



UNIVERSITY OF THE
WITWATERSRAND,
JOHANNESBURG

**EXPLORING THE MANAGERIAL CHALLENGES OF IMPLEMENTING A BUDGET
SPENDING PLAN IN THE DEPARTMENT OF CORRECTIONAL SERVICES IN
GAUTENG REGION**

by

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Declaration of Plagiarism

I, Ralikhaoana Isaac Mohapi, declare that the contents of this dissertation/thesis represent my unaided work and that the dissertation/thesis has not previously been submitted for academic examination towards any qualification. Furthermore, it means my opinions, not necessarily those of the University of the Witwatersrand.

Ralikhaoana Isaac Mohapi

Date

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Dedication

I dedicate this work to Sello Abel Mohapi, my late father, who passed away in March 2017. He always wished to see his children prosper academically. I also dedicate it to grandfather Daniel Captain Mohapi, and grandmother Mmateboho Mohapi, who passed away in 2021 during the COVID-19 pandemic — may their souls rest in peace.

Abstract

The main purpose of this study was to explore the managerial challenges of implementing a budget spending plan in the Department of Correctional Services (DCS) in Gauteng. This study adopted an exploratory qualitative research design and used a semi-structured questionnaire to collect data from Financial and Non-Financial Managers.

The study found no appropriate framework for the budget spending plan for the past three financial years (2020/21, 2021/22, and 2022/22). Non-financial Managers are not adequately trained in budget management and are not directly involved in budget preparation. The study also revealed that the DCSs' leadership failed to implement an internal control measure to monitor procurement and contract management to prevent audit findings for not recurring in the past three financial years. The study also concludes that Financial Managers have never complied with policies and regulations during fund shifting to avoid overspending and underspending.

The study recommends that the DCSs' leadership regularly review the procurement process and budget according to policies and regulations. It also recommends that Financial Managers prioritise adequate funding for the Self-Sufficiency and Sustainability (SSS) projects to avoid sourcing items externally. Lastly, the study recommends that a comparable or similar study be conducted to research more on budget spending plans in other government departments nationally.

Key Words: Accountability, Budget Spending Plan, In-Year Monitoring, and Budget Constraints.

Glossary of Terms

Activity manager: an official appointed in writing by his/her supervisors (all levels) to control and report on the income/expenditures of a specific activity.

Compensation of employees: This item includes almost all payments to salaries and wages except payments classified as capitalised expenditure.

Financial reports: Financial reports are instruments that allow users to obtain financial information across their departments at any level of the code structure.

In-Year Monitoring: promotes accountability and determines if the budget effectively and efficiently produces the desired outputs.

Medium-Term Expenditure Framework: the three-year spending plans of national and provincial governments, published at the time of the Budget

Responsibility manager: a delegated official appointed by his/her supervisor (all levels) in writing who can approve any payments for goods and services for a specific financial activity under a particular responsibility (place) within his/her area of responsibility.

Social contributions: This includes the government's contribution to social security funds, pension funds, unemployment insurance funds, medical aid schemes, etc. paid on behalf of employees.

Standard Charts of Accounts: This comprises coding items used for classification, budgeting, recording, and reporting revenue and expenditures within the accounting system to facilitate the recording of all transactions affecting assets and liabilities.

Goods and Services: This item includes payments for all goods and services except for capital assets and items classified as capitalised expenditure.

Virement: Transfer of approved budgetary provision from one programme to another with a vote during a department's financial year

List of Abbreviations

BOE	Budget Over Expenditure
COLA	Cost of Living Adjustment
COE	Compensation of Employees
ENE	Estimates of National Expenditure
FM	Financial Managers
NFM	Non-Financial Managers
PFMA	Public Financial Management Act
IYM	In-Year Monitoring
MTEF	Medium-Term Expenditure Framework
ENE	Estimate of National Expenditure
TR	Treasury Regulations
DCS	Department of Correctional Services
KPA	Key Performance Area
AGSA	Auditor-General of South Africa
KPI	Key Performance Indicator
COVID-19	Coronavirus Disease 2019
SCM	Supply Chain Management
SCOA	Standard Charts of Accounts
SSS	Self-Sufficiency and Sustainability

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CHAPTER 1: INTRODUCTION AND BACKGROUND TO THE STUDY

This study explores the managerial challenges of implementing a budget spending plan in the Department of Correctional Services (DCS) in Gauteng. Budget control is significant in public organisations to ensure the allocation and management of funds in line with the policy requirements aimed at development (Anessi-Pessina, Barbera, Sicilia, and Steccolini, 2016). Broadly, budget control can be defined as the “establishment of goals by the management of an organisation and the designing of a process, which serves as a framework within an organisation that effectively articulates overall planned activities” (Lysiak, Kachula, Kushnir, Datsenko & Tereshchenko, 2023, p. 3). A budget spending plan is essential to enforce managers' accountability to utilise state funds to achieve the strategic objectives of socio-economic development. It further helps management to track actual expenditures against the allocated budget and motivates any monthly variances incurred (National Treasury, 2016).

According to Andrews, Boyne, and Walker (2012), specific public organisations spend more or less than expected and must implement control mechanisms to reduce budget deficits. Budget expenditure irregularities such as underspending can be attributed to a lack of autonomy for government officials, insufficient planning, unrealistic timeframes, and unclear policy guidelines (Ababio, Vyas-Doorgapersad & Mzini, 2008). This forms part of the budget theory, which posits that public entities must decide how much to spend and on which Key Performance Areas (KPAs) while containing expenditures to the revenue available and avoiding overspending (Olaniyan and Efundate, 2020). Against this background, the researcher deemed it essential to undertake this study and pose this research question: What are the challenges affecting public service managers in implementing the budget spending plan at the Department of Correctional Services?

The aforementioned budget theory suggests that when prioritising their fund allocation based on their budget, managers in government departments will select options that will maximise the opportunity to improve socio-economic development by avoiding overspending or underspending. Relative to this is the theory of public expenditures,

which asserts that a budget spending plan depends on the public's preferences (Dao, 2003). The public is a key stakeholder that needs to be considered in the budgetary development process. In collaboration with this view, stakeholder management theory is relevant in this study as it ensures that the interests of both internal and external groups are prioritised in planning the initiatives that seek to satisfy them (Greenwood and Freeman, 2011).

This implies that public managers must align their allocation of funds with the government's predefined KPAs, which must be based on meeting stakeholder expectations. Internally, managers must be involved in drafting the budget spending plan and be allowed the freedom to implement it to avoid project goals not being achieved (Zweni and Jowah, 2018). According to accountability theory, this is tied to the budget, public expenditure, stakeholders, knowledge management, and ethical leadership theories, which relate to others' expectations to justify behaviour based on predefined norms and standards (Frink and Klimoski, 2004).

Therefore, based on these theories, the role of public service managers in the DCS in maintaining a budget spending plan becomes more critical, especially given the need for more governance, which seems to compromise the strategic mandate of this organisation. Currently, and in terms of the theoretical literature survey, studies exploring this gap are not available, particularly based on the managers' patterns of overspending and underspending.

1.1 Background to the Study

The South African Correctional Services' entire legislative mandate is derived from the Constitution of the Republic of South Africa; the Correctional Services Act (Act 111 of 1998, as amended); the Criminal Procedure Act (CPA, Act 51 of 1977); the 2005 White Paper on Corrections in South Africa; and the 2014 White Paper on Remand Detention Management, the latter of which plays a crucial role in safeguarding and rehabilitating incarcerated inmates in facilities requiring maintenance (Correctional Services, 2022).

Correctional Service is a key strategic function within the public service that generates significant operational costs, requiring tight budget control systems to implement rehabilitation programmes and maintain facilities. Correctional Service departments are expected to draft and table their annual budgets, outlining the KPAs that will be funded and the resources that will be allocated (Welsh, 2004). The budget supports the Department's security operation, which is vital in incarceration, rehabilitation, and social reintegration.

The DCS' budget is aligned to this expenditure framework, with five key priority programmes: administration, care, incarceration, social reintegration, and rehabilitation; these are used to determine the allocation of funds (National Treasury, 2021). These programmes allow the Department to accomplish its strategic mandate by allocating the budget to key priorities (Department of Correctional Services, 2020; St. John, Blount-Hill, Evans, Ayers, and Allard, 2019). However, in the absence of control systems, this task is often difficult to achieve, especially considering the complexity of the legislative framework, policy requirements, and stakeholder expectations, which all present challenges to managers to maintain their budget spending plan. Olaniyan and Efundate (2020) encourage implementing budget and budgetary control systems to improve public funds' oversight, governance, and accountability. Hence, the Public Finance Management Act (PFMA), Act 1 of 1999, as amended by Act 29 of 1999 (South Africa, 1999) serves as one of the control mechanisms by the state to ensure that the DCS' programmes are well-funded and enhance the accountability of public managers entrusted with state resources.

Moreover, appropriate budgeting serves as a tool for resource and cost containment, which can subsequently enhance proper financial management and control. If managers cannot adequately control the budget, this might result in 'irregular', 'unauthorised', 'fruitless', and 'wasteful' expenditures (Mathiba, 2011). Thus, it is essential to maintain a budget spending plan that manages actual expenditures against the allocated budget to determine if the spending pattern or trend needs to be reviewed or aligned to the spending plan and motivate any variances and to achieve better financial reporting (Zweni and

Jawah, 2018; Dunk, 2009). The process allows departments to plan according to the Medium-Term Expenditure Framework (MTEF) and to align policy priorities with their budgets (Nwiado and Deekor, 2020).

The DCS Gauteng region budget is almost five billion Rands, and is obtained in line with the policy requirements of the MTEF (Department of Correctional Services, 2020). Implementing the MTEF policy helps the Department to estimate the expenditure for long-term planning by introducing three- to five-year strategic plans (National Treasury, 2005). Ferry and Eckersley (2011) support implementing spending plans to manage funds allocated to departmental strategic planning through three-year periods, which promotes accountability of resources and activities to expected outcomes (Shabalala, 2013; Tanzi, 2000). Besides, budget control systems illustrate financial managers' role by introducing a reliable financial reporting framework, effective monitoring, and accountability engagements for overseeing spending plans. In the 2019/20 financial year, the Auditor-General of South Africa (AGSA) raised concerns about non-compliance with policies and regulations within the Department, resulting in unqualified opinions due to 'unauthorised', 'irregular', 'fruitless', and wasteful expenditure (Department of Correctional Services, 2020). According to Sawhill and Williamson (2001), a budget promotes effective resource allocation control and serves as a performance indicator during the departments' annual reporting. Performance reporting is the means through which government departments are expected to be transparent on using state funds, which is at the centre of governance and accountability to the public (Maulid, 2017). It is, therefore, crucial to explore the approaches public service managers undertake in implementing the budget spending plan in the DCS to understand how this relates to budget, public expenditure, stakeholder, accountability, knowledge management, and ethical leadership theories.

1.2 Research Problem

Despite the Public Finance Management Act (PFMA), the MTEF, and the applicable budget planning and implementation policy guidelines, public service managers continue to need help maintaining their budgets according to the spending plan and stakeholder

expectations. These challenges are associated with the budgeting system, how funds are prioritised, the allocation of resources to KPAs, stakeholder expectations, manager involvement in the budget planning process, failure to manage the budget based on policy processes, budget constraints, and compliance with policy requirements and legislative obligations (Abdin, 2019; Anessi-Pessina, 2008; Andrews *et al.*, 2012; Anessi-Pessina *et al.*, 2016; Mburu, 2013; Olaniyan and Efundate, 2020; Shuaib and Olanrewaju, 2020; Snider, Sussell, Tebeka, Gonzalez, Cohen, and Neumann, 2019; Trehan and Walsh, 1991; Weir, 2018; Zweni and Jowah, 2018). As a result, managers overspend or underspend, leading to the misuse and negligence of departments' resources (Olaniyan and Efundate, 2020).

1.3 Research Question

The main research question is:

- What are the challenges affecting the public service managers in implementing the budget spending plan at the Department of Correctional Services?

The main research question is underpinned by the following four sub-questions:

- How do managers participate in the budget spending plan?
- How do the national legislative framework and the policies of the Correctional Services affect the managers' implementation of the budget spending plan?
- What are the challenges experienced by managers when implementing the budget spending plan?
- What leads to over- or underspending in the budget spending plan?

1.4 Research Purpose

The purpose of the research study is to explore the managers' challenges in implementing a budget spending plan in the DCS in Gauteng. The research is premised on the ongoing stakeholder expectation that public service managers must maintain their annual budgets and reduce over- and underspending to ensure the effective running of the DCS. This

was one of the key findings by the AGSA, requiring compliance with the national budgetary framework to improve the financial management of government departments (Department of Correctional Services, 2020).

The study aims to contribute to the body of knowledge by applying the budget, public expenditure, stakeholder, accountability, knowledge management, and ethical leadership theories to explore the challenges that affect public service managers in implementing the budget spending plan at the DCS. The expected practical value-added measure will be to enforce the budgetary control systems to enable the public service managers to improve their budget spending in line with the annual plans, thereby meeting stakeholder expectations and enhancing accountability.

1.5 Research Objectives

The main research question objective is:

- To explore the challenges affecting the public service managers of implementing the budget spending plan at the Department of Correctional Services in the Gauteng region.

This question is underpinned by the following four research sub-objectives linked to the sub-research questions identified in Section 1.4 above:

- To explore the managers' participation in the budget spending plan,
- To explore the influence of the national legislative framework and the policies of the Correctional Services on the managers' implementation of the budget spending plan;
- To explore the challenges experienced by managers when implementing the budget spending plan; and
- To explore the causes of over- or underspending in the budget spending plan.

1.6 The Layout of the Research

The dissertation comprises five chapters, divided as follows:

- **Chapter one** introduces the topic and the background of the study, problem statement, research question, research purpose, and research objectives.
- **Chapter two** provides a literature review on the managerial challenges of implementing the DCS' budget spending plan.
- **Chapter three** outlines the research methodology used to conduct this study.
- **Chapter four** presents the findings of the research and a discussion thereof.
- **Chapter five** summarises the key findings, makes recommendations, and provides a conclusion.

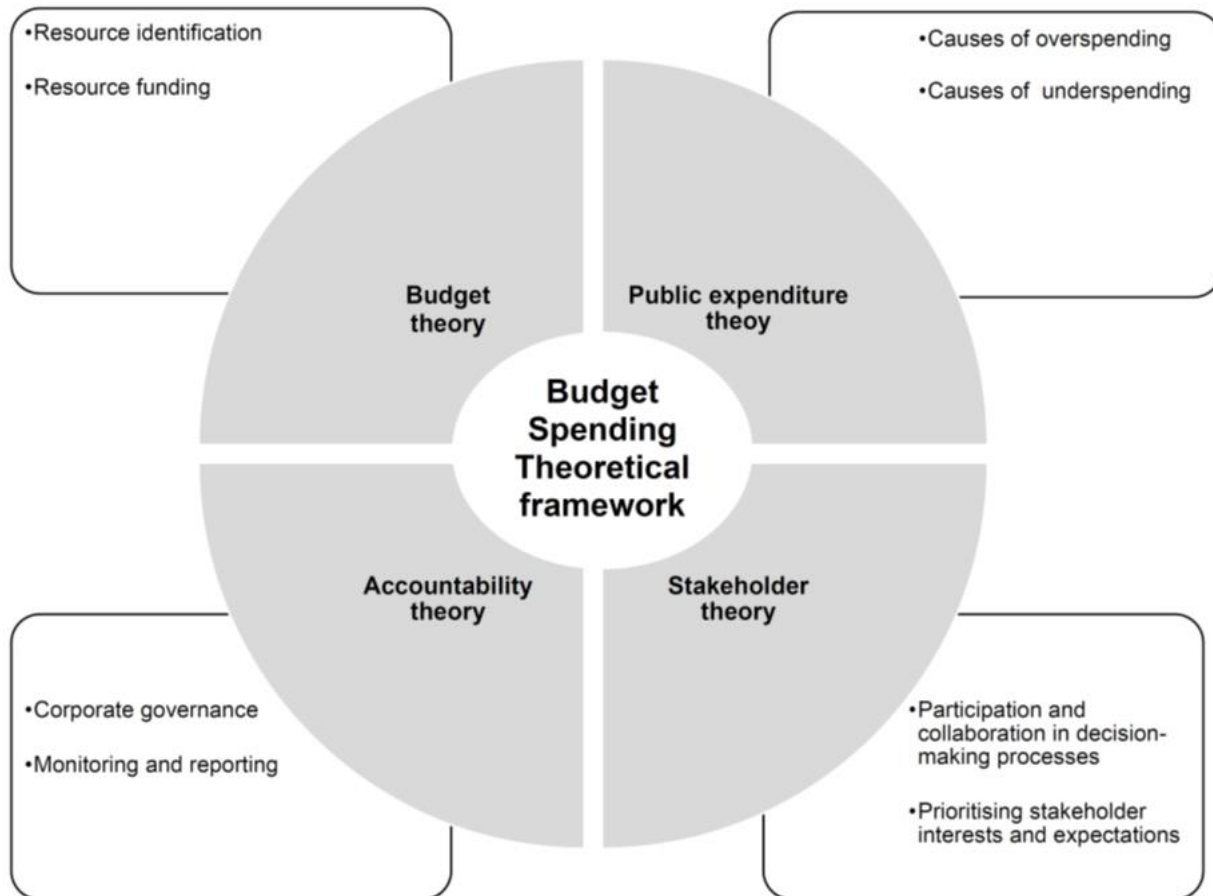
CHAPTER 2: LITERATURE REVIEW AND THEORETICAL FRAMEWORK

This chapter provides a review of the existing body of knowledge and current debates and presents the theoretical gaps the current study seeks to close. The theoretical context is provided first, followed by a detailed discussion on financial management in the DCS.

2.1 The Theoretical Context of the Budget Spending Plan

Budget theories are fundamental to understanding the budgeting process and local government decisions regarding resource funding and allocation (Talukdar, 2020). The government's financial decision-making process is a rigorous process that involves multiple stakeholders who hold state institutions accountable for their lack of governance and compliance with the legislative framework.

One of the criteria to measure the performance of government departments is the allocation of funds to ensure optimum service delivery and socio-economic development (Ababio *et al.*, 2008). Therefore, government departments, including the DCS, must implement a budget spending plan to manage the responsible allocation of funds in terms of the KPAs, which are aligned to the strategic mandate, such as the rehabilitation programme and maintenance of facilities. In this study, the budget, public expenditure, stakeholders, and accountability theories presented in Figure 1 were considered to be appropriate theoretical frameworks to explore the challenges affecting public service managers in implementing the budget spending plan at the DCS.

Figure 1*Budget Spending Theoretical Framework**Figure 1: Budget Spending Theoretical Framework (Researcher's own work)*

Elements of the theoretical framework will be discussed next in terms of their implications on public service managers' implementation of a budget spending plan. According to Schick (2018), it is advisable to consider multiple budgeting theories to understand how they influence managerial decision-making on funding allocation.

2.1.1 Budget Theory

Budget theory posits that, to complete an assignment, managers must conduct estimates or projections to determine funding and resource requirements (Schick, 2018; Talukdar,

2020). However, Khan and Hildreth (2002) indicate that budget theory concerns the balance of legislative and executive power in budgeting, the scope of policymaking in budgeting, rules, procedures, and the budgetary processes. Budgeting is an attempt to balance the reality of the business situation with projections about the uncertain future. Projecting, estimating, or predicting the future can be challenging, especially considering the political influence and the varying stakeholder expectations that ultimately affect the budget spending plan. This theory is essential in understanding budget management, resource allocation, staffing, and funding in the public service (Ababio *et al.*, 2008; Khan and Hildreth, 2002).

Zweni and Jowah (2018) considered the budget theory to understand the involvement of budget managers in the budget development process. They found that managers tend to spend their budgets fully instead of focusing on satisfying clients and other stakeholders. The researcher's study also found that senior management and political interference with the managers' budget spending plan affects the completion of projects, leading to non-achievement of goals and objectives. A budget spending plan is based on budget theory (Bozeman and Straussan, 1982; Munge, Kimani, and Ngugi, 2016), which highlights the importance of stakeholder involvement in the implementation of integrated budgeting and expenditure processes for goal attainment (Khan and Hildreth, 2002).

2.1.2 Public Expenditure Theory

Broadly, public expenditure theory emphasises the significance of prioritising KPAs in the managers' budget spending plan and targeting initiatives that have been budgeted for (Mathiba, 2011). In fact, according to Zweni and Jowah (2018), managers are expected to spend according to the budget spending plan to avoid variation from their targets. According to public expenditure theory, it is important to ensure compliance with good governance spending public resources to improve the efficiency and effectiveness of public expenditure (Dao, 2003; Postuła, 2018). The theory applies to government spending and indicates that although most budgets get approved, it does not mean the total spending will be approved (Wildavsky, 2003). This creates confusion and ambiguity for managers

expected to implement their budget spending plan under tightly controlled financial management systems with senior management and political interference (Zweni and Jowah, 2018). To avoid this, Anessi-Pessina, Barbera, Sicilia & Steccolini (2016) advise that managers be allowed autonomy in the budgeting process, stakeholder involvement when implementing a budget spending plan, and accountability with respect to deviations or mismanagement.

2.1.3 Stakeholder Theory

Stakeholder theory is essential for this study as it concerns the involvement of interest groups such as the Parliamentary Monitoring Group (PMG), the National Treasury, the Portfolio Committee on Justice and Correctional Services, AGSA, the Judicial Inspectorate for Correctional Services (JICS), Publics, Internal Auditors, and the government in the key decision-making processes (Greenwood and Freeman, 2011). In the context of this study, the main stakeholders are the managers involved in budgeting and implementing the budget spending plan. In their study, Zweni and Jowah (2018) explored if managers are involved in the budget development process, if they conduct budgeting or superiors who then cascade it, and if senior management instructs them on how to implement the budget plan.

One of the key findings in the study is that senior management and political interference are associated with poor implementation of the budget spending plan, which results in the organisational goals needing to be achieved. Also, the organisation's focus on ensuring that the budget is spent fully may not be in the interest of clients and other stakeholders. Therefore, the internal and external stakeholder interests must be prioritised in the budget planning and spending processes. This level of stakeholder engagement builds confidence and trust in the relationship between different parties (Ballejos and Montagna, 2008; Greenwood and Freeman, 2011).

2.1.4 Accountability Theory

The budget spending plan forms part of accountability theory, which asserts that public managers responsible for public funds and financial performance reporting regarding the resources used for a specific period must be held accountable (Frink and Klimoski, 2004; Telech, 2020). According to accountability theory, managers have been entrusted with public funds and are held accountable for committing public funds (Lourenço, Piotrowski & Ingrams, 2017). Thus, the entire function of public accountability revolves around spending public funds and granting powers to managers to execute plans (Dlomo, 2017). Nonetheless, enhancing public accountability is a fundamental objective of the budgetary control system and improving the decision-making process's transparency is an equally important goal (Knir, Petrukha & Kryvoruchko, 2019). Instead, managers ought to be made responsible for their decisions, be given an obligation, and be engaged to accomplish the objectives set (Marx, Ngwenya & Grebe, 2015); this might not be the case in some organisations where there is senior management and political interference (Zweni and Jowah, 2018).

2.1.5 Knowledge Management Theory

Knowledge theory intends to promote communication within organisational boundaries for management or leadership to perform tasks collectively. The benefits of managing knowledge theory are frequently insubstantial or challenging to deal with because knowledge management can be challenging to define. However, examining the advantages of collective learning for organisations can assist in shaping circumstances by putting knowledge management practices into practice.

The knowledge management plan gives a clear scenario for implementing the organisational strategy. It offers a chance to identify particular tasks, provide evidence that the appropriate individuals are participating, and give assurance that the funds are allocated to enhance their effectiveness. The theoretical part of the discussions is established on the notion that organisations study (Hedlund and Lönngrén, 2022, pp.

323–241). At its most fundamental level, knowledge theory is the creation of new ideas or insights that can change performance in a budget spending plan (Sanchez, 2001). Although knowledge theory can take different directions, it is typically classified as “explicit or tacit” (Lartey, Shi, Santosh, Afriye, Gumah, Husein & Bah, 2022). An organisation can promote generative learning through knowledge management strategies and reap both anticipated and unanticipated benefits (Nonaka and Peltokorpi, 2006, pp.73–82). Additionally, even the most thorough and well-developed knowledge management strategy cannot foresee the collective knowledge emerging when curious management and leadership tap into one another's tacit knowledge. A well-trained team of knowledge managers or leaders comprised of departmental members must identify knowledge that adds value and recognises collective knowledge that adds value (Nonaka, 2005). There is no way for knowledge management to fully uncover all the knowledge stashed away in employees' minds, and even fewer chances to predict when specific knowledge will be valuable.

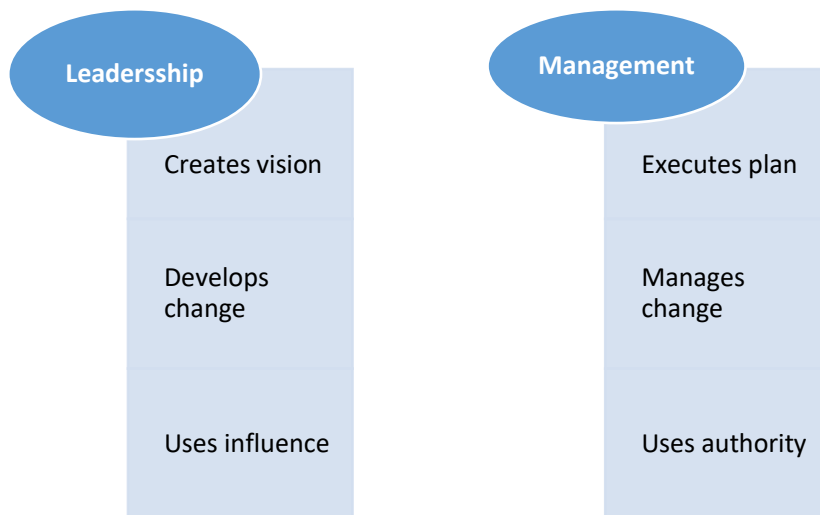
2.1.6 Ethical Leadership Theory

Ethical leadership is a “principled approach to decision-making and behaviour that prioritises ethical standards, fairness, and integrity” (Wajdi, 2017, p. 7). Furthermore, it is clear that many initiatives rely heavily on management to use the available resources to achieve organisational plans. Therefore, ethical leadership largely depends on leaders' concern for ethical issues.

The ethical leadership theory also influences the approaches leaders take and highlights the influence of emotions in ethical behaviour and decision-making (Jibreal, 2021). The study was deemed necessary to explore the roles of leadership versus management and its impact on the budget spending plan. Figure 2 below illustrates the differences between leadership and management.

Figure 2

Leadership vs Management



(Source: Runn <https://www.run.io/blog/leadership-vs-management>)

Managers and leaders are crucial in all team-building activities. Managers are imperative connections between the stakeholders and the organisation as they use authority to execute plans. Leaders also impact, motivate, and influence employees to willingly perform obligations that contribute to accomplishing the targets. Managers also implement the proper ethics and optimistic organisational values into practice (Jibreal, 2021). As a result, a manager should have a clear understanding of the organisation's vision and goals. Although managers and leaders appear different, it is always advisable to distinguish between individuals who can develop change inside the organisation. According to Danga and Barminas (2023, p. 10), "some challenges require strong leadership skills to provide direction to the team, while others require focusing on execution."

2.2 Public Service Budget Spending Plan

2.2.1 National Policy Framework

The South African public budgeting system is plagued by contextual challenges that include the need for an appropriate framework for managers' participation in public budgeting preparation and funding constraints (Van Wyk, 2020). The primary focus of various budget spending plans is to reduce public expenditure to achieve the projected outcomes (Alexandra and Edheku, 2020). Even though the South African budget system has implemented a wide range of budget policies to address managers' constraints in doing their work, the outcomes of these strategies face limitations and delays (Mayosi, Lawn, Van Niekerk, Bradshaw, Karim, Coovadia & Lancet South Africa team, 2009). The budgetary control tool enables managers to monitor a spending plan every month. However, managers encounter barriers due to a need for proper government programmes (Engela and Ajam, 2010).

2.2.2 Budget Spending Plan

A budget spending plan is expected to empower a department to develop further the prioritisation of its spending, principally towards key policy priorities and growth-enhancing programmes (St. John, Blount-Hill, Evans, Ayers & Allard, 2019). The budget spending plan provides a visualisation of policy and programme rationale that is combined with promptly accessible expenditure records from the department budget frameworks (Olaniyan and Efuntade, 2020). In addition, a budget spending plan allows managers to review expenditure patterns exhaustively and to comprehend the explanation between strategic objectives and budget plan needs. In terms of the process, the MTEF permits the openness of the financial system and budget documentation to achieve the expected outcomes (Van Eden, Gentry & Gupta, 2017). Budget planning considers managers' responsibilities, accountability, financial reporting, and resource use at the organisation under study. The DCS has a reliable system to develop a solid budget to meet the MTEF's set dates, annual budgets, adjustment estimates, and reporting. Expenditure

management in strategic planning remains a significant challenge in many departments (Lenard and Ngaba, 2020), leading to managers making decisions that lack the full information. Namazi and Reszaee (2020) identify budget spending plans as creating considerable barriers to objective controllers. In addition, “evaluation of the public spending efficiency is not carried out regularly, and the reason for that is the lack of a uniform methodology” (Batatare, 2012, p.173).

2.2.3 Budget Control

Even though budget controllers may understand the concept of a budget spending plan, execution remains problematic due to inadequate resources to provide service delivery with proper spending and oversight (Ouda, 2011). According to Alade (2020), the development of reliable expenditure control systems should be prioritised during budget reform planning. This implies that budgetary control provides a better understanding of accounting practices and entails implementing a departmental budget (Cabannes, 2004). Zewde and Mentta (2020) found that modern public managers tend to face more barriers in controlling their budgets, depending on the roles and functions that align with their department duties.

It is thus critical for policymakers to have a policy in place to allow departments to prioritise and deliver change. In addition, departmental expenditure management must enhance monitoring mechanisms and provide adequate financial controls (Nwiado and Deekor, 2020). There is also evidence that budget controllers are experiencing challenges due to inconsistencies in financial reporting and a lack of appropriate action before committing public funds (Batatare, 2012; Awwad and Zidan, 2021). Thus, some managers perceive inadequate competency or skills development opportunities and the organisational support required to implement budget spending plans successfully (Mburu, 2013). Managers must align budget control based on the existing policy framework (Robinson, 2002). Budget control is the execution of financial techniques and frameworks essential for keeping good financial controls, standards, and records. It assists departments in identifying how various activities can add value and accomplish the achievements of their

objectives (Vuong, 2020). It also contributes to a broader focus on forecasting and works as an indicator highlighting the critical area with detailed information (Romenska, Chentsov, Rozhko & Uspalenko, 2020). An adequate budget demands more control measures by managers to determine if funds are used economically, efficiently, and effectively (Maulid, (2017).

2.2.4 Budget Monitoring

Budget monitoring gives managers more responsibility in utilising government resources, further enhancing the efficiency and effectiveness of financial reporting (Wu, Chen, Yang, Wang, Tan, Zhang & Gai, 2018). In addition, budget monitoring requires departments to project expected revenue and estimate expenditure to develop a mechanism for effectively planning and controlling resources (Kamau, Rotich & Anyango, 2017). In this context, the fundamental issue of imprecision is to support accountability in dealing with constrained resources for the effective utilisation of operations to management and to maintain organisational expectations over governance (Makhado, Masehela & Mokhari, 2012).

2.3 Conclusion

In summary, the literature survey demonstrates the budget planning factors that affect the attainment of goals. Despite this existing body of knowledge (Abdin, 2019; Anessi-Pessina, 2008; Andrews *et al.*, 2012; Anessi-Pessina *et al.*, 2016; Mburu, 2013; Olaniyan and Efundate, 2020; Shuaib and Olanrewaju, 2020; Snider *et al.*, 2019; Trehan and Walsh, 1991; Weir, 2018; Zweni and Jowah, 2018), there is still lack of understanding of the main challenges that affect managers to implement the budget plan to avoid overspending or underspending. Against this background, this study is deemed significant to contribute to filling this gap.

CHAPTER 3: RESEARCH METHODOLOGY

This chapter presents the methodology employed in this study. A qualitative research methodology was used to answer the research questions based on the problem statement in Chapter One. This implies making decisions regarding selecting the appropriate philosophy, design technique, research approach, data collection, and analysis. The researcher also observed the ethical considerations as outlined by University of the Witwatersrand Ethics Committee and the National Department of Correctional Services Ethics Committee regulations. The research philosophy is presented next.

3.1 Research Philosophy

A research philosophy is a set of theoretical assumptions regarding knowledge development and pertains to data collection methods to understand the phenomena under study (Saunders, Lewis, and Thornhill, 2016). In this study, an interpretivist paradigm was used based on the researcher's epistemological assumptions about the challenge's managers experience in implementing a budget spending plan whether it is deliberate or not. Interpretivism assisted the researcher with interpreting other people's world views (Clarke and Braun, 2013; Creswell, 2014; Saunders *et al.*, 2016).

3.2 Research Design

The research design enables the researcher to collect data without assumptions. Babbie and Mouton (2014) identify several research designs—experimental, exploratory, descriptive, cross-sectional, explanatory, action research, and casual designs—to explore a phenomenon under study. The study used an exploratory qualitative research design to explore the challenges managers experience in implementing a budget spending plan. This enabled the researcher to understand the phenomena under study by interpreting the participants' responses regarding how they perceive reality and form their worldviews (Saunders *et al.*, 2016).

3.3 Research Approach

A research approach enables the researcher to follow a top-down or bottom-up process of collecting data, which can either be deductive or inductive. A deductive approach is when a researcher applies an existing theory to understand the phenomena under study. An inductive approach collects data without relying on the existing framework (Siderits, 2003; Overmars, De Groot, and Huigen, 2017). In the present study, inductive reasoning was used to explore the challenges managers experience in implementing a budget spending plan. An inductive approach enables a researcher to identify emerging patterns and draw conclusions based on the interpretations of the world views of others (Overmars et al., 2017).

3.4 Sampling Strategy

The study used purposive sampling for the selection of senior managers, who are expected to implement the budget spending plan, in specific divisions, including supply chain, budget controllers, objective controllers, and cost centres in the DCS, Gauteng region. This sampling method was based on the identification and selection of individuals or groups of individuals who are knowledgeable about or experienced in the phenomenon under study (Palinkas, Horwitz, Green, Wisdom, Duan, and Hoagwood, 2015). The chosen sample had particular knowledge and experience in the DCS' financial reporting. The researcher selected 17 participants and obtained their permission to participate, which was required.

3.5 Data Collection

Qualitative data was collected through structured interviews, semi-structured interviews, focus groups, observations, and document analysis (Babbie and Mouton, 2014; Creswell, 2014; Saunders *et al.*, 2016). In this study, a combination of semi-structured interviews were conducted with senior managers—Area Coordinator: Finance and Supply Chain Management at a Director/Deputy Director level, and Manager: Financial and

Management Accounting at a Deputy Director/Assistant Director level—and non-financial managers at a Deputy Director/Assistant Director level—Corporate Services, Health Care, and Corrections—at the DCS. Document analysis of financial reports, budget documents, financial circulars and minutes of the financial planning and implementation meetings was also conducted.

Semi-structured interviews included questions in the interview schedule (Maree, 2016), which was prepared in line with the research questions and objectives. In these interviews, participants were asked questions about how budgeting takes place, their spending plans, meeting stakeholder expectations, and factors affecting their spending patterns. Additionally, document analysis was used to extract data from the budget spending plans, financial reports, and minutes of the financial meetings for the period 2020 to 2023. Hancock, Ockleford, and Windridge (2009) recommend using document analysis to improve the richness of qualitative data.

3.6 Research Procedure

Firstly, permission was obtained from the research participants before interviews were scheduled. Secondly, the researcher requested the managers' email addresses and contact details in the DCS, Gauteng region, and the National Head Office to set up the interviews. Thirdly, the interview timetable was followed for the targeted participants, and their availability was confirmed. Permission to record was granted by interviewees, and an audio recorder was used during the interviews.

All interviews were conducted in accordance with the current COVID-19 pandemic restrictions regarding using an open office, and social distancing was observed. If face-to-face interviews could not be conducted, online sessions were held via suitable online meeting platforms such as MS Teams or Zoom. In the latter's case, consent to record was requested and granted.

3.7 Data Analysis

The qualitative data collected was interpreted through a coding system, and segment colour was used, using Microsoft Word and Excel, to extract key themes. These computer techniques helped the researcher to gather a considerable volume of data and conduct systematic thematic analysis. Themes were extracted by analysing participants' interview transcripts using a coding method (Wong, 2008). A thematic analysis tool enabled the researcher to identify patterns of meanings across the dataset that provided feedback to the research questions and objectives. The method was to explore concepts and contexts similar or close to each other and group them. Microsoft Excel was used to organise data and ascertain that each theme was consistent, distinctive, and coherent.

In the process, participant feedback was sorted into categories and coded manually to understand the meaning of the participant's responses (Hennink, Hutter, and Bailey, 2020). Finally, the researcher arranged codes for phrases and words from each participant into a single report to summarise and analyse the outcomes. This inductive reasoning allowed the researcher to draw conclusions based entirely on the sample of interview responses.

3.8 Limitations, Feasibility, and Positionality

There were slight delays in accessing the archived documents due to procedures that needed to be followed within the DCS. However, the researcher applied for timely access to information to ensure timely delivery. Due to the COVID-19 pandemic, the DCS adopted 50/50 staff rotations to prevent the spread of the virus, making it a challenge to access some participants. As a result, an appointment with participants was scheduled in advance via telephone and email. The researcher arranged for office space with participants and booked a conference room in advance for management areas, the Regional Office, and the National Office. It was solely the researcher's responsibility to gather and process the data. Thus, the researcher budgeted travel costs to management areas within the Gauteng region. There were no pre-visits arranged to avoid escalating

costs. The researcher did not disrupt the participants' day-to-day schedule or operational activities. The researcher was employed in the DCS as a finance manager in the Gauteng region of Johannesburg Management Area. The data gathered was not used to misuse the researcher's position. The researcher was familiar with the Department's process, which worked to his advantage to fast-track the approval and access.

3.9 Ethical Considerations

The collection of data began immediately after authorisation was granted in writing from the University of the Witwatersrand's Ethics Committee and the National Department of Correctional Services Ethics Research Committee at the National Head Office. The researcher ensured that all the participants completed the informed consent forms and outlined all the study's fundamentals. The research participants were informed of their rights, and the information gathered was confidential and not shared publicly. Also, there were no potential risks or harm to participants. In addition, participation in the research was voluntary and participants were allowed to withdraw at any time. Finally, the data gathered was not released to anyone illegally and was stored in a secured place that could only be accessed by the researcher. The outcome of the research was used for academic purposes only.

3.10 Validity, Reliability, and Dependability

The researcher ensured that the process met the requirements of valid research. However, there was a chance of bias in the gathering and interpretation of data because a single individual collected and examined the data in the study. Therefore, the researcher stabilised data through set timeframes that the research aimed to meet. Adhering to timeframes was only to arrange things properly and use research hours effectively. The research results revealed participants' knowledge and validated evidence of critical appraisal and repetitive validity checks. The researcher's responsibility ensured that the study was dependable by demonstrating that data analysis was conducted accurately,

consistently, and comprehensively by recording interviews and outlining and revealing the analysis methods with enough detail to determine if the process was reliable.

The objective data supported the interpretation and use of interviews with handwritten transcripts. To ensure the reliability in the study, the researcher guaranteed confidence in data, interpretations, and techniques to ensure the quality of analysis. Believing the sample to be met, the researcher asked questions about choosing the time, difficult choices, rights, and how the participants handled them. The assumption was that the researcher's qualities were reliable, dependable, and truthful. Through the study ethics panel and collegial understanding of the participants and their current circumstances, ethical study practice delivered reliable research.

3.11 Conclusion

This chapter elucidated the research methodology used in the study, including ethical matters. The approach of this qualitative study aims to accomplish the objective of exploring the managerial challenges of implementing a budget spending plan in the DCS in the Gauteng region. The targeted population, sampling, research design, data collection, and the process followed in analysing the information obtained by the researcher were described.

CHAPTER 4: DISCUSSION AND DATA PRESENTATION

This chapter aims to present, interpret, and discuss the data collected from interviews with 17 financial and non-financial managers, as explained in Chapter Three. To protect the anonymity and confidentiality of participants, the following symbols were used to describe them: FMs or NFMs in the Gauteng region. In line with the proponents of qualitative analysis, the researcher used thematic analysis as a method of labelling, exploring, and recording patterns as proposed by Braun and Clarke (2006, p. 82).

The participants were purposively selected, targeting senior managers in specific divisions, including supply chains, budget controllers, activity controllers, and cost centres in the Gauteng region, where managers are expected to implement the budget spending plan. It should be significant that a combination of semi-structured interviews was used to identify and select individuals or groups knowledgeable about or held accountable for financial reporting within the management areas. Besides the reflective tasks, the researcher asked six (6) questions regarding the challenges experienced in implementing the budget spending plan. The interview questions concerning the budget spending plan were asked to clarify some concepts, beliefs, and themes further. The data presentation provides the presentation of the three data sets, the discussion and presentation of key research findings, and the conclusion of the chapter. The sections are sub-divided as follows:

- Section A: Biographic profile of the participants,
- Section B: Interviews with non-financial managers,
- Section C: Interviews with financial managers,
- Section D: Overview of the financial performance, and
- Section E: Overview of the AGSA.

4.1 Section A: Biographic Profile of Participants

The biographic profile of the participants was as follows: 38% male and 62% female; the race distribution was 98% black, 1% white, and 1% Indian. The ages of participants were between 31 and 55 years old.

4.2 Section B: Interviews with Non-Financial Managers (NFMs)

Data was collected from non-financial managers based on their line functions—supply chain, corrections, healthcare services and information technology, human resource development, and education—per budget programme and sub-programme, using interviews.

Question 1: What are the key budgetary constraints or limitations faced by the Department of Correctional Services in the Gauteng region?

This question aimed to collect data about the critical budgetary constraints or limitations experienced by the NFMs within the DCS in the Gauteng region. The following quotes from the interviews demonstrate some key budgetary constraints from NFMs in spending their allocated budget.

We are living in a difficult time of load shedding; it is so expensive to depend on the generators, and the fuel price increase affected us greatly.... The budget allocated does not cover all our needs, and on the other hand (sic), inmate pollution is increasing daily, and gone are those days whereby (sic) we used to harvest fruits and vegetables on our own as DCS. (NFM 2)

I dealt (sic) with many orders at the same time. On the other hand (sic), we are running under (sic) a staff shortage. It took a miracle to survive our daily pressure as a procurement office. Currently, the department has frozen all the vacant posts. We cannot hire additional staff, but the workload is high. (NFM 4)

I have been estimating items on my MTEF but was not allocated funds. I do not know when, but the management accounting section will tell you that our hands are tied up (sic). We are not in control of our budget. What is the use of a budget that does not serve your needs? You asked (sic) for a funds shift and are told that moving funds from one programme to another is impossible. It needs approval from the National Treasury. (NFM 5)

I have never received formal financial training regarding the budget. I was just taught by my colleagues who came before me. I am dependent on enquiring now and then what I can do. I must ensure that services are rendered; otherwise, I must surrender all the funds at the end of the financial year. (NFM 6)

I have never been invited to a budget distribution meeting. How would they know where (sic) I want to fund? My MTEF was never scrutinised when distributing a budget. The funds were misallocated. I wish things were done differently. (NFM 7)

My challenge is the suppliers on the departmental database; their pricing is abnormal (sic) and three times more expensive than market research on the internet. How would you spend your funds? ...We cannot approach other suppliers directly, who is accurate (sic) or more reasonable. (NFM 8)

From the participants' responses above, it is evident enough that NFMs experience some financial constraints and limitations in managing their budgets. The current model of managing budgets is inadequate for NFMs because the system is not aligned with their needs, and the procurement process is sluggish. The high inmate population has also contributed to these challenges NFMs, as illustrated by the following responses:

The departmental budget is unrealistic in all areas. It is so hard to spend it, and most allocated funds are not allocated according to our needs or estimates. If you want to purchase an item, you shift funds from your activities by filling out the BOEs form. We are forced to account monthly on our expenditure anyway. (NFM 1)

The DCS' procurement process is slow, and it affected our performance badly. The officials took a long time to procure an item. I have to check with them daily regarding my orders and when they will forward them to the supplier or the delivery date... It is not easy to spend funds here. (NFM 3)

...I am working under tremendous pressure with limited resources...my budget is not aligned with the scope of my work. I dealt (sic) with staff daily; imagine if... you do not have a proper budget to cater for them. (NFM 9)

Section 38 (1)(a)(iii) of the Public Finance Management Act (PFMA) stipulates that an “effective SCM system must ensure that goods and services are at the best price, in the right qualities, at the right time and in the right place”. In giving effect to this condition, the relevant line managers are responsible for ensuring that all managers are mindful of the current economic realities and the need to intensify efforts to improve efficiency in expenditure to exercise oversight on supply chain management processes and procedures.

Question 2: What are the main factors influencing the allocation and distribution of the budget within the Department?

The data collected was based more on NFMs' understanding of the main factors influencing the budget allocation and distribution within the DCS. The following quotes from the interviews prove that there is no engagement at all, either by FMs or the Department.

I do not know. I have never been part of the budget allocation or distribution. I normally compile [the] MTEF; that is, it... During the past few years, I realised [1.] programmes, 2. Care, 3. Incarceration, 4. Rehabilitation, and 5. Social Reintegration are always given more funds than 1 (sic) Administration...since they focus more on the Department's strategic planning. (NFM 1)

I have no idea... I only dealt with two programmes the entire financial year, for example, (sic) Administration and Rehabilitation, even though most of them were unhappy with the funds I allocated... What can I do because I was not involved in budget allocation or distribution? ...They do not know my needs at all. (NFM 2)

Our budget is limited, we were not consulted before regarding our needs, and security needs are not taken seriously. We are far behind compared to other prisons worldwide, and our security equipment is depleted and outdated... I keep estimating funds for three years on MTEF but do not get anything. (NFM 3)

We are not involved in either budget allocation or distribution... I do not remember being invited by any financial manager to such a meeting. It is (sic) good if we can be given the opportunity, and they understand the needs and situation within our operations. (NFM 5)

No, Finance do not invite us at all. I wish to be part of that meeting. (NFM 7)

I normally receive the financial report at the beginning of the financial year with my budget already allocated...but I have realised that budget allocated is not taken to my MTEF submission every year.... (NFM 9)

From the participants' responses above, it is evident that NFMs struggle to deal with the budget process because they are not involved or consulted by FMs when allocating and distributing the budget as per NFM 6's remarks:

... No, we were not invited by the finance office, and things are not done how we used to back years (sic). All managers will gather in one room for budget distribution, each motivated for additional funds, and gone are those days (sic).

This statement was supported by NFM 7, who said:

... [we] were not invited to the budget distribution or allocation meeting.

Making these decisions without understanding the consequences mainly resulted in FMs using the historical costs to manage and distribute the budget. The impact of this decision dictated that NFMs manage the budget, which is not in line with their MTEF submissions. Moreover, they are forced to apply for BOEs when procuring items because the budget allocated does not meet their demand, as alluded to by NFM 04:

I have realised that most of the budget allocated or distributed is based more on historical costs; whatever you bought this year will not be similar or the same price as last year...These forced us to apply for BOEs, which is time-consuming.

For other managers, this seems to be a common practice whether they are not invited to participate in the budget distribution. Lastly, their needs are not aligned with the Department's strategic planning, which adds to the challenges they experience.

Question 3: What are the significant challenges financial managers face in ensuring effective budget implementation?

The focus of this question was more on financial managers' significant challenges in implementing budgets.

The challenge is always needing more budget or funds, and every time we have to follow the process for BOEs, the process needs to be followed most of the time, and finance personnel become irritated quickly. We always need more time to spend (sic). We often struggle with food for offenders because funds are insufficient (sic). (NFM 1)

The slow supply chain affects all of us, and there is currently no contract for the supply of offenders' food and cleaning material purchases by inviting (sic) price quotations every month. ...their prices are too high, as always high compared to previous months. (NFM 2)

The budget does not meet our demand as activity managers, and the items on our acquisition plan are not funded most of the time. Officials at the national level do not know what is happening at the management area level. The budget is not according to the Department's strategic planning. (NFM 3)

We are unable to plan due to high commodity prices and overcrowding of correctional centres in this management area, and the totals are inconsistent, which makes it difficult to plan daily... all of these collapse (sic) our budget, and before we used to produce most items like vegetables and meat on our farms, and the leadership during that era decided to outsource everything... They are now trying to reconsider (sic) the idea, which will take time. (NFM 4)

We are running a full-time school here with limited resources compared to other schools out there... The process of SCM [Supply Chain Management] purchasing books and stationery for learners takes too long. I do not want to talk about the school furniture and other things needed for the day-to-day running of the school. It is a struggle; our learners are always behind with everything, but we hang on there with limited resources. (NFM 5)

I am responsible for health care services within the management area. The budget allocated to me does not meet primary health care demands, and finance distributed the budget based on previous years' expenditures. This approach doesn't benefit either one of us. I am in the process of opening a hospital at the centres 24 hours (sic). I need staffing and other hospital equipment to meet the standard. (NFM 6)

The budget only allocated for me is for compensation to employees and other things under goods and services... I normally estimate for officials' catering (sic) during training, but I do not receive anything, and these challenges have been going on for years. (NFM 7).

The computers within the management areas were last bought seven years ago; according to standards, a computer's life span is five years.... I kept estimating (sic) new computers yearly, but I have not received any funds so far. It is frustrating to run them within the management area. (NFM 8)

We took long before we spend (sic) our funds...although finance officials put us under pressure to adhere to budget timelines....it is beyond our control because we rely on SCM to fast track the process. (NFM 9)

From the above responses, it is clear that NFMs currently face extensive budget management challenges. Managers are required to achieve more with minimal resources; to do so successfully, they require a deeper understanding of what they perform with what they currently have. This demonstrates that NFMs and FMs cannot plan appropriately due to the overcrowding of inmates and underfunding of essential items. The budgetary system needs to incentivise NFMs to spend the budget effectively.

Question 4: How do financial managers monitor and control budget spending plans within the Department of Correctional Services in the Gauteng region?

This part of the interview schedule aimed to discover the process the FMs use to monitor and control the budget spending plan.

I am normally invited to directorate finance meetings every month, where I will present (sic) the reasons for under/over expenditure, if any. (NFM 1)

They normally send us the budget schedule for MTEF to provide estimates for the upcoming three years. ...It is compulsory to attend the monthly activity meeting. (NFM 2)

... at the beginning of the financial year, financial managers send us a spending plan aligned to items on my budget allocated (sic). (NFM 3)

I normally receive expenditure reports from finance, whereby (sic) I must analyse the financial report to check whether my budget is in line or underspending or overspending by 2.25%. If any of the above is identified..., I generate reasons for underspending or overspending in the monthly meeting preparation. (NFM 4)

... the head of the directorate always consolidates all the motivations and presents them at the executive level. (NFM 5)

... during the monthly financial meeting, I am obliged to report on the status of my budget. (NFM 6)

... where I experienced a shortfall on the budget, the financial manager is open for (sic) discussion; they will check where they can prioritise funds. (NFM 7)

I normally engage the finance office if I do not understand something on my financial report. (NFM 8)

As a manager, I normally attend the directorate activity meetings monthly... I am expected to present the status of my finances ... it is compulsory for all appointed activity managers to attend this meeting. (NFM 9)

The findings revealed that budget monitoring and control systems are intact. The NFM's responses above confirm that FMs implement measures to monitor and track the budget spending trend within the management areas. However, the challenges of underfunding are still a contributing factor for NFM's.

Question 5: What are the consequences of budget overspending or underspending, and how are they addressed by financial managers?

This section consisted of questions to determine if NFMs are aware of internal control measures implemented by FMs as well as any consequences should they overspend or underspend on budget.

... It is clear that the PFMA Act explains it [overspending] very well... Overspending on an allocated amount without approval is against the Act, and by doing so ... it (sic) might face legal action. We are formulating a budget spending plan by the finance office to avoid this. (NFM 1)

I do not have any idea. What I know is that finance will not allow any overspending to go through because they certified to (sic) SCM before any funds are committed to (sic) the system if we want to procure something. (NFM 2)

No, I do not know any consequences when I overspend or underspend on the budget; typically, the budget is insufficient to address all our needs. The finance office usually guides us to ensure the budget is consistent throughout the financial year. (NFM 3)

It is against the policy to overspend on the budget without approval. (NFM 4)

Most of the time, we apply for BOE when funds are not allocated where we want them, and underspending occurs due to the slow SCM process. What can I do? (NFM 5)

Finance will not allow any overspending without approval from [the] delegated authority. (NFM 6)

... underspending affects the service delivery so badly...; funds will be surrendered to back to (sic) state coffers. (NFM 7)

... there is a possibility that the same funds will not be allocated to me the next financial year or [I will] get less funds... Other than that, finance might prioritise my fund[s] elsewhere. (NFM 9)

There is evidence that FMs do not have any action plan or remedies to address the issue of non-compliance based on the response from NFM 8:

... When it comes to underspending ... definitely I will lose all the funds during budget shifting (sic) or [be] given less [funding in] the next financial year.

Reprioritising funds if the NFMs do not spend them within the timeframe is not the solution; it excludes NFMs from the initial planning. NFMs are quite aware of the consequences of not adhering to the spending plan, but the situation is out of their control because they rely heavily on the SCM to procure items on time.

Question 6: How do financial managers collaborate with non-financial managers to ensure the efficient utilisation of budgetary resources?

The emphasis of this section is to determine the collaboration between financial and non-financial managers in ensuring the efficient utilisation of budgetary resources.

They normally request non-financial managers to (sic) hold financial meetings within our directorates, encourage us to interrogate our budget monthly to identify overspending or underspending items, and submit minutes to finance. (NFM 1)

They are there to help us as expertise (sic) ... I do not know much about finance ..., but each year we always get help from them. (NFM 2)

... at times, we found it difficult, but ... we always get financial advice from them. (NFM 3)

We always urge for authorisation (sic) of BOEs and shifting of funds at times ... At the end of the day ... we reached (sic) amicable solutions. (NFM 4)

... I normally border (sic) them if I cannot understand something on my financial report. (NFM 5)

It is so difficult to go through the financial report. I depend on finance officials to assist me. (NFM 6)

I came to a release (sic) concerning these monthly meetings we are holding within our directorate; they are also helping a lot. I feel that the non-financial managers or officials working with the budget should be more incorporated into (sic) the issue. (NFM 7)

We are obliged to utilise the little finance officials are giving us... They will help us there and there to apply for BOE if funds shift is not opened. (NFM 9)

Most of the NFMs responded positively regarding collaborating with financial managers to ensure efficient and effective utilisation of budgetary resources. NFM 7's remark supported this:

... our finance team are trying its best to assist us with monthly interpretations of the financial reports and advise us on the items to use when we want to procure something.

Based on the responses of NFMs, it is quite clear that most of them depend on FMs to interpret financial reports on their behalf. This shows they are not knowledgeable enough to analyse the financial report independently.

4.3 Section C: Interviews with Financial Managers (FM)

This section of the interviews explored the managerial challenges of implementing a budget spending plan within their areas of responsibility. The interviews in this section were also formulated to identify internal control measures and remedial steps to avoid over/under expenditure when comparing the original budget versus actual expenditure against the spending plan.

Question 1: How do you perceive the budget allocation and spending process within the Department of Correctional Services in the Gauteng region?

The purpose of the question is to perceive the budget allocation and spending process within the Department of Correctional Services in the Gauteng region.

In my opinion, it is not fair because the budget received from the regional office is allocated to level four. You cannot do anything further to allocate funds to activity or items (sic), where we need funds, are not funded (sic). (FM 1)

... with the spending process, you find that whatever (sic) they want to spend, there is nothing. They have to do BOEs whereby (sic) you cannot move funds. If regional offices can give us the budget and allow us to distribute further, it helps. (FM 2)

I think the budget is allocated fairly and equitably because it is based on MTEF. It guides you to see how much you need. (FM 5)

You cannot spend money on the item for which funds are not allocated unless you seek approval from [the] delegated authority to shift funds. (FM 6)

... As [a] finance office, we cannot allocate the money without engaging the non-financial managers, and the money is allocated on level four by region. I need their expertise to unpack it even further. (FM 7)

... Normally, the budget is less than what you have estimated (sic) ... We make provisions, for example, the annual increment on the budget and the spending plan, but most of the time, [it] do[es] not tally. (FM 8)

When we do MTEF? You do not get what you have estimated for. They need to include us more when allocating the budget, and the spending plan for me is working. (FM 9)

FM 7 stated:

We do our estimations based on previous expenditures.

This shows that FMs in the Gauteng region distribute the budget without engaging the NFM. The following responses from FMs seem to reveal the core of this problem as highlighted by NFMs.

They allocate less budget, and even if you submit a shortfall, you do not get additional funding, and our budget has been less (sic) in the past two years. (FM 3)

Most FMs know that the original budget from the regional office to management areas in the past three years is not in line with the MTEF submission. However, senior managers are not escalating this issue.

Question 2: What are the main challenges you face in implementing the budget spending plan in your area of responsibility?

The main focus of this question was to identify the challenges faced by financial managers in implementing budget spending in their areas of responsibility.

... Basically, we do our estimates based on the previous year's expenses ... only to find out the budget received is less than we estimated. The spending plan is

based on your projections, knowing what you have spent and expected (sic) to spend, but due to budget constraints, it only allocated last for nine of the financial year (sic). (FM 2)

One of the challenges is that managers take time to spend the funds. The supply chain process takes time Most items purchased are non-essential, and some managers lack training. (FM 3)

If you have inadequate resources, and you are forced to procure items like nutritional services and your offenders must be supplied with food, and you end up going beyond your plan (sic) ... the spending plan we received from managers is just a thumb suck. You can see that the submission was not thought through. (FM 4)

We depend on the suppliers for quick delivery. They will deliver outside your plan time, and there is nothing you can do about it, but eventually, you will procure outside your plan date, which will affect the spending plan. (FM 5)

We have managers who are not well oriented (sic) about budget management, and spending plan becomes a challenge; we end up guiding them and explaining everything ... although we were supposed to give them a budget and they formulate the spending plan on their own. (FM 6)

Managers are spending on what they do not have by applying BOEs... Non-financial managers cannot be linked to the budget against the spending plan, and remember those funds will remain unspent until the end of the financial year because they spent funds not on items where the budget was allocated. (FM 7)

Most activity managers do not spend according to the spending plan. You give them no training, but they still need something; most managers lose interest in

finance matters because of what they want to procure. They do not get it even though they submitted the estimates, and nothing is received. (FM 8)

In response to the challenges that FMs experience in implementing the budget spending plan, the above FMs pointed out several barriers, including inadequate funding, underspending, an ineffective supply chain process, and poor planning by NFMs.

As mentioned earlier, the challenges negatively affect both FMs and NFMs, resulting in a lack of internal control systems. The research found that a lack of cooperation is one of the main weaknesses experienced in the management areas, as mentioned by NFM 1, who stated:

I do not get many inputs (sic) from non-financial managers. I am mostly allocating the budget alone. It is like we used the trend of the previous financial years. The interactions with other managers are not there at all (sic).

This statement clearly confirms that NFMs are already discouraged by the system used by FMs to distribute the budget. As a result, their budget inputs are always submitted after the date because the reason being is that FMs use historical costs to allocate the budget.

Question 3: How are budgetary decisions communicated to non-financial managers, and what is your level of involvement in the process?

This part of the interview aimed to consider the level of involvement by NFMs in budgetary decisions.

We hold monthly meetings to explain the budget status. They will come with their question[s] there and then. We advise them on how to spend and also hold [an] induction every year. First, remember we discussed communication during the executive meeting where all directorates were present. We expect delegates to expand communication even further down. (FM 1)

We illustrate to them Standard Chards of Accounts (SCOA) items, although it is not user-friendly. Even [with the] MTEF, we ... involve them ... so that they can understand when we start the beginning of the financial year, and as long as they register a need, we will be able to assist them. (FM 2)

Also, demand management helps because they now understand that once you submit a demand management and procurement plan, you must be involved in MTEF. Suppose you do not have the budget allocated to you. You (sic) must reprioritise funds. (FM 3)

We involve them ... when there is an open window for shifting funds and compiling estimates for MTEF.... Also, when we compile the spending plan, we request the reports on the system and let each manager compile the shifting of funds or spending plan. (FM 5)

... Remember we are not just there to monitor the budget; this is not our budget; it is someone else's budget So, their participation is crucial in the budget, so most (sic) of the time, they are dragging their feet, and you will end up doing the budget allocation and spending plan yourself. (FM 6)

Once the budget schedules are prepared according to MTEF, and on their interim budget allocations before the finalisation of the budget, they are invited to finance to go through their budget, raise concerns if there are any, or consider the reprioritisation (sic). We go through the process of MTEF, of which it (sic) owns the budgetary decisions. (FM 7)

In response to the question regarding the budgetary decision, involvement of NFMs, and the level of communication, all FMs viewed the process to be effective. For example, FM 8 declared:

Once there are decisions or circulars that affect non-financial managers, we usually share them during finance meetings monthly. Also, activity managers are expected to hold monthly meetings at a lower level, and sometimes, they invite us finance [managers] to oversee the process.

This seems to be a common practice by both FMs and NFMs because real issues are not dealt with as mentioned by FM 4:

“When we allocate or distribute the budget, we call them, and although it is technical ... we avoid overspending because some just want to buy items for which funds are not allocated. We call them to come and distribute the budget.

However, this was ineffective because most NFMs in question 2 indicated they need to consult FMs when distributing the original budget from the regional office.

Question 4: How do you monitor and report on the utilisation of budgetary resources in your department?

This section of the interview aimed to analyse the internal control system implemented by management to monitor and report on the use of budgetary resources.

We have the best tool, called IYM, an early warning motoring system. It informs you if you overspend or underspend on your budget, and you must motivate why you are overspending or underspending monthly. (FM 1)

You are prescribed (sic) to submit IYM monitoring monthly to the National Head Office. We intend to submit it to the National Treasury, for you need to gather variances as to where you are getting things wrong. The Department itself designs other returns. Like intervention plan whereby (sic) you monitor your spending plan. (FM 2)

We have our monitoring tool, IYM, whereby (sic) we are expected to monitor our spending plan versus the budget. We give reasons for any overspending and underspending. Again, we discuss [this] during finance meetings where we report on the performance of the management area and highlight the red flags. (FM 3)

I request weekly financial reports to check the spending. We compile the IYM every month. If there is over- or underspending, we give motivations and hold monthly meetings with activity managers, area commissioners, and regional level. (FM 4)

We are requesting (sic) the financial reports [to] check the misallocations weekly. When we realised that activity managers were overspending, we informed them on time. We expect them to give us reasons for overspending; for example, we do not have controls under (sic) nutritional services. How can you limit the offenders' food? Secondly, are we breeding cattle and pigs? You must feed them. (FM 5)

We request the reports [and] compile intervention plan and IYM. They use [this information] in action plans, hold monthly meetings, and provide reasons for underspending and overspending, assist managers with shifting funds, and approve BOE forms if any. (FM 6)

Once the budget for a specific financial year is allocated to manage and distribute between programmes, sub-programmes, and activities on all responsibility levels, it is of utmost importance that managers on all levels manage the allocated budget responsibly and effectively. I report any overspending and underspending, compile and submit reasons for deviation. (FM 7)

According to the PFMA Section 45, all appointed activity or responsibility managers are responsible for expenditure management. They are accountable for attending financial meetings and reporting variances on the allocated budget. (FM 8)

From the FMs responses above, it is evident that relevant management has implemented control measures to ensure that all expenditures in their respective cost centres are necessary, appropriate, and cost effective within the allocated budget. Expenditure is recorded and reported as prescribed by the relevant legislative framework. Although monitoring is a crucial aspect of the implementation phase of budget control, FMs managed to implement action plans and projections as part of internal control. However, management areas continue to experience a discrepancy between spending plans and budget outcomes. As a result, spending has been consistently higher than the allocated budget, leading to considerably higher overspending due to essential commodities as one of the significant experiences of NFMs mentioned by NFM 5, who indicated that some of the items were beyond their controls. For example, overcrowding, high costs of offenders' food, and animal feeding.

Question 5: What are the consequences of not adhering to the budget spending plan, and how are they addressed by non-financial managers?

This section assessed compliance with budget spending plans and precautions implemented by management. The responses to this question were wide-ranging, significantly based on the participants' line of operations.

Most activity managers do not spend according to [the] spending plan ... You give them training whatsoever (sic), but still nothing. We need to abide by the rules of (sic) regulations of PFMA and Treasury Regulations. We must motivate any overspending and shift funds according to the policy. (FM 1)

Currently, we have a situation whereby (sic) some of the funds were suspended, and unfortunately, there was a misunderstanding on the items. As a result, finance suspended the funds, and managers thought they could not spend funds on capital assets. It is a must to spend those funds because they affect our spending plan, and [in the] next financial year, funds would (sic) not be allocated on those items. (FM 2)

We are making things easier; if you do not spend the allocated funds, someone else will. We are giving them deadlines on the budget memorandum handed to them at the beginning of each financial year. (FM 3)

If you over-spend ... according to PFMA, managers are not allowed to overspend on the main vote and should you over-spend, we will send you a non-compliance letter, and you must provide reasons as to why you are overspending and what remedial steps you will put in place in the future. (FM 4)

One thing happens if you are not adhering to your spending plan: you are making the process of the next financial year difficult; for example, next year, we will not give more money because you failed to spend the little allocated to your previous year that one could not be possible (sic). (FM 5)

The consequence is losing your fund's money allocated to you. As finance, once we realise that activity X is not spending their funds, normally we engage the executive. A decision will be taken to shift funds to other activity managers who require the funds, and that is the dire consequence of not spending your funds. (FM 6)

Yes, we emphasise non-compliance with spending plans to say that some of the consequences will be an issue of overspending. It is due to overspending, and then it is authorised or unauthorised. If it is due to fund shifting, [the] delegated authority approves it. (FM 8)

The findings further corroborate what was expressed by the NFMs in question 5: should they not spend funds as planned, FMs will either reprioritise the budget or shift it to other activities.

We will direct funds elsewhere if activity managers are not adhering to the spending plan. However, sometimes, if they do not spend their funds, they get

defensive when you are implementing the measures. They cannot do anything because they know from the beginning of the financial year that if you cannot spend funds allocated to you by a certain period, you are running (sic) the risk of losing your funds. (FM 7)

The participants mentioned the emphasis on FMs spending funds within their allocated budget to avoid overspending despite this being beyond their control. Despite the prevailing financial constraints, overspending is a barrier, due to insufficient funding, that has affected NFM's significantly.

Question 6: What suggestions or recommendations do you have for improving the budget implementation process at the Department of Correctional Services in the Gauteng region?

This section aimed to discover any suggestions or recommendations FMs have to improve the budget implementation process at the DCS in the Gauteng region.

My recommendation is that you train all your non-financial managers regularly.... I will also suggest that supply chain and finance must (sic) work hand in hand to ensure that they deregister all non-compliant suppliers, remain only with credible suppliers on our database, and evaluate our internal policies because sometimes they become red tape for us. (FM 1)

My suggestions are consultations with head office, regional office management areas, and correctional centres. I think that will assist regarding the budget allocation; some items are not adequately funded. I believe this is just a lack of consultation. (FM 2)

My suggestion or recommendation is that the office responsible for allocating the budget at the head office level must sit and discuss the Department's objectives in detail because our budget is not aligned with the Department's strategic planning

on the strategic plan. ... We can see that leaders intend to implement, for example, self-sufficiency and sustainability (SSS) projects in agriculture and workshops. Still, we do not get enough funding to pursue their mandates. (FM 3)

In my opinion, we need to consider the region's needs first ... to get the proper funding. (FM 4)

If they say we must submit our estimations, let them allocate the budget according to our needs; if they cannot fund us as per our needs ... let it be a formal communication indication (sic) from higher authorities as to why and the way forward. (FM 5)

In my opinion, another thing that I think will improve performance in the Department is the issue of communicating with all relevant stakeholders to ensure that they are involved in whatever is related to the budget, and encourage them to be part and parcel of whatever needs to be discussed. (FM 6)

My recommendation is that if the Department can allocate more funds to management areas [for] rendered services internally (sic) to stabilise the project of SSS facilitated by the Minister, this will ease pressure on the Departmental budget because more items will be sourced internally for offenders' food. For example, bread, vegetables and eggs. (FM 7)

From the responses above, it is evident that most FMs recommend that the Department allocate funds according to the MTEF submitted and consider items linked to the Department's strategic planning. Unlike other government departments, the DCS is privileged to generate some of the items internally by using offenders' labour, which helps them to save costs, as mentioned by FM 8:

We need to invest more in plant production [and] production workshops whereby (sic) we manufacture official uniforms and offenders' clothing, plant vegetables and

fruits, animal production (sic) for the breeding of cattle's, poultry for pigs and chickens (sic), and again, production of eggs as part of our strategic core as a Department and not only source items externally, which so expensive nowadays because we got capacity to do so (sic).

FMs also recommended that the National Head Office and the Regional Office address the communication barrier that seems to exist, which affects NFMs at the lower level.

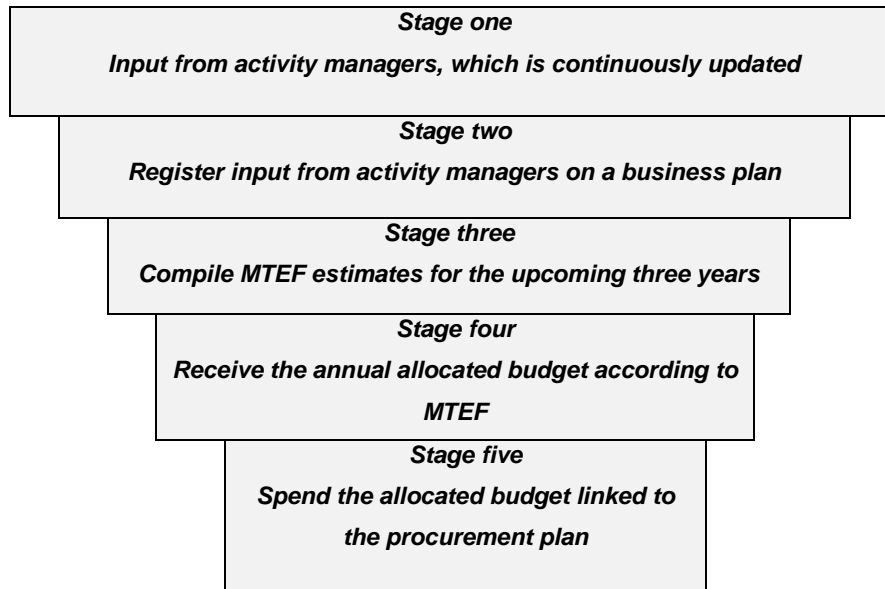
4.3.1 The Presentation of the Financial Performance in the Gauteng Region

4.3.1.1 Overview of the Budget Process

The overview of the budget process below illustrates the planning stages that must be followed by FMs and NFMs dealing with the budget. However, it is critical to 'good governance' because the budget process ensures that management areas' expenditures remain aligned with Departmental policy goals and objectives. In addition, the ongoing monitoring and tracking of NFMs and FMs' spending trends is interesting as it allows for interventions in overspending or underspending and failures in service delivery. The process holds the managers accountable for their expenditures and elasticities, allowing stakeholders to make their demands and interventions. This monitoring is done every month.

Figure 3

Overview of the Budget Process



(Source: McIntyre and Nicholson, 1999)

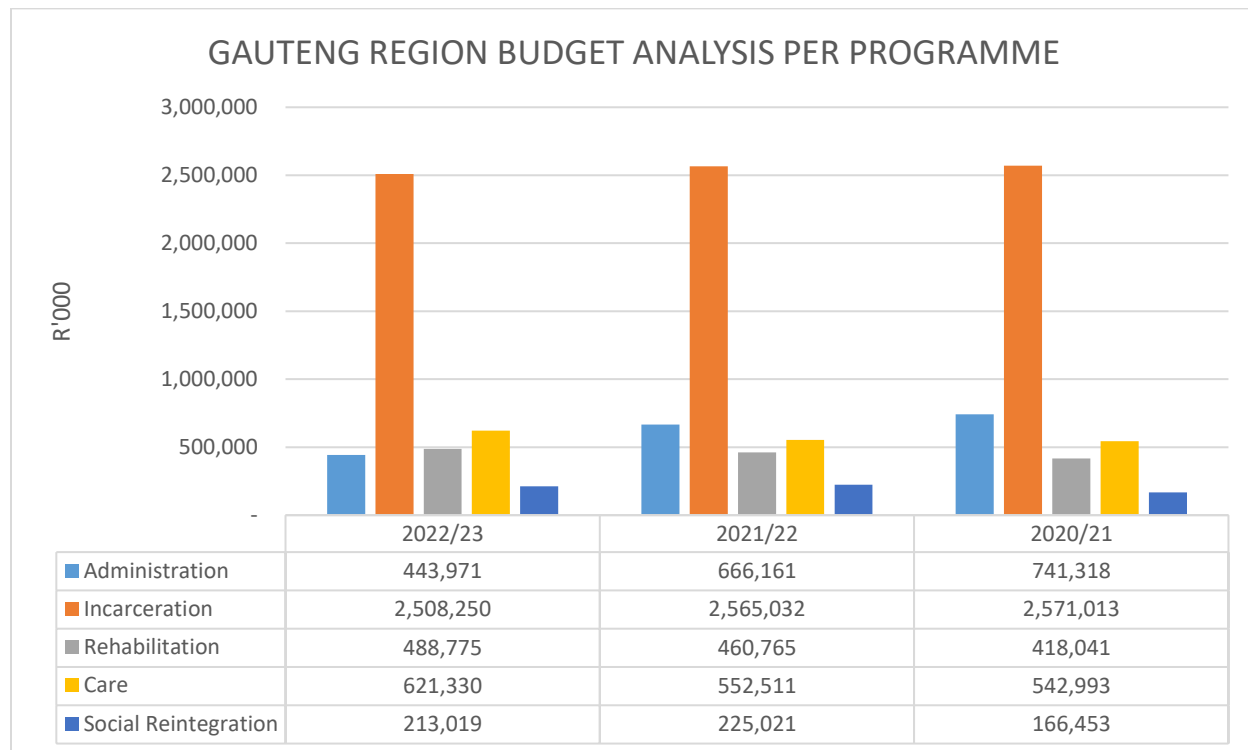
Figure 3 illustrates the stages of the budget process that NFMs need to follow when compiling estimates for MTEF. The findings from the interviews with the FMs and NFMs reveal that the challenges experienced by both managers are on stages four and five of the budget cycles. Furthermore, the budget allocated requires consultation with the NFMs, making spending easier. However, the FMs, in their responses, alluded that the funds released from regional offices were distributed to management areas without considering the needs submitted to the region. As a result, the funds were allocated to items not planned by NFMs. The financial data analysed was extracted from the In-Year Monitoring model (IYM) at the end of the financial year for seven management areas, including regional offices in the Gauteng region.

4.3.1.2 Financial Data Presentation: 2022/23, 2021/22, and 2020/21

The data comprises a budget and expenditure analysis per programme at the end of the financial year: Administration, Incarceration, Rehabilitation, Care, and Social Integration.

Figure 2:

Gauteng Region Budget Analysis



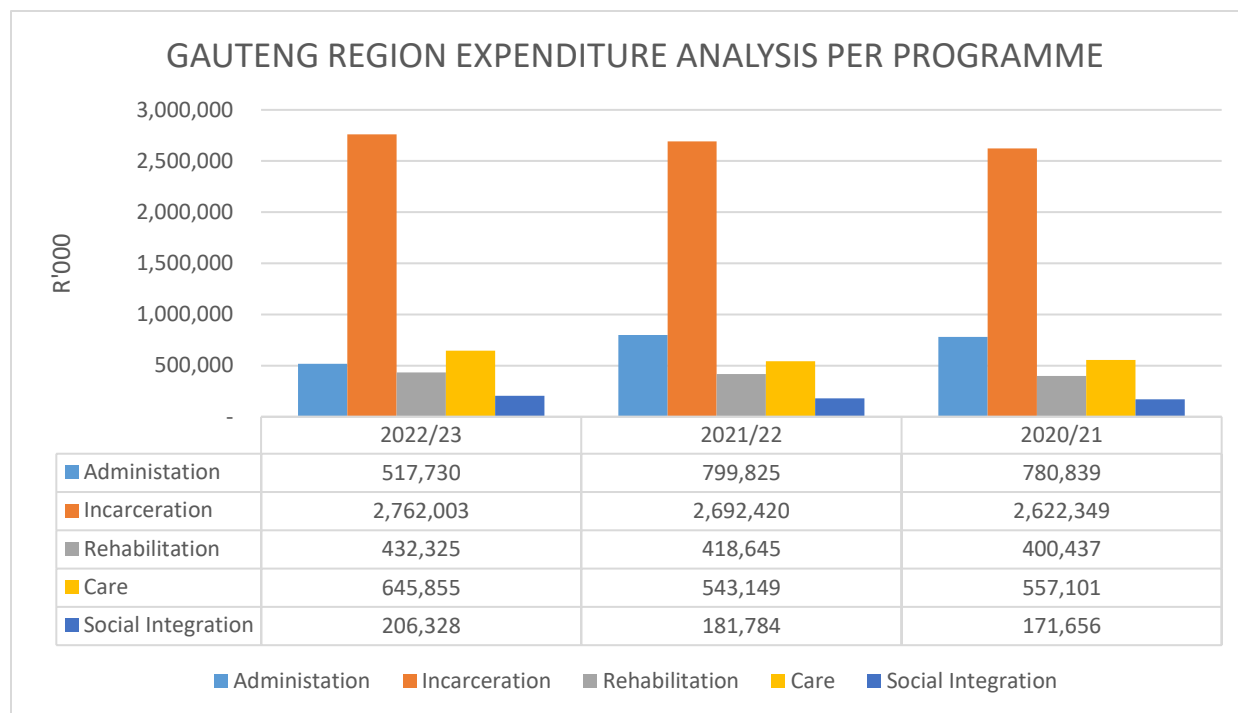
(Researcher's own work)

Figure 4 above illustrates the budget distribution from the regional office to management areas. It is quite clear that a higher portion of the funds was allocated to Incarceration than to other programmes. The budget distribution appears to be imbalanced due to the nature and method used by the regional office to allocate the budget. Care was underfunded in 2022/23 and 2020/21. This programme is critical in the Department because it renders services related to offenders' food supplies, hygiene, and personnel well-being. NFMs' responses explained that, currently, the Department does not have a

contract in place, and they are compelled to purchase items on price quotations, which is more costly.

Figure 3:

Gauteng Region Expenditure Analysis



(Researcher's own work)

Figure 5 above shows that Administration at the end of the 2022/23 financial year shows overspending of R73,759,000. Furthermore, compared to the 2021/22 and 2020/21 financial years, the region overspent by R133,664,000 and R39,521,000 due to increased employee salaries.

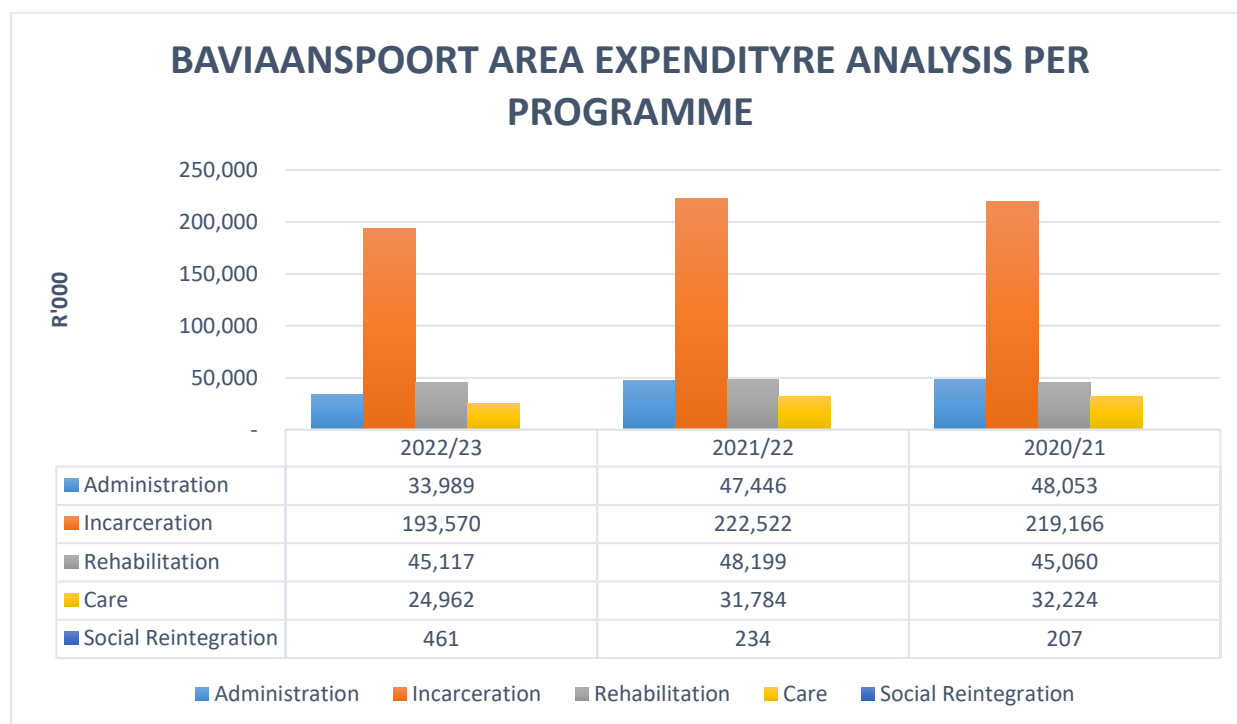
Incarceration also overspent by R253,753,000 in 2022/23, R7,388,000 in 2021/22, and R51,336,000 in 2020/21. The reason for the overspending was an increase in employee compensation.

In contrast, Rehabilitation underspent by R56,450,000 in the 2022//23 financial year and again overspent by R42,120,000 in 2021/22 and R17,604,000, respectively, due to vacancies.

Care overspent by R24,525,000 in 2022/23 and in the 2020/21 financial year, underspent by R9,362,000 in 2021/22, and overspent by R14,108,000 in the financial year 2020/21 due to offenders' ongoing high food supplies. The region reported a surplus of R9,362,000 due to fewer inmate admissions to hospitals in 2021/22.

Social Reintegration underspent by R6,691,000 and R43,237,000 in the 2022/23 and 2021/22 financial years, respectively. Again, overspending by R5,203,000 in the 2020/21 financial year due to vacancies and underspending due to outstanding invoices for lease vehicles.

The projected spending plan for the 2022/23, 2021/22 and 2020/21 year to date comprised an original budget of R4,275,345,000; R4,469,490,000; and R4,439,818,000 versus the actual year-to-date expenditure of R4,564,241; R4,635,823,000; and R4,352,382,000. Based on actual spending percentage, the Gauteng region was over by 106.75%, 103.72%, and 98.03%, respectively, for the 2022/23, 2021/22, and 2020/21 financial years, respectively.

Figure 4:*Baviaanspoort Area Expenditure Analysis*

(Researcher's own work)

Administration overspent by R1,054,000 and R1,515,000 in the 2022/23 and 2021/22 financial years due to salary increments. The same thing happened in the region; failure to plan impacted the management areas. However, in the 2020/21 financial year, the management area was underspending by R29,236,000. The management area budget distribution failed because resources were not directed where they were most needed.

Incarceration underspent by R32,179,000; R79,339,000; and R15,911,000 in the 2022/23, 2021/22, and 2020/21 financial years, respectively.

It is evident that the budget distribution was not planned because, in three consecutive financial years, management areas returned millions to the National Treasury. However, there were no consequences for the region or the National Head Office.

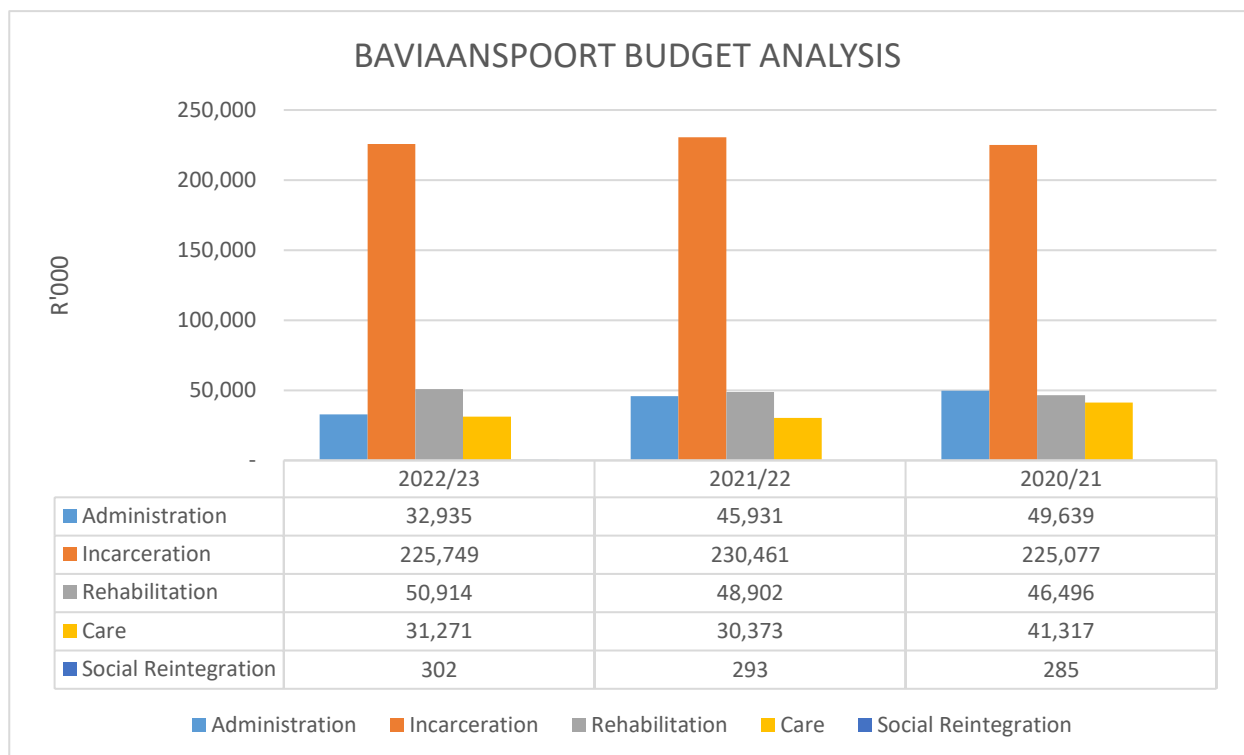
Rehabilitation underspent by R5,997,000; R703,000; and R1,911,000 in the 2022/23, 2021/22, and 2020/21 financial years, respectively, due to vacant posts and outstanding invoices at the end of the financial years. The study found that this programme was overfunded for three years with no interventions.

Care underspent by R6,309,000 and R9,093,000 in the 2022/23 and 2020/21 financial years. In the 2021/22 financial year, it was overspent by R1,411,000. The FMs' method of allocating funds on historical costs has proven inconsistent throughout the years, but they kept using it.

Social Reintegration overspent by R159,000 in the 2022/23 financial year and underspent by R59,000 and R78,000 in the 2021/22 and 2020/21 financial years, respectively, due to outstanding invoices, inmates' medications, and inmates' food supplies.

Figure 5:

Baviaanspoort Budget Analysis

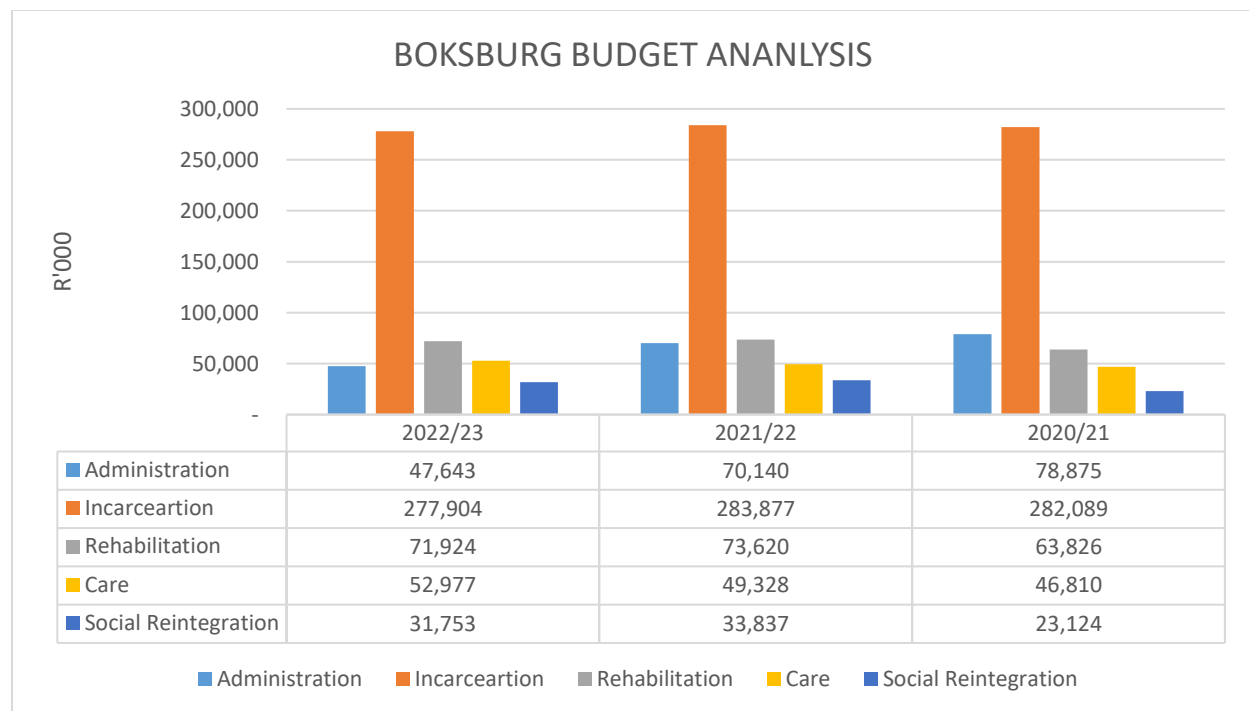


(Researcher's own work)

The budget allocation in the Baviaanspoort area was alluded to by NFMs as how FMs allocate the budget, without involving the NFMs, based on the previous year's expenditure. If the Gauteng region reviewed the state of expenditures quarterly, these funds could have been shifted to other management areas that were overspending before the end of the year rather than declaring a surplus. The Baviaanspoort management area did not manage to spend 100% of the funds as per the budget spending plan for the past three financial years: 2022/23, 2021/22, and 2020/21.

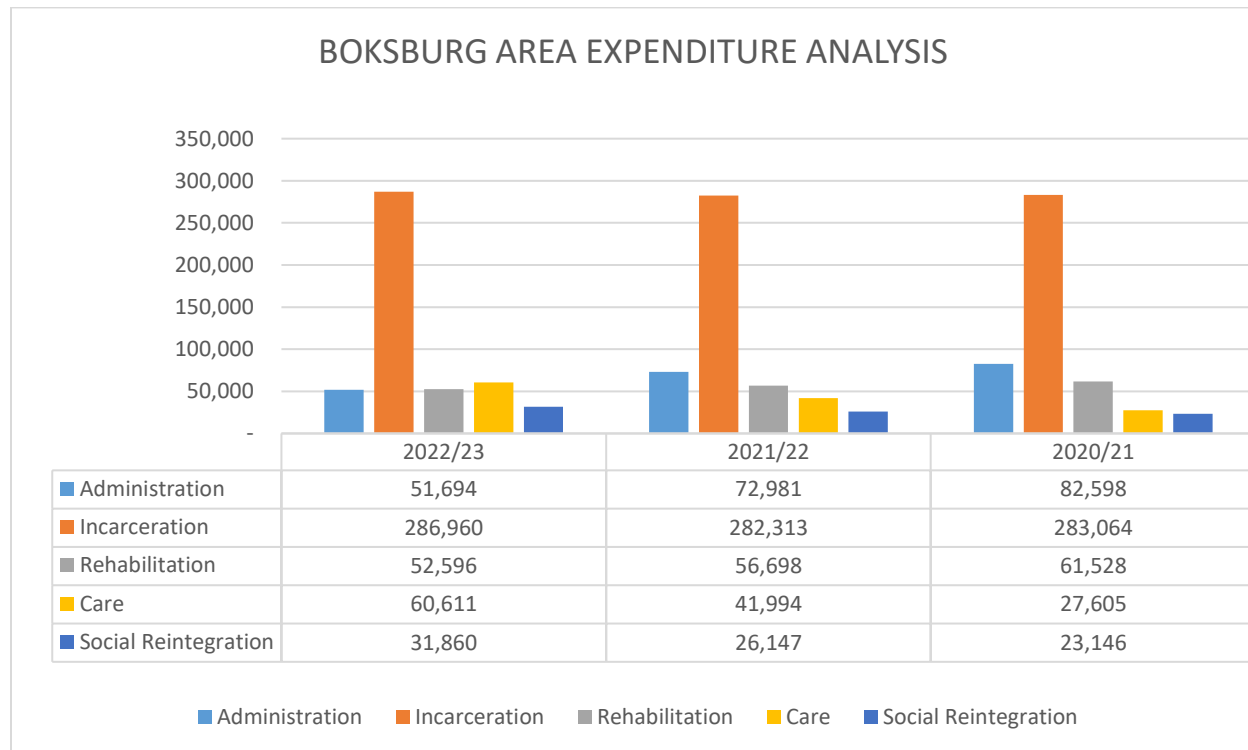
Figure 6:

Boksburg Area Budget Analysis



(Researcher's own work)

The Boksburg management area did not manage to spend 100% of the funds as per the budget spending plan for the 2022/23, 2021/22, and 2020/21 financial years. The budget allocation in Administration was insufficient in all three financial years, but Rehabilitation was overspent in those same financial years. FMs could have applied to shift funds or prioritised the funds for other activities.

Figure 7:*Boksburg Area Expenditure Analysis*

(Researcher's own work)

Administration overspent by R4,051,000; R2,841,000; and R3,723,000 in the 2022/23, 2021/22, and 2020/21 financial years due to salary increments. The management area has never complied with the budget spending plan for employee compensation for the three financial years.

Incarceration underspent by R9,056,000 and R975,000 in the 2022/23 and 2021/22 financial years due to salary increments, high coal consumption, and high diesel usage to accommodate load shading and, in the 2021/22 financial year, due to materials and spares because the tender was still on evaluation at the end of the financial year. The SCM had 12 months to finalise this tender but only did it at the eleventh hour. This is a result of poor planning by the Boksburg Area tender committee.

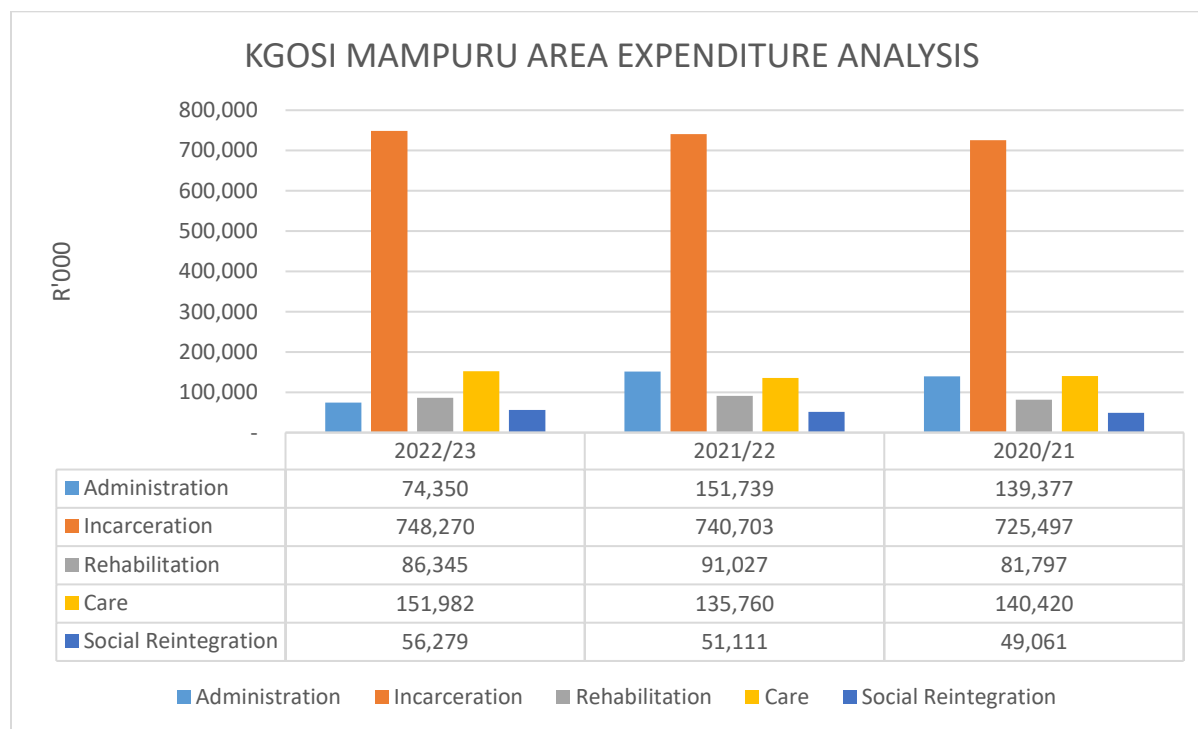
Rehabilitation underspent by R19,328,000; R16,922,000; and R2,198,000 in the 2022/23, 2021/22, and 20220/21 financial years, respectively, due to the bread baking oven tender being awarded on 30 March 2022. The procurement is in process, and there is outstanding delivery of the processable material. The Boksburg Management Area also is mandated to supply furniture and steel products internally across the country as part of the Self-Sufficiency and Sustainability (SSS) project. If they fail to manufacture items, it affects other regions as well.

Care underspent by R7,334,000 and R19,205,000 in the 2021/22 and 2020/21 financial years. In the 2022/23 financial years, it was overspent by R7,634,000. Again, the FMs' method of budgeting based on historical costs has proven ineffective over the years.

Social Reintegration overspent by R107,000 and R22,000 in the 2022/23 and 2020/21 financial years, respectively, due to outstanding invoices and vacant positions.

Figure 8:

Kgosi Mampuru Expenditure Analysis



(Researcher's own work)

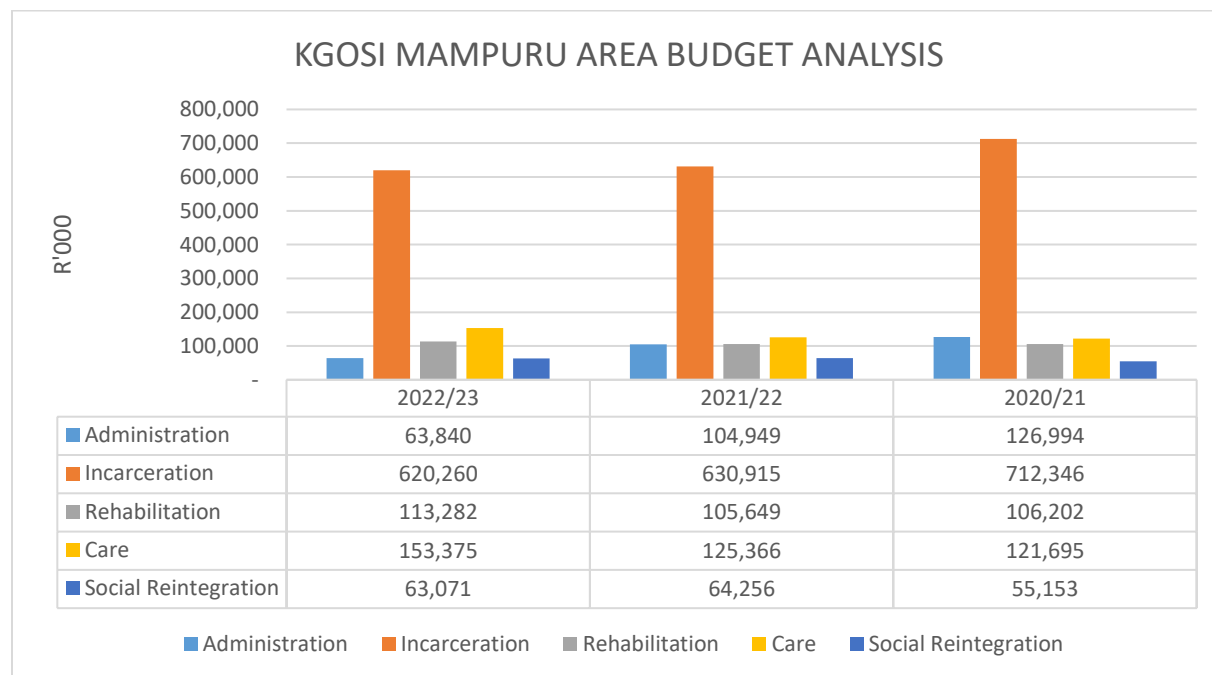
Administration overspent by R10,510,000; R46,790,000; and R12,383,000 for the 2021/22 and 2020/21 financial years. This was due to salary increments, food supplies, and financial assets. Due to salary increments, Incarceration was underspent by R128,010,000; R109,788,000; and R13,151,000. It is evident that the FMs in the management area were not competent in budget management.

Rehabilitation underspent by R26,937,000; R14,622,000; and R24,405,000 in the 2022/23 and 2021/22 financial years, respectively, due to salary increments, property rates, and consumable supplies.

Care overspent by R1,393,000; R10,394,000; and R18,725,000 in the 2022/23, 2021/22, and 2020/21 financial years, respectively, due to food supplies, consumable supplies, and salary increments. Due to salary increments, the Social Reintegration programme also underspent by R6,792,000; R13,145,000; and R6,092,000 in the 2022/23, 2021/22, and 2020/21 financial years, respectively.

Figure 9:

Kgosi Mampuru Area Budget Analysis

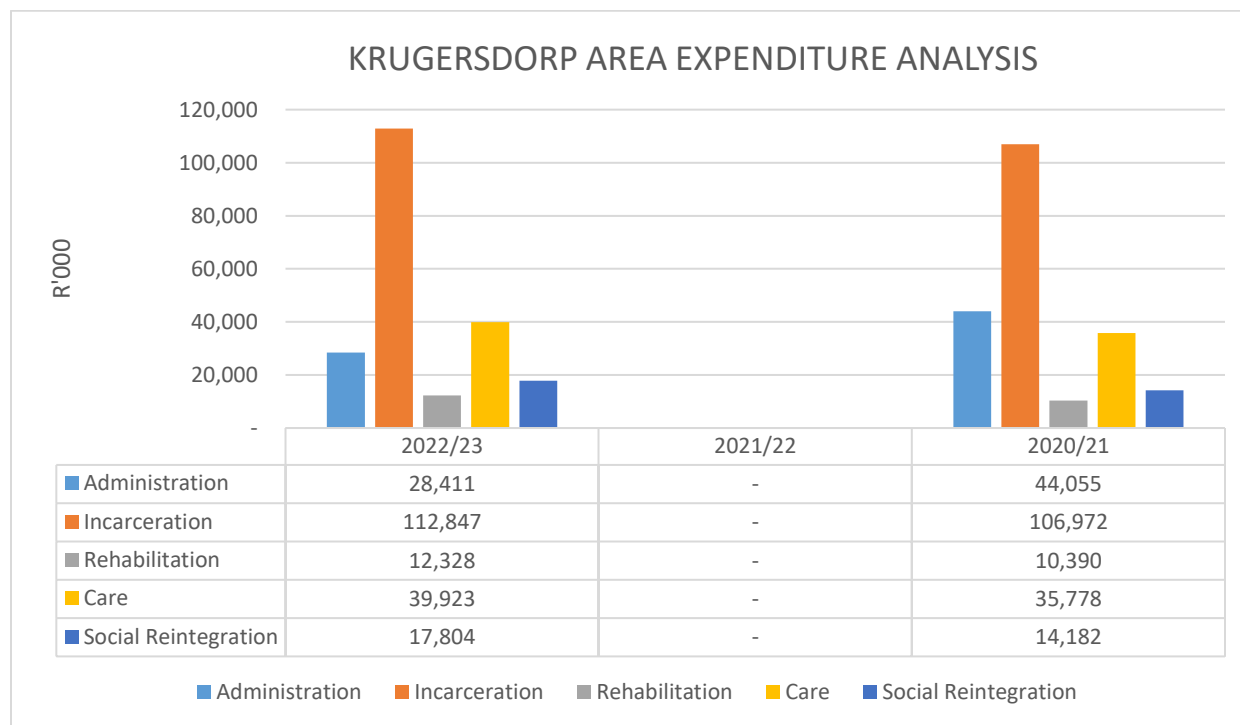


(Researcher's own work)

The majority of the budget for the Kgosi Mampuru Area was allocated to Incarceration. However, this initiative did not bear any results because it had overspent for the past three financial years. The same thing happened to Administration, which overspent in the three financial years due to salary increments; no proper measures were taken to re-allocate funds to avoid this scenario repeating itself. The other three programmes—Care, Rehabilitation, and Social Reintegration—underspent consistently, but the FMs continued to allocate more resources despite other programmes experiencing financial constraints. The Kgosi Mampuru management areas did not manage to spend 100% of the funds as per the budget spending plan for the 2022/23, 2021/22 and 2020/21 financial years, respectively.

Figure 10:

Krugersdorp Area Budget Analysis



(Researcher's own work)

Due to salary increments, Administration overspent by R5,326,000 and R1,245,000, respectively, for the 2022/23 and 2020/21 financial years. Similarly, Incarceration

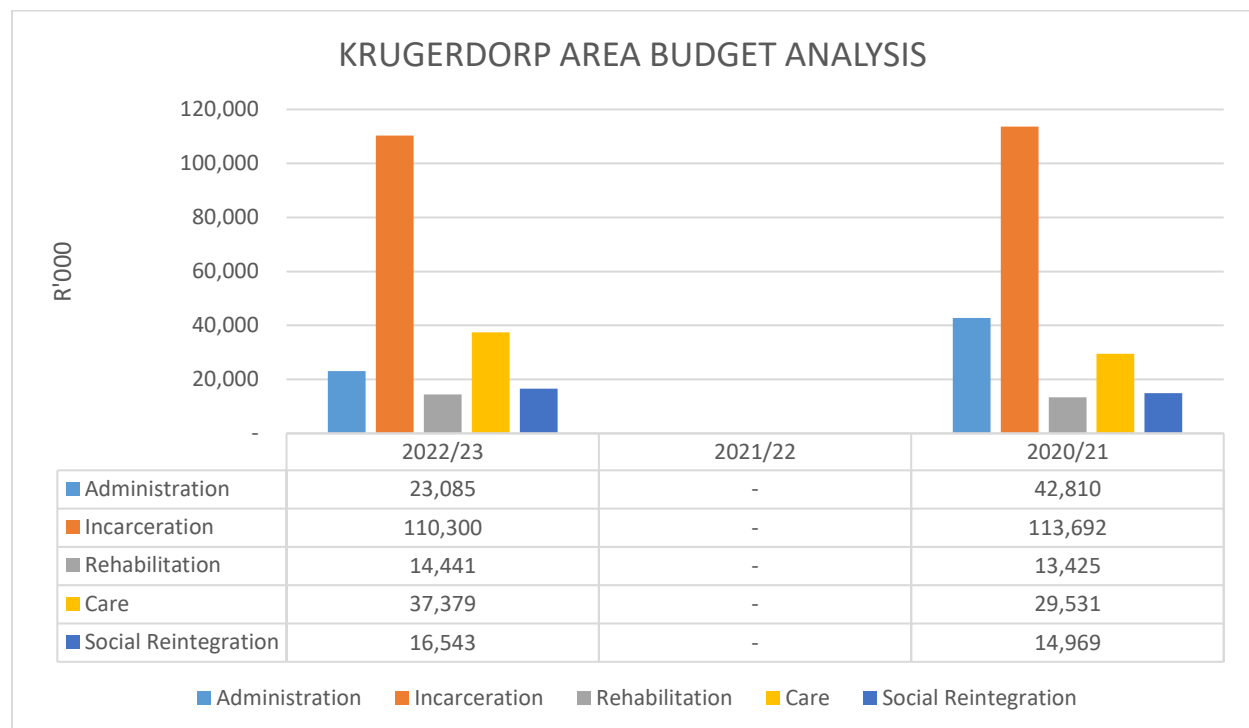
overspent by R2,547,000 in the 2022/3 financial year due to salary increments and underspent by R6,720,000 in the 2020/21 financial year due to vacant positions.

Rehabilitation also overspent by R2,113,000 and R3,025,000, respectively, due to overfunding while Care overspent by R2,544,000 and R6,247,000 in the 2022/23 and 2020/21 financial years due to offenders' medication and COVID-19 tests.

Social Reintegration also overspent by R1,261,000 in the 2022/23 financial year due to salary increments while it underspent by R787,000 in the 2020/21 financial year due to overfunding.

Figure 11:

Krugersdorp Area Budget Analysis



(Researcher's own work)

The researcher experienced difficulties obtaining information for 2021/22 because the financial manager claimed to have lost the data when the new computer was installed.

However, the financial data from the Gauteng Regional Office includes the financial performance of Krugersdorp Area.

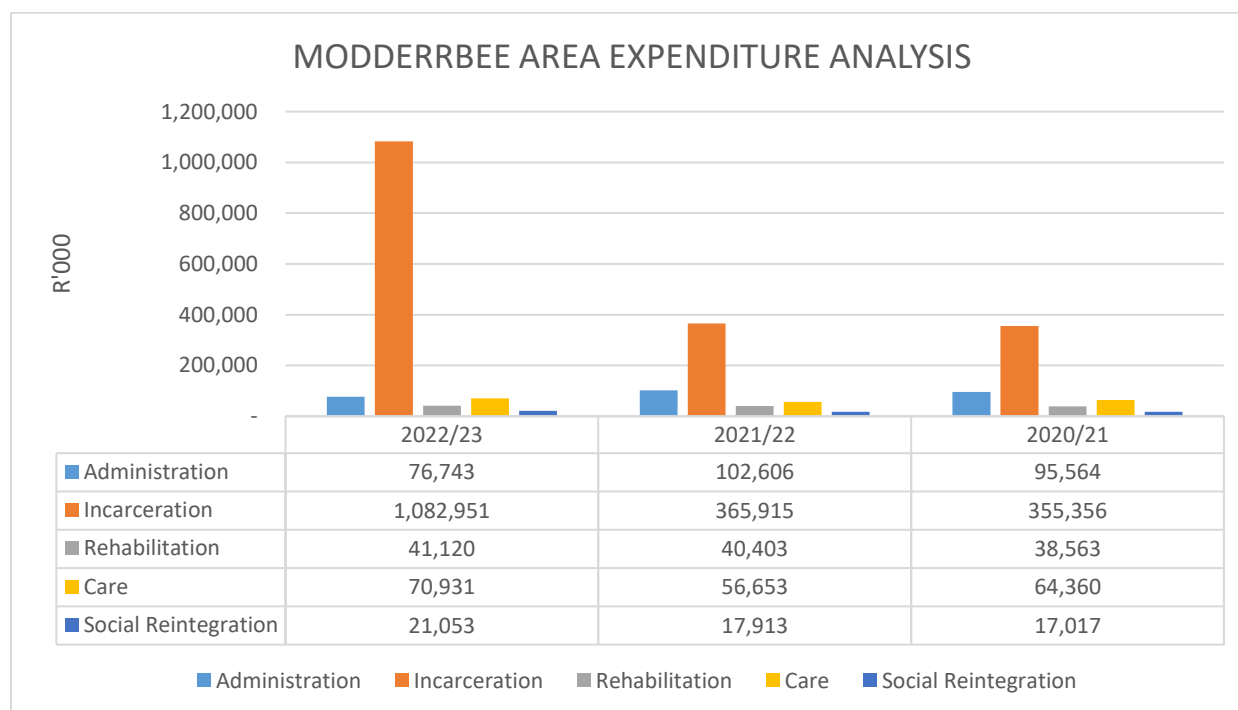
Administration and Care were underfunded in the 2022/23 and 2020/21 financial years despite using historical data to allocate the budget.

Incarceration and Social Reintegration overspent in the 2022/23 financial year but underspent in the 2020/21 financial year. The shortfall was registered against COVID-19 expenditure, and the expenditure was supposed to be aligned with the budget during the final state of expenditure, but the virement never materialised.

The Krugersdorp management areas did not manage to spend 100% of the funds as per the budget spending plan for the 2022/23, 2021/22, and 2020/21 financial years, respectively.

Figure 12:

Modderbee Area Expenditure Analysis



(Researcher's own work)

Administration overspent by R19,506,000; R36,355,000; and R19,996,000 in the 2022/23, 2021/22, and 2020/21 financial years, respectively, due to reduced allocations to compensation employees, which contributed to high expenditures.

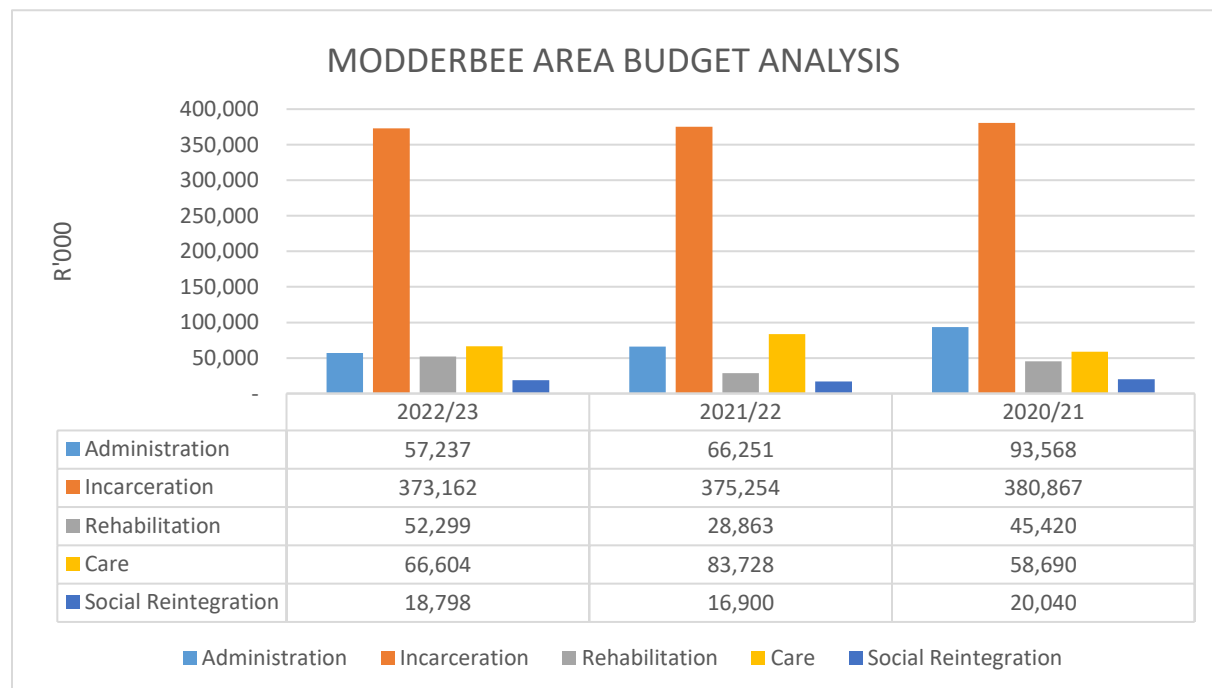
Incarceration also overspent by R2,384,000 in the 2022/23 financial year due to reduced allocation to compensation employees, which contributed to the high expenditure. However, rehabilitation underspent by R7,116,000; R5,017,000; and R4,382,000 in the 2022/23, 2021/22, and 2020/21 financial years, respectively, due to vacant positions.

Care overspent by R4,327,000 due to salary increments and underspent by R2,037,000 and R16,434,000 due to outstanding invoices for food supplies and offenders' medications.

Social Reintegration underspent by R2,255,000 and R2,127,000 respectively, due to vacant positions and underspent by R117,000 due to salary increments.

Figure 13:

Modderbee Area Budget Analysis



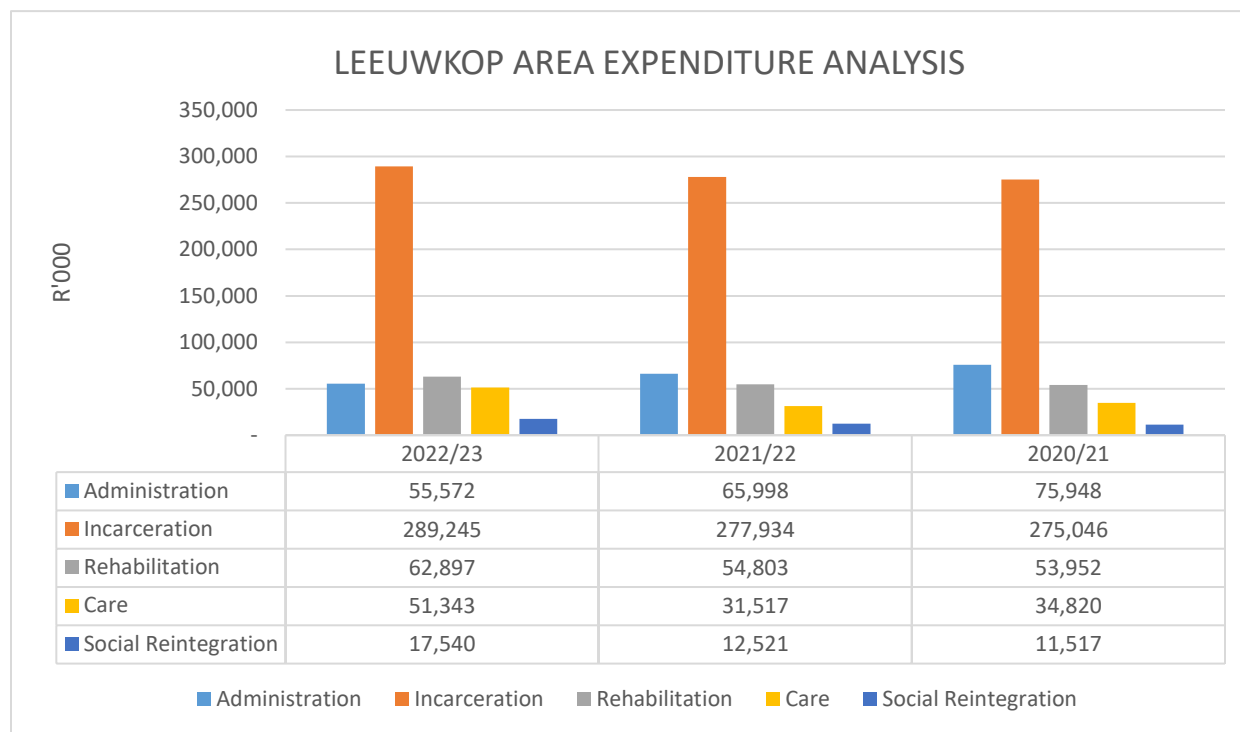
(Researcher's own work)

The Modderbee management area underspent in all five programmes due to vacant positions. It was overfunded in the 2020/21 financial year. The management area requested permission to shift funds to sub-programmes that were overspending but the region did not open the virement to allow process of shifting funds to materialised before the end of the financial year.

In the 2022/23 financial year, the management area overspent on Administration, Incarceration, Care, and Social Reintegration due to a reduction in the budget. The management area spent more on non-essential items than on essential items. The budget reduction over the previous three financial years has adversely impacted the financial performance of employee compensation. The Modderbee management areas did not manage to spend 100% of the funds as per the budget spending plan for the 2022/23, 2021/22, and 2020/21 financial years, respectively.

Figure 14:

Leeuwkop Area Budget Analysis



(Researcher's own work)

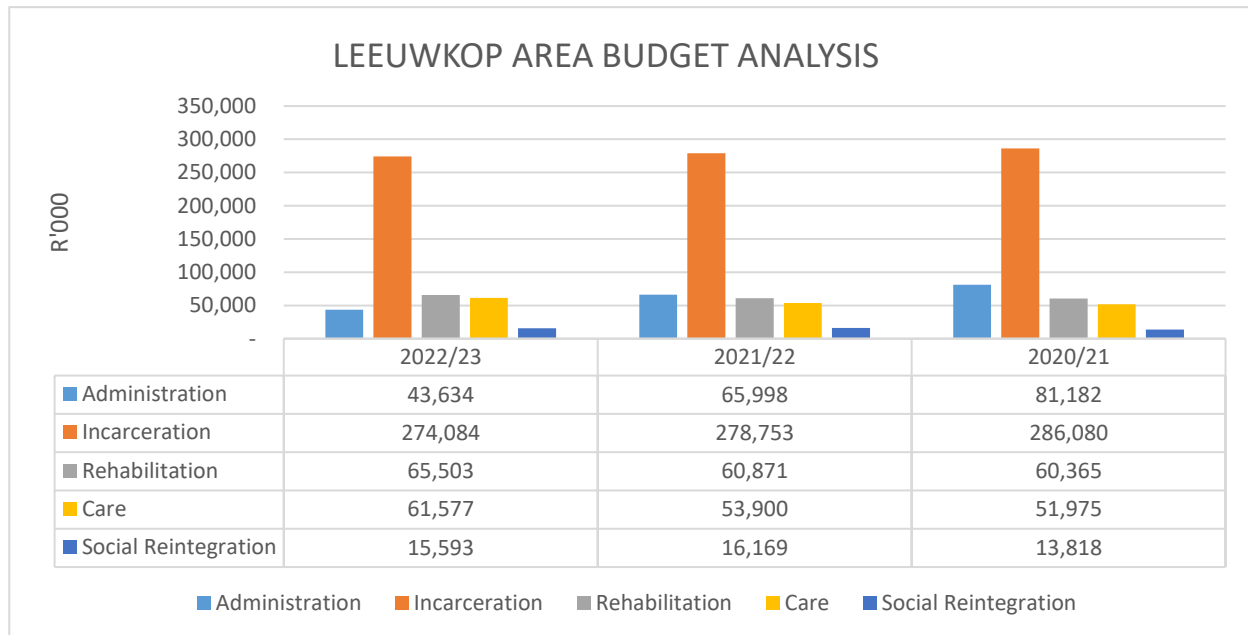
Administration overspent by R11,938,000 and R3,690,000 in the 2022/23 and 2021/22 financial years, respectively, due to reduced allocations for employee compensation, which contributed to the higher expenditure.

Underspending by R52,234,000 in the 2020/21 financial year due to a delay in finalising outstanding deliveries for offenders and medication invoices for procuring vehicles.

Incarceration overspent by R15,161,000 in the 2022/23 financial year due to the reduced allocation for employee compensation. Underspent by R819,000 and R11,034,000 in the 2021/22 and 2020/21 financial years, respectively, due to outstanding deliveries for building materials and high expenditure of employee compensation due to salary increments.

Rehabilitation underspent by R2,606,000; R6,068,000; and R6,433,000 in the 2022/23, 2021/22, and 2020/21 financial years, respectively, due to vacant positions and outstanding deliveries of farming items. Similarly, Care underspent by R10,234,000; R22,383,000; and R17,155,000 for the respective financial years due to outstanding deliveries of food supplies and offenders' medications.

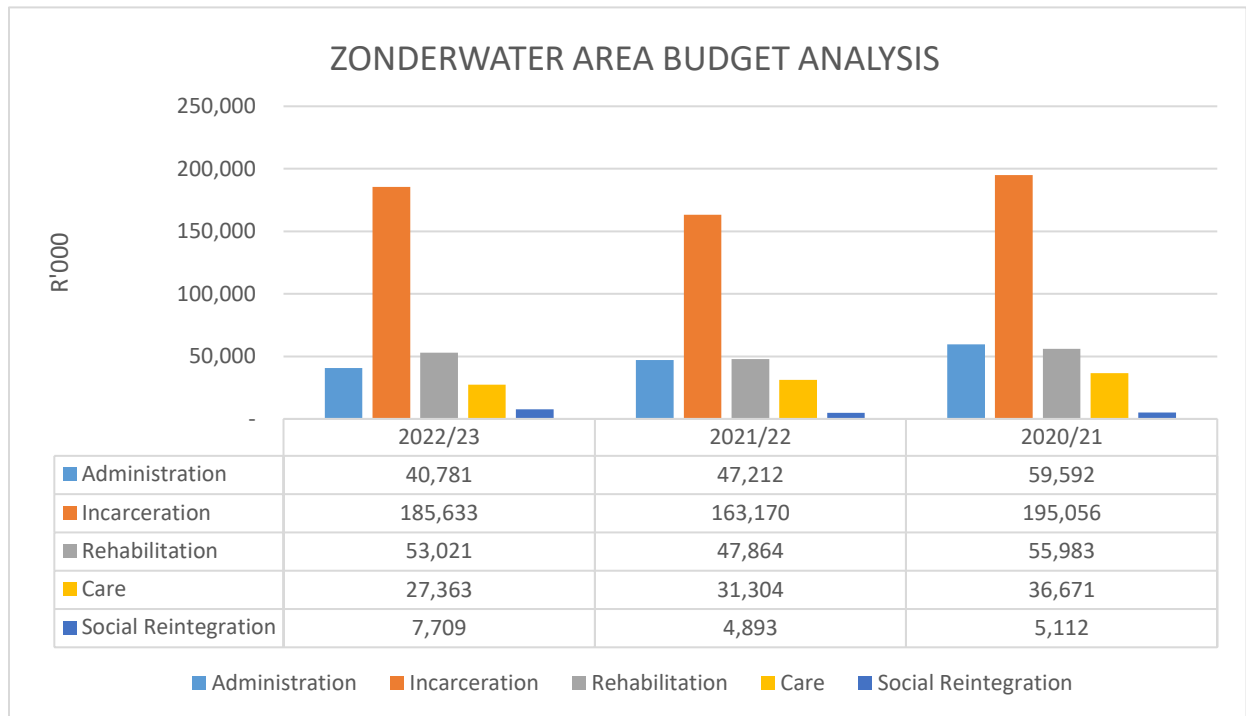
Social Reintegration overspent by R1,947,000 in the 2022/23 financial year due to reduced allocations for employee compensation, contributing to high expenditure. This programme underspent by R3,648,000 and R2,301,000 in the 2021/22 and 2020/21 financial years, though, due to overfunding in employee compensation.

Figure 15:*Leeuwkop Area Budget Analysis*

(Researcher's own work)

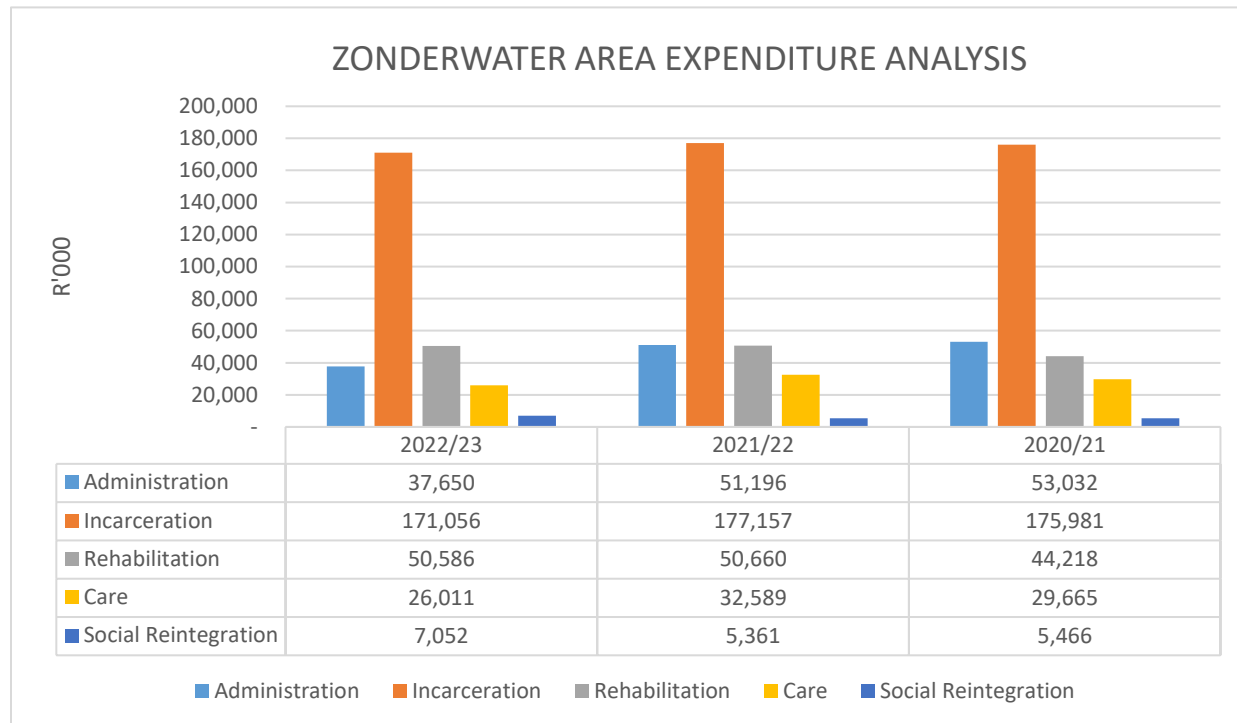
The budget allocated was inconsistent throughout the three financial years. More resources were allocated to Incarceration and Social Reintegration for the past two financial years despite the programme underspending; only in the 2022/23 financial year did it experience a budget cut. Care and Rehabilitation also overspent for the past three financial years, but more resources were allocated.

The Leeuwkop management area did not manage to spend 100% of the funds as per the budget spending plan for the past three financial years, that is 2022/23, 2021/22, and 2020/21, respectively.

Figure 16:*Zonderwater Area Budget Analysis*

(Researcher's own work)

The management area was overfunded in the financial year 2022/23, 2021/22, and 2020/21 and underspent by R354,000 in 2020/21 due to vacant posts and outstanding invoices from service providers. The Zonderwater management area did not manage to spend 100% of the funds as per the budget spending plan for the past three financial years, that is 2022/23, 2021/22, and 2020/21, respectively.

Figure 17:*Zonderwater Area Expenditure Analysis*

(Researcher's own work)

Most programmes were overfunded in the past three years; only in 2020/21 did Social Reintegration overspend due to salary increments. The underspending was due to vacant positions, a lack of services for contractors and material suppliers and less fuel used. Even though the management areas experienced a budget reduction in 2022/23, they continued to underspend.

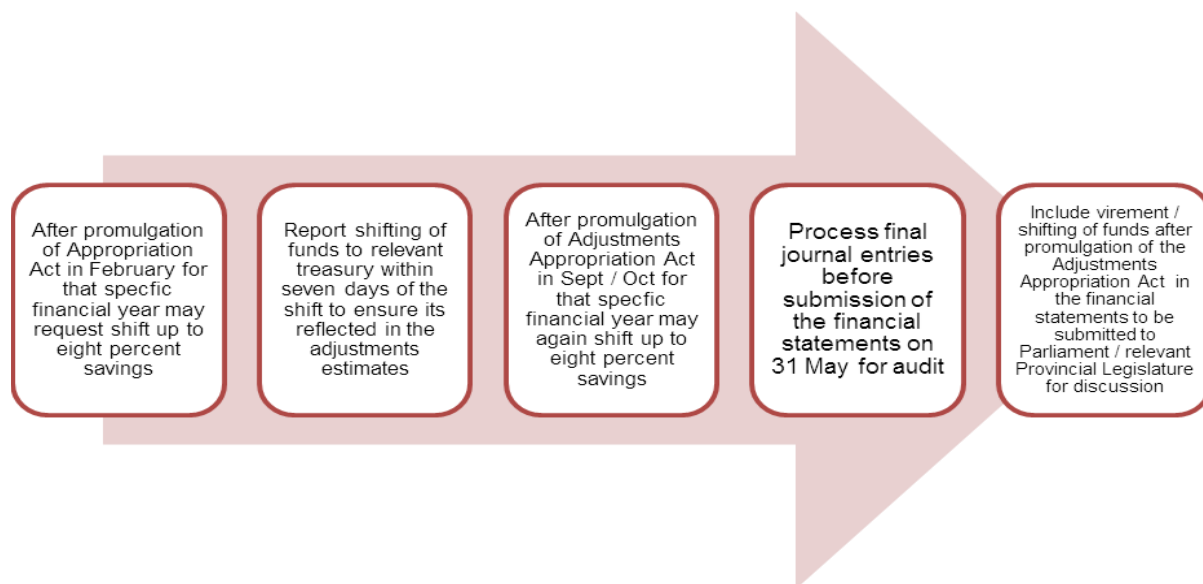
4.3.1.2 Overview of the Gauteng Region Budget Allocation and Expenditure Analysis

The research revealed that the budget allocation within the Gauteng region was distributed based on historical costs. Moreover, the delegated authority failed to implement Section 43(1) of the PFMA, which allows the Department to apply to shift funds (8 per cent of R1 million) from one programme to another, from the National Treasury to the budget, and reallocate funds among the programmes, especially from programmes

that were underspending and to programmes that overspent. They only shifted funds from within a programme to sub-programmes, without considering that other programmes were underspending. The timeline for virements (Funds) is illustrated in Figure 20 below.

Figure 18:

Timelines for Virements:



National Treasury Budget Guidelines 2022/23

Figure 20 above illustrates the timelines that Section 43 (2) on virements uses to ensure proper planning for the allocation of funds and that the National Treasury appropriates spending to highlight the Department's specific needs. The FMs must adhere to regulatory prescripts and the integration of strategic plans and budgets. They need to hold NFMs accountable for managing the resources allocated to deliver the Department's core function. In terms of the PFMA, proper budgeting extends accountability for expenditures and, more importantly, for the efficient and effective achievement of goals in line with strategic priorities.

To avoid a negative impact on departmental goals, top management could not ensure that no deviation from the approved budget was made without the approval of the

delegated authorities. To mitigate this, top management must develop budget oversight mechanisms that require NFMs be directly involved in managing management areas' funds to comply and hold themselves accountable.

4.4 Section D: Overview of the Auditor General Report (AGSA)

Table 1: Audit Outcomes

Institution	2022/23	2021/22	2020/21
DCS	'Unqualified'	'Unqualified'	'Unqualified'

Table 1 above denotes the Department's historic audit outcomes (since the 2020/21 financial year). The Department produced 'unqualified' audit opinions with procurement and contract management findings for three consecutive financial years: 2020/21, 2021/22, and 2022/23. The AGSA, however, raised findings concerning compliance matters on overall laws and regulations: the non-compliance resulted from procurement processes and contract management, which resulted in the Department incurring irregular expenditures. Over the same period—2020/21, 2021/22, and 2022/23—the Department's 'Irregular Expenditure' saw an upward trajectory (2020/21: R1,413,399,761; 2021/22: R946,590,000; and 2022/23: R194,770,000) (AGSA Olaniyan and Efundate,2020). A key contributor to the irregular expenditure is the splitting of cases, wherein items that ought to be procured through long-term bids are procured through short-term price quotations (limited to R1 million per case).

In addition, had the Department secured long-term contracts, this irregular expenditure could have been avoided. Items procured by Price Quotation are generally more expensive (given their short-term nature); a competitive bid would allow the Department latitude with price negotiations given its long-term nature. Accordingly, the Department's management should implement internal control measures to ensure that the same goods and services procured concurrently are combined and procured through legislated competitive bidding processes. In addition, they should fill all vacant SCM positions, thus ensuring the Department can adhere to prevailing prescripts and standards relating to the

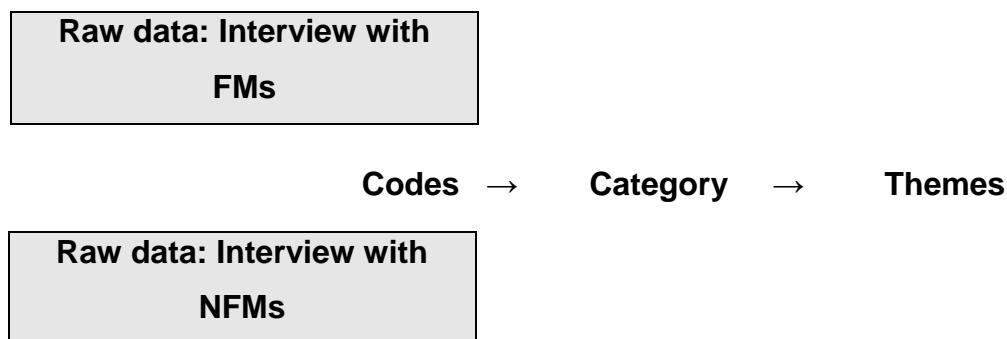
segregation of duties. The procurement of goods and services without the existing contract negatively impacted the DCS because it has led them to procure items on price quotation, more or less twice a week, with limited personnel. The expenditure on items like food, toiletries and personnel hygiene negatively affected the management area's budget spending plan, and as such, the Department's budget, resulting in overspending due to high prices.

4.5 Discussion and Interpretation of Key Findings

Themes were extracted by analysing participants' interview transcripts, using a coding method. The method helped the researcher to explore related and similar concepts and contexts and thus group them. These themes emerged from FMs' and NFMs' data used to organise data and ascertain that each theme was consistent, distinctive, and coherent. Furthermore, the process of participant feedback was arranged in categories and coded manually to understand the meaning of the responses from FMs and NFMs. Finally, the researcher used the financial data for the past three financial years to scrutinise the financial performance of the Gauteng region as a whole, breaking this down to management areas. The approach helped the researcher to analyse the actual expenditure versus the spending plan to determine the impact and to link them to responses from FMs and NFMs.

Figure 19:

Coding Process



(Lichtman, 2013)

Figure 21 above illustrates the process the researcher followed to analyse data from interviews with FMs and NFMs. The researcher set codes for phrases and words from each participant into a single report to summarise and analyse the outcomes. This inductive reasoning allowed the researcher to draw conclusions based entirely on the interview responses sample and themes that emerged below.

Figure 22 below illustrates the themes that emerged from the responses obtained from the interviews.

Figure 20:
Emerging Themes



(Researcher's own work)

4.5.1 Budgetary Participation

Participative planning is a cycle under which managers affected by a budget are engaged in the spending plan creation process. This was done through participation (Sandi *et al.*,

2021, p. 36), which may influence this through the joint mechanisms of introducing higher goals and enhanced goal commitment on the part of managers. This study found that the FMs did not involve the NFMs in budgetary participation when distributing the budget. Budgetary participation gives lower-level managers a feeling of increased responsibility in the subsequent spending plan. Departments realise an increase in performance due to this procedure, which helps to motivate managers' commitment to budgets.

Hence, Anessi-Pessina *et al.* (2016) recommend that NFMs must be engaged in the budgeting process, involved when implementing a budget spending plan, and accountable for deviations or mismanagement. For budgetary participation, “a person must become actively involved in setting budget goals by exchanging information and influencing outcomes” (Mugwe, 2012, p. 35).

4.5.2 Lack of Consultation

The study revealed several barriers and challenges both FMs and NFMs encountered with the budget spending plan at the management areas level: misdirection of funds, underspending, overspending, an ineffective supply chain process, poor planning due to lack of consultation from the National Head Office and Regional Office, and escalating to management areas. According to Kihn (2011, p. 21), “several purposes have traditionally been identified for budgets and, ultimately, for budget targets. Budget targets may be financial plans, forecasts or estimates of expected future outcomes that the management team has agreed upon”. They can be used to impart to staff what is generally expected of them to facilitate exercises across various parts of the organisation. Budget targets reveal how resources are distributed within the organisation, and they might act as formal authorisation to a manager to spend an allocated fund on specific activities.

4.5.3 Inadequate Resources

The study also revealed that NFMs struggle to meet their targets due to inadequate resources. The budget allocated does not meet all their needs, as supported by a

statement from NFM 1 and confirmed by NFM 2, who mentioned: “If you want to purchase an item, you need to shift funds from your activities by filling out the BOEs form.” Both NFM 1 and 2 were unable to plan effectively due to a lack of resources. Ababio *et al.* (2008) support this finding and advise that when government departments measure the allocation of funds, they must consider the optimum service delivery and socio-economic development.

4.5.4 Procurement Process

The AGSA has consistently found a lack of accountability in the procurement process and that procurement is done through price quotations. Since the end of the 2019/20 financial year, the DCS has been operating without a contract for toiletries, cleaning materials, and perishable and non-perishable items for six regions across the country. This contract enables the Department to negotiate and lower prices with suppliers. In the absence of this contract, the delegated authority from the National Head Office has given NFMs approval to deviate from the process, which in turn leads to irregular expenditure. This approach affected SCM officials negatively due to the staff shortage because they had to advertise a price quotation every fortnight for different categories of items.

The study also found that NFMs must do business with suppliers registered on the Central Supplier Database (CSD) managed by the National Treasury; most of these are categorized as Broad-Based Black Economic Empowerment (BBBEE) suppliers. FM 1 commented on the compliancy of such suppliers: “I will also suggest that supply chain and finance must work hand in hand to ensure that they deregister all non-compliant suppliers and remain only (*sic*) with credible suppliers on our database and evaluate our internal policies because sometimes they become a red (*sic*) tape for us.” NFM 8 echoes this observation: “My challenge is the suppliers on the departmental database; their pricing is abnormal (*sic*) and three times more expensive than market research [shows] on the internet.” From these responses, it is evident that FMs are experiencing barriers concerning suppliers registered on CSD. Their prices are too expensive compared to

dealing directly with manufacturers or distributors. In addition, these suppliers do not always deliver products ordered on time, which further affects the budget spending plan.

4.5.5 Lack of Support

The study results show that NFMs are managing the budget spending plan under challenging circumstances as the level of authority within the Department does not have a proper framework to deal with decision support systems that should provide decision-making support for decision-makers at all organisational levels. The same was found by the AGSA, arguing that management did not establish and effectively communicate specific policies and procedures to enable and support the understanding and execution of internal control objectives, processes, and responsibilities. This was witnessed during the interviews when the researcher examined an internal control system implemented by FMs in dealing with the budget spending plan. The findings reveal poor financial management practices where managers regard BOE as the norm. This was evident in NFM 7's comment that "managers are spending on what they do not have by applying for BOEs." Based on this evidence, this behaviour puts the Gauteng region on the back foot because they will not comply with a budget spending plan.

4.5.6 Management Oversight

Based on the researcher's analysis, another key barrier is the lack of oversight by senior management; it is evident that senior-level management have overlooked the issue of misdirection of funds for several financial years. According to King and Mestry (2023), lack of management oversight refers to a circumstance in which top management has not been adequate consideration to ensure that the team or department operates correctly.

The DCS is responsible for defining, implementing, and improving the budget management strategy and systems and establishing a high ethical standard throughout the organisation. If NFMs fail to spend the budget allocated to them on time, the FMs opt for the misdirection of funds; the inconsistencies of prioritising or shifting the funds are not a solution to a budget spending plan. It derails the management plan and results in

overspending or underspending. Senior management is responsible for financial reporting and the oversight of the related controls that are commonly known and well understood. According to the AGSA Handbook (2023), the DCS' leadership did not effectively exercise oversight responsibility regarding financial and performance reporting, compliance with legislation, and related internal controls.

4.5.7 Lack of Continuous Development

Finally, the study found a lack of continuous development of NFMs in budget management. This was illustrated by FM 6: "Most activity managers do not spend according to [the] spending plan.... You give them training whatsoever (*sic*), but still nothing". This concern was supported by FM 8: "We have managers who are not well-oriented (*sic*) about budget management, and the spending plan becomes challenging." These reactions clarify that budget training and support for NFMs are challenges, perhaps contributing to their ineffective performance. The Department entrusts NFMs with substantial financial responsibilities but does not provide adequate financial training.

Brabbagan (2012, p. 79) adds that "teaching and training for non-financial managers is vital to improving their financial and budget management skills, which may impact an organisation's financial success." This view is echoed by Zweni, Mohlala, Yan & Ndevu (2023) who argue that financial training is a crucial aspect that contributes to an excessive deal for the achievement of managers, particularly NFMs. A lack of continuous development in budget management matters negatively impacts the performance of employees and the organisation's performance. Thus, continuous development enables NFMs to perform better and manage resources allocated to them effectively, enhancing their organisations' performance.

4.6 Conclusion

The chapter used interview data from FMs and NFMs in specific divisions, revealing several managers' challenges in implementing the budget spending plans in the DCS in

the Gauteng region. Furthermore, an interpretative analysis of the financial performance for the 2020/21, 2021/22, and 2022/23 financial years in the Gauteng region, as designated to management areas, based on the economic performance interpreted leads to the conclusion that the Gauteng region could not manage the budget spending plan successfully for the three financial years due to improper planning; this resulted in overspending and underspending in some programmes.

The budget for the three financial years studied needed to be more flexible to prevent both overspending and underspending. However, some deviations between actual expenditure and the allocated budget may occur, or unforeseen circumstances may necessitate the revision and subsequent adjustment of the planned initial projects or estimated costs involved in the execution of activities in a financial year. The following precautionary measures need to be implemented to ease pressure on the budget: shifting funds, applying for virement on time from the National Treasury, and being able to identify early warnings of budget shortfalls to prioritise funds from other programmes.

From the study, it is also apparent that the DCS failed to implement an action plan to prevent recurring audit findings on procurement and contract management and avoid irregular expenditures for the 2020/21, 2021/22, and 2022/23 financial years.

CHAPTER 5: SUMMARY OF FINDINGS, RECOMMENDATIONS, LIMITATIONS OF THE STUDY, AND CONCLUSION

This chapter summarised the study's findings and recommendations, acknowledges the limitations of the study, and provides a conclusion based on the study's objectives. The research explored the managerial challenges in implementing a budget spending plan in the DCS in the Gauteng region.

5.1 Summary of the Findings

The research focused on the main question, which established the challenges affecting FMs and NFMs in implementing the budget spending plan at the DCS in the Gauteng region. The following key findings were identified:

- The NFMs are not involved in the budget allocation, and the budget was determined by on historical costs.
- Funds were not shifted as per departmental policies and regulations.
- Most NFMs need budget management training and lacked the skill to monitor the budget within their area of responsibility.
- Top management implements projects without proper funding, and inadequate resources delay affected the project's quality and standards.
- There was no proper action plan to address overspending and underspending.
- A key finding was that the FMs and NFMs within the Gauteng region did not comply with the budget spending plan for the past three financial years. They struggle to deal with the high demand and commitment of the model.
- Management and leadership have failed to implement an action plan to monitor procurement and contract management to prevent recurring audit findings in the past three financial years.

The study affirmed that the research questions and study objectives of this research, as outlined in Chapter One, have been met. The findings also reveal a deeper research problem and provide an appropriate solution and way forward for the future.

5.2 Recommendations

The researcher recommends establishing a budget committee comprised of financial managers from various management areas in the Gauteng region and including them in the budget distribution. The budget allocation must be based on each management area's MTEF submission and capacity.

The study further recommends that senior management review the procurement process regularly to ensure monitoring and controls over compliance with policies to detect and prevent non-compliance, especially concerning supply chain management.

Policies and regulations require that the budget be reviewed regularly, and NFM's must be allowed to revisit their planning and make changes on time.

The study recommends that the DCS allocate adequate funding to the SSS initiative. This will reduce pressure on the original budget because most items will be sourced internally from the DCS' local farms.

5.3 Limitations of the Study

The researcher experienced challenges accessing other information, including the IYM tool from the Krugersdorp Management Area. When a new computer was installed, the financial managers lost some information due to computer malfunction. The researcher encountered problems with time management as the research was conducted in a short period because the researcher's approval from the DCS came shortly before the start of the festive season as some participants were about to go on vacation. The researcher was forced to do more analysis of secondary information to understand the culture and practices of some management areas. The researcher managed to interview 17 participants instead of 18 because one senior financial manager was booked sick at the time of the interviews.

5.4 Recommendations for Further Studies

This study explored the managerial challenges in implementing a budget spending plan in the DCS in the Gauteng region. It made several findings on the budget spending plan, which include management oversight, inadequate resources, and inconsistency in the budget allocation. A comparable or similar study needs to be conducted to research budget spending plans in other government departments nationally.

5.5 Conclusion

This chapter provided the study's conclusion and recommendations to assist the DCS in the Gauteng region and other public institutions. The study found that managers are expected to implement their budget spending plan under tightly controlled financial management systems, with inadequate resources, contributing to over- and underspending due to improper internal control measures and a lack of leadership oversight.

Moreover, the research revealed recurring AGSA findings in the SCM regarding procurement and contract management for the 2020/21, 2021/22, and 2022/23 financial years. Management's lack of accountability for not implementing internal control measures, adhering to legislated competitive bidding processes, and filling all vacant positions in SCM negatively impacted the Department's financial performance. Policies and procedures in budget management should also have been implemented more effectively to prevent over- and underspending, which contributed to non-compliance in the budget spending plan, caused by senior management's lack of consultation and support in decision-making. The study also found that a lack of training for NFM's negatively impacted them, contributing to low productivity and further derailing their performance. The original budget was distributed without the involvement of the NFM's, which impacted service delivery and delayed project completion. The study suggested possible solutions and recommendations for the challenges managers experience in implementing budget spending in the DCS in the Gauteng region.

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Appendix A: Ethical Clearance Certificate: University of the Witwatersrand

Appendix B: Ethical Clearance Certificate: Department of Correctional Services

Appendix C: Participation Information Sheet

Appendix D: Interview Schedule: Non-Financial Managers

Appendix E: Interview Schedule: Financial Managers

Appendix F: Consent Form