does not have the requisite skills while some of the staff are lazy and redundant. However, the lazy staff members receive bonuses during the performance assessments. Some even go as far as saying that the problem of incompetent staff is at all levels, from the top (Senior Management) to the lower levels.

The focus group discussions also revealed that in areas where there are capable staff members, these staff members are not being utilized to their full potential. It is interesting to note that middle managers tend to believe that the department generally does not have capable staff, while senior managers believe that there is generally capable staff.

The one recurring matter that has been raised in the other elements above is the misplacement of staff in the department such that these officials are not able to perform to their capabilities and potential. The issue of lack of re-skilling of these misplaced staff and staff development in general is also reappearing in the interview responses and focus group discussions. There is also a belief that the staff at Limpopo Provincial Treasury is depressed because they are overworked or their expectations of the organization are not being met. This situation is worrying as LPT needs competent staff to fulfill its oversight and support role.

5.2.7 Shared values

Manktelow (2009:107) purports that shared values “also called ‘superordinate goals’ when the model was first developed, are the core values of the company that are evidenced in the corporate culture and the general work ethics.” “Organizational culture responds to and mirrors the conscious and unconscious choices, behavior patterns, and prejudices of top-level managers.”(DuBrin 2002: 278)

The results from both the interviews and focus group discussion indicate that the corporate culture and general work ethics in Limpopo Provincial Treasury is hampering general performance and do not encourage teamwork. The culture in the department is that of “not supporting one another”, “ganging up”, lack of good values and unprofessional work ethics. These have created a sense of not belonging by some staff within the organization. It is of great concern to note that the unprofessional work ethics also manifest itself at top management levels. This confirms the earlier point indicating that leadership in the department does not lead by example. There is however an acknowledgement that there is improvement in the area of communication across units by a minority of respondents.

It has been highlighted above that the leadership of the department has an impact and influence on the organizational culture and the work environment.

It is therefore up to the management of LPT to ensure that the organizational culture and the work environment are improved so that there is improved performance by its staff. This performance improvement will have a positive impact on the fulfillment of the department's oversight and support roles.

5.3 Data Analysis of the external environment

Data from the external environment was analysed based on information gathered through the one-on-one interviews conducted with the sampled Chief Financial Officers of provincial departments, municipalities and public entities. Analysis was also based on the research questions regarding the oversight and support roles of Limpopo Provincial Treasury.

5.3.1 Support role by Limpopo Provincial Treasury

The interviews with the Chief Financial Officers revealed that the support provided by Limpopo Provincial Treasury varies from one institution to another, although generally responses indicate that some kind of support is being provided. It is the degree and the extent of the support that varies within institutions.

The support provided by Limpopo Provincial Treasury includes training, forums for meetings, workshops, evaluation of existing systems and provision of guidelines. This support is mostly characterized by the respondents as adequate, although there is room for improvement. The areas of weakness identified by the interview with Chief Financial Officers are as follows:

Provincial Departments

- The non-resolution of unauthorized expenditure is causing problems for departments
- Inconsistencies in the advice provided by Provincial Treasury and National Treasury on the management of assets valued at R1.
- Provincial Treasury officials not speaking the same language resulting is them contradicting each other in meetings with provincial departments.

Municipalities

- Limited involvement by Provincial Treasury in monitoring the effectiveness of oversight structures such as Audit and Risk Management Committees.
- Limited capacity in Provincial Treasury to cover extensive areas in the support.

It should however be noted that the weaknesses in municipalities researched vary between the District and Local Municipalities. Better support is being provided in the District municipality rather than the local municipality researched. The interview with local municipality CFO revealed that the reason for the limited support provided by Provincial Treasury is that the local municipality is a non-delegated municipality. This means that National Treasury provides direct support and has not delegated that function to Provincial Treasury. However, Provincial Treasury does provide support to all municipalities in the province, as reflected in their Annual Performance Plan and departmental quarterly performance reports.

<u>Public Entities</u>

- There is very limited direct support by the Provincial Treasury as interaction is mostly with the parent department than with the public entity. Direct interaction mostly happens at year end.
- No involvement or participation by the public entity in Forums established by Provincial Treasury and therefore support through these forums is lacking.

The above weaknesses indicate that the support role of Limpopo Provincial Treasury is inadequate. The problem statement has identified serious challenges in financial management within provincial departments, municipalities and public entities. The support from Provincial Treasury is therefore of critical importance for these challenges to be addressed.

5.3.2 Oversight role by Limpopo Provincial Treasury

The oversight or monitoring role of Limpopo Provincial Treasury is entrenched in the Public Finance Management Act (section 18) and the Municipal Finance Management Act (section 5). The interviews with Chief Financial Officers indicate that the monitoring/oversight that are conducted by Limpopo Provincial Treasury mainly involve submission of reports. Reports submitted to Provincial Treasury are as follows:

<u>Provincial departments</u>

- In-year monitoring (IYM) reports on a monthly basis
- Performance reports on a quarterly basis
- Audit progress reports on a quarterly basis

- Risk management reports on a quarterly basis
- Supply Chain Management Statistics on a quarterly basis

Municipalities

- Section 71 reports on a monthly basis
- Section 72 reports, mid-year
- Quarterly performance reports
- Annual reports
- Oversight reports
- Conditional Grant reports on a monthly basis

Public Entities

- Monthly expenditure reports

The interviews with the Chief Financial Officers indicate that some feedback is provided by the Provincial Treasury on the submitted reports, except for Public Entities. This feedback includes direct engagement with departments/municipalities through Forums, provision of analysis reports and special feedback meetings. However, the quality of the feedback provided and turnaround times also vary. Generally the feedback is acceptable, although the Chief Financial Officers indicated that there are areas where this can be improved. The areas of weakness identified by the Chief Financial Officers are as follows:

Provincial departments

- Feedback on reports is not always timely, and in some instances no feedback was received. For example, no feedback was received on the

Financial Capability Model and feedback on action plans for Auditor General's report was provided late. Feedback that used to be provided on IYM reports has been discontinued.

- The quality of feedback provided can be improved, especially in the area of Strategy documents. The feedback in this area is mostly about compliance to templates but not on the substantive issues of content in relation to government priorities. This is an area of concern as this alludes to the fact that financial resources allocated through plans may not address the development agenda and priorities of government.
- Provincial Treasury is seen to be disorganized in its engagement with departments.
- A general weakness of monitoring/oversight in the province is the duplication of functions by the Provincial Treasury, Office of the Premier and Department of Local Government and Housing. These institutions are not communicating with each other to create synergy in their monitoring.

<u>Municipalities</u>

- Verification of reports provided on Conditional Grants needs to be conducted.
- There is a need for better communication and the pooling of resources between the Provincial Treasury and Department of Local Government and Housing in their monitoring of municipalities, as also highlighted by the provincial department CFO.

<u>Public Entities</u>

- Provincial Treasury is generally not visible in public entities. The interaction is mainly with the parent departments.

- No direct feedback is received on reports. Feedback is instead received from the parent department.

The weaknesses found from the data indicate that the challenges raised in the problem statement will not be adequately addressed. Of particular concern is the information that indicates that LPT no longer provides feedback on the IYM reports. It should be noted that these reports provides LPT with expenditure trends of departments and if no feedback is being provided, then there will be no early warning and timely corrective action for under or over expenditure by these departments. The problem of under and over expenditure has been highlighted in the problem statement.

5.4 Conclusion

It is clear from the research findings from the internal and the external environment that the Provincial Treasury has to develop better strategies to improve the oversight and support it provides to provincial departments, municipalities and public entities. Much work is needed in the support and oversight of public entities as this area has been neglected.

It is interesting to note that a common concern raised by provincial department and municipality CFOs regarding the duplication of function by the Provincial Treasury, Department of Local Government and Housing and Office of the Premier has also been highlighted by a study conducted by the Human Sciences Research Council. The study that looked at institutional efficiency and effectiveness in the implementation of the Provincial Growth and Development Strategy (PGDS) notes that:

> "Of particular concern in Limpopo is that the Office of the Premier and Provincial Treasury appear to compete with each other to such an extent

that the provincial departments do not understand the roles of these two departments and how they should relate to them. The Department of Local Government and Housing also protects its turf and creates three way competition and sever confusion for municipalities when they engage with provincial departments. This competition between these 'planning departments' is inexcusable and the above three mentioned departments must meet with each other and thrash the boundaries of their roles and responsibilities and identify ways in which they will cooperate with each other." (Carter 2009:4)

Another specific concern is the finding related to the internal environment which reflects that the work environment in Provincial Treasury is not conducive for effective achievement of goals.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

The problem identified in this study is that of inefficient and ineffective financial management within provincial departments, municipalities and public entities. The evidence of these inefficiencies has been reflected in various Auditor General's reports showing mismanagement of funds and over and under expenditure of allocated budgets. The purpose of this study was to determine factors leading to poor financial management oversight and support in Limpopo province; to present the findings of current trends in financial management oversight and support within Limpopo province; interpret and analyse the findings and recommend strategies for improvements for consideration by Limpopo Provincial Treasury. This study has focused on responding to the key research questions guided by the conceptual framework of the McKinsey 7S model for the internal environment, as well as the focus on the support and oversight roles provided to provincial departments, municipalities and public entities by Limpopo Provincial Treasury.

6.2 Conclusions

The task of the researcher was to respond to three main research questions:

- What are the factors that lead to poor financial management oversight and support by Limpopo Provincial Treasury?
- What are the trends in the financial management oversight and support role by Limpopo Provincial Treasury?

- What are the strategies for consideration in the financial management oversight and support by Limpopo Provincial Treasury?

In line with the purpose of the study the following are the researcher's conclusions:

6.2.1 Factors leading to poor financial management oversight and support

The study has revealed that there are various factors the lead to poor financial management oversight and support in Limpopo Province. The main factor emanates from the internal environment within Limpopo Provincial Treasury. The study shows that leadership and management challenges have had an impact on the various elements of the organisation, namely; the strategy, structure and shared values. Other internal environmental issues relate to the competence and capabilities of staff within the department. Although there is generally competent staff, the development of these staff members and their placement in posts has resulted in the organization not achieving its goals and objectives. The study also showed that LPT does not have adequate systems to effectively fulfill its mandate of oversight and support to departments, municipalities and public entities.

The study also showed that LPT is not organised as a department and that it has lost credibility to its stakeholders. The duplication of the monitoring function of LPT, Office of the Premier and Department of Local Government Housing has reflected challenges in the overall oversight function within the province.

6.2.2 Current trends in financial management oversight and support

This study has shown that Limpopo Provincial Treasury does provide support and oversight to provincial departments, municipalities and public entities. However, these vary from one institution to another. The findings reveal that the support provided is generally satisfactory, although there are areas that need improvement. The greatest area of weakness is the support and oversight provided to public entities. The support and oversight is close to non-existent. Other areas of weakness are the lack of in-depth analysis of Strategic and Annual Performance Plans beyond compliance to templates, as well as the discontinuation of feedback that was provided on the IYM reports. These weaknesses are of great significance as they will have a negative impact on the achievement of development goals of the government.

Reflecting on the oversight definition by Smith (2007), where he indicates that "oversight" can mean watching over, supervising, or reviewing an action, a policy, or a process. Or it can mean the failure to do so, as in: "I meant to keep an eye on those guys, but I didn't. I guess that was an oversight on my part." He concludes by indicating that sometimes when monitoring activities are practiced by some institutions, the only oversight that happens is the latter. The weaknesses in these areas of oversight indicate that the oversight that Limpopo Provincial Treasury has been conducting is the latter.

6.2.3 Strategies for improvements

It is clear from the research findings of the internal and the external environment that the Provincial Treasury has to develop better strategies to improve the oversight and support it provides to provincial departments, municipalities and public entities. Major improvements that need to be effected by the department relate to the internal work environment. The seven elements as espoused by the McKinsey model have to be aligned, with the shared values being central to organizational effectiveness.

This study has especially shown that leadership and management in the department need to improve in terms of setting a good example for the rest of the staff, consistent and fair decision making processes as well as building a team at top management level. Improvement in the above mentioned areas will increase the effectiveness and efficiency of the department in its oversight and support role that is provided to provincial departments, municipalities and public entities.

6.3 Recommendations

The study conducted has revealed the need for an organisation to align its seven elements as proposed by the McKinsey 7S model. Waterman *et al* emphasise the fact that "organisational effectiveness stems from the interaction of several factors, namely; structure, strategy, systems, style, skills, staff and superordinate goals *(shared values)*". The study showed that in Limpopo Provincial Treasury these seven elements are not aligned and therefore the organization is not effective.

The oversight and support roles of provincial treasury are vital to ensure effective financial management in the province. Van Wyk (2004) lists the top 10 features of effective financial management and the top ranked feature is that of "appropriate internal controls". A close out report by the Limpopo Provincial Financial Management Improvement Programme provides the following statistics in terms of audit outcomes in Limpopo province. Out of the

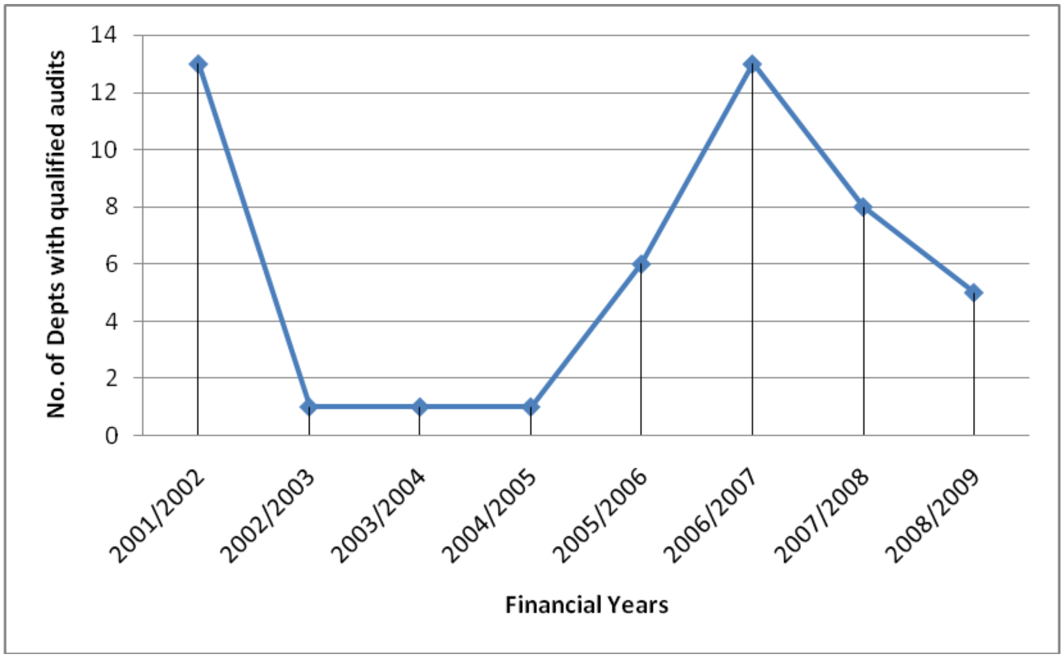
13 provincial votes, the number of departments receiving qualified audit reports is reflected on Table 1 below, in respect of recent financial years:

Table 1: Audit outcomes of Limpopo Provincial Departments: 2001/02 – 2008/09

FINANCIAL YEAR	NO. OF DEPARTMENTS WITH QUALIFIED AUDIT REPORTS
2001/2002	13 (All)
2002/2003	1
2003/2004	1
2004/2005	2
2005/2006	5 + 1 adverse opinion
2006/2007	13 (All)
2007/2008	8
2008/2009	5

The graphical representation of the above statistics is on Figure 2 below:

Figure 2: Audit Outcomes of Limpopo Provincial Departments



It is clear from the above graph that audit outcomes which reflect internal controls within departments have not been stable in Limpopo province. Financial years where internal controls have been good are from 2002/2003 and 2004/2005. There was then a regression from 2005/2006 and 2006/07, where 2006/07 saw all departments receiving qualified audit opinions, a position the province was in, in 2001/2002. However, there trend of qualified reports went down from 2007/08 to 2008/09 and it is hoped that this trend is improved and sustained in the years going forward.

The oversight and support role of Limpopo Provincial Treasury will play a significant role in ensuring that these trends are improved and sustained. The study has highlighted areas of weaknesses which need the Provincial Treasury to consider. Strategies should be put in place to improve these identified weaknesses and challenges. Based on the study, the following recommendations should be considered for improved monitoring and oversight provided to departments, municipalities and public entities:

6.3.1 Recommendations to Limpopo Provincial Treasury

The following recommendations are directed to Limpopo Provincial Treasury in contributing to the improvement strategies in the oversight and support function it provides:

- **Improvement of the internal organisational environment**

There needs to be alignment of the seven elements as espoused by the McKinsey Model. Central to these elements are shared values that the department must instill as a corporate culture. This will ensure that the department is a team and have a common vision and shared goals. Improvements of the other elements should be as follows:

  - **Strategy:** The development of the Strategy should be aligned to government and departmental priorities. The process should also involve all the relevant stakeholders, including operational managers who will be implementing the strategy. This should therefore not only be done for compliance.

  - **Structure:** The structure should be informed by the strategy and the mandate. Decisions to amend the structure should be based on thorough investigations and inputs from relevant stakeholders.

  - **Systems:** The department should consider a serious overhaul on its systems in general. Knowledge and information/record management across the department need to be better managed and co-ordinated. The department should consider establishing Communities of Practices that will assist is the management of knowledge. It is encouraging to note that the department is planning to develop and implement a Strategic Information System Plan, as indicated in the 2010/2011 Annual Performance Plan. Other systems such as Performance management should be better managed by supervisors and managers. Work should continue on the development of policies procedure manuals for all branches and approval thereof. A communication plan needs to be developed and implemented for these policies and procedures.

- **Skills:** Skills development in the department should be based on identified gaps during the competency testing as well as gaps identified during the performance management process. All these should be informed by the strategy and priorities of the department. Priority should also be given to the re-skilling of staff that has been misplaced during the placement process.

- **Style:** Leadership and management of the department should behave in an exemplary manner. This will avoid challenges in disciplinary matters where low level staff points at similar unacceptable behaviour by management. Leadership style should be that of motivating staff, recognizing good performance, consistent and not preferential in nature. This will lead to a motivated workforce and the environment will encourage creativity and innovation. Communication on decisions taken by management needs to be improved so that staff should feel they belong. Top management has to find ways of forming a team as their lack of cooperation among one another will damage the credibility of the department.

- **Staff:** The competencies and capabilities of staff have to be recognized and utilized. In critical areas where there are shortages of staff, posts should be filled as a matter of urgency by reprioritisation of the budget. Should this not be plausible, redeployment of staff should be considered, based on existing skills base.

- **Shared values:** Top management should provide leadership and guidance in creating a corporate culture that employees can be proud to be associated with. The leadership style therefore has a bearing on this element and therefore recommendations made under style also apply here. Management should get buy-in from lower level officials so that they too can own the vision.

When developing and implementing change plans, the leadership of Limpopo Provincial Treasury should consider this advice from Duck (2001:207) on the importance of sustaining the change energy:

- Expect that change will consume huge quantities of energy
- Don't define reality by your experience alone
- Test your assumptions
- Keep the communication going
- Manage the dynamics, not the pieces
- Connect with people at all levels of the organisation

- **Improve the support and oversight provided to public institutions:**

The support and oversight provided to departments, municipalities and public entities will depend on resolving the internal environment issues raised above, as these are the root causes for poor financial management oversight and support. However Limpopo Provincial Treasury should ensure that the support to departments should be proactive, rather than reactive. Public entities support is very limited and there is a need for direct interaction with and support to these entities. The support should not be limited to the parent department and therefore LPT should increase the capacity in this area.

6.3.2 Recommendation to Limpopo Provincial Government

The provincial government should seriously resolve the power struggle imminent in the three monitoring/oversight departments i.e Provincial Treasury, Department of Local Government and Housing and the Office of the Premier by clarifying lines of roles and responsibilities. The Executive Committee of the Provincial Legislature should take resolutions in this regard and these should be regularly monitored to ensure that there is better cooperation between the three institutions. Where there are overlaps of functions, resources should be pooled together to increase the synergy and impact of the monitoring in the province. It is encouraging to note that a process between Provincial Treasury and Department of Local Government and Housing has begun as indicated in the Provincial Treasury's fourth quarter performance report. A Memorandum of Understanding regarding the monitoring of municipalities has been signed and there are regular engagements between the two sides in a quest to cooperate in improving their monitoring role.

6.3.3 Recommendations to Provincial Treasuries

Provincial Treasuries' powers and functions are enshrined in the PFMA and the MFMA. It is the responsibility of the leadership of these institutions to ensure that they play their legislated role to ensure that the implementation of these Acts has the desired impact of efficient, effective, economic, transparent and accountable financial management across the country.

6.3.4 Recommendations to National Treasury

This study has revealed that provincial treasuries such as Limpopo are still dependent on National Treasury to fulfill their legislative mandate. National Treasury should therefore develop a skills development plan that would be compulsory to all provincial treasuries. The level and extent of the plan would be dependent on the existing capacity in those provincial treasuries. National Treasury should also encourage learning networks between provincial treasuries so that high performing provincial treasuries can share their lessons and strategies with the other lower performing ones.

It is encouraging to note that initiatives such as the Financial Management Improvement Programmes have been put in place by the National Treasury. However, implementation of this programme needs to be closely monitored and the outcomes evaluated to determine if the desired impact is achieved. Currently this is very doubtful.

6.3.5 Recommendations to National Government

The National Government should invest in the evaluation of the impact made by provincial treasuries. Where necessary, legislative amendments should be considered and presented to parliament to ensure that the intended objectives of the PFMA and the MFMA are realized.

6.3.6 Recommendations to researchers

Researchers in the areas of oversight/monitoring and support should share their findings with the relevant institutions, specifically public institutions. This will increase the knowledge base for learning of lessons.

6.4 Further Research

Further research is necessary to determine the impact provincial treasuries are having in the improvement of financial management in the whole public sector. Findings from such research can provide the National Government with insight into broader challenges that exist as well as consider reviewing current legislation to ensure that the powers and functions of provincial treasuries are strengthened, where necessary.

6.5 Limitations

The use of the non probability convenience sampling method has its limitation in that the sample is not truly representative, as some of the challenges may be regional or be dependent on location of the municipalities. The existing high turnover rate of Chief Financial officers in municipalities in Limpopo meant that some of the CFOs that were interviewed were relatively new in their positions.

It should be noted that in some cases, there were Acting CFOs (Capricorn District Municipality), while in other cases CFOs were not available or not willing to participate. For example the CFO of the municipal entity (Polokwane Housing Project) was on suspension and therefore was not available; while a provincial department CFO (Health & Social Development) never made himself available despite several attempts to secure an appointment for the interview.

6.6 Conclusion

The aim of this study was to determine factors leading to poor financial management oversight and support in Limpopo province; to present the findings of current trends in financial management oversight and support within Limpopo province; interpret and analyse the findings and recommend strategies for improvements for consideration by Limpopo Provincial Treasury. This study has shown that the internal environment within an organization contributes to the performance by staff. The point is supported by the literature where Risher (2003:23) explains that “the phrase ‘work environment’ is broad and encompasses a multitude of issues, but all are subject to management control or influence.” He further points out that “management is responsible, and when worker performance fails to meet expectations, the work environment is often the root cause.”

DuBrin (2002:280) also pointed out that “depending on its strength, a firm’s organizational culture can have a pervasive impact on organizational effectiveness.” He further points out that “organizational culture responds to and mirrors the conscious and unconscious choices, behavior patterns, and prejudices of top-level managers.” The above literature indicates that there is a need for urgent change in the leadership style within Provincial Treasury. Advice provided by Duck (2001) under recommendations for Limpopo Provincial Treasury should be taken on board and implemented.

Another area of weakness identified in the study regarding inadequate systems should be taken seriously. Waterman (1984:20) has indicated that

that if there is a variable in the 7S model that threatens to dominate others, "it could well be systems." This means that systems play a vital role in the success of an organization. This study has also shown that the Provincial Treasury cannot continue with the *status quo* if the identified problems in the problem statement are to be addressed.

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