Implementation Challenges of the Public Finance Management Act on Improving the Gauteng Liquor Regulation

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ABSTRACT

This research investigated the challenges on the implementation of the Public Finance Management Act (PFMA) No. 1 of 1999 on improving Liquor regulation in Gauteng. The study confines itself with the challenges of implementing the PFMA on improving the effective liquor regulation in Gauteng.

The research involved extensive literature review on the public finance management as well as the Public Sector Reform. This research is an exploratory study on how the PFMA can be an important tool to effective service delivery in the public service in South Africa. Primary data was gathered through in-depth interviews with key stakeholders and document analysis.

The key findings of this research suggest that non-compliance to the PFMA has an impact to service delivery due to improper usage of public finances which are aimed at meeting the needs of communities.

In conclusion, the findings of the study identify a need for structural changes and introduction of compliance systems to monitor the implementation of the PFMA and other respective regulations/legislation, with the aim of bringing significant improvement on the functioning of the Gauteng Liquor Licensing Office.

DECLARATION

I declare that this research is my own, unaided work, except to the extent indicated in the text, acknowledgements and references.

It has not been submitted before any other University for degree purposes.

Signature____________________Date___________________

Siphiwe Sipho Aubrey (SSA) Ngwenya

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GLOSSARY OF ACRONYMS

Abbreviation	**Full Name**
AG	Auditor General
ANC	African National Congress
ASD	Alternative Service Delivery
DED	Department of Economic Development
DFID	UK's Department For International Development
DPSA	Department of Public Service and Administration
FDI	Foreign Direct Investments
GAAP	Generally Accepted Accounting Practice
GEAR	Growth, Employment and Redistribution
GLB	Gauteng Liquor Board
MDGs	Millennium Development Goals
M&E	Monitoring and Evaluation
NPC	National Planning Commission
NPM	New Public Management
OECD	Organization for Economic Cooperation and Development
PFMA	Public Finance Management Act, No 1 of 1999
PPPs	Public Private Partnerships
PSC	Presidential Service Commission
PSA	Public Service Act, No 103 of 1994
RDP	Reconstruction and Development Programme
SARS	South African Revenue Services
SCM	Supply Chain Management
SMME	Small Medium and Micro Enterprises
PER	Public Expenditure Reviews

PETS	Poverty Expenditure Tracking Surveys

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CHAPTER ONE:
INTRODUCTION

Public financial management and government delivery in most countries have been developed over a long period of time in response to an agenda of a developmental state which attempts to address state of underdevelopment in terms of performance. Also people have become accustomed to the role their government plays in their economy to modernize the state and enhance the efficiency and productivity of government in providing certain services.

Public finance as stated by Nastrass (1997) was a prominent part of Adams Smith's *Wealth of Nations* written in 1776. Natrass (1997) indicates that Adam Smith argued in a more general sense, that public finance issues also involve aspects of political science, finance and philosophy.

Public finance management includes resource mobilization, prioritization of programmes, the budgetary process, efficient management of resources and exercising controls. Rising aspirations of people are placing more demands on financial resources. At the same time, the emphasis of the citizenry is on value for money, thus making public finance management increasingly vital (Sharan, 1967).

Nastrass (1997) quotes the famous Adam Smith's wealth of nations book on public finance where smith argued in a general sense, that public finance issues also involve aspects of political science, finance and philosophy. The purpose of public finances to deliver and improve lives of people which has been driven mainly by how the state manages public finance (Natrass, 1997).

It is therefore important to note, from the work of Adam Smith that Public Financial Management deals with the management of the people’s money, which has been entrusted to government. Public Financial Management involves making decisions on what financial resources are needed to implement government programmes and projects. It deals with where to obtain these resources, how to collect and utilize the resources and how to control all financial processes within given time frames to complete the projects.

Khalo, *et al* (2007) argues that in order for public financial management to be effective; several key public functionaries must work in unison. It is clear out of Khalo that in managing public resources different structures of state need to work with a common objective for effective management of those resources.

Pretorius and Pretorius (2008) states that any initiative in which improved techniques are appended to a country's Government without careful consideration of the wider issues of the roles, functions and structures of government and the key priorities that the Government seeks to address is unlikely to promote those objectives.

Graham (1995) indicates that any particular financial management regime cannot be judged entirely on the basis of whether its various components conform to best practice such as budgeting systems, allocations of resources and etc. Rather, a successful financial management system is a core component of a total system of management and needs to work in harmony with the other elements (human resources, strategic and operational planning, information systems etc.) that are employed to achieve the objectives of government (Graham, 1995).

1.1 Background

1.1.1 An Overview of Public Sector Reform in South Africa

The end of apartheid in 1994 and the subsequent enactment of the Constitution of the Republic of South Africa, (No 108 of 1996) by the newly elected government are events which shaped the reforms in the public service of the country.

Kuye (2006) highlights that initially the new public service did not consider service delivery to be a key priority but concentrated on development of policies, streamlining organisational structures, improving systems; emphasising professional ethics, efficiency and economic use of resources, development promotion, public accountability, transparency and representivity in the public service.

As part of responding to Kuye's concern of considering service delivery as key to the public service reform, the new government in 1994 introduced the Reconstruction and Development Programme a government policy, which became a vision for the fundamental transformation of the South African society. This was done as part of the development of key medium and long-term programmes which incorporate the basic aims of the RDP and which allow for effective management.

These programmes have been launched through presidential projects announced by the then President Nelson Mandela in his speech in the South African Parliament (African National Congress, RDP, 1994).

The government as elaborated in the RDP (1994) documents, through a process of consultation with various stakeholders and the different tiers of government has identified the following programmes as the key medium and long-term programmes to drive implementation of the RDP viz; meeting basic needs; urban and rural development; democratisation, institutional reform and economic restructuring.

The White Paper on Transforming Public Service Delivery (Batho Pele, 1997) sought to set the stage for the transformation processes needed to correct inherited irregularities and inequalities that were the result of Apartheid. The White Paper Transforming Public Service Delivery (Batho Pele, 1997) reaffirmed the government's commitment to a transformed public service which is representative, coherent, transparent, efficient, accountable and responsible to the needs of the citizens of the Republic of South Africa.

The White Paper Transforming Public Service Delivery (Batho Pele, 1997) was drafted to counter observed barriers to transformation such as fear of change, resistance to change, danger of brain drain, popular impatience at the pace of change, lack of coordinated approach to change, lack of skills and capacity as well as financial constraints were addressed.

Service delivery in South Africa took place in a highly and challenging context from an apartheid state to a democratic state. The service delivery policies developed where in line with international standards.

1.1.2. The Overview Role and Functions of the Gauteng Department of Economic Development (DED)

The aim of the Gauteng Department of Economic Development (also known as DED) is to lead, manage and develop the economic agenda of the Gauteng Province, and to stimulate the growth of Gauteng's economy by providing economic leadership to achieve the priorities of Gauteng vision 2009-2014.

The strategic intent of the Department of Economic Development is to prepare and to take on the challenge of providing leadership oversight in working with stakeholders. These include provincial entities, departments and municipalities, in stimulating the growth of Gauteng's economy.

In DED, there are various units with respective mandates and functions. For purposes of this study, the Gauteng Liquor Licensing Office is a unit for discussion. The Gauteng Liquor Licensing Office is a unit within the Business Regulation and Governance Programme of the Department of Economic Development.

The functions of the Gauteng Liquor Licensing Office are derived from the Gauteng Liquor Act, (No. 2 of 2003) and the National Liquor Act, (Act No. 52 of 2003). The objectives of the unit are defined to be regulation of the liquor retail and micro manufacturing industries*(whereby a license holder manufacture less than 100 million litres of beer; less than 50 million litres of traditional African beer;4 million litres of wine; or 2 million litres of spirits per year)* and ensure compliance to Gauteng Liquor Act. In addition, The Gauteng Liquor Licensing Office is also responsible for ensuring operational excellence through regulation and processing of liquor license applications.

1.1.3 Overview of the Public Finance Management in South Africa

The core of government financial management is generally taken to be budget planning and preparation, appropriation by the legislature, budget implementation, accounting and financial reporting; audit and evaluation is commonly but not always added to this list.

Pretorius and Pretorius (2008) defines financial management as encompassing all or part of the processes and functions of planning and programming, budgeting, budget execution and accounting, and audit and evaluation. The object of financial management is to ensure that, to the maximum practical extent, the resources entrusted to it are acquired and used lawfully, efficiently and effectively.

Research on public financial management indicates that in the past, the South African budgeting system was secretive need as there was no open formula such as the Medium Term Expenditure Framework that guides the allocation of budget for the country (Visser and Erasmus, 2002). In the past it was only the executive that deals with the budget with less involvement of parliament and other committees.

However, since 1994, the public finance management system in South Africa has gone through fundamental changes especially after South Africa's democratization in 1994. To improve transparency of state financial operations, through an open budgeting system that goes through different committees and government structures.

The fundamental changes in public finance are charactirised by the fact that public service in general in South Africa has evolved for more than 10 years since the democratic dispensation. On the basis of the public service transformation in general and public finance in particular, institutional design and the mindset of public servants in general have to respond to the transformation challenges from the apartheid government to a democratic South Africa.

The Green Paper on Public Sector Procurement Reform recognised that public sector procurement could be used by government as a mechanism to also achieve certain broader policy objectives such as black economic empowerment, local economic development spin-offs for small and medium sized businesses, skills transfer and job creation. As part of modernizing South African public financial management system the white paper led to promulgation of the Public Finance Management Act (PFMA), No. 1 of 1999 and followed by other regulations in terms of section 76(4)(c) of the same Act.

The Public Finance Management Act (PFMA), No. 1 of 1999 (as amended by Act No. 29 of 1999) is one of the most important pieces of legislation passed by the first democratic government in South Africa (Visser & Erasmus, 2002).

The key objectives of the PFMA Act may be summarized as being to modernise the system of financial management in the public sector. It further intends to enable public sector managers to manage, but at the same time be held more accountable; ensure the timely provision of quality information; and eliminate the waste and corruption in the use of public assets.

The Act, which came into effect from 1 April 2000, gives effect to sections 213 and 215 to 219 of the Constitution of the Republic of South Africa, No 108 of 1996 for the national and provincial spheres of government. Section 213 states that "There is a National Revenue Fund into which all money received by the national government must be paid, except money reasonably excluded by an Act of Parliament". Section 215 states that "National, provincial and municipal budgets and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and the public sector."

Section 216 of the Constitution states that "National legislation must establish a national treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government, by introducing

a. generally recognised accounting practice;
b. uniform expenditure classifications; and

c. uniform treasury norms and standards

Section 219 of the Constitution states that “An Act of Parliament must establish a framework for determining-

a. the salaries, allowances and benefits of members of the National Assembly, permanent delegates to the National Council of Provinces, members of the Cabinet, Deputy Ministers, traditional leaders and members of any councils of traditional leaders; and
b. the upper limit of salaries, allowances or benefits of members of provincial legislatures, members of Executive Councils and members of Municipal Councils of the different categories.

These sections require national legislation to establish a National Treasury, to introduce uniform treasury norms and standards, to prescribe measures to ensure transparency and expenditure control in all spheres of government, and to set the operational procedures for borrowing, guarantees, procurement and oversight over the various national and provincial revenue funds.

The PFMA adopts modern approach to financial management, which focuses on outputs and responsibilities rather than the rule-driven approach of the previous Exchequer Acts. The Act is a part of a broader transformative strategy on improving financial management in the public sector.

It is important to read the PFMA, Act No 1, 1999 together with the Public Finance Management Amendment Act No. 29 of 1999. These two Acts do not make sense on their own - the initial consolidated bill was later separated into two bills for technical administrative reasons to comply with the Constitution which determines various procedures for the passage of bills through Parliament.

The First Bill (now Act No. 1 of 1999) had to apply only to the national sphere, and be passed as a section 75 bill as outlined in that section of the Constitution. Almost all references to provinces were removed from this Act, resulting in missing numbering in the Act in order to protect the numbering system for the consolidated Act. A second bill (now Act No. 29 of 1999) amending Act No. 1 of 1999 was then introduced to incorporate provinces. This Bill had to be passed in terms of section 76(1) procedure in Parliament, as outlined in that section of the Constitution.

The PFMA replaces or supersede the various national and provincial Exchequer Acts and the Reporting of Public Entities Act currently in place. Financial accountability was undermined as different legislation applied for different entities.

1.1.4 The Regulations in terms of the Public Finance Management Act (PFMA), No 1, of 1999: Framework for Supply Chain Management (SCM)

Key to public finance management is the management of resources which is defined in the framework for supply chain management which stipulates that to carry out the implementation of Section 76 (4) (c) of the Act the Minister of Finance in 2003 through the National Treasury approved the

Framework for Supply Chain Management (SCM). Section 3 of the Framework for Supply Chain Management (2003) states that an Accounting Officer or Accounting Authority of an institution to which these regulations apply must develop and implement in that institution an effective and efficient supply chain management system for: the acquisition of goods and service, and the disposal and letting of state assets, including the disposal of goods no longer required

1.1 The Problem Statement

Pretorius and Pretorius (2008), states that effective Public Financial Management (PFM) systems are required to maximise the efficient use of resources, create the highest level of transparency and accountability in government finances and to ensure long-term economic success.

It is quite evident that recent literature has highlighted that no work has been carried out recently to synthesize either the main theoretical approaches of Public Financial Management or evaluation findings. Despite the PFMA being one of the progressive legislations, The Auditor General's reports have shown that many government departments have experienced challenges with regard to its implementation on improving service delivery.

It is within this context that this study seeks to analyse how the PFMA has impacted on Liquor regulation in Gauteng as part of service delivery of government. This study will examine the impact and challenges of this act on service delivery in improving the Gauteng Liquor regulation.

1.2 The Purpose Statement

The purpose of this research is to examine the underlying challenges on implementation of the PFMA in improving the Gauteng Liquor regulation. It is also aimed at analyzing the impact of the PFMA on service delivery.

This study will be different from other public sector reform, which in the main focused on structural issues such as in equalities, lack of coordinated approach. The research study intends analyzing financial management in relation to service delivery which previously addressed.

1.3 The Research Questions

The study sought to address the following research questions:

- What are the main challenges in implementing PFMA?
- How has the implementation of PFMA affected the liquor regulation in Gauteng?
- How PFMA can improve liquor regulation in Gauteng?

1.5 Structure of the Research

This research report will comprise of six chapters as elaborated here below;

Chapter One: Introduction

This chapter provides the background to the study, the research problem, the purpose of the research and research questions. The following is the brief outline of the five chapters;

Chapter Two: Literature Review

This section indicates literature around the issue of public financial management related topics. The literature review outlines the theoretical basis of the academic assertions and their conceptual framework. This chapter seeks to give a theoretical back bone on the issues of public financial management, its reforms and looks into different cases of various countries throughout the world. This chapter concludes by consolidating the concepts into the problem statement.

Chapter Three: Research methods and design

This chapter outlines the methodological background as well as the research approach and design of the study. The research methodology followed the relevance of the research questions and the procedures used to collect data outlined and motivated in this section. In addition, this chapter presents the limitations of the study as well as the significance of the study.

Chapter Four: Presentation of research data

This chapter looks into the presentation of data and information collected in the research study through interviews with key informants and participants who completed the research questionnaire.

Chapter Five: Analysis of research

This chapter outlines data analysis of the study. This section presents the findings on the literature review, data collected and observation made on the implementation of the PFMA in improving the Gauteng liquor regulation.

Chapter Six: Conclusion and Recommendations

This chapter looks into those areas that require further improvement and research with regard to the challenges on implementation of the PFMA. The basis of the conclusion flows from the debates and arguments.

The chapter concludes by demonstrating that PFMA can provide a platform for effective functioning of a government institution as a tool for effective service delivery in improving liquor regulation in Gauteng

CHAPTER TWO
LITERATURE REVIEW

2.1. Introduction

The literature review locates the research within a body of knowledge with regard to the evolution of public financial management. The purpose of this section is to present the varying degrees of literature on the public sector review and public financial management in particular. The research draws on various applications of public financial management in various countries as well as public sector reforms.

The second part is on the role of public financial management with regard to the provision of services. The literature review concludes by looking at issues and systems that can assist Gauteng liquor regulation within the context of implementation provisions of the Public Finance Management Act.

2.2. Understanding Public Sector Reforms

It is widely mentioned that in order to succeed any organisational reform must take into account the prevailing socio-political-economic conditions and the environment in which the organizational reforms have been developed and aim to be implemented. In the same vein, the public sector reforms are no exception, hence the comment by Caspary (2008) that ‘reforms need to take full account of local realities and conditions and that they must be "home-grown" in order to be relevant to the socio-political and historic particularities'.

This is in addition to the fact that reforms taken must be correctly pitched introduced in order to be successful. As an example, reforms should be introduced at the time when then government is at the peak of its popularity (Sharan, 1967). The reason for such action is to ensure that the introduction of the reforms augurs well with the constituency it serves and the intentions for introducing the reforms are understood and respected.

In an effort to unpack the South African Government financial system, Schneider and Stein, (2001), explain that South Africa can be described as having a quasi-federal system consisting of a national government supported by nine provincial governments. The introduction and implementation of such a system has historical and political motivations which were coined and agreed upon during the late 1990's political negotiations to ensure that a democratic South Africa was represented fairly within all demographic groups and profiles in the new government set-up.

For purpose of background, it is worth mentioning that during apartheid period South Africa experienced mass political mobilisation in all facets of life, from worker, to youth, civic, religious and professional sectors, which eventually translated to a culture of participatory democracy within the country after 1994 (Schneider and Stein, 2001). As a consequent of the internal and international pressure, all the democratic movements associated with the struggle against apartheid were unbanned and a negotiated solution was reached to bring an end to apartheid.

This was against a background of poverty and inequality experienced by the black population. To illustrate this it should be noted that half of all black South Africans lived in poverty in 1993 (Project for statistics on living standards and development, 1994).

Schneider and Stein (2001) advance an opinion that the public sector programmes in post apartheid South Africa have mainly been influenced by the negotiated solution which secured job security for apartheid civil servants in the first five (5) years after 1994 in addition to the establishment of a quasi-federal political system to satisfy minority political interests among other things. The new government inherited the apartheid administration intact with its poor attitude to service delivery, racial and ethnic based structures, poor work ethics, inefficiency, authoritarianism and general inefficiency which encouraged corruption, rather than delivery (Human and Stachan, 1996; Jewkes and Mvo, 1997).

Carter and May (2001) sums up the issue by succinctly noting that South Africa's first freely elected post-apartheid government inherited an economy marked by deep economic inequality and levels poverty and living standards characteristic of much poorer economies. This could therefore be interpreted to imply that the initial reforms on the public sector were thus a necessity to combat poverty and inequality.

2.2.1 Importance of Governance Measures in implementing Public Sector reforms

It is of importance to note that the conceptual framework of public sector reforms must rely on good governance which aims to provide a platform of ensuring that checks and balances are in place to continuously monitor and assess the value and impact of reforms on daily lives of citizens and targeted groups.

To best understand challenges facing Africa and South Africa in implement governance measures to serve as monitoring and evaluation mechanisms of government operations, Bratton and van de Walle (1992) and later Hyden (2000), explain that debates on good governance in Africa have generally been negatively reported numerous newspapers and various publication. These corrupt practices are mainly for personal enrichment by those in power and the manifestation of such abuses are seen through cronyism, systemic clientelism; institutionalised corruption; opaque government; breakdown of the public realm; the lack of delegation of power and withdrawal of the masses from governance.

It is on this basis and for this reason that international institutions have called for good public administration and management in Africa as a condition to providing support and aid. The World Bank (1989; 1992) identifies four (4) key points of good governance as: *firstly* ensuring that the public sector management lays more emphasis on effective financial and human resource management through improved budgeting; accounting and reporting, and rooting out inefficiency particularly in public enterprises; *secondly*, enhancing accountability in public services, including effective accounting, auditing and decentralisation, and generally making public officials responsible for their actions and responsive to consumers; *thirdly*, availability of stable, predictable and legal framework with independent judiciary and law enforcement mechanisms; and *lastly,* the availability of information and transparency.

Whilst efforts are being made to implement proper governance measure as part of broader public service reform, according to Wenzel (2007), corruption and hypocrisy among the new elite in South Africa is rife since the first democratic elections mainly due to lack of moral integrity and a lethargic government structure that discourages resource gathering and lack of service delivery such as building of houses, roads constructions, clinics.

As such Wenzel (2007) recommends that this rot can only be rooted out by effective /accountable leadership which encourages more accountability and integrity rather than the current focus on reforming management and strengthening top leadership economically.

While agreeing with Wenzel (2007) for purposes of this study, the PFMA has been identified as one of the key legislation that has brought some needed redress in the area of service delivery. This Act has brought credible stance to the public administration service in taking accountability in the management and use of public funds to meet the service delivery needs of the community.

It is also important to mention that there are serious challenges experienced such as better financial management, accountability and financial controls by government as a whole. For purposes of this study the liquor licensing office will be analysed on how it is complying with the Public Finance Management Act.

The Annual Report of the Liquor Office indicates that there have been widely reported cases of liquor license holders continuously reporting unhappiness and complaints about inefficiencies by the office in issuing and renewing licensees and in some instances such cases have needed the legal intervention of the Courts of Law to resolve disputes.

2.2.2. The New Aspects in Service Delivery as a Result of Public Service Reform

Russell and Bvuma (2001) observe that service delivery was a late addition in public reforms and New Public Management and was introduced under the argument that in countries that tangible service delivery results counts greatly and form the basis of judgment where of those governments which had history of inequalities. Furthermore, Russell and Bvuma (2001) report that the key initiatives identified as avenues for service delivery improvement initiatives were amongst others: Batho Pele, White Paper, Public Private Partnerships (PPPs) and Alternative Service Delivery (ASD).

There are three documents that have been put in place to govern the public private sector partnerships (PPP) initiatives. These policies are the Framework for Delivering Public Private Partnerships, Treasury Regulations under the PFMA and Guidelines for Public Private Partnerships (PPP).

For purposes of focus this research concentrates on PFMA as part of the South African government public service reform measure and not PPP and ASD, in an effort to improve service delivery.

This is motivated by the fact that PPP is mainly used in infrastructure related programmes such as the provision of housing, health, education, water, electricity and sanitation, while ASD is still at a developmental stage to be explored.

Another feature of New Public Management is a strong customer focus in designing and administering services (Polidano, 1999, Pollitt and Bouckaert, 2004). This is another private sector technique which entailed shaping products to be tested against the needs of service users (Kaul, 1996:143). Hughes (2003:58-59) states that NPM recognises the need of direct accountability between managers and public, as the results of a demands for a 'client focus'. This has led to a redefinition

Haque (2000:603-604) argues that this redefinition of citizens as customers has posed challenges for accountability. Market-driven accountability is to private customers rather than to the collective public, particularly low-income citizens who are unable to afford services.

It is affluent customers rather than the common citizens who hold government accountable.

The White Paper on Transforming Public Service Delivery (RSA, 1997) is commonly known as the Batho Pele (People First) initiative. Its aim was to make service delivery a priority in the public service. It called for an improvement in the way services are improved. It entailed a shift away from bureaucratic systems, processes towards a new way of working which was faster and more responsive and which put the needs of the public first (Ncholo, 2000).

2.3. Financial Reforms in the Public Sector

2.3.1 Public Financial Management systems

Anderson (2003) mentions that Public Finance is the field of study in economics that is concerned with the financial activities of the public sector which is part of the economy controlled by government. This includes the complexity of the revenue-expenditure process of government which is traditionally referred to as public finance.

It is evident that the term public financial management comes from public finance studies. While public finance as a concept is not largely used within many countries, it is common knowledge that public finance is focused on the issues of public expenditure and taxation (Anderson(2003). Relating to what Anderson said Musgrave (1959;1989) summarized the essential economic roles of governments with a description of government responsibility that has become orthodox public finance.

It is clear that some of the literature has highlighted the importance of sound effective public financial management systems to service delivery, poverty reduction and the achievement of the Millennium Development Goals (MDGs).

In Western countries, the need to reform the 'public machinery' was particularly felt where there was a persistent lack of efficiency and effectiveness in the socio-economic environment. The crisis affecting the welfare state is the need to pursue policies for balancing public budget while balancing the demand for a growing quantity and quality of services supplied and the demand for public participation are some of the signals of the need to find suitable accounting tools..

Nevertheless, public financial management systems of western countries are still characterised by a significant heterogeneity. This can be verified even though Public Administration that has been involved in important reform processes oriented by homogeneous principles, which can generally be traced back to the so called New Public Management (NPM) (Bozeman, 1979; Hughes, 2003; Barzelay, 1992-2001; Hood, 1995; Pollitt and Bouckaert, 2000; Osborne and Gaebler, 1992; Lynn, 1996; Jones and Schedler, 1997).

Furthermore, framework of public audit in some countries, such as UK, is the product of a patchwork legislation enacted over the past 150 years. The result of this process is huge diversity of purpose, powers, organisations and methods between the public audit bodies (Bowernan *et al.,* 2003).

Coe (1989) states that financial management involves several specialities: budgeting anticipated revenues and costs; accounting for the receipts and disbursement of funds once the budget is enacted; purchasing goods and services. Knowledge of financial management enables managers to cut through the jargon that surrounds this specialised field.

OECD (2008b) literature has highlighted the link between effective public financial management systems and poverty reduction. Weaknesses in effective public financial management systems affect efficient service delivery, as illustrated in several Poverty Expenditure Tracking Surveys (PETS), and many sector Public Expenditure Reviews (PER) show that funds do not always flow to where they are needed.

Informed by the analysis, the OECD (2008b) concludes that effective public financial management systems reforms can be better sustained if they are introduced in conjunction with broader public sector reforms.

In a recent evaluation of UK's Department for International Development (DFID's) technical assistance, one of the key findings was that a "lack of progress in civil service reform emerges as the most significant factor in explaining the limited capacity development and this issue (and the constraints it imposes) does not seem to be sufficiently addressed in the various recommendations on capacity development that emerge from the recent evaluation and policy" (OPM 2006).

Zalobka (2006), Director of the European Centre for Public Financial Management of EIPA's Antenna in Warsaw states that: 'In the case of public finance we are dealing with a stream of resources coming into the treasury from the public contributions by citizens on the one hand and, on the other, expenditure of the institutions in the public finance sector in pursuit of the tasks entrusted to them by the state.' It is quite clear that public finance is linked to public benefits. This means that public finance needs to be used for the benefits of the public.

While noting the above point, in most instance public finance management tends to be associated with the spending side. However, this is a simplification since an effective and efficient tax system is equally important. The aim of an effective tax system is to acquire financial sources with minimal inconveniences or negative consequences to the taxpayers.

2.3.2. Public Financial Functions

Financial systems have long been recognized to play an important role in economic development. This recognition dates back to Goldsmith (1955), Cameron (1967), Mckinnon (1973) and Shaw, (1973), which demonstrated that the financial sector could be a catalyst of economic growth if it is well developed and healthy.

Gibson and Tsakalotos (1994) states that the benefits accruable from a healthy and developed financial system relate to savings mobilization and efficient five financial intermediation roles. Firstly, through the financial intermediation functions of the financial institutions savers and borrowers are linked up and this reduces transactions and search costs; Secondly, they create liquidity in the economy by short-term borrowing and long-term lending..

Thirdly, they reduce information costs, provide risk management services and reduce risks involved in financial transactions; Fourthly, the intermediaries bring the benefits of asset diversification to the economy; Fifthly, they mobilize savings from atomized individuals for investment, thereby solving the problem of indivisibility in financial transactions. Certainly, in Western countries, the necessity for reform of the "public machinery" was particularly felt in consideration of the persistent lack of efficiency and effectiveness that characterised its activity and by the strong impulse induced by some changes in the socio-economic environment.

The crisis of the model of the welfare state, the need to pursue policies for balancing public budget, the demand for a growing quantity and quality of services supplied, and the demand for public participation are some of the signals of the need to find accounting tools suitable for adequately answering these needs.

2.4: Other Related Public Sector Reforms

Financial reforms are at the heart of NPM reforms. Parts of these reforms are budgetary as countries move away from line-item budgeting towards programme budgeting. It also involves a shift away from detailed financial regulations and compliance management towards giving managers more financial discretion (Hughes, 2003:172-174). This entails giving managers increased control over budgets for which they are held responsible. It usually goes with the setting of explicit targets for decentralized units (Larbi, 1999:19).

South Africa has introduced budgetary reforms and has introduced three year programme budgeting (DPSA, 2004:3). Burger (2006:9) points out this Act introduced a performance-based approach where the focus was shifted from inputs and rules to outputs and responsibilities. One of the implications of this is that accounting officers are required to do life-cycling costing of programme and alternative costs in their costing of new programmes.

However, at another level there has not been a move towards empowering managers to make financial decisions. If anything there has been a move towards centralisation.

The Public Finance Management Act (PFMA) of 1999 made the Director General responsible for the financial resources of his/her department. It provides for a wide range of general responsibilities for the Director-General including ensuring internal auditing systems, effective utilisation of departmental resources, effective systems for collecting of financial resources due to departments, management of liabilities and the safeguarding and maintenance of assets, compliance with legislation when transferring financial resources, undertaking of disciplinary action against public servants who contravene the Act. He/she is also held accountable for unauthorised expenditure. There is a limited role for the Ministers in respect of financial management (Miller, 2005:91-93).

Poor financial management by government departments, particularly provinces, led to the Treasury trying to produce a proper framework of control and accountability. It is in some ways old style regulatory Public Administration. Although financial regulations are promoted as guidelines, they are to quote one Director-General's viewed more akin to 'prescripts'.

Research has shown that the PFMA requirements are exacting and that many departments comply only formalistically (PSC, 2004:4) More recent research suggests that while it is still uneven, there has been a general overall improvement in financial management of state institutions (The Presidency, 2008:10). A report commissioned for the 15 year review quotes Markinor surveys which shows that there have been mixed responses to questions about service delivery. In the 2000-2006 period, the highest approval rate was in 2004 where only 40% of respondents agreed that government services have improved, (Myrick, Dawood and Maphiri (2008:30).

The PFMA has also impacted upon politics-administration relationships in that it has led to conflicting lines of accountability. The Director General has clear responsibility for financial management while the Executive politicians are responsible for Human Resources.

The United Nations (2005:76) points out that deregulation may typically accompanied by re-regulation that imposes new, and perhaps more burdensome, constraints. For example, trends in New Zealand, the United Kingdom and elsewhere demonstrate greater regulation erected over and above the leaner, devolved systems of management, staffing and service delivery as a result of NPM reforms. This includes auditing and monitoring.

The evidence suggests that similar regulations are developing in South Africa in respect of public finance regulations.

2.4.1 Downsizing/Rightsizing

Downsizing involves cutting the size of the public sector to create a more efficient and effective public service (Larbi:1999:19). A number of downsizing programmes designed to cut the size of the public service were carried out in both developed and developing countries in the 1980s and 1990s. These downsizing programmes were generally carried out with the assistance with the World Bank (United Nations, 2005: 71-72) Downsizing has often been part of structural adjustment programmes in developing countries (Polidano, 1999:5-6).

Burger (2006:12) points out that downsizing were an objective of South African Public Service Regulations in the 1990s. Ncholo (2000:98) points out that downsizing were supposed to reduce the number of staff employed in activities that had become obsolete and to make provision for growth in high-priority areas. Downsizing arose from an agreement between the state and the unions which linked the proper remuneration of the workers to the achievement of an appropriately sized public service. However he points out that it was not successful. This was acknowledged by the government (Presidential Review Commission, 1998).

Voluntary Severance Programmes (VSPs) were introduced by government in 1996 to encourage existing staff to retire prematurely). One of the major obstacles was the large number of lower-level personnel who could not be redeployed and did not apply for VSPs because of limited marketability (Ncholo 2000, 98).

Other studies come to similar conclusions. Hohls and Peroff (2001) point out that this strategy was not successful for a number of reasons. For example, downsizing targets were only prepared to offer a limited number of posts for abolition. and the VSPs led to the departure of skilled and experienced personnel. Hohls and Peroff (2001), the Provincial Review Report (1998) and Maphunye (2001:139) pointed out that VSPs led to the exodus of a number of skilled staff in many departments and the latter author indicated that it led to the retention of non productive employees.

Notwithstanding these problems, there was a decline in the number of personnel, although not to the anticipated levels (Hohls and Peroff, 2001:5).Total employment in the public service declined from 1267766 in September 1995 (the date from which data was first available) to 1,031,594 in December 2000 (Cameron and Milne, 2008). In some cases these were sections of the public service that were hived off which perhaps created a misleading picture of staff reduction.

Hohls and Peroff (2001:5) point out that while there was a reduction in personnel bill, the wage bill continued to increase. Cameron and Tapscott (2000: 85) pointed out that expenditure on personnel rose as a proportion of total budgetary spending from 50% in 1995/6 to 60% in 1999/2000.

These findings are consistent with international evidence which show that many downsizing initiatives have at best had modest results. Often staff numbers were reduced without redefining the mission and functions of the government which turned out to be problematic (United Nations, 2005:71-72).

Therefore, in the latter half of the 1990s, many governments gradually began to move away from downsizing to more focused management of the human resources in the public sector; viz, a move towards rightsizing (United Nations: 2005: 75). In the late 1990s there was a shift by international organisations such as the World Bank away from minimalistic government towards focusing on what governments should do (Hughes. 2003:9).

This is what happened in South Africa. After 2000 there was a move away from the minimalist state towards targeted growth under the new Minister of DPSA, Geraldine Fraser-Moleketi. This is what may be termed as right-sizing (Burger:2006: 12).

This was indicated by an increase in staff from 1,031,594 in December 2000 to 1,204,525 in March 2008. In particular the government focused on the introduction of measures to create a sustainable pool of middle managers to compete for senior management positions. This was aimed at nurturing a more professional public service (Cameron and Milne, 2008). This was also a move away from a minimalist NPM view of the state (Fraser-Moleketi, 2006).

2.4.2 Corporatisation

Another common feature of NPM is corporatisation (or agencification) which entails converting departments into free standing enterprises or departments Hughes, 2003:56). Hood (1991:4-5) states that a shift towards disaggregated units in the public sector entails the breaking up of large entities into corporatised units around products funded separately and engaging with each other on an arms length basis.

DPSA drew on the experience of countries such as Britain and New Zealand in this regard which was regarded as international best practice (DPSA:2008A:1, Interviews). This was widely used in the United Kingdom and New Zealand (also see Polidano: 1999: 6).

Corporatisation in South Africa was in the form of public entities. The growth of public entities in the late 1990s was due to a number of reasons.

Firstly, the restructuring of many national departments provided for a logical split between policy and executing functions. Some national departments such as the Department of Transport determined their core business as policy formulation and facilitation and consequently provided for the establishment of public entities to implement services.

Secondly, public entities were seen as a vehicle to accelerate service delivery by circumventing the bureaucratic systems (human resources, procurement and financial systems) of the public service, to improve staff remuneration, and to generate and retain income.

Thirdly, since the advent of democracy it had taken some national departments 4 to 5 years to gear up for service delivery. Public entities were seen as a way of speeding up service delivery (DPSA, 2000: 16-17).

In 2008 there were 282 public entities in the country (DPSA:2008B: 40). However public entities were not widespread in the Public Service. They were largely congregated in the Departments of Transport and Trade and Industry.

In 2000, at the behest of Cabinet, DPSA/Treasury did an investigation on public entities. Its report found that some public entities have become so autonomous that it became very difficult and highly complicated for government to influence their service delivery outcomes (DPSA, 2000:5) It was proposed that there should be an overarching institutional framework which, inter alia, brings the establishment, management, and review of public entities properly under the control and influence of government (DPSA: 2000: 21-22).

In 2005 the Cabinet, concerned about the fragmentation of the public service, asked DPSA and the Treasury to compile a further report on public entities. The report came to a similar conclusion stating that there is no policy framework in place to guide the process of establishing and reviewing public entities and this resulted in uncertainty around governance arrangements, financial and performance accountability and the appropriate scope for political intervention. It also stated that there is a lack of performance culture in public entities, performance targets and review periods are often not clear (DPSA/Treasury, 2005: 10-11).

Levin (2004:8:9) states that public entities should assist the state in delivering developmental goals. Interviews also revealed a concern about control and accountability of public entities whose modus operandi was not linked to strategic developmental goals.

These findings were not inconsistent with international findings. Autonomous agencies have proved problematic in many countries, including Netherlands and New Zealand due inter alia to high expenditure on Chief Executives and air travel (Manning and Parison, 2004:37-38).

There are two varieties of corporatisation. The one form takes place as a way of achieving greater efficiency, cost savings or service quality improvements. This is often accompanied by performance targets. The second variant is simply a matter of convenience, as a way of freeing a particular function from the constraints of bureaucratic red tape. The first form is an example of NPM, the second much less so (Polidano, 1999:9). Which variant influenced the South African reformers? While elements of NPM were present, it can be suggested that in practice the latter variant was perhaps the predominant strand. It has been pointed out that there was little evidence of a performance culture in public entities.

Director-General of DPSA, Richard Levin (2004:8-9) states that public enterprises were created for various reasons, namely to avoid rigid bureaucratic pay scales or procurement procedures and that the nature of the function provided requires independence of government. These reasons are examples of the second variant. This second form is also the predominant form in developing countries (Polidano,1999: 10).

Pollitt and Bouckaert (2004:33) point out that there is often resistance to PSR by groups with vested interests. The ANC's alliance partner, the Congress of South African Trade Unions (COSATU) was opposed to public entities because of concern about workers' jobs. Strong union resistance had contributed to the state backtracking from outright privatisation and also put a brake on the creation of the market-orientated NPM public sector reforms.

In recent years there has been an attempt to move away from public entities. Provision has been made for Government Components within the public service. They were intended to enable direct service delivery through a focused and fully ring-fenced entity. However unlike public entities they were created under the direct control of the Minister of DPSA who is responsible for the performance of the relevant function (DPSA, 2008B:40-41). It was an attempt to have more direct government control over service delivery. There was still however union resistance to Government Components.

The Centre for Public Service Innovation in the DPSA was the first Government component that was created.The creation of the Government Employees Medical Scheme (GEMS) also goes against the international trends of agencification and outsourcing (The Presidency,2008B:30)

2.5. Conclusion

Public Financial Management remains a back bone of every government for effective and efficient functioning as well as deliver of services. The concept of public financial management states from many years ago and has gone through different reforms based on the evolution of any society. As stated by Cameron (1967) public finance can be linked to issues of poverty reduction. This is informed by the fact that the literature review shows that, public financial management is largely concerned with public resources that need to be used to improve service delivery. The literature draws attention to public financial management as a tool to effective service delivery.

Like any other country in the world it is also quite evident that public finance management system in South Africa has introduced a culture of risk management in the public sector in general. This has also impacted on how government functions with regard to the compliance to the system. The compliance with regard to accounting principles, internal controls and risk management are seen as crucial in ensuring effective governance and functional government structures.

The Government of South Africa is committed to good governance and the elevation of previously marginalised communities. Total procurement by the different Organs of State is estimated at R56 billion. This amount calls for strict control through good financial governance. The Constitution of our country prescribes that procurement for any organ of State should be dealt with through a system that is fair, competitive, transparent and cost effective. The Constitution also allows for the implementation of procurement policies providing for categories of preference in the allocation of contracts and the protection, or advancement, of persons, or categories of persons, disadvantaged by unfair discrimination.

It is therefore clear that the public sector procurement system can be used to attain certain socio-economic objectives. This will, however, not be achieved without adhering to sound financial management, which inter alia includes the principles of value for money, good financial control, eliminating and countering corruption and ensuring that all contractors have a "good standing" insofar as their tax and service charge obligations are concerned. Proposals on good governance include aspects such as value for money, good financial control, countering corruption, meeting tax and service charge obligations and adhering to prescribed labour practices.

CHAPTER THREE

THE RESEARCH METHODOLOGY

This section proposes the research approach, research design, data collection process and analysis in addition to considerations taken to ensure validity and reliability.

3.1. Introduction

The literature review in Chapter two introduced the underlying framework concerning the public financial management in relation to the implementation of the Public Finance Management Act of South Africa. This chapter presents the research methodology used to carry out the research. The data collection including individual interviews and document analysis are explained.

As outlined in Chapter One, the purpose of this research is to examine the underlying challenges on implementation of the PFMA in improving the Gauteng Liquor regulation. It is also aimed at analyzing the impact of the PFMA on service delivery.

The research attempts to find answers to the following questions

- What are the main challenges on the implementation of PFMA?
- How has the implementation of PFMA affected the liquor regulation in Gauteng?
- How PFMA can improve liquor regulation in Gauteng?

3.2. The Research Approach

O’Leary (2004) and Creswell (2003) qualify research as qualitative or quantitative on the basis of methods of data presentation, analysis of collected data and use of theory. Thus quantitative studies use theory to provide explanations for constructs, presents data as numbers and analyses data using statistics, on the other hand qualitative studies use theory to guide research procedure, represents data as narratives and analysing data using thematic explorations (O’Leary, 2004; Creswell, 2003).

This study proposes a mixed study approach in which the use of qualitative methods is in line with the arguments presented by Firestone (1987) that reality is socially constructed through individually or collective definitions of the situations and case-based approaches help define situations in required contexts. This is apart from the fact that empirical evidence is necessary to corroborate the qualitative analysis.

In terms of the philosophical orientation of the study it is noted that this research was more aligned to the interpretative research design where reality is believed to be subjective to individual experiences of the external world and as a result use of methodologies that relies on the subjective relationship between him/her and the subject’ is encouraged (Blache and Durrheim, 1999). It is noted that this follows the conventional norm that qualitative studies are more often interpretative than positivist (Firestone, 1987; Creswell, 2003).

The opposite postulation is that what is to be studied is made up of a stable and unchanging external reality and as a result methodologies which are heavily reliant on control and manipulation of reality are encouraged (Blache and Durrheim, 1999).

3.3. The Research Design

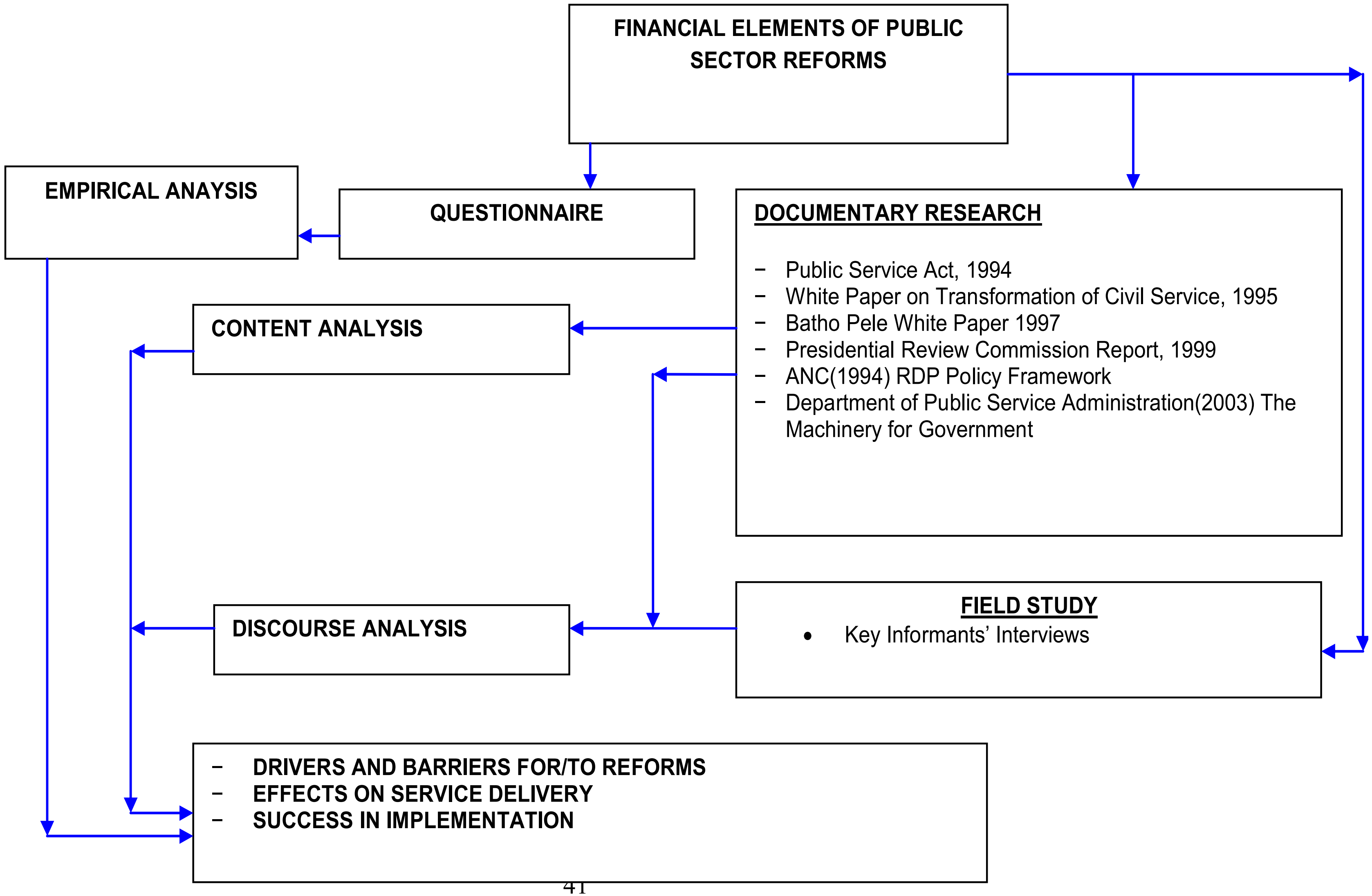
In order to effectively achieve the objectives of the study, the case study approach was used. The study used Gauteng Liquor Office as a case study through analyzing its annual reports, Auditor General reports, the Public Finance Management Act and other public service regulations. This study entailed the use of both methods like empirical analysis, content analysis, and discourse analysis as well as field study. Figure 3.2 on the next page illustrate the details of the proposed research design.

3.3.1. Content Analysis

Kolbe and Burnett (1991) describe content analysis as an observational research method systematically evaluates the symbolic content of all forms of recorded communications which are then analysed at many levels. Content analysis was used in this research mainly because of its ability to unobtrusive appraisal and hence preferable where direct methods of inquiry could be biased In addition, content analysis could lead to new research evidence on the nature and effect of specific reforms in the public sector (Kolbe and Burnett, 1991).

The main documents analysed were the Public Finance Management Act, Gauteng Liquor Office Annual reports, Auditor General's reports as well as financial management regulations.

Figure 3.1 Research Design; Source: Author's construction



3.3.2. The Discourse Analysis

Alversson and Karreman (2000) assert that Foucault's theory that discourses or sets of statements constitute objects and subjects. In line with this, it is important to conduct analysis for hidden meanings from the key government policies (PFMA) and interviews with government officials

3.4. Data Collection

Data will be collected through in-depth interviews and documentary research. The former with given primary data which will be complimented by secondary data in the later. These are discussed below:

3.4.1. Documentary Research/Documents

Documentary research entails use of available literature to answer research questions (Scott and Morrisson, 2006). The documents targeted in this research were the policy documents originating from Gauteng Provincial Government and the Central Government of South Africa. These included the following:

- The African National Congress (ANC) (1994) Reconstruction and development programme: a policy framework (RDP),
- Public Finance Management Act, Act No. 1 , 1999,
- National Treasury regulations on supply chain and procurement,

- Gauteng Liquor Auditor General's report, 2007/8,
- Gauteng Liquor Annual Report, 2007/8.

These documents could be classified as open-archives and are available to the public. Wagner (2004) gives the advantages of documentary research as its ability to fit on a low budget research and its relevance for human service professionals such as teachers, social workers, community organisers and policy analysts.

The main weakness of documentary research is the associated difficulty to simulate context of a document in entirety. However, Hancock and Algozzine (2006) offer advise on how this weakness can be resolved by verification of authenticity by getting details on: Source and history; Process of documents availability to the public domain or research; Accuracy and timeliness; Integrity; Representativeness, and use of complimentary sources.

3.4.2. Research Questionnaire (Interviews)

A Research Questionnaire has been designed and will be administered to ten (10) respondents to evaluate attitudes on service delivery in relation to Gauteng liquor regulation. The selected number of respondents is in line with suggestions by Goddard and Melville (1996) advises for at least (10) respondents. The respondents were required to answer questions on effects and challenges of delivery in relation to Gauteng liquor regulation. Responses were sought on the respondents' attitudes to public servants. A short questionnaire designed to take fifteen (15) minutes to complete was designed and the participants were strongly advised to remain anonymous to ensure confidentiality.

3.5. Data Analysis

Miles and Huberman (1994) define qualitative data analysis as consisting three flows of activity: data reduction; data display and conclusion drawing/verification. Leedy (1997) puts it aptly when he says “the different kinds of data demand different research approaches to deal with each type of data appropriately. The main data analysis tools used in this study has been content analysis and discourse analysis. These were discussed earlier in this report. Focus on available historical data in collection and analysis. The approach was largely policy management with a strong focus on implementation of legislation.

3.6. Reliability and Validity

Leedy and Ormrod, (2001) refer to reliability as the extent to which a research can be replicable; as a result accuracy and precision are the main issues under consideration. Validity and realibity are important tests for social science research such as qualitative descriptive study. Validity includes the collection of statement(s), data, theories and research methods used. Interviews and document analysis from a wide range of sources were adopted to improve validity. It is in this context that multiple data sources were used. The interviews were conducted in a free environment and no coercion was used. The results were recorded and transcribed without any alteration.

CHAPTER FOUR

THE PRESENTATION OF RESEARCH DATA

4.1. Introduction

This section presents the presentation of data and information collected in the research study through interviews with key informants and participants who completed the research questionnaire. The findings are presented below:

4.2. Findings made on Data Collected from Questionnaires

4.2.1 Number of Participants Surveyed and Who Filled the Questionnaire

Ten (10) participants participated in the completion of the Research Questionnaire: Analysis of Public Sector Reforms in Post Apartheid South Africa and the findings of the data collected have been consolidated into below section

4.2.2 Selection of Participants

The selection criteria for participations were the profile of the candidates who are working and have worked in government, as well as people with exposure to government operations and services.

4.2.3 Format and Presentation of Results from Questionnaire Information and Analysis

The table below shows the consolidated data and is presented using the questions, format and design of the questionnaire (with an exclusion of numbering). For ease of presentation, a use of themes is utilised to ensure to reference easily the questions poses per legislation and public service reform document.

4.2.3.1 Theme One: The Public Service Act, No 103 of 1994

Question 1: In your opinion, what were the aims of “the Public Service Act” of 1994?

Response to the Question by Participants: In response to this question, the following responses were provided by candidates:

Candidate 1 responded to say that the Public Service Act (PSA) aimed to provide equal access of government service to all citizens;

Candidates 2 and 4 responded to say that the PSA aimed to ensure that government is professional and there are uniform standards to provision of government services;

Candidates 3 and 5 responded that the PSA aimed to provide alignment in the functioning and operations of public service being national and provincial government, with an exclusion of local government which is defined a third sphere of government.

Consolidated Analysis of Candidates Responses: The responses provided by participant’s shows that there is some level of understanding and engagement with the PSA as to what it aspires to and aims to achieve. However, in the same token, looking at depth of responses, there is a clear sign that the candidates to do exactly have the in-depth knowledge of the PSA, which leads us to an assumption that there is a good chance that not all citizens and even public servants have good knowledge on what the PSA is and what it stands. This then poses important questions as to whether government has made an effort to communicate its policies and legislation to the wider public to ensure communities hold government accountable.

Question 2: What were the available policy options then?

In response to this question, the following responses were provided by candidates:

Candidates 1 and 3 responded that to their knowledge, during apartheid there were no policy documents or legislation that gave rise to the proper coordination of public service operations. Thus post-1994, government had to solely look at policies that will provide equal access to government services through a fully functional and professional public service.

Candidate 2: response that the apartheid policies (such as Group Areas Act etc) was the guiding document which provided guidelines on how to implement segregated government system for whites, coloureds, Indians and blacks. Such is seen through triumvirate parliament meant to accommodate interest of whites, Indians and coloureds, with the use of racial superiority to place the groupsas well as creation of Bantustans to keep blacks in the homelands and implementing the black local authorities to manage blacks living in urban areas. Also mentioned that post-1994, the options available to government was to craft a public service that did not use racial classification and treated all citizens equally as per prescriptions of the Constitution.

Candidate 4: responded there the policy options existing pre-1994 were solely meant to ensure the public service was providing services to whites only as they were defined to be the constituency of white elected government. Noted that the options available was to come up with a public service that combined all segregated government systems such as four provinces, national departments, and Bantustans/homelands.

Candidates 5: responded that even though they do not have facts on the issue posed by the question, there should have been a public service policy of some sort which guided the functioning of public service as a whole which include even functioning of parliament, Bantustans and all government entities.

Consolidated Analysis of Candidates Responses: The responses provided by participant's shows that there is no clarity on what existed pre-1994 in terms of comparable acts that will match the objects and purposes of PSA. This once more, may be as a result of lack of interest to research what existed pre-1994, which in a great can be attributed to weakness of education system and media as a whole. There is agreement that the options available to government post-1994 were mainly around crafting of a public service that aimed at provide equal services to all citizens regardless colour of skin. This also meant that the public service was a representation of the demographic profile of the country whereby all racial groups were represented fairly in government and government positions, including hierarchy.

Question3: Did it achieve these aims?

In response to this question, the following responses were provided by candidates:

All candidates responded in the affirmative that options available then were achieved as they gave rise to creation of three tier government system which is the executive, legislature and judiciary. This was topped up by creation of 9 provinces headed by premiers to include the former homelands into the unified government system

Consolidated Analysis of Candidates Responses: The responses provided by participant's shows that there is a clear understand that the options available to create a unified public service gave rise to the existing public service system we have today.

Question 4: What were the challenges experienced with the enactment of the "public service act" of 1994?

In response to this question, the following responses were provided by candidates:
Candidates in their responses unanimously agreed that the challenges facing country with the enactment of the public service act was the change of attitude whereby government was no longer catering the needs of whites only but have to ensure equitable access and services to all other racial groups.

Consolidated Analysis of Candidates Responses: The responses provided by participant's shows clear that the key objects of PSA was to ensure that the public service was for all South Africans no matter the colour of skin.

4.3.3.2 Theme Two: The Public Finance Management Act (PFMA) No 1 of 1999

Question 1: What was the role played by PFMA in public sector reforms?

In response to this question, the following responses were provided by candidates:

- The is a unanimous decision that the PFMA has brought discipline in how public finances are used

Question 2: What were the effects of adoption of PFMA to service delivery?

In response to this question, the following responses were provided by candidates:

Candidates 1 responded that there doesn't seem to be any direct impact of PFMA in service delivery, as it's mainly internally focused to ensure that systems are in place in government departments to deliver to the mandates and using public wisely

Candidates 2, 3 and 4 responded that the PFMA has brought some sense of accountability in using publics funds and this has meant that all public funds must be used responsibly to meet the defined mandates and objectives

Candidates 5 responded that the PFMA has meant that citizens can hold government response, by requesting that all public funds be accounted for to the last cent. This has also meant that wasteful expenditure has been kept to minimum as its not allowed by PFMA

Question 3: What were the challenges of implementing PFMA?

In response to this question, the following responses were provided by candidates:

- The general agreement on this question that there was a resistance from all government employees when the act as enacted and implemented as it required motivation and accountability for every little cent used of public funds

Question 4: How has PFMA affected service delivery?

In response to this question, the following responses were provided by candidates:

- There is agreement that this question is covered by question 2 above

Question 5: What were the effects of PFMA on public sector reforms?

In response to this question, the following responses were provided by candidates:

Candidates 1 responded has brought most needed measure to ensure that government and government employees do not waste public funds which is a huge problem

Candidates 2 responded that PFMA has also meant that those caught wasting or steal public funds can have their assets and properties attached

Candidate 3 and 4 responded that PFMA is well respected because it is well implemented and ongoing training is provided to all employees

Candidates 5 responded has brought about accountability in the use of public funds

Question 6: What are the challenges and constraints of PFMA?

In response to this question, the following responses were provided by candidates:

Refer to some of responses above

4.1.1.1 Theme Three: White Paper on Transformation of the Public Service of 1995

Question 1: What was the necessity of “the white paper on transformation of public service” of 1995?

In response to this question, the following responses were provided by candidates:

All candidates seem not to clearly know the existence of the paper. However, there is a general feeling that the white paper aimed to transform the public service by ensuring that all racial groups are represented and there is improvement in how government works

a) **Consolidated Analysis of Candidates Responses:** The responses provided by participant’s shows this white paper is not known by participants.

Question 2: What were the policy alternatives to the adoption of this white paper?

a) **In response to this question, the following responses were provided by candidates:**

The unanimous agreement seems to be there are no other options since the pre-1994 public service had to be changed.

Question 3: What was the impact of “White Paper on transformation of the public service to service delivery?

a) **In response to this question, the following responses were provided by candidates:**

The public service was transformed, this is clear with placement of different racial groups in all government positions

Question 4: What are the monitoring tools in place to ensure the success in transformation of the public sector?

a) **In response to this question, the following responses were provided by candidates:**

All candidates seem to believe in general, government does not do well in monitoring its policies.

Question 5: What are the constraints and challenges in implementing the white paper on transformation of the public service?

a) **In response to this question, the following responses were provided by candidates:**

All candidates seem to agree that the major challenge to transform public service is attitude which in most public servants is premised on a belief they “we are working for pension and nothing more and nothing less”

4.1.1 **Theme Four:** White Paper on transforming public service delivery "Batho Pele"

Question 1: What was the background towards the adoption of the white paper on transforming public service delivery "Batho Pele"?

a) **In response to this question, the following responses were provided by candidates:**

All candidates agreed that the paper was crafted as result of lack of professionalism and positive work ethic by government employees as a whole

b) **Consolidated Analysis of Candidates Responses:** The responses show a clear understanding of objects of the white paper.

Question 2: Has the adoption of the "Batho Pele" made any difference in service delivery in the public sector?

a) **In response to this question, the following responses were provided by candidates:**

Candidates 1 and 4 responded that Batho Pele are on paper only and there is no real change brought by the principles

Candidates 2 responded that the fact that employees know of existence of Batho Pele goes a long way in showing that there is understanding that service to customers must be improved.

Candidates 3 and 5 responded that no change has been brought by Batho Pele even though government spends lot of money on training in particular staff that have customer interface

b) **Consolidated Analysis of Candidates Responses:** The responses provided by participant's shows that the feeling by participants that there is no change brought by Batho Pele even though it has sensitised employees to respect customers and assist them to the best of their abilities at all times.

Question 3: What are the monitoring tools in place to ensure the continued implementation of "Batho Pele"?

a) **In response to this question, the following responses were provided by candidates:**

All candidates have consensus that there are no monitoring tools to check if Batho Pele works or not.

b) **Consolidated Analysis of Candidates Responses:** The responses provided by participants.

Question 4: What mechanisms are in place to cope up with the challenges?

a) **In response to this question, the following responses were provided by candidates:**

All candidates agreed that there does not seem to be structured mechanisms in place to deal with challenges in implementation and monitoring of Batho Pele.

CHAPTER FIVE

DATA ANALYSIS

5.1. Introduction

This section presents the findings made on the literature review, data collected from interview, data collected from questionnaire and observations made on functioning of Liquor Licensing Office. The analysis and interpretation of data will be presented into three themes:

- Key challenges on the implementation of PFMA by Gauteng Liquor regulation
- Liquor Operational systems
- Financial control

5.2. Key challenges experienced on the implementation of PFMA by the Gauteng Liquor Licensing Office

The unit has achieved a lot since its establishment but has been faced with number of challenges. These challenges arise from the Auditor General's (AGs) report. They are associated with the implementation of the PFMA, and range from financial controls, effective operational systems and human capacity to comprehend with the expected challenges.

According to section 55 (1d) of the PFMA it is expected that the Accounting Officer submit the audit report as part of the annual report of the institution to Treasury and the Executive Authority within five months of the end of the financial year. The same report need also to be submitted to the legislature as per section 65 of the Public Finance Management Act.

The Gauteng Liquor Auditor General's Report states that the completeness of revenue and receivables as disclosed in the statement of financial performance and Note 3 to the Annual Financial Statements could not be determined as the system for the collection and recording of revenue as well as controls over revenue were insufficient. Monthly revenue reconciliations were not prepared to identify differences between licensing fee income earned based on licenses approved and licensing fee income received from the South African Revenue Services (SARS).

The report continues to mention that included in revenue are amounts resulting from license fees received in advance. The South African Statement of Generally Accepted Accounting Practice (GAAP), IAS 18 (AC 111) Revenue requires that revenue be recognized in the period for which it was earned.

As a result revenue of R16,351 000 disclosed in the financial statements was overstated and accounts payable as per Note 6 to the Annual Financial Statements, was understated.

There were no satisfactory audit procedures that the Auditor General could perform to obtain reasonable assurance that all revenue received in advance was properly recorded. Consequently, the Auditor General was unable to satisfy himself as to the completeness and accuracy of the accounting records relating to revenue and accounts payable. It should be noted that the Auditor General also performs his responsibilities to check the compliance with the Public Finance Management Act.

5.3. The Operational System of Liquor Regulation

5.3.1 The Maintenance of License Database

The current database of license holders is compiled from receipts collected by the South African Revenue Services (SARS). It is incomplete in the sense that operators that have not renewed their licenses do not reflect in the current database. The incompleteness of the database has also a direct bearing on the audit opinion. If the database is incomplete, the auditors will always disclaim an opinion on the finances of the Gauteng Liquor Licensing Office. The incomplete database indicates that some of the applicants of liquor license were not processed resulting in poor service delivery of liquor regulation.

5.3.2 The Licensing System

The current licensing system is operated manually. Applications are handled manually and licenses are also issued manually at the moment. This resulted in instances of fraud in the past, which reduced expected revenue and increase on illegal operations of liquor outlets. Another factor contributing to inefficiencies which create poor service delivery.

5.4. The Financial Control in Liquor Regulation

5.4.1 Appointment of a Collecting Agent

The current collecting agent for the license fees is the South African Revenue Services (SARS). It must be mentioned that the Auditor General's report (2007) states that it has been difficult to obtain detailed records of money collected from them. This act also contravenes regulations of PFMA and further proves poor service delivery.

5.4.2 General Ledger

The reporting framework for the Gauteng Liquor Board (GLB) is the Generally Accepted Accounting Practice (GAAP) whereas government departments are on the modified cash basis. It therefore is difficult for GLB to remain on the same system as the Department of Economic Development which also contravenes PFMA and render the department unable to analyse cash management of liquor which also results in poor service delivery.

5.4.3 Review of Tariffs

The existing fee structure has not been reviewed since 1992. As a result, license fees are out of date and it has become difficult to raise adequate revenue from these license fees. This leads to the liquor licensing not being able to sustain its programmes and become dependent on the department.

5.4 The Legislative Requirements

The Liqour Act (2003) has several loopholes and needs to be repealed to make it consistent with the national liquor Act. These are among the issues mentioned by the Auditor General, which are non-compliance issues to the PFMA. These challenges have led to a situation where the Gauteng Liquor Licensing Office within the Department of Economic Development is faced with the following service delivery issues:

- Backlog of processing and issuing of liquor licenses;
- Backlog of issuing licenses renewals;
- Backlog of converting the current licenses which operates under the Liquor Act, 1989 to the Gauteng Liquor Act, 2003.

These issues have affected the service delivery output of the Liquor Licensing Office.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

This section presents the recommendations made by the researcher based on the findings made on the topic.

6.1. Introduction

As outlined in Chapter One, the purpose of this research was to examine the underlying challenges on implementation of the PFMA in improving the Gauteng Liquor regulation. It was also aimed at analyzing the impact of the PFMA on service delivery**.**

The research attempted to find answers to the following questions

- What are the main challenges on the implementation of PFMA?
- How has the implementation of PFMA affected the liquor regulation in Gauteng?
- How PFMA can improve liquor regulation in Gauteng?

This final chapter deals with the main conclusions drawn from the research and presents recommendations concerning the issue that can assist in implementing the PFMA for effective liquor regulation.

6.2. Summary of Study and Findings

This study's objective has been to investigate the challenges of PFMA on improving Liquor Regulation in Gauteng. The interest was on the Gauteng Liquor Licensing Office. The study has first looked into public sector reforms as well as public financial management. The study has considered some literature on the public financial management and its importance with regard to the effective running of the public sector.

It has also considered theory and policy issues regarding service delivery. It further looked deep into the objective of the Public Finance Management Act and its regulations and how it impacts on service delivery if not complied with.

The study has established that the Gauteng Liquor Licensing Office has experienced serious challenges with regard to the implementation of the PFMA. For instance is has been noted from the Auditor General's report with regard to internal controls and financial management issues.

The Public Finance Management Act (PFMA), No 1 of 199 (as amended by Act No. 29 of 1999) is one of the most important pieces of legislation passed by the first democratic government in South Africa, which guides how public finances should be deployed to deliver services to the public. In this regard it is clear from the data analysis and Auditor General's report that failure to comply with the PFMA led to poor service delivery in terms of regulating the liquor industry business in gauteng.

6.3. Recommendations

It is evident that challenges faced by the Gauteng Liquor Licensing office relates to the implementation of the PFMA and had also affected its delivery of services to its customers. It is therefore recommended in going forward that the Gauteng Liquor Licensing Office need to look into issues of structural changes to first comply with the PFMA as it is a trading account.

6.3.1. Structural Changes

Noting the fact, the way the Gauteng Liquor Licensing Office is structured that it cannot run with some of the above mentioned challenges the following structural recommendations are proposed to enhance service delivery;

6.3.1.1 License Database

It is therefore recommended that an electronic data system be introduced that will capture all liquor traders. This system should be able to alert that officials as to when a license is expiring. It should function similarly like the motor vehicle license registration system that is able to pick up and send a reminder for renewal.

6.3.1.2 Appointment of a collecting agent

A recommendation is made to appoint an agent whereby money can be paid directly into GLB's bank account. This will assist in tracking the revenue collected and those who have outstanding payments.

6.3.1.3 Review of tariffs

It is recommended that a study be commissioned to look into reviewing the license fee structure make proposal on new fees that consider the socio economic conditions of various traders.

6.3.1.4 Legislation

Finalise the liquor Act and submit relevant legislative amendments to the Gauteng Legislature. The review should make sure that the liquor legislation considers the broader constitutional framework governing the regulation of liquor. These should take into consideration and be consistent with the national liquor policy and relevant case law. It should take into consideration the following legislations:

- Public Finance Management Act
- Liquor Act, 59 of 2003
- Promotion of Administrative Justice Act, 3 of 2000

6.4. Conclusion

It is important to mention that Gauteng still needs an effective liquor regulator that will enhance both compliance and economic importance of the industry. It is also clear out of this study that the Gauteng Liquor Licensing office is faced with serious challenges relating to public finance management.

While the study only looked into the challenges on the implementation of PFMA, it did not look into the operational issues of the office, which might also contribute to above mentioned challenges.

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