

**EFFECTIVENESS OF FINANCIAL MANAGEMENT IN PUBLIC SECTOR
A CASE OF DEPARTMENT OF EMPLOYMENT AND LABOUR, THE EASTERN
CAPE, SOUTH AFRICA**

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DECLARATION

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I, Mzukisi Fodi, student number 48165182, affirm that the ideas and work presented in this dissertation are entirely original. No university or other higher education institution has received this work in any form for another degree. All references to published or unpublished works have been acknowledged.



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ABSTRACT

An investigative study evaluated a financial management framework's effectiveness in resolving financial management issues and improving financial performance. The researcher utilized quantitative research methods such as probability sampling and descriptive statistics for data analysis, including Pearson-Pearson correlations and multiple regression analysis to test hypotheses.

The study adhered to ethical standards by ensuring participant protection, privacy, confidentiality, anonymity, and informed consent. Data analysis revealed key themes including internal controls, financial governance, financial reporting, financial management, and financial reconciliation. It was found that the department lacked training for finance employees, knowledge from external auditors, budget monitoring mechanisms, accurate fixed assets reconciliation, and a system to prevent irregular expenditure.

Recommendations included reviewing training policies, providing workshops for finance officials, ensuring audit readiness, strengthening duties and responsibilities, implementing systems to prevent unauthorized access, introducing expenditure approval templates, and requiring budget approval before expenditure. The study found that the existing financial management framework is effective but identified areas in need of improvement.

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KEY TERMS

PFMA 1999

ACCOUNTABILITY

TRANSPARENCY

MONITORING

AUDITOR – GENERAL

EFFECTIVENESS

EFFICIENCY

BUDGETING

FINANCIAL MANAGEMENT

ABBREVIATIONS AND ACRONYMS

AGSA	AUDITOR GENERAL SOUTH AFRICA
APP	ANNUAL PERFORMANCE PLAN
CFI	CORPORATE FINANCE INSTITUTE
DEL	DEPARTMENT OF EMPLOYMENT AND LABOUR
GRAAP	GENERAL RECOGNISED ACCOUNTING PRACTICE
IAS	INTERNATIONAL ACCOUNTING STANDARDS
IFAC	INTERNATIONAL FEDERATION OF ACCOUNTANTS
IMF	INTERNATIONAL MONETARY FUND
MEC	MEMBER OF EXECUTIVE COUNCIL
MTEC	MEDIUM TERM EXPENDITURE COMMITTEE
PEFA	PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY
PFM	PUBLIC FINANCE MANAGEMENT
PFMA	PUBLIC FINANCE MANAGEMENT ACT
RSA	REPUBLIC OF SOUTH AFRICA
OECD	ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
SAIPA	SOUTH AFRICAN INSTITUTE OF PROFESSIONAL ACCOUNTANTS
UK	UNITED KINGDOM
ZBB	ZERO BASED BUDGETING

CHAPTER 1

INTRODUCTION AND OVERVIEW

1.1 INTRODUCTION

The study evaluates the financial management framework of the Department of Employment and Labour, focusing on its effectiveness and identifying obstacles to implementation. The aim is to help the department improve internal controls, promote ethical practices, and achieve a clean audit.

When examining the public financial system, it is crucial to differentiate between Public Financial Management (PFM) and corporate governance, even though these terms are often used interchangeably. PFM focuses on the technical and operational processes, including strategic planning by financial managers on revenue collection, allocation of public resources, and improving citizen welfare through the establishment of necessary systems.

PFM aims to ensure that the government delivers services mandated by the constitution efficiently and effectively. Strong internal processes and systems, including routine operational methods for financial bookkeeping, reporting, and budgeting, are essential for achieving this goal. These procedures, as outlined by the International Federation of Accountants (IFAC) (2019) and Sa'eed et al. (2020) are designed to improve the accuracy and completeness of financial records and enhance technical effectiveness. In essence, financial management involves planning, controlling, and implementing financial strategies to efficiently utilize resources and achieve financial goals, making it crucial for controlling capital and making essential financial decisions (Alnaqabi & Nobanee, 2021).

However, financial governance is described as the way in which organizations are supervised, governed, and managed. Furthermore, it delineates relationships and allocates rights and responsibilities, establishes the protocols and procedures for formulating and achieving the organization's objectives, and offers mechanisms for performance evaluation (UK HM Treasury, 2017).

This chapter presents the background, the context, justification, and significance of the study, outlining the research questions, specific objectives and research problem. It features a literature review that supports the research purpose and provides a brief

overview of the methodology, study design, and data collection methods. The Chapter provides definitions of key terms to enhance understanding and adheres to ethical considerations in accordance with university regulations. The chapter concludes with an overview of upcoming chapters, offering background information and the study's rationale.

1.2. RESEARCH CONTEXT: BACKGROUND

Sulla et al. (2022) emphasize that South Africa's per capita consumption exceeds the average of upper-middle-income countries by approximately 50% but it remains the world's most unequal nation. The nation faces complex rooted in the legacy of apartheid, including challenges due to unequal opportunities, factor market disparities, apartheid legacy, uneven access to jobs and land, and disparities in factor markets and opportunities. To effectively address these issues, South Africa must improve access to quality services, enhance conditions for private sector job creation, and invest in social protection systems to respond to climate-related risks.

PFM is vital for allocating resources to meet national and local objectives, enhance infrastructure, and boost public service efficiency. Promoting financial transparency fosters public trust and encourages community financial support (Krah & Mertens, 2023).

In addition, efficient financial management is crucial for enhancing public service quality, requiring government agencies to monitor national income, expenditures, and debts, similar to the analysis of corporate financial reports. (Corporate Finance Institute, 2022). The Commonwealth Secretariat (2006) highlights the significance of PFM in efficiently gathering and handling government funds, especially in situations where social needs exceed the allocated budget. Furthermore, it was stated that reducing waste is vital for optimal use of public funds, enhancing trust and collaboration between governments and citizens, which is crucial for development.

This study analyses the influence of leadership on enhancing financial management within the South African public sector, particularly in combating corruption and state capture. It highlights financial management objectives such as value maximization, sustainability, and focus on core activities, alongside the importance of accountability and transparency in public finance management for better budgeting, financial regulation, and performance management in public administration (Cloete, 1998).

Grozdanovska et al. (2017) highlight the necessity of high standards for civil servants to ensure an effective government that meets public needs. They define financial management as applying management principles to allocate resources, including planning, organisation, direction, and control of financial activities. The emphasis is on setting objectives, policies, procedures, and budgets to facilitate financial strategies that encourage growth, stability, and a balance between income and expenses.

Corporate governance is essential for the success of both private and public organizations, focusing on improving efficiency and effectiveness within government departments to enhance management and operational performance, as noted by His Majesty's Treasury (2017). However, OECD (2017) argued that poor governance contributes to many problems that undermine successful delivery of infrastructure. Improving governance to deliver quality infrastructure, requires concerted action across several closely interconnected dimensions.

The South African government's Department of Employment and Labour oversees employment-related issues, including industrial relations, job creation, unemployment insurance, and occupational health and safety. The mandate of the department is to ensure that it adheres to the governance requirement and ensuring that financial management is upheld. Also, the department should deliver the required services in the most effective, efficient and economical manner possible. In short, the Department should ensure that maximum value for money is derived from every cent spent for services. The researcher chose the DEL as research area of the study due to the fact that the researcher is familiar with the department and will not spend more resources and time in investigating the area that is impossible to successfully complete the study in good time. Secondly, the department is managing sizeable portion of budget on behalf of government in order to provide required services to South African citizens.

This study evaluates the financial management framework of the Department of Employment and Labour, emphasizing its impact on internal control, ethical practices, and audit results.

1.3. THE RESEARCH PROBLEM

Effective financial management in public institutions is crucial, as per Section 216 of the South African Constitution, which requires a national treasury to manage procurement and spending for accountability. The national treasury enforces the PFMA to manage government expenditures. Many government departments struggle with financial management, leading to frequent overspending or under-utilization of funds, as shown in annual reports (South African Constitution, 1996).

Lucy (2016) suggests that inadequate financial planning results in a deficiency of essential equipment, misdirected initiatives, inadequate learning conditions, and subpar performance, all of which detract from the government's vision-driven objectives.

Glasser and Wright (2020) has found that financial mismanagement in South Africa, involving unauthorized, irregular, wasteful, and fruitless spending, is causing financial challenges for the nation. Additionally, it was revealed that state departments did not comply with the PFMA, resulting in billions of Rand remaining unspent and obstructing the country's development prospects (Swart & Swanepoel, 2019).

The National Department of Labour's Annual Report for 2019-20 revealed a failure to implement necessary actions to avoid unauthorized spending amounting to R1,367,000, as specified in PFMA section 38(1)(c)(ii) and Treasury Regulations. The main reason behind this overspending was a lack of adherence to the PFMA's rules regarding procurement and contract administration. Furthermore, it indicated unproductive and wasteful spending of R698, 000, primarily caused by damages to vehicles owned by the department. Furthermore, on the Annual Report of 2024-25 it was revealed that effective and appropriate steps were not taken to prevent fruitless and wasteful expenditure as disclosed in note 31 to the annual financial statements as required by section 38(1)(ii) of PFMA and treasury regulation 9.1.1. the majority of fruitless and wasteful expenditure was caused by inventory and assets theft.

The current financial management framework is ineffective in addressing issues with financial management processes, leading to concerns about internal controls and ethical environment improvement. In cases where procurement processes i.e. failure to comply with legislative frameworks and weak internal controls are not in compliance with the PFMA's prescripts this hindered the department's chances of achieving a

clean audit. The study seeks to evaluate effectiveness of financial management framework at DEL also to review its impact on internal control, ethical practices and achieving clean audit.

1.4. THE STUDY AIMS TO DO THE FOLLOWING

The study aims to do the following:

- To determine the impact of financial management within the public sector environment.
- To review the current financial management framework, assess its effectiveness, and investigate challenges in its implementation processes.
- To recommend strategies for the Eastern Cape Department of Employment and Labour to strengthen internal control, improve its ethical environment, and achieve a clean audit.

1.5. RESEARCH OBJECTIVES

The objectives of this study are to:

- Review the role of financial management in the public sector environment at the Department of Employment and Labour (DEL)-Provincial Office East London.
- Analyse South African public sector financial policies, regulations and laws used in financial management environments to improve financial performance.
- Make meaningful suggestions for the development and improvement of effective financial management, related plans and implementation to achieve pre-determined objectives.
- Recommend appropriate strategies to the Department of Employment and Labour for proper compliance with applicable financial management laws in public sector settings.

1.6. RESEARCH QUESTIONS

- What is the role of financial management in the South African public sector environment?
- Which financial policies, prescripts, and legislation are prescribed for use in the South African Public Sector to improve financial performance?

- What suggestions can be formulated for the development and improvement of effective financial management to assist the Department of Employment and Labour (DEL) in meeting its pre-determined objectives?
- What recommendations can be made to DEL regarding strategies to enhance compliance with applicable financial management laws in the public sector environment?

1.7. THESIS STATEMENT

The study assesses the current financial management system's effectiveness, pinpointing potential issues that could disrupt operations. By tackling problems in financial processes, the aim is to improve internal controls at DEL, foster a more ethical environment, and secure an unqualified audit.

1.8. SIGNIFICANCE OF THE STUDY

The researcher plans to investigate government financial management challenges, focusing on enhancing internal controls, improving ethics, and obtaining a clean audit. Additionally, the study will assess the existing financial policies and regulations at the DEL.

The research investigates public sector financial management practices aimed at improving governance transparency, aligned with King III guidelines.

The study analyses the shift from King III to King IV, highlighting the significance of ethical leadership and management in corporate governance. It aims to improve financial management practices, develop strategic plans, and suggest compliance strategies for the Department of Employment and Labour in public sector financial management.

1.9. ETHICAL CONSIDERATION

The researcher needed approval from both the Department of Employment and Labour and the University of South Africa before initiating research that involves data collection in DEL Eastern Cape offices. Participant information is restricted to research use only.

The researcher's goal is to secure informed consent from participants, guaranteeing voluntary participation without coercion and allowing them to withdraw from the study without negative consequences.

The researcher emphasizes the critical need for confidentiality, impartiality, honesty, and integrity in interactions with participants and management of sensitive data, prioritizing the protection of participants' rights unwaveringly.

The researcher is dedicated to maintaining confidentiality and respect for data provided by participants, taking precautions to prevent any misuse. Transparency and honesty will be maintained with participants regarding research objectives, and Intellectual Property rights will be respected with proper recognition of original sources.

Data for this research will be collected from various stakeholders to improve progress and development in financial management.

1.10. SCOPE AND LIMITATION OF THE STUDY

The study evaluates the effectiveness and challenges of financial management practices at DEL EC, focusing on research objectives, questions, variables, and theoretical aims. It involves a questionnaire with Likert-scale items within a philosophical framework to enhance internal control, ethics, and audit compliance in the public sector. Additionally, it will analyse financial policies to protect resources, enhance efficiency, and ensure proper governance. Recommendations for system improvements will be made, with identified challenges including time constraints and limited financial resources.

1.11. CHAPTER ORGANISATION

The study consists of five chapters, each addressing a specific research topic, accompanied by a summary for each chapter.

Chapter 1 The study's introduction will cover its topic, research problem, question, objectives, and aim.

Chapter 2 Literature will be reviewed

Chapter 3 Research methodology used to collect information will be outlined.

Chapter 4 Study findings will be discussed.

Finally, **Chapter 5** Chapter 4 results will be discussed and analysed in this section. There will also be a summary, a conclusion, and suggestions for more research.

Chapter 1: Introduction and Background to the Study

This chapter discusses the topic, research problem, and research question, emphasizing their link to the research objectives, and provides a brief overview of the study's aim.

Chapter 2: Literature Review

This review will assess previous studies, connect them to the research goals, and highlight gaps in existing literature.

Chapter 3: Research methodology

The data gathering process will be described in this section.

Chapter 4: Research Results

This section will display findings from research.

Chapter 5: Discussion and analysis of the results

This section reviews Chapter 4's results, draws conclusions from the research, and offers suggestions for future studies.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter analyses the impact of financial policies on departmental goals in South Africa, integrating both theoretical frameworks and empirical evidence from academic literature.

2.2 GOVERNMENT STRUCTURES AND LEGAL ASPECTS APPLICABLE IN THE PUBLIC SECTOR FINANCE ENVIRONMENT

The public sector adheres to legal regulations for effective financial management in government departments through diverse structures.

2.2.1 The South African intergovernmental system

The South African province known as the Eastern Cape, is the second-largest province, offers a variety of attractions such as skiing and beaches, wildlife parks, and historical sites. It spans approximately 170,000 square kilometres and is divided into eight municipalities, with Bhisho as its main administrative centre.

The province's rich culture and heritage are deeply rooted in the traditions of the Xhosa people. With a population of 6.6 million, the Eastern Cape accounts for 13% of the population of South Africa and 13.9% of its land mass.

Eastern Cape Province has a rich history dating back to Portuguese and British settlements, serving as a battleground for conflicts involving local communities and European powers. This diverse background is evident in towns such as Bathurst, Grahamstown, and Cradock, with Bhisho serving as the capital of the Eastern Cape, located 60km west of East London.

The Eastern Cape's economy is primarily based on the automotive industry but also shows potential in sectors such as chemicals, agriculture, agro-processing, and green technologies. The provincial government's main focus areas are education, healthcare, rural development, land reform, and food security, with an emphasis on advancing agriculture and agro processing as outlined in the Eastern Cape Provincial Growth and Development Programme (PGDP).

2.3 THEORETICAL LITERATURE REVIEW

2.3.1 Financial Management Framework

The below Figure 2.1 provides an overview of the financial management framework in the public sector. Financial Management Framework facilitates the entire financial management cycle, including planning, budget framework setting, reporting, and reviewing budget outcomes.



Figure 2.1 Financial Management Cycle (Source: Ministry of Finance Republic of Maldives (2018))

Financial Management is essential for government operations, involving the collection, allocation, utilization, and reporting of public funds throughout the budget cycle. A strong PFM system enhances governance, ensures high-quality public services, and fosters equitable economic and social conditions (Morgner & Chêne, 2014).

According to the OECD (2015) guidelines, a strong financial governance structure should focus on promoting transparent, fair, and efficient resource allocation while upholding the rule of law. It should also protect stakeholder rights, ensure fair treatment, and encourage collaboration among stakeholders for sustainability. It is important for organizations to have timely and accurate disclosure of information, as well as strategic direction, effective management oversight, and accountability through the board to stakeholders.

Furthermore, financial management involves a conceptual framework of ideas and methodologies to develop and implement effective management strategies. (Shaheen, 2023).

2.3.2 Effective and efficient use of state resources

Good governance and effective administration are crucial for promoting economic growth and societal progression, as highlighted by Meyer (2018). This topic has garnered significant attention in the public management debate. It was revealed in a study by Wilson et al. (2018) that effectiveness and efficiency are closely related to governance. In this context, the Webster-Merriam (2023) defines governance as the procedures through which a city, corporation, or entity is directed and overseen by its leadership. It was also revealed in the study by Garcia-Sanchez et al., (2016) that explanatory variables used to examine effectiveness are limited.

Furthermore, it was stated that social movements promote the enhancement of public sector services to improve governance standards and boost civic participation. Mandeli (2016) contends that by prioritizing effectiveness and inclusivity, the principles of governance can be reinvigorated, leading to heightened public interest in governmental initiatives

Lucy (2016) stated that inadequate financial management results in a lack of essential facilities, misplacement of projects, and an unfavourable learning environment, leading to subpar performance which undermines the government on achieving its vision. Furthermore, Shava and Mazenda (2021) highlighted that corruption and unethical conduct among governmental representatives in South Africa have emerged as a notable issue, as underscored by investigations like the Zondo and Mokgoro commissions. These problems have exposed prevalent cases of wrongdoing within the nation's public governance framework. This challenge hampers the effectiveness of initiatives and diminishes public confidence in governmental programs (Zhou & Utete, 2023). According to IFAC (2014), there is an urgent need for robust decision-making processes in public sector organizations that can define outcomes and ensure an optimal balance between different resource inputs, while still facilitating effective and efficient operations. Continuous review of decisions is essential to maximize the achievement of desired outcomes.

Cepal (2015) highlights the importance of evaluating government resource allocation in infrastructure, services, and community development based on economy, efficiency, and effectiveness, which are essential for meeting public needs and promoting community growth.

2.3.3 The Public Finance Management Act (PFMA)

The PFMA of 1999 is a crucial South African legislation designed to improve government finances by modernizing practices, enhancing accountability, ensuring timely information disclosure, and minimizing inefficiencies in resource management. The PFMA regulates the establishment of a national treasury, standardized procedures, and promotes transparency, along with protocols for borrowing, guarantees, procurement, and oversight to foster better financial management in the public sector.

2.3.4 Roles and responsibilities of finance officials under the PFMA

Section 6 of the PFMA delineates the National Treasury's responsibilities regarding budget formulation, while Section 27(4) mandates departmental heads to outline specific goals for major divisions during the annual budget presentation to the Provincial Legislature. These submissions may be unified in a document by the treasury department. Also, the overarching aim of financial management is to efficiently allocate financial assets to meet defined financial objectives (Mihajlović et al., 2020).

New finance roles now include evaluating and reporting sustainability performance and its influences on the environment and society, along with assuming a prominent position in the sustainability plan (Budinska, 2016). Alnaqabi and Nobanee (2021) emphasized that financial managers play a key role in creating and controlling a company's financial budget, implementing strategies to maximize shareholder wealth and effectively utilise financial resources. The financial management department is vital as it oversees all financial resources and makes critical financial decisions for the company. Accordingly, financial managers will be responsible for overseeing financial management rather than a different set of officers handling this task independently. Regardless of how measurable and attainable the program's goals are, these managerial responsibility criteria and the line manager's focus are completely consistent with program-based budgeting (Lusha, Mziu and Brahimi, 2015).

However, South Africa's public financial management faces challenges such as high turnover rates of skilled managers, insufficient government commitment, and inadequate resource monitoring. Additionally, the low count of clean audits indicates potential non-compliance with the PFMA of 1999, which may impede effective financial management and service delivery (Tsheletsane & Fourie, 2014). Furthermore, it has been disclosed that municipal administrations encounter difficulties in service rollout, human resource capacity, and community awareness, hindering essential services. Corruption and poor management also hinder public accountability for government accountability (Chili et al., 2023).

Furthermore, finance managers are also in charge of overseeing budgets, keeping track of finances, and analysing financial data to assist in financial decision-making (Pathak, 2023). As a result, program budget objectives are the only foundation upon which a modern financial management system stands. All choices must be thoroughly recorded, with the exception of those that have an impact on safety elements, and their financial implications must be made evident and accessible for internal and external audit as well as third parties to review (Lusha et al., 2015).

2.3.5 Segregation of duties

Chong (2013) and Ernst and Young (2010) stated that Segregation of duties is a prevalent internal control strategy employed by organisations to mitigate the likelihood of fraudulent activities. It is designed to reduce the opportunity for fraudulent activities. Additionally, Ferroni (2016) explained that segregation of duties should be seen as a control and as such, within the context of risk management operations. When evaluating potential conflicts and developing guidelines, it's important to keep this crucial component in mind segregation of duties, most simply, is a form of risk management. An essential component of internal control involves ensuring the proper SoD. In addition, it was stated by Stone (2009) that assigning tasks in a manner that prevents an employee from both committing and hiding mistakes and fraudulent activities while carrying out their job responsibilities.

According to Klug (2019) segregation of duties, is a key principle in the democracy and constitutionalism, which prevents government manipulation of constitutional authority, curbing dictatorial tendencies and empowering the principal functionary. Kobelsky (2014) provides and highlights that the segregation of duties is crucial for upholding efficient internal controls and mitigating risks within an organisation.

Nevertheless, smaller enterprises might encounter challenges in executing this principle because of insufficient scholarly investigation into the theoretical underpinnings of duty segregation.

2.3.6 Risk Management

Risk management plays a crucial role for companies striving to accomplish their business objectives (Lark, 2015). Furthermore, Kapuscinska and Matejun (2014) revealed that, risk can be considered as an opportunity when it contributes positively to the operations of the public finance sector or as a threat if its impact is negative.

However, it was stated that, public sector economic activities face numerous risks, affecting managerial decisions and reducing effectiveness. To achieve strategic goals and risk management methods must be assessed and managed effectively (Fedchenko et al., 2022).

Ahmeti and Vladi (2017) emphasize the significance of risk management for organizations to reach their strategic objectives. They note that risks, which can be both threats and opportunities, are inescapable and cannot be completely eliminated. The perception and management of risks are influenced by multiple factors. In the public sector, managing these risks is especially difficult due to stringent regulations, bureaucratic processes, and divergent stakeholder interests.

2.3.7 Internal controls

Internal control is a systematic process that ensures an organization achieves its objectives with the collaboration of all its members (Nevhutanda & Mamaile, 2020). Furthermore, an internal control system is essential to an organisation's governance structure, its capacity to manage risk, and its ability to support the attainment of its goals as well as to create, enhance, and safeguard stakeholder value (IFAC, 2012).

However, Cheng et al (2018) identified that governments encounter difficulties such as insufficient preventative internal controls systems and accountability, leading to financial mismanagement and inadequate services. In addition, Cheng et al. (2018) stated that the internal control systems' weaknesses impact financial reporting and organisational efficiency. Conversely, an effective internal control system enhances internal operations and helps stakeholders make informed decisions. According to Soopal (2023), stated that public sector oversight structures are currently failing due to reactive oversight, often focusing on correcting mismanagement rather than preventing

it. Correcting this oversight is crucial for improving public finance management and moving government forward.

Transparency in internal control systems is essential for rebuilding trust in corporations. Public disclosure is considered vital for effective corporate governance (Spira & Gowthorpe, 2008). According to the OECD (2017), an effective internal control system is essential for the management of the public sector to safeguard integrity, ensure accountability, and prevent corruption.

2.3.8 The role of auditing

Financial Statements auditing is a systematic procedure wherein financial statements are impartially assessed to ascertain adherence to predetermined standards and convey results of such an audit to interested parties. A registered auditor conducts this procedure to authenticate and endorse financial statements, guaranteeing that recipients receive accurate details concerning accounting standards, methodologies, and the general operational effectiveness of the organization (Gonzalo-Angulo, 2018). Furthermore, auditing is an independent assessment whereby auditors test the transactions using records as supporting documentation (Dandago, 2009).

A clean (unqualified) audit report is issued when there are no material errors or misstatements in the financial statements, no significant issues found during the audit of the annual performance report, and no significant violations of International Auditing Standards 700 (2015).

According to Jackson and Stent (2005), adjustments are made to an audit opinion in cases where unresolved issues arise. If such issues are material, the audit opinion is qualified. In instances where the issues are both significant and widespread, an adverse or disapproving opinion is issued. A detailed explanation is provided if there is a significant and widespread limitation in the audit scope. An adverse opinion is rendered if significant errors are detected and are spread throughout the financial statements. In line with this assertion, the International Accounting Standards Board (IASB) 700 and 705 (2015) also affirm that an unqualified audit opinion is granted when there are no concerns impacting the accurate representation of financial statements. Conversely, a revised report is issued when there are substantial concerns affecting the accurate representation of financial statements.

According to Ngoepe (2017) the following are the main focus areas in order to achieve a clean public sector audit:

Table 2.1: FOCUS AREAS TO ACHIEVE A CLEAN AUDIT IN PUBLIC SECTOR

AREA	DESCRIPTION
Assets	Fixed assets refer to the asset register while other assets are confirmed through a separate confirmation document.
Auditing of Performance Information (AOPI)	Strategic planning document Corporate strategy proposal Documentation substantiating accomplishments Project expenditure reports
Expenditure	Collections of payments (comprising invoices, orders, requisitions) Official papers for bids (such as SBD forms, tax clearance certificates) Varieties of documents needed for auditing
Human Resources	Employee records Ensure that employee files contain all necessary paperwork, such as medical records Employee evaluations (performance contracts, quarterly or semi-annual assessments, final evaluations, bonus calculations, etc.) Extra working hours (authorizations, computations, evidence of completion) Staffing (company hierarchy, job summaries, job assessments, job postings, meeting notes for the hiring committee) Confirmation of verifications conducted, if needed

According to Auditor-General (2021-2022) The Eastern Cape Provincial government has achieved an impressive 11 clean audit reports out of 21 departments. However, the provincial transportation department received a qualified opinion as a result of making excessive payments to transport service providers.

Effective audits identify risks, improve controls, and add value to organisations, while efficiency focuses on resource utilisation and streamlined processes, with effectiveness holding greater significance (Bednarek, 2018).

2.3.9 Budgeting

2.3.9.1 Planning and budgeting

Budgets are essential tools used by organizations for strategic planning and efficient project management (Zweni, 2017). According to Ermawati (2020) budgets serve as a

financial representation of tasks, services, or goods, with the plans of governmental departments being quantified through budgetary allocations. Also, budgeting processes vary based on strategic imperatives and leadership type. Planning determines future actions based on resources, while budgeting is a political process in public sector organisations (Ermawati, 2020). Zweni and Jowah (2018) revealed that budgeting is a crucial process overseen by executive management, involving employees, middle and lower management, and fostering gratitude. It is a strategic tool for planning and delivering effective services in organisations. Traditional approaches involve political decisions cascading down departments, with the ultimate budget coming top down.

All governmental budget procedures incorporate systems for monitoring financial allocations and upholding transparency. These tools can be utilized to connect funding with outcomes, a fundamental aspect of strategic procurement (Ssenyonjo et al., 2022). It is crucial during the initial planning phase to consider potential risks, threats, and hazards associated with different aspects of the nation's socio-economic advancement (Sharov & Reznikova, 2019).

According to Schmidt (2023), there are four prevalent budgeting approaches utilized by businesses: (1) incremental, (2) activity-based, (3) value proposition, and (4) zero-based. Each of these budgeting strategies has its own set of benefits and drawbacks, which will be elaborated on further in this manual.

Figure 2.2 below provide an overview and insight on four methods of budgeting incremental budgeting, activity based budgeting, value proposition budgeting and zero based budgeting.



Figure 2.2: Source: CFI's Budgeting & Forecasting Course (2017)

1. Incremental budgeting

Incremental budgeting uses past year's data to create the current year's budget, but it can lead to inefficiencies and inflated budgets, prompting managers to focus on reducing costs.

2. Activity-based budgeting

Activity-based budgeting is a methodical approach that originates from top management to ascertain the resources required to achieve organizational objectives, such as revenue goals, through the identification of tasks and computation of expenditures.

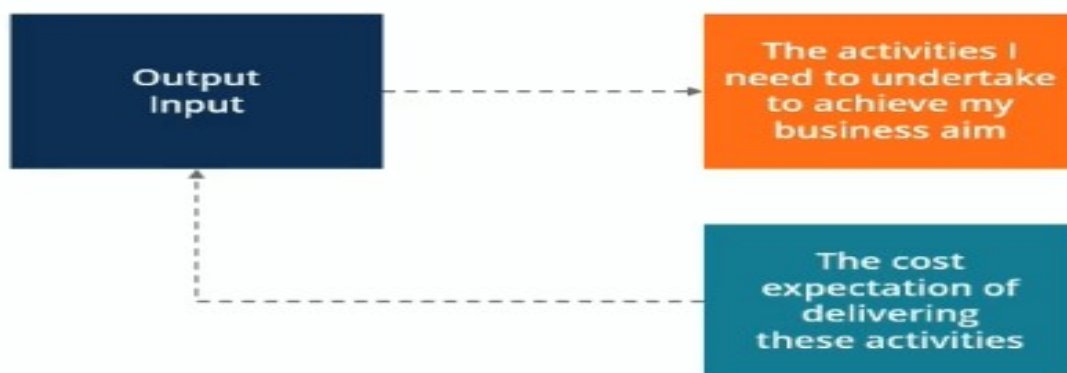


Figure 2.3: Source: CFI's Budgeting & Forecasting Course (2017)

3. Value proposition budgeting

Value proposition budgeting considers budget inclusion, item value, and cost-outcome ratio to avoid unnecessary expenditures.

4. Zero-based budgeting

Zero-based budgeting (ZBB) mandates that all expenses be justified from scratch for each new period, rather than adjusting the previous year's budget.

2.3.9.2 Budget implementation

Budget implementation involves responsibilities for government accounting operations and executing annual goals (Biereenu-Nnabugwu and Odigbo, 2017). Additionally, budget implementation is crucial for effective governance and absorption of resources. Nations face issues like poor credibility, corruption, and misuse of public funds, highlighting the need for effective systems (Asante et al., 2006; Piatti-Fünfkirchen & Schneider, 2018). Executing a budget that is poorly formulated can be challenging, whereas it is feasible to execute a well-structured budget poorly (Piatti-

Fünfkirchen et al., 2021). Likalama and Nyangau (2017) describe budget monitoring as the process of establishing a budget and regularly evaluating actual expenses to determine if adjustments are needed to stay within the financial plan. To make sure that their expenditures and activities are in line with more general service delivery goals, organisations and institutions in the public sector rely largely on budgetary management.

It was stated that the effectiveness of budget implementation should be assessed not just by expenditure but also by accountability in documentation and reporting. Key evaluation criteria include the promptness of planning activity needs, the speed of fund withdrawal, the alignment of receipts with payment documents, the timeliness of bill payments, and the correspondence between recipients and the purpose of payments (Kuntadi & Puspasari, 2023). Also, procurement planning and budgeting are crucial for efficient public financial management, ensuring resource allocation, accountability, wastage reduction, and corruption risk reduction (Badanidiyuru et al., 2012).

2.3.10 Procurement management

The procurement procedure consists of various phases (pre-acquisition stage, tendering process, contract award, and contract and supplier management), each necessitating a distinct and meticulous plan to ensure optimal outcomes (Baldi et al., 2016). Furthermore, logistics management is crucial for procuring and delivering goods, services, and infrastructure to fulfil public needs, emphasizing its significance in public administration (Rasheli, 2016; Trammell et al., 2019).

However, Mazibuko (2018) and Fourie (2017) stated that failure to adhere to procurement procedures includes lack of competition in bids, insufficient oversight of contracts, giving contracts to relatives, suppliers not providing full information, and approving fewer than three quotes without proper authorization for deviation.

The Public Expenditure Financial Accountability (PEFA) framework's PI-24 indicator ensures efficient procurement of government spending on goods, services, civil works, and major equipment investments, ensuring value for money delivery (PEFA Secretariat 2019). Furthermore, the International Monetary Fund African Dept. (2023) stated that an impact assessment of the preferential procurement system should be conducted to measure the benefits it brings to the economy and target groups. Eligibility should be based on supplier performance and temporary, allowing firms to

graduate once no longer disadvantaged. Regular monitoring and quantification of objectives and consolidating or streamlining them can improve effectiveness.

2.3.11 Principles of public finance

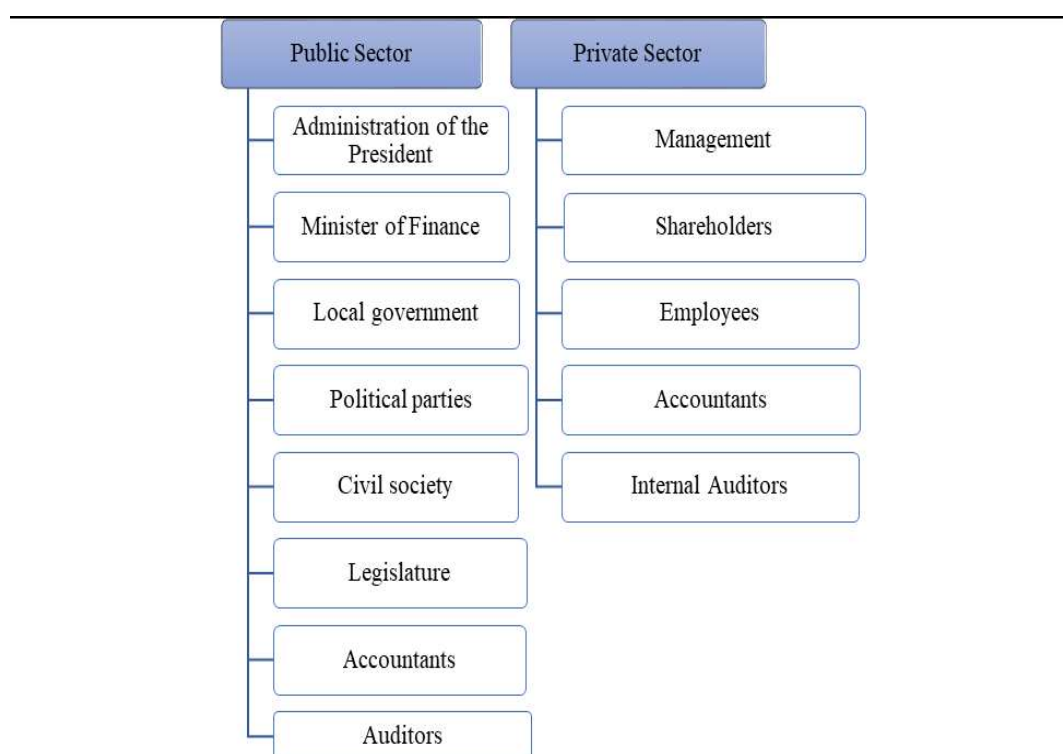
2.3.11.1 Financial management

The PFMA delineates the responsibilities of those accountable for financial management in specified entities. It emphasizes the formulation of goals, strategies, processes, and budgets for effective financial policies according (Grozdanovska, 2019). Key aspects include ensuring adequate funding, supplier management, and alignment with market trends while prioritizing accountability and company objectives. Improving organizational transparency, efficiency, accuracy, and accountability is crucial for organizations to achieve their objectives (Mihajlovic, 2020; Koitaba, 2013).

Efficient management of public finances is crucial for ensuring good governance (Transtec, 2017).

The Figure 2.4 below by Tkachenko (2020) revealed that Effective public finance management requires coordination among numerous actors at each stage, necessitating stakeholder involvement and evaluation. The complexity of harmonising diverse perspectives presents a challenge yet is crucial for ensuring the process's effectiveness and accountability.

Figure 2.4: Source: Tkachenko (2020)



Therefore, it is crucial to implement efficient financial management strategies to improve openness, productivity, precision, responsibility, and the accomplishment of an organization's goals (Phylisters, Mulwa, & Kyalo, 2018). Public financial management changes are essential for companies aiming to enhance financial resource management and improve cost-effectiveness and operational efficiency. These reforms are designed to enhance service delivery by efficiently managing resources allocated (Miller et al. 2021).

2.3.11.2 Revenue management

Revenue, also known as turnover, refers to business income received from sale of goods, interest, dividends, rental and taxes from properties and royalties. It is managed by public authorities through various sources, encompassing public income or public revenue (Dalton, 2016). Furthermore, revenue management is crucial for achieving a nation's objectives, significantly contributing to economic development and social wellbeing (Tiwari, 2017).

According to Shah (2007), one of the primary duties of local governments is revenue management which includes the collection. Fines, fees, taxes, licenses, permits, and special assessments are just a few of the income sources used by local governments to raise money.

Mawanda (2008) stated that revenue collection is a public sector's top line or gross income, obtained from normal business activities, typically from selling goods and services to customers, determining net income.

2.3.11.3 Expenditure management

According to IMF (2016) which declared, the effectiveness of fiscal regulations, budget plans for the medium term, and yearly budgets may be rendered insignificant if spending is not effectively managed during implementation. Inadequate control over expenditure not only raises doubts about the credibility of the system for managing public finances but also undermines public trust in a government's management of public funds. Moreover, the absence of efficient expenditure controls jeopardizes both macroeconomic stability and fiscal discipline

Additionally, Akrani (2011) stated that public expenditures are sums of money that the national government spends on things that the public wants and needs, such pensions, services, and infrastructure. Public spending has been trending upward since the 20th century in South Africa.

Scott (2016) established that public financial management includes interconnected systems and procedures for budgeting, revenue generation, management of public spending, financial disclosure, auditing, and regulatory frameworks. According to Jaelani (2017) the real value of public spending can serve as a gauge of the extent of governmental initiatives funded by public funds. A higher number and variety of initiatives will result in an increased level of public expenditure. However, it was also highlighted that public spending to gross national income ratio offers a fundamental evaluation of government roles in the economy. Also, Jibir and Aluthge (2019) argue that governments should enhance spending on recurrent expenditures by reallocating resources to activities that foster human development, positively affecting the overall welfare and well-being of the population.

2.3.11.4 Asset and liability management

Reddy and Reddy (2022) indicated that, assets and liabilities management involves implementing policies and procedures designed to minimize financial risks, such as liquidity, credit, and interest rate risks, resulting from mismatches between assets and liabilities in both financial and corporate sectors.

Further, Michelangeli and Piersanti (2023) state that, asset and liability management deals with the joint evaluation of assets and liabilities in a bank's balance sheet; it is a traditional tool used by intermediaries to limit financial risks. Asset-liability management basically refers to the process by which an institution manages its balance sheet in order to allow for alternative interest rate and liquidity scenarios (Francis, 2007).

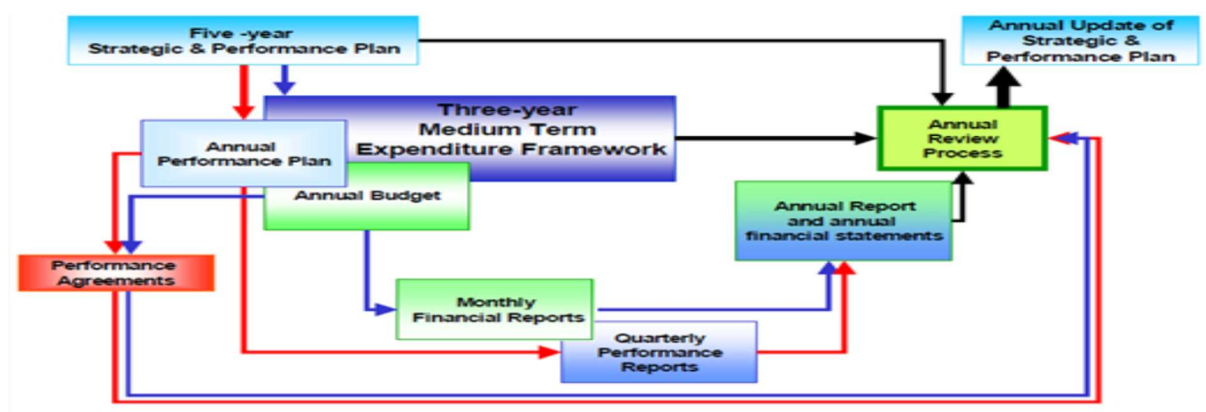
2.3.11.5 Accounting and reporting

Treasury Regulations 29.1.3(b) and 29.1.6(a)-(j) mandate that schedule 2 or 3B public entities submit quarterly reports on their borrowing programmes. Public entities must also report on guarantees for foreign loans to align with IMF requirements. Furthermore, these reports are critical for tracking the implementation of Infrastructure Investment Plans and significant projects, serving as oversight for Executive Authorities and as management tools for institutions.

IFAC (2004) argued that governments prepare and issue annual financial budgets as public documents, widely distributed, reflecting their plans. Monitoring and reporting on budget execution is crucial for compliance with Parliamentary authorisation and transparent reporting of financial intentions and tax usage.

The Figure 2.5 below provides a brief overview of financial management processes from planning stage, monitoring and to the financial reporting.

Figure 2.5: Planning, budgeting and reporting framework



Source: South African National Treasury (2004)

Five year Strategic

In South Africa, the government is formulating a five-year strategic plan aligned with the electoral timeline, drafted by new provincial administrations and Members of the

Executive Council (MEC). This plan will define key policy objectives and inform financial planning, with collaborations occurring with the national treasury to establish the Medium-Term Expenditure Framework, highlighting the connection between strategic planning and financial allocation.

Annual Performance Plan (APP)

This formal document outlines performance indicators and goals for executing a strategic plan annually. Developed by national or provincial departments, the APP details actions for the upcoming fiscal year to support the five-year strategic plan's implementation. The Medium-Term Expenditure Committee (MTEC), consisting of Senior Executives, convenes to discuss primary objectives and policies in relation to budget allocation.

Annual Budget

The PFMA requires provincial and national department budgets to be submitted to the legislature shortly after the national budget's release. This timely submission is crucial for effective financial management, as departmental accounting officers must give monthly cash flow updates to the Treasury prior to the financial year's start.

Monthly financial reports

The accounting officer is required to prepare and submit monthly cash flow statements and spending reports to the Ministry of Finance and the relevant Minister within 15 days after each month's end, ensuring discrepancies are resolved promptly for accurate financial oversight.

Quarterly Performance Reports

Quarterly progress reports will be prepared for the treasury department to assess advancements on objectives outlined in the APP, encompassing updates on financial and non-financial performance aspects.

Annual Report and annual financial statements

In South Africa, the PFMA requires accounting officers to prepare annual financial statements in accordance with recognized accounting principles and submit them for review within two months after the financial year ends. These statements are essential for presenting a clear view of the financial status, outcomes, asset changes, and cash flow, ensuring compliance with accounting standards and allowing for the analysis of

historical financial data. The financial statements must also be presented for audit process.

2.4 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Accounting officers are mandated by PFMA sections 38(1)(g) and 76(2)(e) to enforce strong financial and risk management controls to prevent undue or wasteful expenditures. Officials must report such identified expenditures to the accounting officer and include them in monthly reports as per Article 40(4)(b). Irregular expenditures due to tender procedure breaches must be reported to the appropriate selection board or contracting authority. Financial Regulation Articles 38(1)(c)(ii) and 51(1)(b)(ii) require accounting officers to implement measures to prevent fruitless and wasteful expenses.

Additionally, the AGSA Citizen's Report for the PFMA 2019-20 indicated that irregular expenditure refers to financial disbursements made in violation of the relevant statutory requirements. Furthermore, unauthorized expenditure pertains to financial outlays that exceed budgetary allocations or are not utilized for their intended purpose. This may occur due to administrative oversights or inadvertent mistakes. Dlomo (2017) attributes financial mismanagement in South Africa to inadequate tender processes, including non-compliance with procedures and modifications to purchasing protocols, all of which are regulated by law.

Nzimande and Padayachee (2017) identified that irregular spending arises from rule violations associated with the procurement of goods and services.

Additionally, AGSA (2016-17) suggested that for the department to successfully deal with Irregular Fruitless and Wasteful Expenditure should:

- Enhance the Supply Chain Management (SCM) control environment, it is essential to appoint qualified leaders for vacant SCM positions and provide regular skills training.
- Preventing irregular expenditure and non-compliance should be a primary performance metric for senior officials.
- Implement SCM compliance checklists alongside existing policies, and ensure regular reporting on compliance with legislation.

- Instituting corrective or disciplinary measures for misconduct is crucial, as a stricter approach by governance and oversight bodies will foster accountability for non-adherence to laws.

2.5 TRANSPARENCY

Transparency in governance is crucial, as it allows widespread access to information about policies and decision-making, ensuring accountability and building trust between the government and its constituents (Lalolo, 2003). In addition, Mardiasmo and Kristianten (2006) highlight the fact that transparency refers to the government's openness in sharing information regarding public resource management activities with the public. International Monetary Fund (IMF) (2005) suggested that transparency and accountability are crucial for modern economies and social well-being. Public authorities delegate power, requiring assurance that it is effective and not misused. Transparency provides information for measuring performance and guarding against misuse, ensuring authorities can be held accountable for their actions. Paolo de Renzio (2015) suggested that Fiscal transparency benefits all political parties, offering both intrinsic and instrumental benefits. It ensures fiscal discipline, manages risk, reduces corruption, and empowers individuals to break government secretiveness, monitor resource use, and hold officials accountable for development results.

South Africa is struggling with challenges stemming from a historically inadequate and racially biased public service system. Although public servants aim to follow constitutional principles, the practice of cadre deployment has impeded professionalism, resulting in corruption and unprofessional conduct (Swanepoel, 2021).

South Africa is currently dealing with the consequences of a historically inadequate and racially skewed public service system. Despite efforts by public servants to adhere to constitutional principles within a developmental framework, the practice of cadre deployment has had a detrimental impact on professionalism, leading to issues such as corruption and unprofessional behavior (Swanepoel 2021).

Government interventions must efficiently address corruption by implementing robust accountability mechanisms, oversight, and anti-corruption strategies (Burlando & Motta 2016; Capasso et al., 2019).

2.6 ACCOUNTABILITY

Accountability is defined as the relationship between a public institution or government entity and the public, where the institution must explain and justify its actions, while the public can question and judge (SAIPA, 2019). Also, accountability ensures decision-making and service delivery is answerable, with different relationships varying for different governing bodies. Effective accountability involves transparent reporting and stakeholder understanding, with both external and internal audits contributing to its success (IFAC 2014).

Munzhendzi (2016) stated that public value theory operational challenges suggest citizens are no longer willing to tolerate a "one-size-fits-all" government in fostering accountability on government services and affairs.

According to Annual Reports of AGSA (2019) it was indicated that accountability is at the heart of the level of trust in any government and is an ultimate indicator of the administration's capacity to manage public resources in a way that benefits the citizens it serves. Not knowing what happens to public money leads to mistrust in the government. Also, public accountability is essential for transparency within the public sector, as noted by Bovens (2005).

2.7 EMPIRICAL LITERATURE REVIEW

This section reviews previous empirical studies on financial management frameworks in the public sector, with an emphasis on both developed and developing nations.

2.7.1 Empirical research on financial management framework

This study, based on Financial Management Theory, examined operational processes for managing resource income across countries. Dabán and Hélis (2009) identified financial management practices such as special agreements, resource funds, parallel budgetary procedures, investment committees, oversight institutions, and legal frameworks. These mechanisms are often used to gain public support and address deficiencies in existing PFM systems. Furthermore, Golosino (2020) found that fund holders generally do not widely adopt appropriate financial management practices, including budgeting, record keeping, financial control, and cash management.

Also, it was determined that financial decisions are essential for a company's success. Effective decision-making, adequate plans and financial management drive sustainable growth and objectives. Key reasons for business failure include lack of

financial development, unethical decision-making, limited funding, investment, abnormal growth, low projections, and unnecessary fixed asset administration (Al Muhairi & Nobanee, 2019). Additionally, a conclusion was drawn in a study which stated that a comprehensive framework is needed to address a global financial system, requiring worldwide cooperation and careful consideration of institutional setup and international coordination. Aligning goals, know-how, and control over policy instruments is crucial, with precise mandates and clear accountability (Hannoun, 2010). The study revealed a lack of accountability in the legal framework for financial management at both national and local levels in Uganda, particularly at the national level. Also, literature analysis highlighted challenges faced by some governmental entities in effectively managing public finances, attributed to legislative gaps and inadequate law enforcement (Muzaale & Auriacombe, 2019).

Auty (1994) stated that resource revenues management presents unique challenges, known as the resource curse. These challenges stem from macroeconomic and budgetary difficulties, as well as the generation of these revenues, which often come from depleting assets without taxpayer scrutiny. Only resource-producing countries with a robust institutional framework and Public Financial Management system can escape the curse, proving that it is not an iron law. Furthermore, Selepe's (2022) study highlights accountability deficiencies in South African municipalities, despite a legislative framework. It uses secondary data to illustrate the negative impact of poor financial statements and performance reports on operations, recommending consequence management to mitigate these issues.

It was also demonstrated in a study by Dabán and Hélix (2010) which revealed that resource-producing countries' institutional frameworks must be geared towards the successful execution of policy prescriptions to overcome the resource curse. The study recommends implementing careful macroeconomic policies, developing a strategy to promote economic diversification, and enhancing financial management framework as key prescriptions for improving country's overall economic development.

However, public financial management development is essential for enhancing service delivery effectiveness but faces challenges according to the study at the Department of Health in the Northern Cape Province (Motsitsi & Hendricks, 2023). Although the financial management framework is strong, there are still a number of issues. South Africa experienced widespread public sector corruption, contributing to the country's

culture of austerity (Rispel & Jager, 2016). According to a study conducted by Rispel and Jager (2016), there has been a notable increase in public sector corruption in South Africa in the last decade, leading to a culture of austerity within the country.

It is crucial for all budget process actors to understand the framework approach behind reforms to fulfil their adjusted responsibilities and achieve their objectives. In South Africa, reforms focused on credible three-year plans, changes to baselines, and accountability to spending departments. However, the complexity of the system has grown, and the budget process has evolved from a "black box" to a high-level of transparency, with early decision criteria and public policy objectives (Fölscher & Cole, 2006). Pragmatically speaking, the study's findings should help future financial service providers better understand how people behave while making financial plans so they can meet the demands of the public in the future. Using the data to better design financial education programs that improve peoples' financial wellbeing would also be beneficial for legislators (Yeo et al., 2023).

The literature review analyses public sector financial management from a global viewpoint, emphasizing reform initiatives in Europe, America, Asia, and Africa. These areas are at the forefront of reforms aimed at increasing efficiency and accountability in government functions. Proponents believe that economic or market-based management strategies will enhance these operations (Nyambia et al., 2015). Blood (2015) highlights that governments must prioritize efficient public financial management systems to protect and enhance a nation's economic autonomy, which is essential for fulfilling their responsibilities to constituents and taxpayers.

Lastly, the results of the study by Wishnia and Goudge (2021) revealed the staff deployment and a meeting to touch base emphasized the advantages of interdisciplinary teams and the necessity of unbiased leadership in prioritising resources. Nonetheless, the lack of collaboration between service delivery and finance managers during monthly finance meetings has led to distrust and poses a threat to other strategies.

2.8 SUMMARY

This chapter evaluates South Africa's public sector financial management frameworks, focusing on local policies, regulations, and laws aimed at enhancing financial performance. It addresses the strengths and weaknesses of these frameworks and

their impacts on financial outcomes. The subsequent chapter will outline the research methodology, including data collection methods, sampling strategies, statistical analysis techniques, and hypothesis validation.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The study examines financial management systems in the South African public sector using quantitative, descriptive methods. It focuses on the targeted group, evaluation tools, preliminary experiments, data analysis, and factors influencing credibility, dependability, and ethical considerations.

3.2 RESEARCH METHOD

This study examines financial management practices in the Eastern Cape's Department of Employment and Labour, focusing on the challenges of implementing procedures and their effects on internal controls, ethical standards, and achieving clean audit outcomes. The researcher chose the DEL as research area of the study due to the fact that the researcher is familiar with the department and will not spend more resources and time in investigating the area that is impossible to successfully complete the study in good time. Secondly, the department is managing sizeable portion of budget on behalf of government in order to provide required services to South African citizens.

Dawson (2019) emphasizes the importance of a sound research methodology in guiding research efforts, which involves developing a detailed plan for investigating a particular topic and selecting suitable research methods. Also, research methodology is a structured approach to collect, analyses, and interpret data aimed at addressing research questions or testing hypotheses. It outlines the research scope, considering constraints and ethical issues, and discusses chosen methods in relation to the research question within scientific articles (Sreekumar, 2023).

Methodology encompasses the broad research approach, whereas methods denote the specific data collection tools. Researchers must weigh research constraints and ethical issues when choosing a methodology to maintain the integrity of their research quality (Dawson, 2019). Moreover, the methodology of research is a structured method in designing research that aims to produce precise and trustworthy results that are in line with the research goals and objectives (Jansen & Warren, 2020).

This research employed a quantitative, non-experimental descriptive design to obtain data from various roles within the DEL using probability sampling, with a written questionnaire as the primary data collection tool.

3.3 RESEARCH APPROACH

Researchers commonly employ quantitative, qualitative, and mixed methods as the main research strategies. However, with many research design options available, they often find it challenging to select the appropriate strategy and clearly distinguish among these approaches (Taherdoost, 2022).

Qualitative research aims to understand individuals' perceptions of their environments through various adaptable methodologies that prioritize the preservation of rich meaning in data interpretation. Qualitative research focuses on feelings, ideas, or experiences, aiming to find insights and testable hypotheses through narrative data collection and exploratory phases for educators (Uze, 2023).

Quantitative research focuses on the specific behaviour and phenomena that can be quantified. It includes a range of related methods subject to statistical data analysis. While some phenomena are easily measurable, such as age and height, quantitative methods are also designed to apply specific criteria to measure more difficult issues like experiences and feelings (Hasan, 2024).

Mixed methods research combines qualitative and quantitative components from various methodologies and philosophical viewpoints, which are crucial for comprehensive comprehension of research issues. (Bazeley 2019; Creswell & Plano Clark 2018).

Qualitative research focuses on understanding ideas and experiences through subjective interpretations, often via interviews, addressing the "why" behind phenomena. In contrast, quantitative research utilizes numerical data and statistics, such as in surveys, to identify patterns and address the "how many" aspect of research (Bogdan & Biklen, 2006; Corbin & Strauss, 2008). The study cites multiple authors including Mehrad and Zangeneh (2019), Mohammed (2021) and Barroga and Matanguihan (2022), who highlighted interpretation of quantitative and qualitative research methodology even if they differ in a few ways. However, both quantitative and qualitative research methodologies offer solutions that address society's problems

when applied effectively, so it is imperative for researchers to be knowledgeable about both methodologies.

The study analysed the effectiveness of a financial management structure in improving financial outcomes through quantitative analysis, using a sample of 83 individuals, selected by probability sampling from a total of 104 in the DEL.

3.4 POPULATION, SAMPLING AND DATA COLLECTION INSTRUMENTS

In research, accurately identifying the population and selecting a representative sample is essential for reliable data collection and valid results, as examining every individual is often impractical.

3.4.1 Target population

Target population refers to individuals, objects, or occurrences sharing a common characteristic, studied by researchers (Jilcha Sileyew, 2020; Garg, 2016). It is a specific subset of a larger cohort, defined by research objectives (Alvi, 2016), and may be restricted to geographical areas or certain institutions (Martínez-Mesa, 2014). Crucially, the target population must be exclusive, complete, and clearly bounded to avoid misrepresentation and ensure accurate study results (Casteel & Bridier, 2021). The target population being studied in this research comprises of 104 officials working at the EC DEL across the following key sections: Financial Administration, Unemployment Insurance Fund, Compensation Fund, Risk Management and Organised Labour. The researcher focused on this population because these officials are collectively responsible for financial administration. Their duties include the scientific analysis of financial systems, prescripts, policies and procedures; the preparation and analysis of financial statements and reports; procurement and capturing and monitoring of budget, risk management all of which aid in, in preparation and evaluating the department's Annual Performance Plan (APP) and strategic objectives. Furthermore, this group is responsible for designing, implementing and monitoring internal controls to minimize risks.

3.4.2 Sampling frame

A sampling frame, according to Prandner and Weichbold (2019), is a collection of elements used to choose a sample from a particular population. Researchers establish and follow a specific approach when developing the sampling frame to ensure the selection of a representative sample for their study. When conducting surveys,

researchers have different choices in defining and selecting random probability samples from the target population, as the accuracy of survey results relies on the design of the sampling frame. Identifying respondents in advance, which can be accomplished through person-centered sampling frames, helps to decrease non-response and coverage mistakes (Kölln et al., 2019). The study focuses on individuals working in various departments within at the EC DEL, specifically in Financial Administration, Unemployment Insurance Fund, Compensation Fund, Risk Management, and Organised Labour. These individuals were chosen because they collectively oversee the financial management of the department. Importantly, these individuals also guarantee the presence of appropriate internal controls and the mitigation of associated risks.

3.4.3 Sample size selection

McCombes (2019) highlights the necessity for researchers to distinguish between populations and samples in research. The population refers to the complete set of individuals under investigation, whereas a sample is a chosen subset utilized for data collection according to particular characteristics such as geographic location, age, or income level. Understanding this distinction is vital for accurately identifying the population of interest. Furthermore, the use of probability sampling guarantees that each member of a population is given a fair opportunity to be chosen, thereby enhancing equitable selection possibilities (Showkat & Parveen, 2017). However, Budiu and Moran (2021) stated that 40 participants is a reasonable number for most quantitative studies, though fewer users may be recruited in some cases. The researchers recommended a sample size of 40 participants, based on calculations for predicting population behaviour in quantitative usability studies. Probability sampling is commonly used in quantitative studies to ensure representative results from the entire population (McCombes, 2019). This method involves randomly selecting samples to give each unit an equal chance of selection (Nikolopoulou, 2022).

Table 1 below is a Determination Table it helps the researcher to determine the right sample size based on the target population. The table is based on 95% confidence level with 5% margin of error.

Table 1: Chart for Calculating Sample Size for a Limited Population

<i>N</i>	<i>S'</i>	<i>N</i>	<i>S'</i>	<i>N</i>	<i>S'</i>
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Note.—*N* is population size. *S'* is sample size.

Source: Krejcie & Morgan, 1970

The research employed random sampling to select 83 individuals from a target group of 104 at the EC DEL. The sample size was deemed adequate based on the Krejcie and Morgan (1970) Determination Table and the Survey Monkey calculator, confirming its appropriateness for a population of 104 with a 95% confidence level and a 5% margin of error.

Population 104

Confidence level 95%

Margin of error 5%

Therefore, sample size is equal to 83

Also, as per survey monkey determination calculator

Population 104

Confidence level 95

Margin of error 5

Therefore samples size 83

3.4.4 Data collection method and measuring instruments

The study focused on identifying the optimal sample size of officials at the EC DEL, considering factors such as biased estimates, statistical power, and resource utilization. The study assessed the reliability of the research instrument using Cronbach's alpha and analysed data with SPSS version 20 through descriptive and inferential statistics.

3.4.5.1 Data collection method

Data collection is a critical component of research, providing valuable insights into the topic under investigation (Taherdoost, 2021). Inaccurate or insufficient data can compromise the quality of the study and result in errors, emphasizing the importance of accurate data collection methods (Kabir, 2016). Researchers must carefully select suitable data collection methods to ensure accurate and reliable results. Voxco (2021) and Taherdoost (2021) highlight the significance of this selection process, as the right choice enhances the validity of findings and leads to robust, reliable conclusions.

The study employed a structured questionnaire, approved by the Department of Employment and Labour, to gather primary data using quantitative research methods. This questionnaire, which included mostly closed-ended and multiple-choice questions for numerical data collection, was hand-delivered to DEL officials for sampling.

3.4.5.2 Questionnaire

A questionnaire is an essential data collection tool in empirical research, comprising questions sent via email to participants, particularly useful for engaging a broad and diverse demographic (Trupti & Bindu, 2022). Also, the researcher must simplify the cognitive task of respondents to prevent data distortions and ensure usability. They should place the respondent at the centre of the questionnaire design for high data quality collection (Lorè et al., 2022).

The aim of the study at DEL Eastern Cape is to determine the impact of financial management within the public sector environment. Secondly to review the current financial management framework, assess its effectiveness, and investigate challenges in its implementation processes. Also, to recommend strategies for the Eastern Cape Department of Employment and Labour to strengthen internal control, Researcher developed a questionnaire to collect data on financial policies, regulations, and laws,

with the goal of recommending improvements for financial management practices, including development, planning, and implementation.

A questionnaire was developed to collect data from respondents that will assist in evaluating financial management practices in South Africa's public sector. The study's questionnaire consists of two sections: Section A gathers demographic information like the respondents' qualifications, experience, and departmental position, while Section B focuses on gathering data on the DEL's policies, financial systems, processes, and reporting requirements in the public sector.

Taherdoos (2021) emphasized the significance of secondary data, acquired from existing published sources, which is vital for various research purposes. It offers essential background information, aids in study design, and acts as a baseline for comparing primary research findings.

The questionnaire was distributed to respondents via global email by the Provincial Communication Manager's office. Follow-up efforts were made to increase response rates.

Secondary data was gathered from available texts, including books, journals focusing on financial management and governance, the EC DEL Annual Reports, Annual Performance Plans, Financial policies and prescripts, Auditor General Reports, conference proceedings, legislation, and other relevant publications. This information was necessary for the development of the framework.

3.5 DOCUMENT REVIEW

3.5.1 Data analysis and interpretation

A quantitative research study involves analysing numerical data to draw conclusions, requiring a critical thinking approach rather than simple number crunching. Data analysis aims to detect patterns, trends, and correlations in educational settings (Albers, 2017). Moreover, quantitative analysis is a research method that utilizes statistical methods to evaluate numerical data, enabling researchers to recognize differences between groups, explore relationships between variables, and verify hypotheses. This approach systematically analyses data patterns and trends, supporting evidence-based decision-making across multiple fields. Also, quantitative data analysis is crucial for evidence-making in health and social sciences, encompassing descriptive, explanatory, and causal research questions. It requires

statistical knowledge, rigor in model selection, and interpretation of results. Methods are selected according to the research query and characteristics of the data, guided by varying assumptions (Jung, 2019).

James and Simister (2020) explain that descriptive statistics is a quantitative data analysis method that presents data in a clear and numerical format for easy understanding. Additionally, descriptive statistics is a key statistical method that organizes and summarizes the variation in actual observations or scores. (Witte and Witte, 2017).

Research findings were analysed through Pearson correlation and multiple regression analyses, displayed in tables and bar graphs.

3.6 PILOT STUDY

A pilot study evaluates feasibility, researcher suitability, and unique design elements. It enhances the main study's effectiveness and quality by examining randomization, blinding, recruitment, and experience, and provides estimates for sample size calculation (Anupama et al., 2023).

Furthermore, In (2017) argued that for a pilot study to be successful, the researcher must maintain the principles and processes that ensure feasibility. This includes establishing a standardized selection process and ensuring that measurement processes and preparation of research assistance are above board. Finally, all participants must be fully informed of the role each one will play and the information that will be required.

A small-scale pilot study with five participants, outside the target group, evaluated the effectiveness of a questionnaire concerning the research question and study objectives. The study's objectives were clarified, and a pilot study was conducted to address issues, uncertainties, and completion time, aiding in resource planning and identifying additional requirements.

3.7 ETHICAL CONSIDERATION

The researcher ensured that permission and ethical clearance were obtained for this study.

3.7.1 Informed consent

The researcher highlighted the necessity of informed consent from participants, ensuring they comprehend the study's purpose and potential implications. Participants

signed a consent form detailing the study's objectives and their right to withdraw, with a copy included in the Appendices.

3.7.2 Anonymity

The researcher prioritized confidentiality and respect in interactions, handling sensitive information discreetly and informing participants about the research purpose, while properly acknowledging sources to uphold Intellectual Property rights. Anonymity was ensured by coding data related to departments.

3.7.3 Privacy

The researcher guaranteed the privacy of all entries. The privacy rights of participants in a quantitative research study were upheld according to ethical guidelines, especially for junior employees, to avoid identity disclosure. Access to raw data was restricted to a designated group of research assistants after transcription to protect data security.

3.7.4 Confidentiality

In research, confidentiality is a result of obtaining consent as it aims to safeguard participants' recognizable information. When participants give informed consent, a pact is established that their identifiable details will not be accessible to individuals beyond the research group unless explicitly permitted. Identifiable details encompass names, personal particulars, and feedback to the research. Researchers ought to uphold the utmost degree of confidentiality, which includes setting data as anonymous by default, ensuring participants grant informed consent, and allowing participants to examine and rectify their data.

3.8 SUMMARY

The chapter covers data collection and analysis methods, emphasizing study population and sampling techniques. Primary data was gathered from DEL officials via self-administered questionnaires and analysed using statistical software. The findings are presented descriptively and inferentially, supported by illustrations, figures, and tables. In depth analysis will be revealed in the following chapter.

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION OF THE RESULTS

4.1 INTRODUCTION

The chapter outlines the study's results based on a questionnaire with biographical information and a Likert scale. It evaluates the financial management framework of the Eastern Cape's Department of Employment and Labour, aiming to identify challenges in public financial management to improve internal controls and ethical behaviour, and to achieve a clean audit. Findings reveal financial mismanagement linked to inadequate skills in management roles, alongside an analysis of financial management's relationship with South African policies to suggest performance interventions.

4.2 RESTATEMENT OF RESEARCH OBJECTIVES

A study examining financial management in the South African public sector analysed the influence of policies, regulations, and legislation on financial performance. The study proposed recommendations to improve financial management practices in order to facilitate more efficient planning and implementation processes, ultimately leading to the more effective achievement of objectives.

4.2.1 Data gathering process

The research was carried out after obtaining approval from the Director-General of the Employment and Labour Department. 82 surveys were sent out to the specific group through email, and all 82 were filled out and sent back, resulting in a 100% reply rate. The participants consisted of middle managers, supervisors, and lower-ranking employees with extensive experience in the department.

4.3 FINDINGS AND RESULTS

4.3.1 Demographical information

4.3.1.1 Summary of participants

Figure 4.1 Provide an overview of year of working at EC DEL this is significant in terms of understanding the processes that are used by the department.

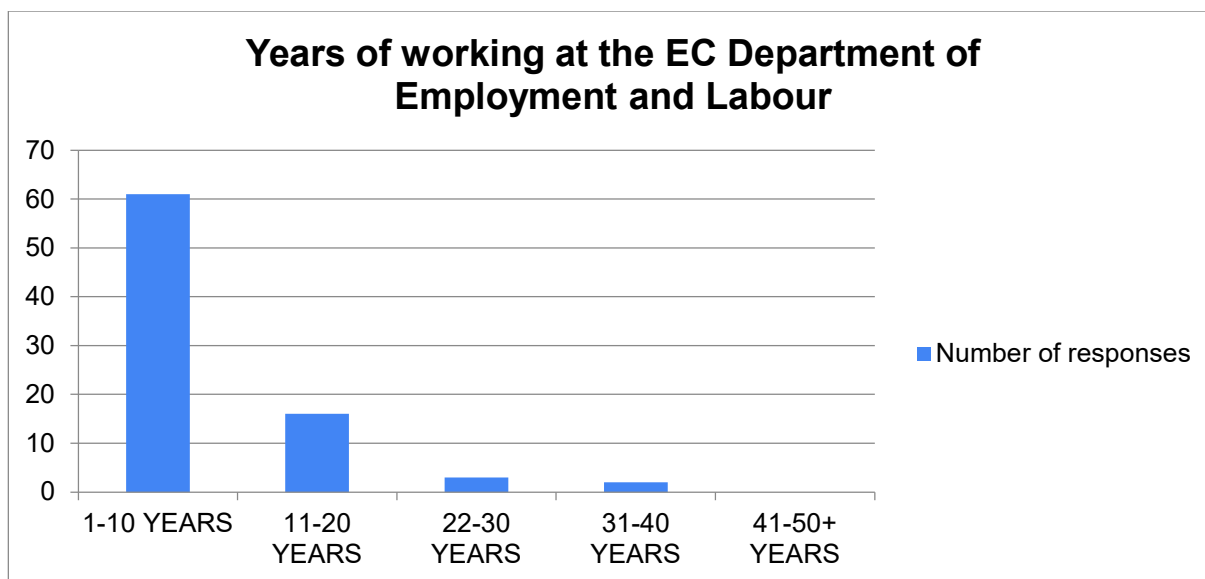


Figure 4.1 Years of working at the EC Department of Labour

A total of 82 participants responded to the questionnaire. Of these, 38 participants (46.34%) reported having 10 to 35 years of service at DEL, while the remaining 44 participants (53.66%) had less than 10 years of service to the department.

Table 4.1 and Figure 4.2 shows position level at the department.

Table 4.1: Position level at the department

POSITION LEVEL	NUMBER	PERCENTAGE
MANAGEMENT	17	20,73%
SUPERVISORY	28	34,15%
ENTRY	37	45,12%
	82	100%

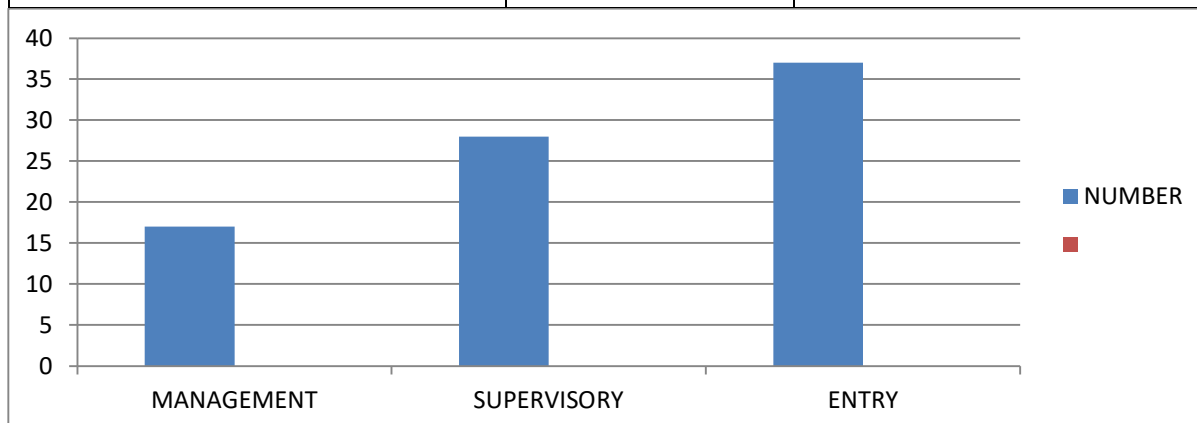


Figure 4.2: Position level of the participants at the department

A total of 82 responses were received, distributed across three levels of participants' positions:

- Entry Level (Levels 5–6): 37 participants (45.12%). These officials are typically Clerks or Junior Officers, acting as the initiators of transactions and strictly bound to follow departmental processes and policies.
- Supervisory Level (Levels 7–8): 28 participants (34.15%). These officials are responsible for assessing any deviations from processes and procedures and providing approvals on the departmental system.
- Middle Management (Levels 9–12): 17 participants (20.73%). These officials (Assistant Director to Deputy Director) are responsible for managing operations, providing strategic direction, and making decisions on behalf of the department.
- The study found that most participants occupied Entry Level positions.

4.3.2 Presentation and discussion of the study findings

This section examines the participants' responses to different questions from the questionnaire. Figure 4.3 shows respondents' views regarding availability of internal controls in financial management within the department.

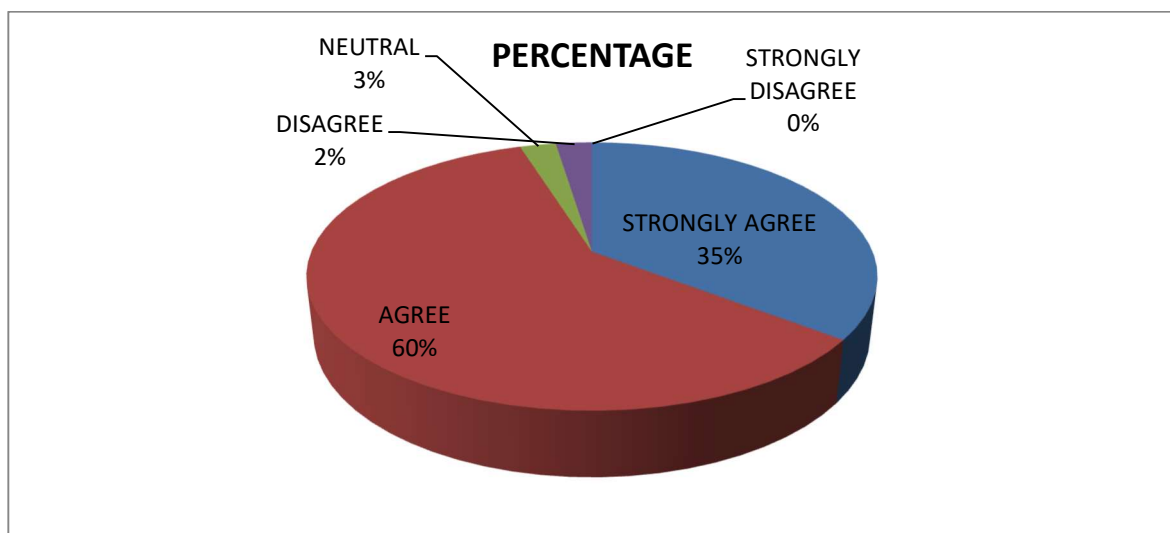


Figure 4.3: Availability of internal controls in financial management processes.

The study evaluated the availability of internal controls for transaction preparation and approval in the department's financial system. Findings indicate that 95% of respondents confirmed the presence of these controls, with only 2% in disagreement and 3% neutral. This high agreement level points to the effectiveness and efficiency of the controls, which contribute to stability and positive financial performance in the public sector, with a 5% margin of error.

Figure 4.4 shows respondents' views regarding availability of allocation of responsibilities within the department.

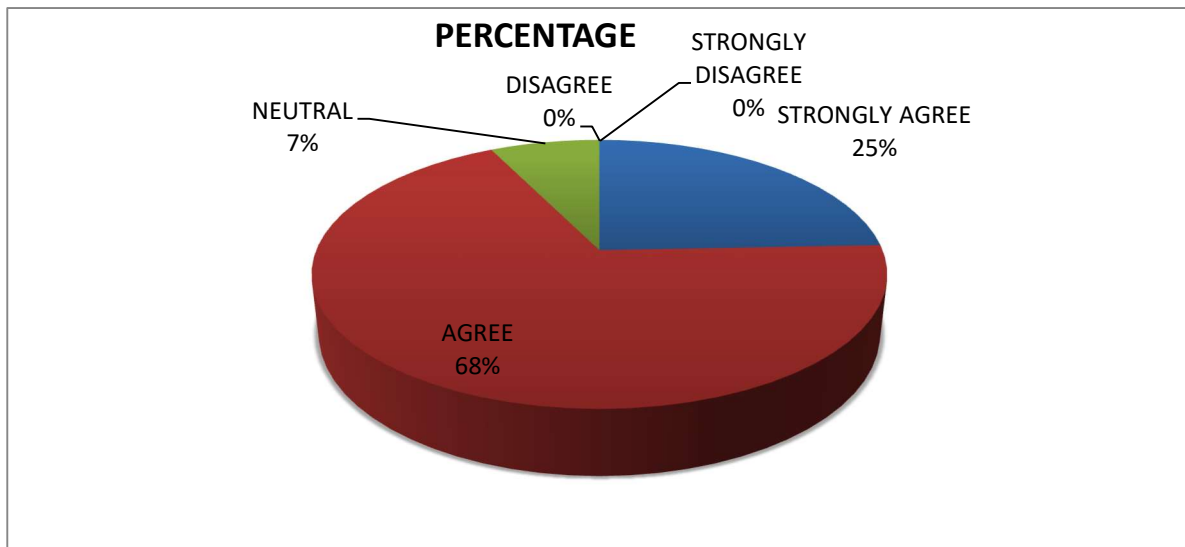


Figure 4.4 Allocation of responsibilities to different officials.

The researcher sought to determine if DEL maintains the allocation of responsibilities to different officials to eliminate manipulation of the system and processes by unauthorized users. The findings indicated that 93% agreed that allocation of responsibilities is performed at DEL, with 0% disagreement and 7% remaining neutral. While the high level of agreement suggests the department has procedures in place to eliminate and avoid fraud, there is an inherent risk available for this process, especially since Fraud and corruption within the public sector setting have been reported to be on the upswing. A closer analysis of these responses, when considered alongside external reports of fraud and corruption, indicated that challenges persist with the effective application of responsibility allocation in the financial management environment, which may contribute to the rise in malpractice. Figure 4.5 shows respondents' views about management accountability and reporting

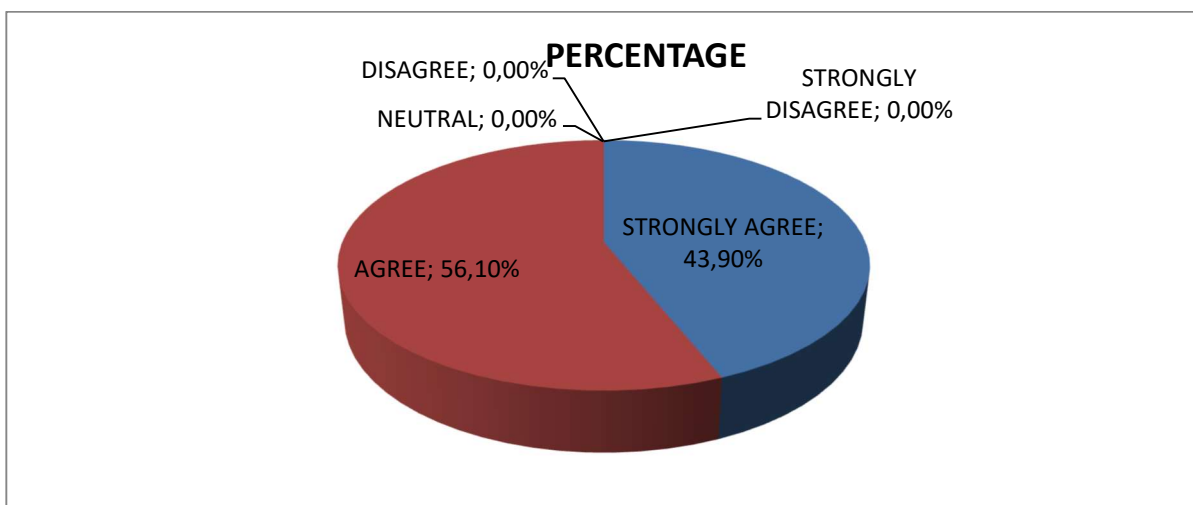


Figure 4.5 Departmental management is accountable to National Treasury through reporting.

The researcher evaluated the department's accountability to the National Treasury through annual financial statements and reports, with all participants confirming this accountability. Additionally, participants affirmed that financial management processes, including adherence to deadlines set by National Treasury, are maintained in the public sector.

Figure 4.6 showing respondents views regarding availability of financial systems in the department.

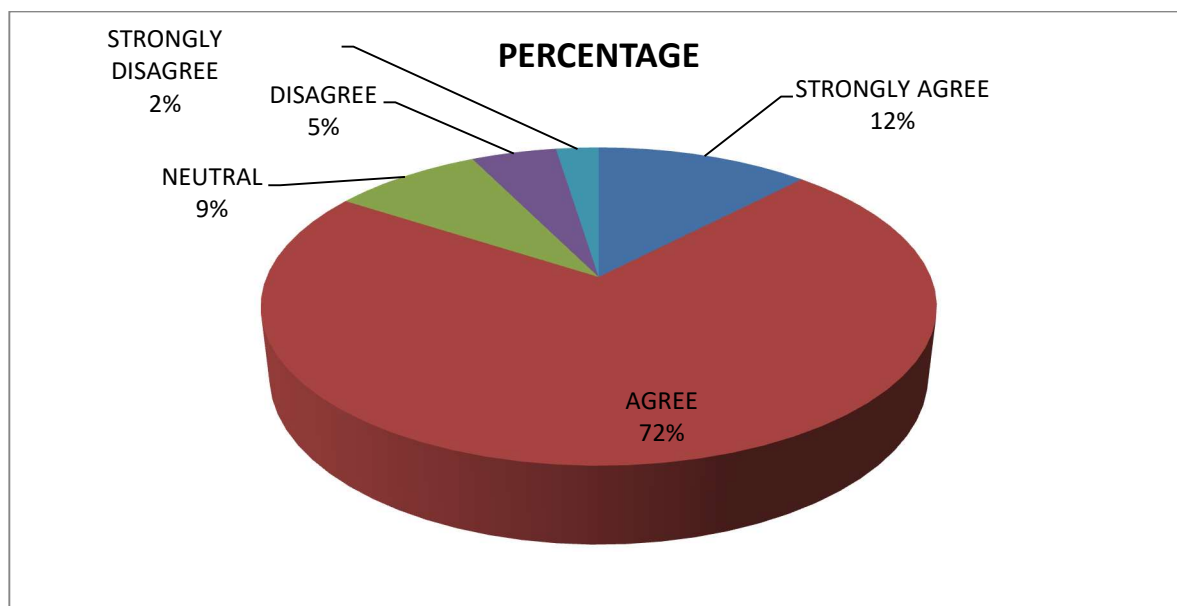


Figure 4.6 Financial systems used by the department have capacity to link financial information.

The researcher sought to determine if the department has reliable financial systems with sufficient capacity to link financial information. According to Figure 4.6, 84% of participants agreed that the financial systems used by DEL have this capacity, while 7% disagreed and 9% remained neutral.

The analysis concluded that the department does have reliable systems in place. However, the responses indicate that a minority of users perceive a weakness in the system's capacity to link information. This highlights the potential challenge posed by financial system weaknesses in the public sector environment, which can negatively affect financial management processes.

Figure 4.7 shows respondents' views about availability of different systems to gather and compile physical data

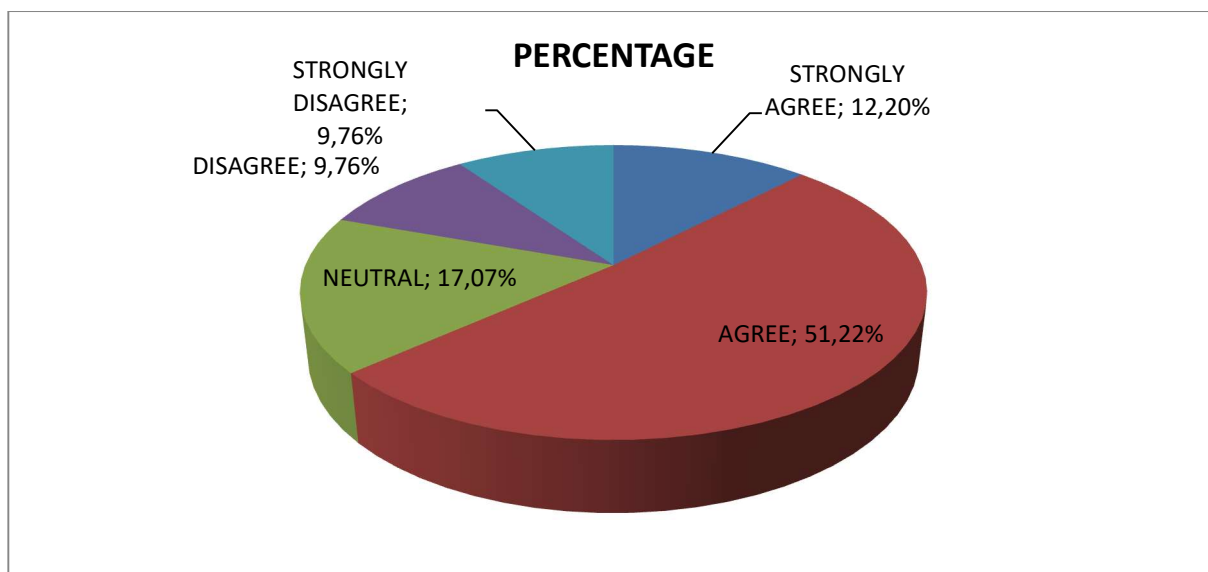


Figure 4.7 Separate systems are used to gather and compile physical data, controls are in place to reduce the risk that physical data may not synchronize with financial data.

The researcher evaluated the use of separate systems for gathering physical data and their synchronization with financial records. 63.42% of participants agreed on the existence of these separate systems, while a notable 36.59% expressed doubt about the effectiveness of the synchronization controls. This suggests potential risks of human error and misalignment between physical and financial data.

Figure 4.8 shows respondents' views regarding the department arrange workshops and programs for the staff

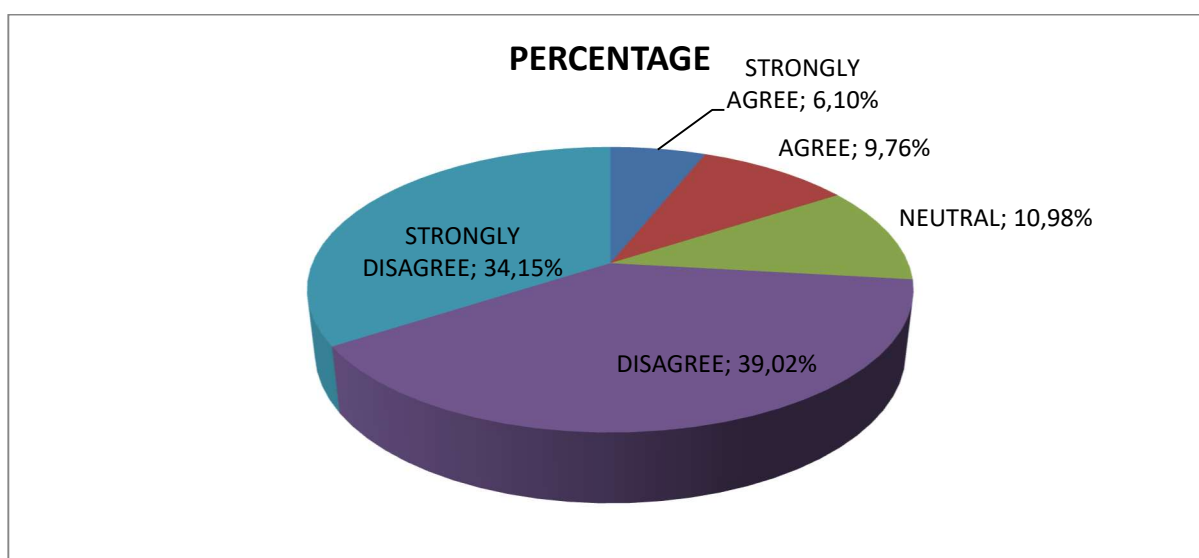


Figure 4.8 The department arranges workshops/programmes to train finance officials on GRAP and IAS.

The findings revealed that only 15.86% of participants believe the department provides workshops or programs on Generally Recognised Accounting Practice and International Accounting Standards, with 73.17% disagreeing and 10.98% remaining neutral. This indicates a significant gap in training for officials in financial management, posing a risk to financial management processes.

Figure 4. 9 show respondents views regarding knowledge and understanding of external auditors on department processes.

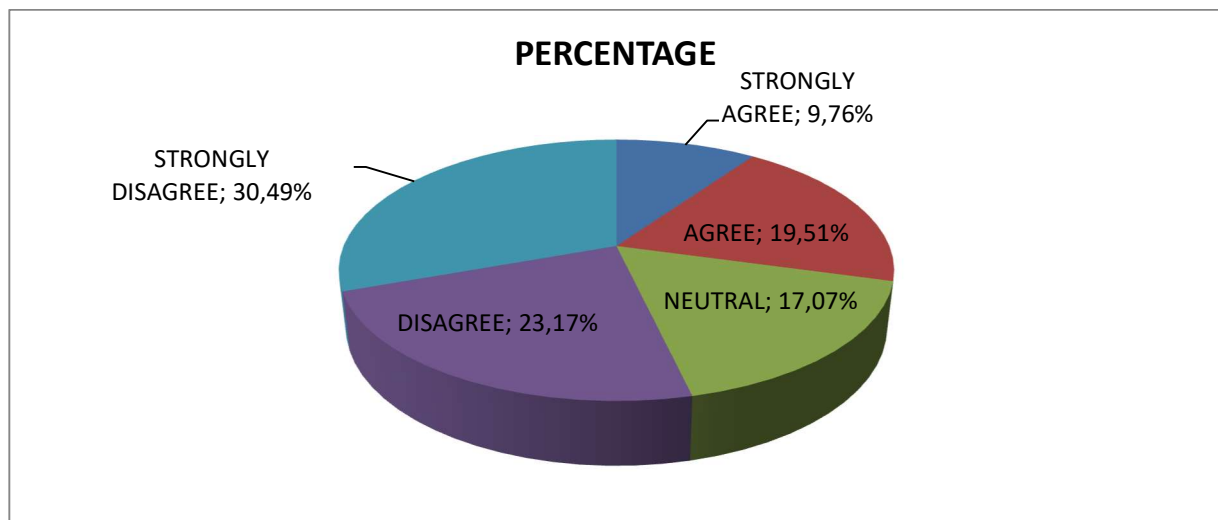


Figure 4.9 External auditors have sufficient knowledge and understanding of department's guidelines and procedures including disbursement guidelines.

A study was conducted to evaluate external auditors' understanding of department guidelines, specifically disbursement guidelines. Findings indicated that only 29.27% of respondents agreed, 53.66% disagreed, and 17.07% were neutral. The lack of knowledge among auditors impacted their ability to conduct audits effectively and may have led to inaccuracies in their findings. Furthermore, transparency issues between officials and auditors were identified as potential hindrances to the department's financial governance and management within the public sector.

Figure 4.10 shows respondents' views regarding the implementation of recommendation by auditors

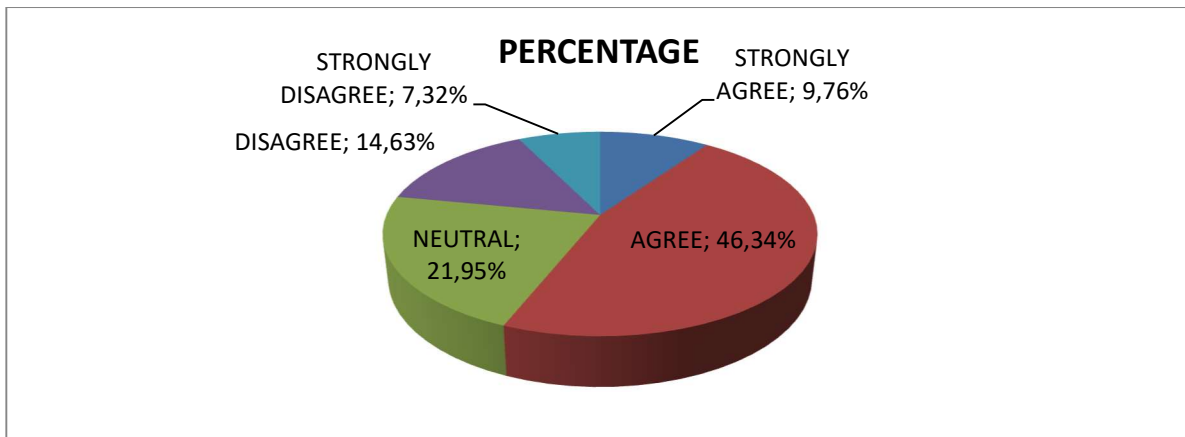


Figure 4.10 Implementation of recommendations made by the auditors in prior audit reports or management letters been implemented.

The survey indicated that 56.1% of participants confirmed the implementation of auditors' recommendations from prior reports, while 43.9% either disagreed or remained neutral.

The analysis indicates that while the department generally implements the auditors' recommendations, the high percentage of disagreement and neutrality suggests a substantial area for improvement. This outcome confirms that the implementation process is not consistently effective across the department.

Figure 4.11 shows respondents' views regarding the audit outcome/opinion and how is taken by the department.

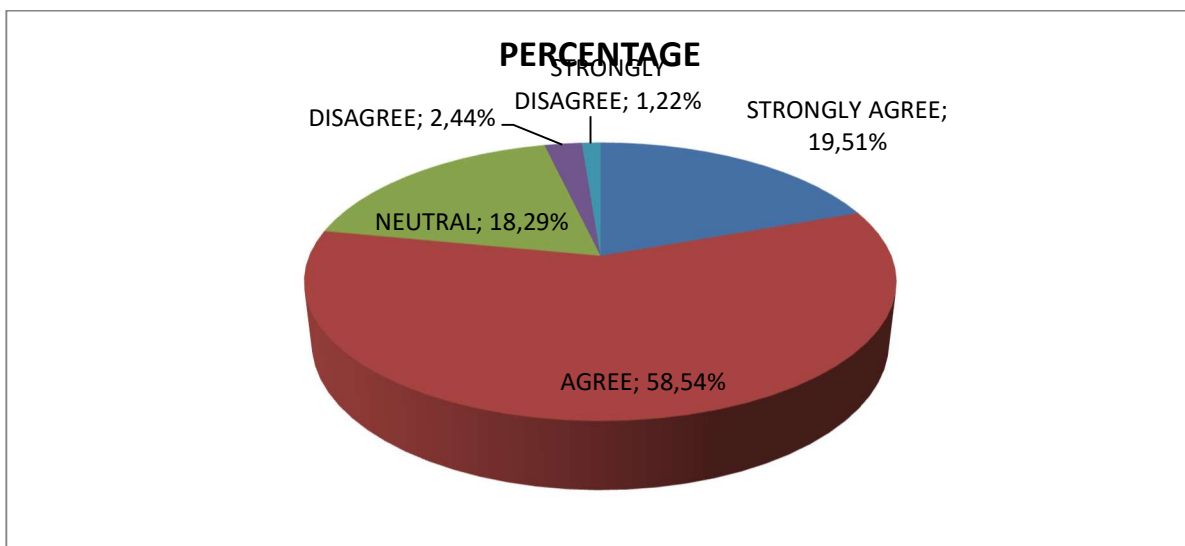


Figure 4.11 The audit outcome/opinion always regarded as an outcome for the entire department.

The study examined perceptions of audit outcomes within a department, revealing that 78.05% of participants viewed the audit opinion as reflective of overall departmental

performance, with only 3.66% in disagreement and 18.29% neutral. This strong endorsement from DEL officials highlights the significance of audit results in financial reporting for the department. Figure 4.12 shows respondents' views regarding flow of information between different offices.

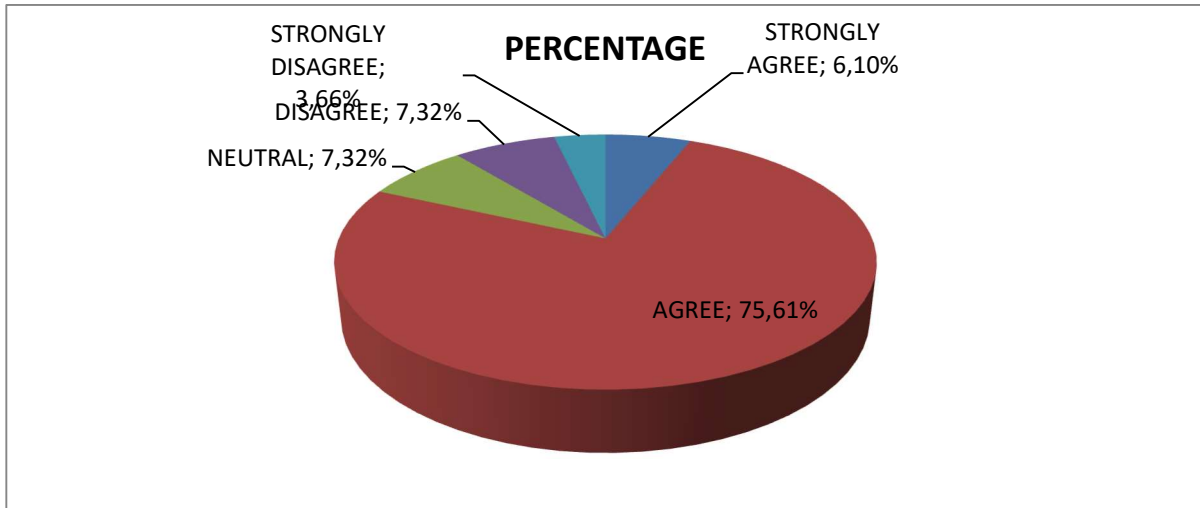


Figure 4.12 Information between offices flow in an accurate and timely fashion.

The researcher sought to explore whether information flows between offices in an accurate and timely fashion. Figure 4.12 shows that 81.71% of participants agreed that information flows accurately and timely, while 10.98% disagreed and 7.32% were neutral. The high level of agreement suggests that information flow is generally reliable, which positively impacts the accuracy of financial reports within the department. Figure 4.13 shows respondents' views regarding reconciliations performed by different offices

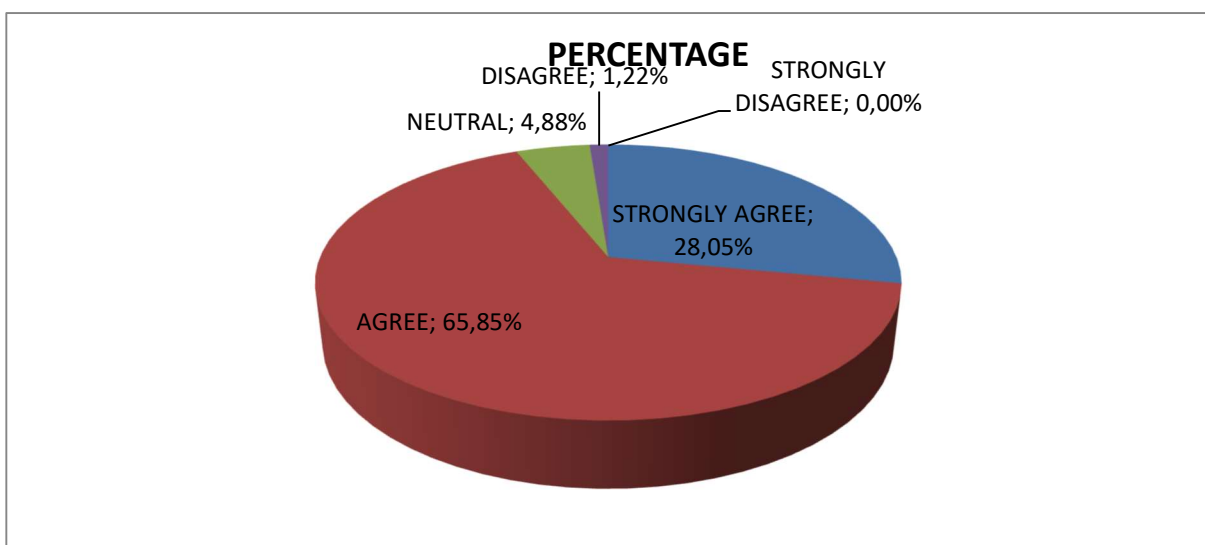


Figure 4.13 Monthly/quarterly or yearly reconciliations performed among the different offices within the finance section

The study investigated the frequency of reconciliations in finance section offices, revealing that 93.90% of participants confirmed conducting reconciliations, while 1.22% disagreed and 4.88% remained neutral.

The analysis indicates that the majority consensus on reconciliation performance positively impacts the financial reporting processes. The high level of agreement suggests that the offices are generally in compliance with performing, analysing, and submitting these reconciliations to the relevant authority, thereby strengthening financial controls. Figure 4.14 shows the respondents views regarding the department monitoring of budget.

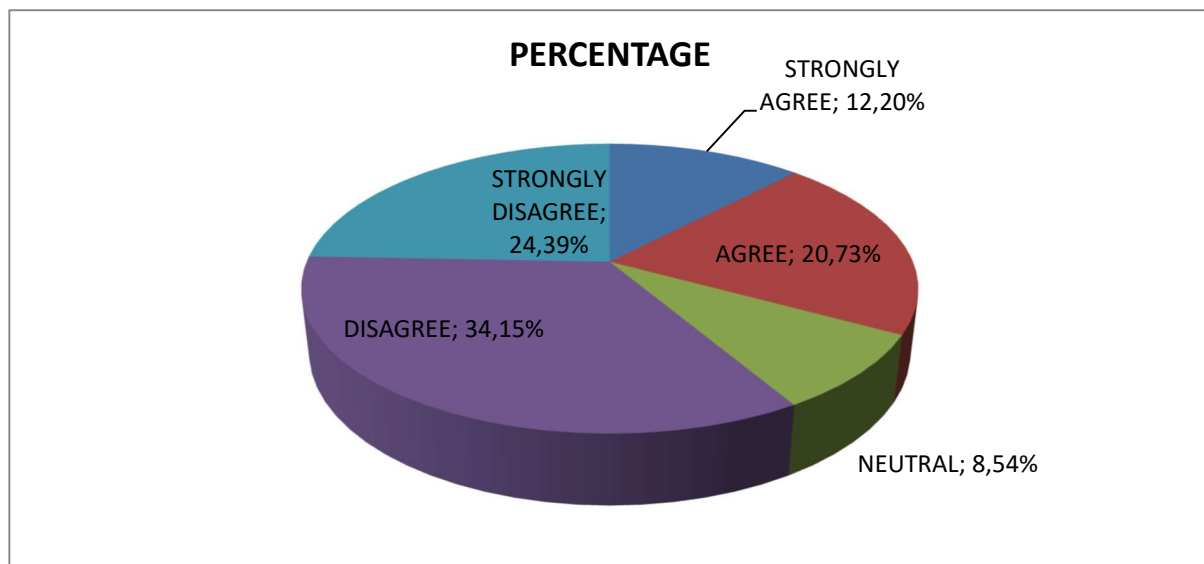


Figure 4.14 The department monitoring its budget correctly to minimize overspending on the vote.

The researcher sought to determine if the department is monitoring its budget correctly to minimize overspending on the vote. Only 32.93% of the participants agreed that the department monitors its budget to minimize overspending. In stark contrast, 58.54% disagreed, and 8.54% were neutral.

The analysis of this feedback strongly indicates a significant weakness in the department's budget monitoring processes. The low agreement confirms that the department is not effectively monitoring its budget to prevent overspending, a failure which constitutes unauthorized expenditure and negatively impacts departmental processes and policies. Figure 4.15 shows respondents' views regarding the department segregation of duties.

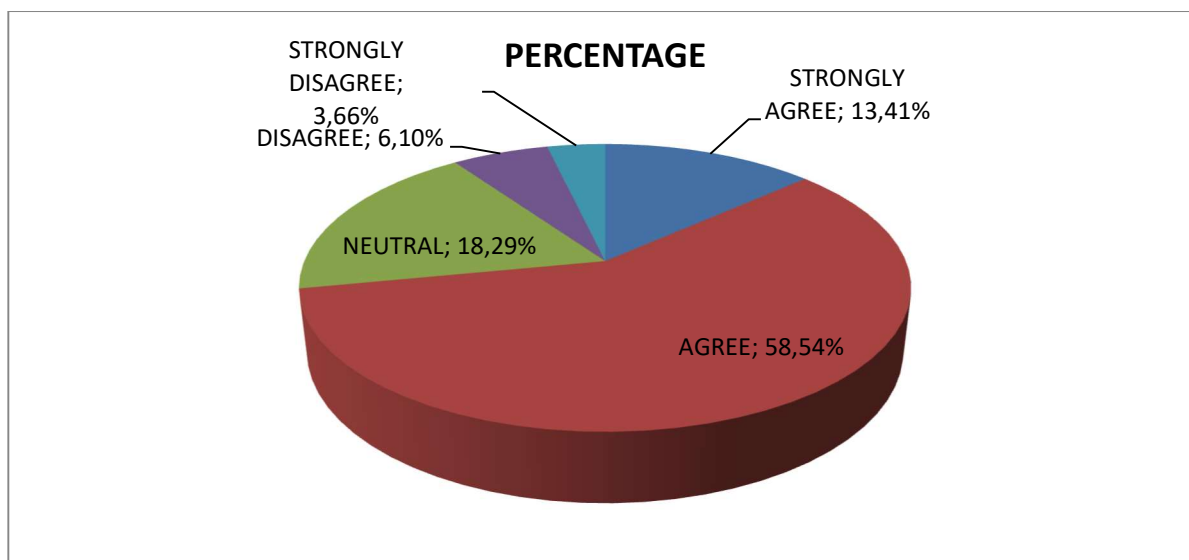


Figure 4.15 The department established segregation of duties, controls and procedures for flow of funds and financial information, accountability and reporting.

The study assessed the implementation of segregation of duties and controls concerning financial management within the department. Results showed that 71.95% of participants supported these practices, while 9.76% opposed them, and 18.29% remained neutral.

The analysis suggests it is clear that the department maintains the segregation of duties. This high level of agreement directly supports the research objectives by confirming adherence to financial management procedures and policies within the department. Figure 4.16 shows respondents' views regarding department financial practices alignment to department legislation and regulation.

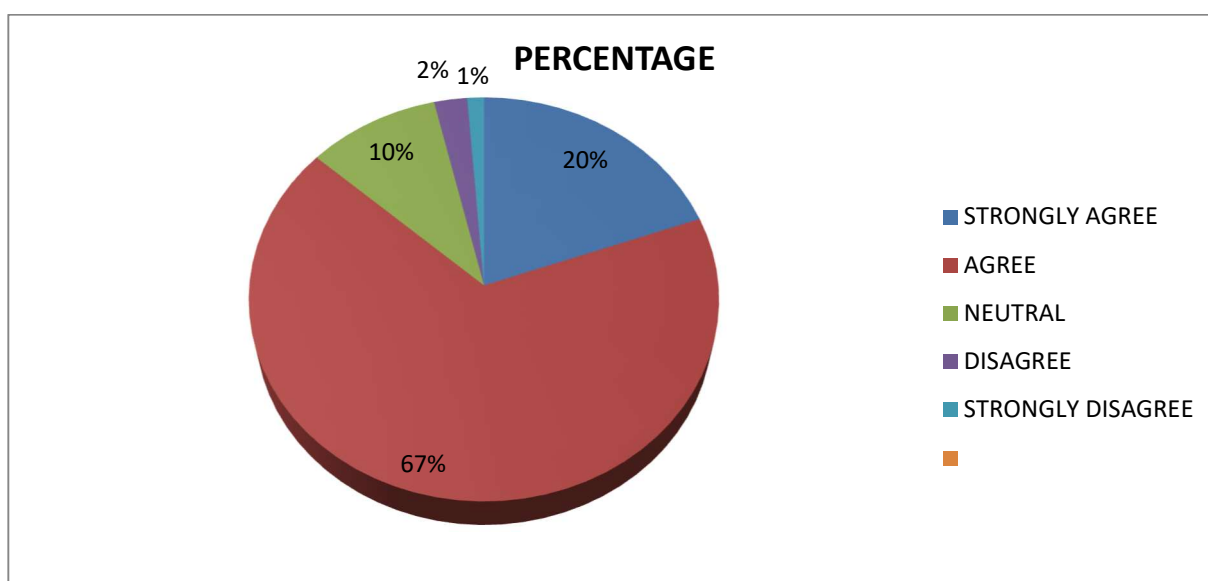


Figure 4.16 The department financial management practices and structures been fully aligned with the relevant department legislation and regulations.

The study found that 87% of participants believe the department's financial management practices align with legislation, while 3% disagreed and 10% were neutral, indicating strong compliance with policies and regulations. Figure 4.17 shows respondents' views regarding financial management practices.

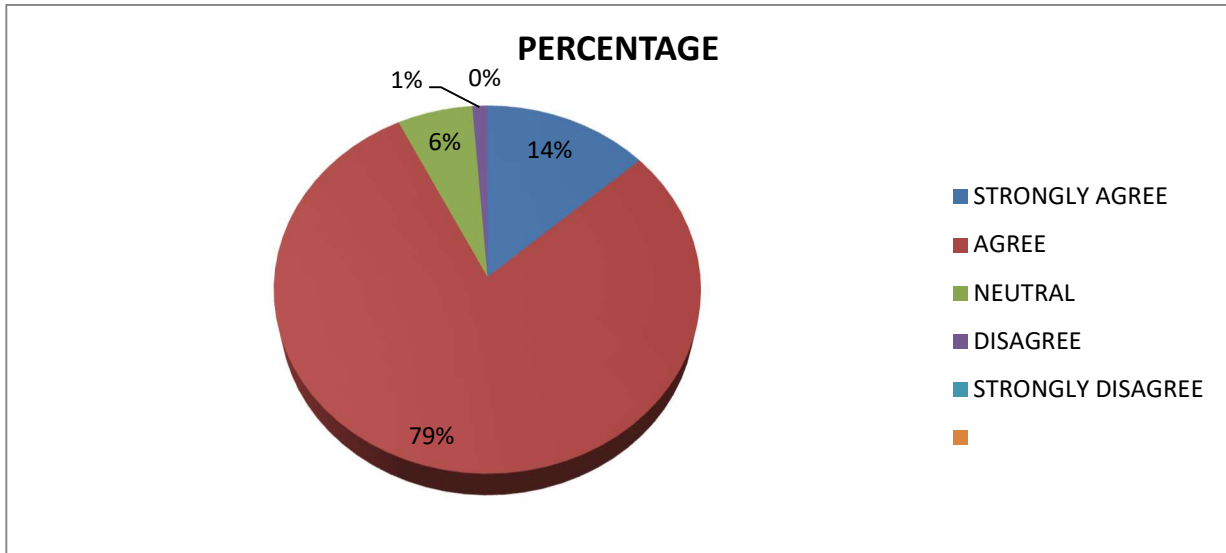


Figure 4.17 The financial management practices regarded as adding value to the department.

The researcher sought to explore whether the financial management practices are regarded as adding value to the department. Figure 4.17 shows exceptionally high agreement, with 93% of the participants agreeing, while only 1% disagreed and 6% remained neutral. The analysis indicates that effective financial management practices significantly enhance financial performance and audit objectives, underscoring the necessity for all parties to adhere to financial policies, regulations, and laws. Figure 4.18 shows respondents' views regarding availability of compulsory basic financial training programme to officials.

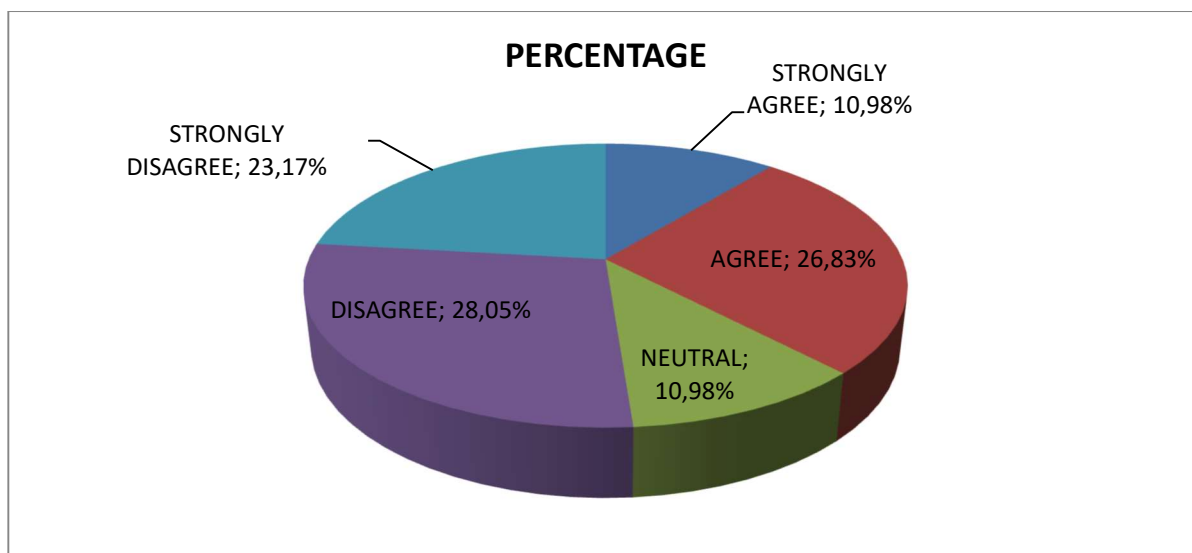


Figure 4.18 It is compulsory for all new and existing departmental officials to attend a basic financial management training programme.

The study explored the need for mandatory basic financial management training for departmental officials, revealing that 37.81% were in favour, 51.22% opposed, and 10.98% were neutral. The analysis of Figure 4.18 makes it clear that there is a significant need for officials to attend this basic financial management training. Despite the 37.81% agreement that training occurs, the majority disagreement indicates that the program is not compulsory or consistently implemented. Equipping finance officials with this training is crucial for the smooth running and effective implementation of financial policies and procedures. Figure 4.19 shows the respondents' views regarding department implementation of procurement processes and policies.

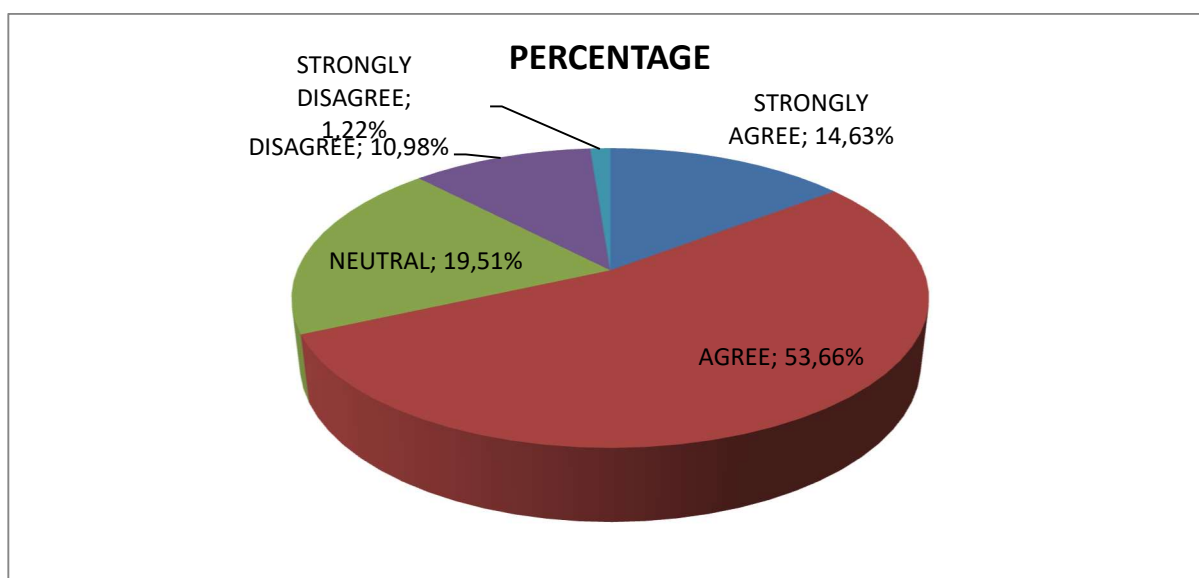


Figure 4.19 The department follow procurement policies and prescripts when doing procurement process.

The researcher sought to determine if the department follows procurement policies and prescripts during the procurement process. The results (Figure 4.19) indicate that 68.29% of participants agreed that the department follows these policies, while 12.20% disagreed and 19.51% were neutral.

The feedback suggests that the department generally adheres to procurement policies and processes. However, given that procurement is often the weakest link in the financial management cycle, there remains a significant area for improvement. The department must consistently revise and improve these processes to safeguard public resources. Figure 4.20 shows the respondents' views regarding availability of policies and procedures to protect assets.

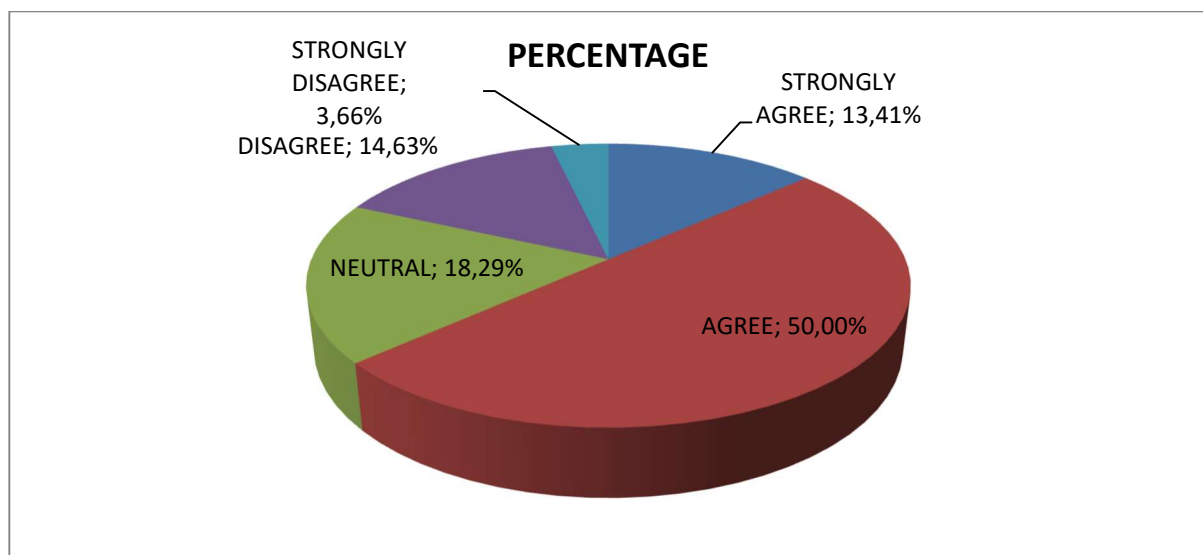


Figure 4.20 There are policies and procedures in place to adequately safeguard or protect assets from fraud, waste and abuse.

The researcher aimed to establish whether there are sufficient policies and procedures to protect assets from fraudulent, wasteful, and abusive practices. According to the findings in Figure 4.20, 63.41% concurred, 18.30% dissented, and 18.29% remained neutral. The predominant consensus validates the presence of departmental policies and procedures that aid in safeguarding assets from misuse and mistreatment. Figure 4.21 shows the respondents' views regarding reconciliation of fixed assets and stocks against respective registers.

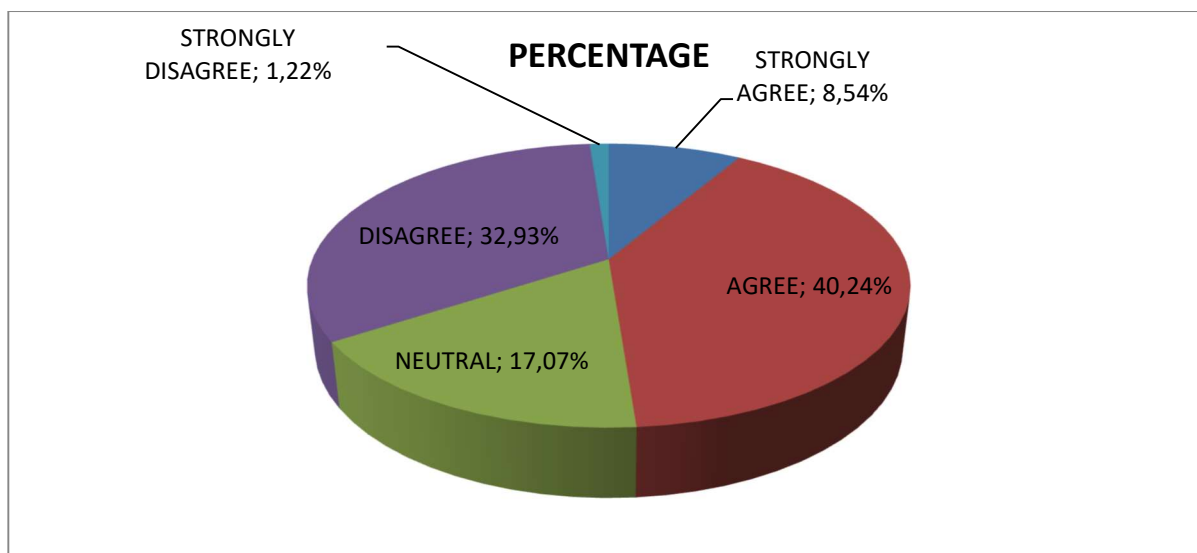


Figure 4.21 The physical inventory of fixed assets and stocks reconciled with the respective fixed assets and stock registers and discrepancies analysed and resolved.

The researcher examined the alignment of physical inventory of fixed assets and stocks with registers, discovering a lack of consensus. Only 48.78% agreed that reconciliation takes place, whereas 34.15% disagreed and 17.07% remained neutral. Feedback suggests a significant chance that reconciliation is poorly implemented, adversely affecting the department's financial management processes. Figure 4.22 shows respondents' views regarding availability of systems and processes to eliminate irregular, fruitless and wasteful expenditure.

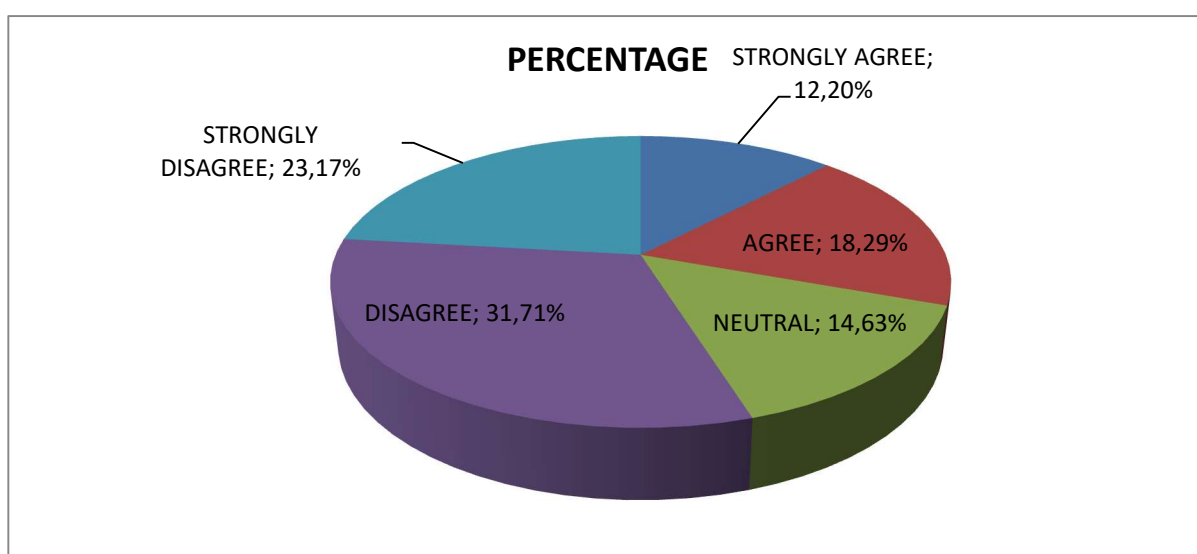


Figure 4.22 The department have systems and processes in place to eliminate irregular, fruitless and wasteful expenditure.

The researcher identified significant deficiencies in the department's financial management, noting that only 30.49% of respondents agreed on the existence of effective systems to eliminate irregular expenditure. A high disagreement rate of 54.88% indicates that these deficiencies adversely impact public sector finances.

4.4 PRELIMINARY DATA ANALYSIS

Pulka (2022) highlighted that preliminary analysis in research is essential for reviewing data to identify errors, outliers, missing values, and anomalies. This thorough review is crucial for maintaining accuracy and reliability in subsequent analyses. Additionally, Preliminary data testing in empirical studies is essential for ensuring data accuracy and reliability, preventing statistical errors, and tackling common research challenges such as outliers, missing data, data alteration, data mining, and developing graphical representations (Sarkindaji, 2022; Idris & Galoji, 2022). Furthermore, statistical analysis is vital in research as it converts raw data into insights, supports hypothesis testing, improves study design, evaluates risks, and aids in evidence-based decision-making, essential for advancing knowledge. (Guzik & Więckowska, 2023).

4.4.1 Coding

The questionnaire used in the study contained two sections: Section A gathered demographic data, while Section B explored public sector financial management. Tables 4.2 and 4.3 provided detailed information on the variables and their corresponding values.

Table 4.2 Coding Information

SECTION A: DEMOGRAPHIC DATA

QUESTION	DIMENSION MEASURED	CODE
Question 1	Years at the Department of Labour	A1
Question 2	Position at the Department of Labour	A2

Table 4.2. Coding information

Table 4.3 Showing different themes with different codes for each question

SECTION B: COMPLIANCE WITH FINANCIAL MANAGEMENT PROCESSES IN THE PUBLIC SECTOR

QUESTION	DIMENSION MEASURED	CODE
Question 1	Internal Controls	B1
Question 2	Internal Controls	B2
Question 3	Internal Controls	B3
Question 4	Internal Controls	B4

Question 5	Internal Controls	B5
Question 6	Internal Controls	B6
Question 7	Financial Governance	B7
Question 8	Financial Governance	B8
Question 9	Financial Governance	B9
Question 10	Financial Reporting	B10
Question 11	Financial Reporting	B11
Question 12	Financial Reporting	B12
Question 13	Financial Reporting	B13
Question 14	Financial Management Policies & Procedures	B14
Question 15	Financial Management Policies & Procedures	B15
Question 16	Financial Management Policies & Procedures	B16
Question 17	Financial Management Policies & Procedures	B17
Question 18	Financial Management Policies & Procedures	B18
Question 19	Financial Reconciliation	B19
Question 20	Financial Reconciliation	B20

Table 4.3. Coding information

Table 4.3 shows that the questionnaire was categorised in different themes i.e. Internal controls which represented by question 1-6 the researcher wanted to check availability and how strong the controls are at DEL. Secondly, Financial Governance questions were from question 7-9 the researcher wanted to check compliance processes by DEL. Thirdly Financial Reporting started from question 10-13 which tested the compliance with submission and deadlines as set by higher structure like National Treasury. Furthermore, Financial Management policies represented by 14-18 which tested availability and compliance with relevant policies and procedures including capacitating officials. Lastly Financial Reconciliation represented by question 19-20.

Table 4.3 presents the frequencies relating to Section B (questions B1–B20) of the research questionnaire, which measures financial management processes within the public sector. The scoring system is inverted: a low score indicates high compliance with financial management processes, and a high score indicates low compliance.

Table 4.4 Presents set of questions that focus on internal control

FREQUENCY FOR THE COMPLIANCE WITH FINANCIAL MANAGEMENT PROCESSES

TABLE 4.4: DIMENSION 1: INTERNAL CONTROL

CODE	1 STRONGLY AGREE	2 AGREE	3 NEUTRAL	4 DISAGREE	5 STRONGLY DISAGREE
B1	29	49	2	2	0
B2	20	56	6	0	0
B3	36	46	0	0	0
B4	10	59	7	4	2
B5	10	42	14	8	8
B6	5	8	9	32	28

Table 4.5 Presents set of questions that focus on financial governance

TABLE 4.5: DIMENSION 2: FINANCIAL GOVERNANCE

CODE	1 STRONGLY AGREE	2 AGREE	3 NEUTRAL	4 DISAGREE	5 STRONGLY DISAGREE
B7	8	16	14	19	25
B8	8	38	18	12	6
B9	16	48	15	2	1

Table 4.6 Presents set of questions that focus on financial reporting

TABLE 4.6: DIMENSION 3: FINANCIAL REPORTING

CODE	1 STRONGLY AGREE	2 AGREE	3 NEUTRAL	4 DISAGREE	5 STRONGLY DISAGREE
B10	5	62	6	6	3
B11	23	54	4	1	0
B12	10	17	7	28	20
B13	11	48	15	5	3

Table 4.7 Presents set of questions that focus on financial management policies

TABLE 4.7: DIMENSION 4: FINANCIAL MANAGEMENT POLICIES

CODE	1 STRONGLY AGREE	2 AGREE	3 NEUTRAL	4 DISAGREE	5 STRONGLY DISAGREE
B14	16	55	8	2	1
B15	11	65	5	1	0
B16	9	22	9	23	19
B17	12	44	16	9	1
B18	11	41	15	12	3

Table 4.8 Presents set of questions that focus on financial reconciliation**TABLE 4.8: DIMENSION 3: FINANCIAL RECONCILIATION**

CODE	1 STRONGLY AGREE	2 AGREE	3 NEUTRAL	4 DISAGREE	5 STRONGLY DISAGREE
B19	7	33	14	27	1
B20	10	15	12	26	19

Thematic analysis is a qualitative research method involving data coding, theme identification and refinement, and the reporting of findings (Flick, 2022). Furthermore, the recent study stated that content analysis is a quantitative method used to examine and categorize data, according to Christou et al. (2023).

The study utilized a Content Analysis technique, which is a quantitative method that involves the use of quantified measures to cluster content (Christou et al., 2023). This method incorporates qualitative research techniques such as data coding and theme refinement, as outlined by Flick (2022), but its primary objective is to produce quantified data for statistical analysis.

Theme 1: Internal Control

This section summarizes the findings related to Sub-Question Three (3): developments and improvement of effective financial management to assist with planning and implementation in meeting pre-determined objectives.

The overall responses within this theme provided assurance that internal controls at DEL are generally effective, efficient, and reliable. However, the analysis highlighted three specific areas of concern:

Financial System Reliability (Question 4): A total of 31% of participants (24% disagreed; 7% were neutral) expressed reservations about the reliability of the financial systems used by DEL to provide trustworthy financial data.

Availability of Financial Systems (Question 5): A significant minority disagreed with the availability of different financial systems, with responses totalling 37% (comprising 20% disagreement and 17% neutrality).

Training on GRAP and IAS (Question 6): 73% of respondents disagreed that new officials are trained on GRAP and IAS. This represents a major concern, as this training is vital for equipping officials with the skills needed for the financial reporting process.

Theme 2: Financial Governance

This section summarizes the findings related to Sub-Question One (1): the role of financial management in the public sector environment.

The overall responses within this theme suggested overwhelming strength in leadership and internal processes. However, a major concern arose from Question Seven, which tested external auditors' knowledge and understanding of the policies, systems, and processes used at DEL.

The participants' responses showed that 53.65% disagreed (or strongly disagreed) that external auditors possess sufficient knowledge, compared to only 29.27% who agreed. This significant level of disagreement highlights a potential risk in the external audit process.

Theme 3: Financial Reporting

The aim of this theme was to address Sub-Question One (1): the role of financial management in the public sector environment. The purpose was to assess adherence to the reporting process and determine if the department has systems in place to ensure correct and accurate budget utilization.

The analysis of participant responses revealed mixed results regarding internal processes:

Information Flow (Question 10): 81.71% agreed that information flows accurately between different offices.

Reconciliation (Question 11): 93.90% agreed that reconciliations are properly performed.

Budget Monitoring (Question 14): A major weakness was identified, as 58.54% disagreed that DEL monitors its budget to minimize overspending, against only 32.93% who agreed.

Segregation of Duties (Question 15): 71.95% agreed that the segregation of duties is properly followed and implemented in DEL.

Theme 4: Financial Management policies

This section summarizes the findings related to Sub-Question Two (2): the financial policies, prescripts, and legislation used in the South African Public Sector to improve financial performance.

The questions within this theme (Questions 14 to 18) tested whether DEL's policies and procedures assist the department in achieving its targets. The overall findings were overwhelmingly positive, confirming that the policies and procedures are adhered to at DEL in achieving its goals.

However, a major concern arose from Question 16, which asked if the department takes all new finance officials to compulsory basic financial management training. The responses showed:

51.22% Disagreed

35.83% Agreed

10.97% were Neutral

This finding highlights a significant gap in mandatory training despite the perceived general adherence to overall policy.

Theme 5: Financial Reconciliation

This section summarizes the findings related to Sub-Question Three: developments and improvement of effective financial management to assist with planning and implementation in meeting pre-determined objectives.

The analysis of these final two questions highlights two critical weaknesses:

Asset Reconciliation (Question 19): Participants were asked if physical assets reconcile back to the asset register. Only 48.78% agreed, while 32.93% disagreed,

and 17.01% were neutral. The low agreement rate indicates a potential failure in asset management controls.

Wasteful Expenditure Controls (Question 20): Participants were asked if systems are in place to eliminate and minimize irregular, fruitless, and wasteful expenditure. A majority of 54.87% disagreed that DEL has such a system, against only 30.49% who agreed, with 14.63% remaining neutral. This finding points to a severe vulnerability in the department's financial management cycle.

4.5 VALIDITY AND RELIABILITY

4.5.1 Statistical analysis report

Cronbach's Alpha

Cronbach's Alpha is a statistical tool used to assess the internal consistency or reliability of a group of survey or test items. It indicates the degree of correlation between items within a scale, providing insight into how closely related the items are to each other.

Table 4.9 indicates that Internal Control scale item 1 to item 6 of Internal Control dimension is approximately **0.707** (70.7%). Furthermore, Financial Reconciliation scale item 1 to item 2 of financial dimension-is approximately 0.708 (70.8%)

Interpretation:

In the event that the results of the test are > 0.9 : This is considered as excellent. Secondly in the event that the results of the test yield **0.8 – 0.9**: This is considered good. Thirdly in the event that the results of the test yield 0.7 – 0.8: This is considered acceptable. Fourthly if the results of the test yield 0.6 – 0.7: This is considered as Questionable. Lastly if the results of the test yields < 0.6 : This is considered as poor. This result suggests that the Internal Control and Financial Reconciliation items have acceptable internal consistency as a group.

Cronbach's Alpha

TABLE 4.9 Reveals correlation amongst different variables using Cronbach's Alpha

Values for each financial management themes:

Themes/Variables	Cronbach's Alpha	Interpretation
Internal Control	0.707	Acceptable reliability
Financial Governance	0.287	Poor reliability
Financial Reporting	0.306	Poor reliability
Financial Policy	0.598	Questionable reliability
Financial Reconciliation	0.708	Acceptable reliability

TABLE 4.9 Cronbach's Alpha

Summary:

Table 4.9 presents the correlation among the five main variables: Internal Control, Financial Governance, Financial Reporting, Financial Policy, and Financial Reconciliation. The participants' responses to the 20 items of the five-point Likert scale were coded for analysis.

The internal reliability of component variables was evaluated using Cronbach's Coefficient Alpha, with Hair et al. (2006) stating that a coefficient alpha value of 0.70 or higher is deemed acceptable.

As shown in Table 4.9, two components demonstrated acceptable reliability: Internal Control ($\alpha=0.707$) and Financial Reconciliation ($\alpha=0.708$). However, the Cronbach's alpha coefficients for the remaining factors Financial Governance, Financial Reporting, and Financial Policy were below the accepted threshold.

As shown in Table 4.9, Financial Reconciliation and Internal Control were the only themes that demonstrated acceptable internal consistency. Conversely, the low reliability for Governance and Reporting suggests that the items within these themes may not be consistently measuring the same underlying concept. This issue is possibly attributable to the limited number of items (only two per construct) or existing conceptual differences.

Recommendations to improve the **reliability (Cronbach's Alpha)** of the weaker constructs:

1. Increase the Number of Items **Problem:** Scales like *Financial Governance* and *Financial Reporting* only have 2 items.

Fix: Add more items (ideally 4–6) that measure various aspects of the same variables. For example, add items that explore transparency, compliance, and oversight for *Governance*.

2. Review Item Wording

Ensure items are:

Clearly worded

Focused on the same underlying concept

Consistently scaled (avoid reverse-coded or ambiguous phrasing)

3. Conduct Item-Total Correlation Analysis

Check if any item correlates poorly with the total score of the scale. Items with low correlations can be revised or removed to improve internal consistency.

4. Pilot Testing

Before final deployment, run the questionnaire with a small group. Use their responses to analyse reliability and clarity.

5. Use Exploratory Factor Analysis (EFA)

Identify whether the items truly belong to a single factor. Sometimes low alpha indicates that the items are tapping into **different dimensions**.

The **Coefficient of Variation (CV)** computed across Internal Control to FinRec) for each respondent has the following statistics: This is useful for comparing variability between datasets with different units or means.

Mean CV = 0.168 (16.8%), with SD = 0.094

CV range: min = 0.00, 25% = 8.3%, median = 15.2%, 75% = 24%, max = 39%

The descriptive statistics for the test variables (Internal Control to Financial Reconciliation) showed an average Coefficient of Variation (CV) of approximately 16.8%. This value falls within the moderate variability range (10-40%), indicating that

while the data are not perfectly consistent, they are also not widely dispersed a finding that may be acceptable in the financial management environment.

Further analysis of the data's dispersion showed the following:

Standard Deviation: A standard deviation of 9.4% indicated that most individual CV values differ from the mean CV by roughly 10%.

Interquartile Range (IQR): The IQR, spanning from 8.3% to 24%, confirms that the middle 50% of the data is reasonably tight but still shows substantial variation.

Outliers: The maximum CV of 39% is notably above the calculated threshold for typical variation (Mean approximately 16.8% + 2 $\times$ SD approximately 9.4% approximately 35.6%), suggesting the presence of significant outliers or extreme values worth examining further.

Overall, the dataset exhibits moderate variability, with most CV values clustered between approximately 8% and 24%.

The distribution shows a long upper tail, indicating the presence of a few high-variability values that warrant further investigation. Whether this level of variability is acceptable depends significantly on the specific financial management environment, process, and expected precision.

On the high end of the tail, CVs above approximately 30% are rare in this distribution and likely represent cases of irregular performance or special exceptions. Ultimately, the CV figures reflect the relative variability in each respondent's perception across the different financial management dimensions tested.

The Coefficient of Variation (CV) which is the measure of relative variability. It is used to compare the degree of variation between different roles in the financial management framework. A higher CV indicates more inconsistency or dispersion in effectiveness scores, whereas a lower CV shows more uniformity. The CV is calculated by dividing the standard deviation of a dataset by its mean, and then multiplying by 100 to express it as a percentage.

Formula: $CV = (\text{Standard Deviation} / \text{Mean}) * 100$

The CV represents the standard deviation as a percentage of the mean.

Figure 4.10 reveals highest and lowest Coefficient Variability

Top 5 Contributors (Highest CV) – High Variability

Role	CV (%)
Senior Accountant	51.3
Team Leader	49.8
Revenue Officer	47.7
Senior Officer	47.1
Accountant	46.9

Bottom 5 Contributors (Lowest CV) – Low Variability

Role	CV (%)
Chief Officer	26.2
Assistant Director	28.1
Director	28.8
Assistant Accountant	29.2
Deputy Director	30.5

Table 4.10 Contributors of High CV

Interpretation: Figure 4.10

High CV Roles (Top 5): The analysis of the top five questions (or themes) with the highest Coefficient of Variation (CV) in Figure 4.10 reveals inconsistent practices or uneven resource distribution across these specific areas. To address this high variability, the department should consider implementing process standardization, enhanced performance monitoring, and targeted training programs.

Low CV Roles (Bottom 5): The results in terms of Bottom 5 indicate the stable, consistent performance or practices. This may be due to successful standardization.

Secondly, the test should be reviewed for overall performance level

FIGURE 4.23 Showing different roles of participants

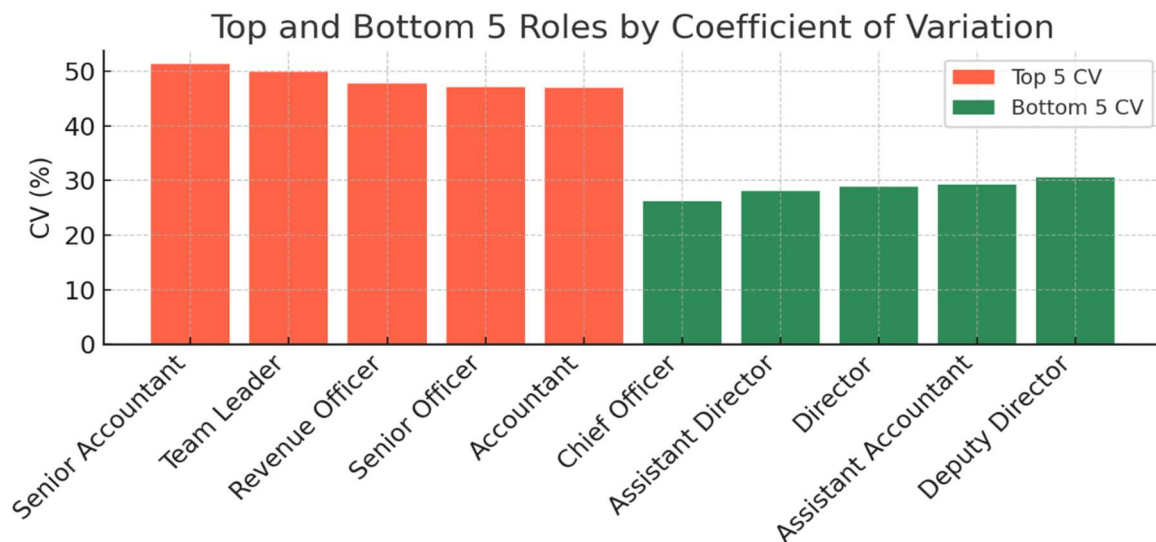


FIGURE 4.23: TOP AND BOTTOM 5 ROLES

The **boxplot** illustrates the **distribution of the Coefficient of Variation (CV)** across all financial management dimensions for each department. By displaying the median, quartiles, and potential outliers, the boxplot provides a quick way to assess the **centre, spread, and skewness** of the data. Departments with **wider boxes or more outliers** demonstrate greater inconsistency in perceptions, while departments with **lower CV medians** indicate greater agreement among respondents regarding financial practices.

The **Kruskal-Wallis test** results for differences in **Coefficient of Variation (CV)** across departments:

H-statistic: 45.68

p- value: 0.752

Interpretation: The results of the test revealed that the differences in CV across departments are not statistically significant since the p-value > 0.05. Secondly, this suggests that variability in financial perceptions is relatively consistent across departments.

Correlation matrix

Observations:

TABLE 4.11 Showing the Correlation Matrix that display correlation coefficients

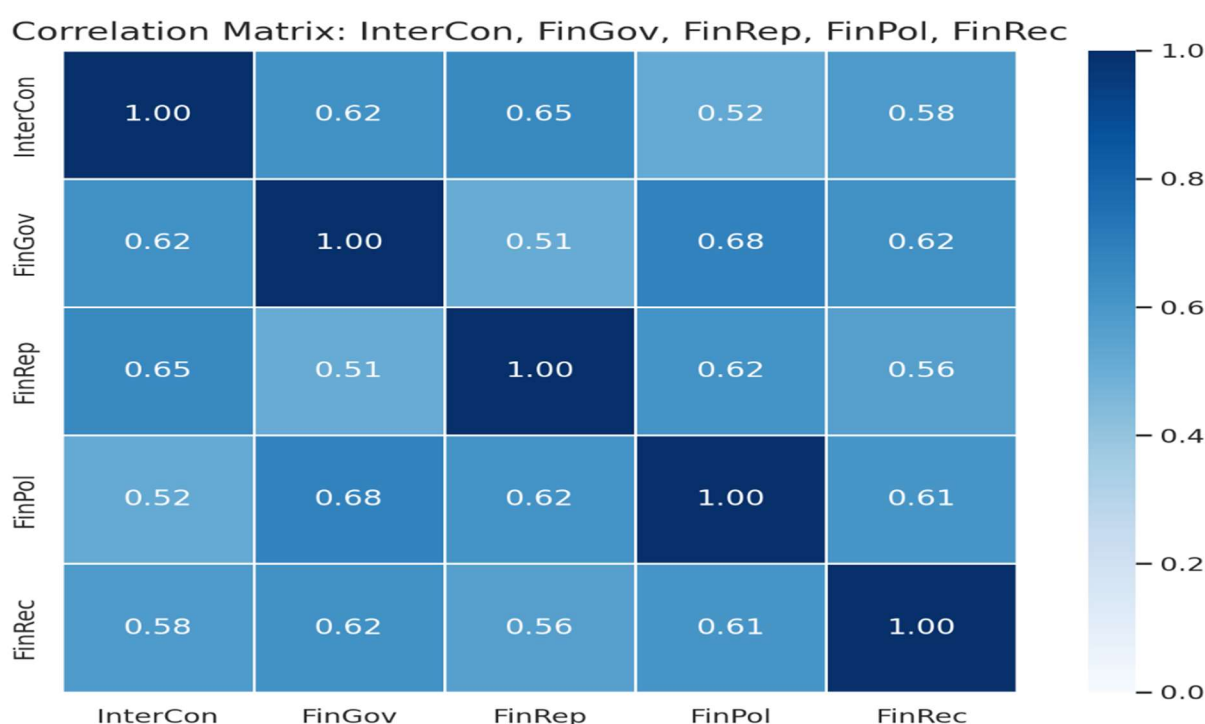


TABLE 4.11: Correlation Matrix

Correlation matrices are tables displaying **correlation coefficients** that quantify the relationships between variables. A coefficient closer to ± 1 indicates a **strong** relationship, while a coefficient closer to 0 indicates a **weak** one. Coefficients are interpreted as **positive** (direct relationship) or **negative** (inverse relationship). The correlation matrix detailing the relationships between internal control, financial governance, financial reporting, financial policy, and financial reconciliation is presented in **Table 4.11**.

Correlation matrix Results

The findings in Table 4.11 suggested that all correlations are moderate to strong (between 0.5 and 0.68). Furthermore, highest correlation: FinGov $\leftrightarrow$ FinPol (0.683) — suggesting a close relationship between governance and policy. All dimensions are positively correlated, indicating they move together to some extent.

Heat Map

Table 4.11's visualization, where darker blue shades represent stronger positive correlations, clearly shows that all variables exhibit moderate to strong associations. This suggests that they may all reflect related aspects of financial management effectiveness.

Factor analysis

Table 4.12 presents the factor loading results. Items that load similarly are considered to be measuring the same underlying factor. We examine items loading at or above 0.5. In cases where an item "cross-loads" (loads on multiple factors above 0.5), the highest loading is used to determine which factor it most effectively measures. This process helps confirm that each component accurately represents the intended set of variables.

Variable	Factor 1	Factor 2
Internal Control	0.762	-0.061
Financial Governance	0.832	0.388
Financial Reporting	0.813	-0.426
Financial Policies	0.780	0.071
Financial Reconciliation	0.734	0.058

TABLE 4.12 Factor Analysis

Interpretation: The results for the factor analysis reveal the following:

- Factor 1: This factor exhibits high loadings across all variables. This strongly suggests that Factor 1 represents a general Financial Management Effectiveness construct.
- Factor 2: This factor displayed low or inconsistent loadings. Therefore, it is not considered a strong or interpretable secondary factor in this specific analysis.
- In conclusion, a single-factor solution might be sufficient, as most variables load strongly (≥ 0.7) on Factor 1 and weakly on Factor 2. This supports the idea that these measures reflect a unified underlying construct.
- The Cronbach's Alpha for the combined scale for (InterCon, FinGov, FinRep, FinPol, FinRec) is approximately 0.859 (85.9%).

This indicates good internal consistency, suggesting these five constructs together form a reliable composite measure of financial management effectiveness.

Composite Financial Effectiveness Score

Average of InterCon, FinGov, FinRep, FinPol, FinRec) has the following summary:

Count: 82 respondents

Mean: 3.42

Standard Deviation: 0.59

Minimum: 2.42

25th Percentile: 3.02

Median: 3.35

75th Percentile: 3.69

Maximum: 4.88

This composite score can now be used to: Compare across departments or experience levels. Perform regression or correlation analysis and Visualize distribution or trends

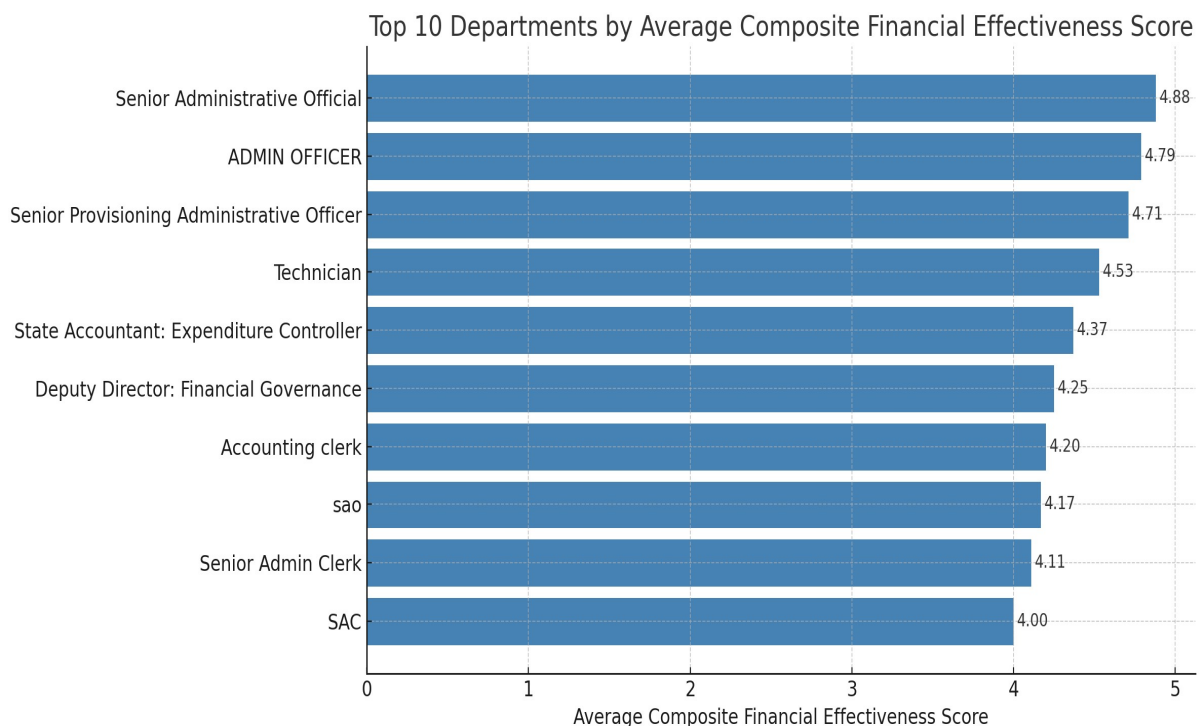


FIGURE 4.24 Composite Financial Effectiveness Score

Interpretation of the Results:

A composite financial effectiveness score is a single number that represents the overall financial health of an organization, calculated by combining multiple financial ratios and metrics. Figure 4.24 shows the results of the Composite financial effectiveness for the Top 10 Departments by Average Composite financial effectiveness Score.

The chart displays the departments that achieved the highest average scores on the Composite Financial Effectiveness Index. This index is derived from transformed

responses across various financial management domains. The results indicate the following key insights:

Top Performing Departments

High Average Scores Indicate a strong perception of financial management practices by staff. Furthermore, these scores reflect the effective implementation of budgeting, procurement, and financial control mechanisms. They also suggest better alignment with policies, training, and communication regarding finance.

Examples of Such Departments:

These departments are likely to have more robust internal controls, clearer financial roles and stronger leadership support in finance-related matters. Also, their staff feel empowered and informed when it comes to financial procedures.

Implications

These high-scoring departments offer significant strategic value:

- **Benchmarking & Role Models:** They can serve as internal benchmarks or role models for other parts of the organization.
- **Knowledge Sharing:** Best practices from these departments should be documented and shared across the organization.
- **Targeted Improvement:** The data provides a strong foundation for targeted learning or capacity-building efforts focused on improving performance in lower-performing areas.

Interpretation of Findings on Perceived Effectiveness

The findings from the statistical analysis indicate a generally effective perception of the financial management framework among respondents.

The composite mean score across the five key dimensions—internal control, financial governance, financial reporting, financial policy, and financial reconciliation—was 3.42 on a 5-point Likert scale. This value reflects an overall agreement with the effectiveness of the current system.

This positive perception is strongly supported by a high Cronbach's alpha of 0.859 (85.9%), which demonstrates strong internal consistency and reliability among the survey items used to measure this construct.

The Principal Component Analysis (PCA) strongly confirmed the one-dimensionality of the theme, with the first component explaining 100% of the variance. This indicates that respondents view the constituent elements as part of a single, coherent and integrated framework.

Additionally, the coefficient of variation (CV) was low (mean {CV} = 0.168, or 16.8%). This suggests that the responses regarding this framework were relatively consistent across individuals.

Taken together, these results provide strong evidence that respondents believe an effective financial management framework is in place. However, the moderate mean score (3.42 on a 5-point scale, as noted previously) suggests that there may still be specific areas requiring targeted improvement.

4.6 SUMMARY

Study Overview and Core Finding

This study employed a questionnaire to explore the current financial management framework and determine its effectiveness in the Eastern Cape Department of Employment and Labour. The primary objectives were to investigate challenges in implementing financial management processes and assist the department in strengthening internal controls, improving the ethical environment, and achieving a clean audit. The statistical evidence strongly supports the interpretation that respondents generally perceive the financial management framework as effective. However, the findings also suggest there is room for improvement, particularly in raising positive perceptions toward the upper end of the response scale. The upcoming chapter will provide a recap of the discoveries and suggestions, along with outlining potential future research areas.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This study assesses the effectiveness of financial management framework at the Department of Employment and Labour, aiming to recommend appropriate interventions and identify future research areas. Following the presentation of findings from officials, this chapter summarizes conclusions and offers recommendations for the Department, while also addressing study limitations and suggesting directions for further research.

5.2 SUMMARY OF FINDINGS

5.2.1 Finding for objective 1

Objective 1: The study explored the importance of financial management in the public sector, with a specific focus on the Department of Employment and Labour in the Provincial Office in East London.

Lack of compulsory financial management training programme for all new and existing departmental officials to attend

The study found that the department does not adequately train its new and existing finance employees with basic financial management processes and principles, hindering their ability to apply relevant financial reporting processes and principles. It was revealed that the lack of investment in financial management can lead to inadequate facilities, misdirected projects, and poor learning environments, undermining the government's vision and objectives (Lucy, 2016).

Lack of sufficient knowledge and understanding of department's guidelines and procedures by external auditors

A study revealed that external auditors do not have enough knowledge or understanding of the department's operational methods, as well as the guidelines and procedures followed in its financial management environment. Auditing is a methodical process that involves obtaining and assessing financial statements in an objective manner to determine compliance with established criteria and reporting the findings to stakeholders. It involves an independent expert checking and certifying financial statements, thereby providing users with accurate information on accounting principles, practices, and company performance (Gonzalo-Angulo, 2018).

Weakness in the method that monitors budget to avoid overspending

The study found that the department does not monitor its budget effectively to minimise overspending on the vote. Likalama and Nyangau (2017) and Nyangau (2017) discuss budget monitoring as the process of creating a spending plan and consistently comparing actual expenditures to this plan in order to make any required modifications. Public sector organizations depend on budget management to align their expenditures and activities with overarching service delivery objectives.

Furthermore, financial managers' primary responsibilities include creating, controlling, and executing the entity's financial budget (Alnaqabi & Nobanee, 2021). IMF (2016) stated that the effectiveness of fiscal regulations, medium-term financial strategies, and yearly financial plans is undermined if spending is not managed properly during implementation. Inadequate control over expenses not only poses a threat to overall economic stability and financial discipline but also undermines the credibility of the governmental financial administration system and erodes public trust in how government resources are managed.

Weakness in the reconciliation of physical inventory of fixed assets and stocks with the fixed assets and stock registers and ensure that discrepancies are analysed and resolved

The study found that the reconciliation of fixed asset registers against physical assets is not being implemented correctly, which in turn has a negative impact on financial management processes and procedures. This area is critical, as Assets and Liabilities Management (ALM) involves a set of policies and procedures designed to minimize financial risks (such as liquidity, credit, and interest rate risks) that arise from a mismatch between assets and liabilities in both financial and corporate sectors (Reddy & Reddy, 2022).

5.2.2 Findings for objective 2

Objective 2 the focus was an analysis of the financial policies, regulations, and laws within the South African public sector aimed at enhancing financial performance in management settings.

Lack of the department systems and processes to eliminate irregular, fruitless and wasteful expenditure.

The study found that there is a possibility that the department does not have an effective system or process to eliminate irregular, fruitless and wasteful expenditure.

This presents a significant risk, as the mismanagement of finances in South Africa frequently involves inappropriate tender procedures and a failure to adhere to procurement protocols, both of which are governed by legislation (Dlomo, 2017). Furthermore, it was found that, irregular expenses primarily result from violations that occur during the acquisition of goods and services (Nzimande & Padayachee, 2017). Investigating how financial objectives are achieved in South Africa consistently shows financial mismanagement—defined as unauthorised, irregular, wasteful, and fruitless expenditure—which places the country in financial hardship (Glasser & Wright, 2020). Lastly based on the statistical evidence it was found that the evidence strongly supports the financial management framework as effective, though there is room for improvement.

5.3 CONTRIBUTIONS OF THE STUDY

The research findings play a critical role in comprehending the effectiveness of the financial management framework in the public sector.

Specifically, the research provides a clear understanding of:

- The role of financial management in the public sector.
- The relevant public sector financial policies, regulations, and laws used to improve performance.

This understanding enables informed judgement in managing public expectations and resources, facilitating better prioritization, strategic resource allocation, and value for money, thereby supporting an effective financial management framework in the public sector.

This study articulates principles of an effective financial management framework in the public sector, aiming to enhance organizational performance. It also identifies specific financial management gaps, aiding in addressing these deficiencies.

5.4 LIMITATIONS OF THE RESEARCH

While the findings of this research offer important perspectives, various limitations were pointed out:

- Due to a lack of prior studies on financial management frameworks in the public sector, the literature review was limited. The study's focus on a single

government department in the Eastern Cape restricts the generalizability of the results to all South African government departments.

- **Participant Profile:** The majority of participants were at the lower hierarchical level of the department. The inclusion of senior managers with extensive public sector experience would have provided richer data and added critical insights to the investigation.
- **Data Collection Challenges:** Obstacles were encountered during questionnaire distribution, primarily due to the potential participants' busy schedules and initial reluctance to participate in the study.
- **Methodological Mismatch:** The quantitative methodology used was limited by the nature and quality of the questionnaire, which tended to be more qualitative in structure.
- **Instrument Validity:** Some questions within the questionnaire were not entirely effective in addressing the specific issues intended to be tested regarding the effectiveness of the financial management framework.
- **Time Constraints:** The time allocated for data collection was significantly limited, as officials had to balance participation with their daily operational activities.
- **Resource Constraints:** The cost of obtaining data restricted the scope, sample size, and methods used, potentially leading to less representative or diverse data.
- **Simplicity of Analysis:** The statistical analysis employed was fairly simple. A future study could significantly enhance the robustness of the findings by utilizing more sophisticated statistical methods to test the variables.

Despite these limitations, they did not outweigh the valuable contribution this study makes to the body of knowledge.

5.5 RECOMMENDATIONS

One of the objectives of this study was to make meaningful suggestions for the development and improvement of an effective financial management framework. This includes related plans and implementation strategies aimed at achieving pre-determined organizational objectives.

This is followed by the core aim: to recommend appropriate strategies to the Department of Employment and Labour (DEL) for proper compliance with applicable financial management laws in public sector settings.

The study identifies that the current culture of training and workshops is poor, which is likely contributing to suboptimal performance and potentially leading to poor audit outcomes.

Recommendation: The department should immediately review its existing training policy and ensure that the frequency of training is clearly documented and communicated to all relevant employees.

- Secondly, the DEL must regularly avail targeted workshops and programs to officials. These programs should focus on essential technical aspects, including GRAP (Generally Recognised Accounting Practice), SCOA (Standard Chart of Accounts), the PFMA (Public Finance Management Act), and recent changes in IAS (International Accounting Standards). This approach will ensure that the department's staff remain technically relevant and are adequately equipped to address issues identified as audit findings.
- It is recommended that DEL employees ensure that external auditors are clearly briefed on all relevant financial processes and procedures in place. By providing regular workshops, staff will be better prepared to handle audits. This entire area can be improved through better understanding of audit expectations and proactive preparation.
- The study suggests that the management of assets is occurring, but it is not under sufficiently strict control by relevant officials. This lack of control is likely contributing to the observed inconsistency in asset records. Recommendation: To address the real issues affecting this inconsistency, proper training and workshops focused on asset management and reconciliation procedures should be provided to relevant officials.
- Participants hold the view that the department lacks appropriate procedures and processes to eliminate irregularities. It is recommended that the department strengthen the process of segregation of duties and allocate responsibilities clearly to safeguard against irregularities. Secondly, DEL must invest in extensive systems that will limit unauthorized access. Closing this gap will significantly assist the department in operating more effectively.

- The department should introduce expenditure approval template signed by delegated authority which will be utilised prior the actual expenditure incurred.
- The department must ensure confirmation of available budget is signed off by Finance or Budget section before any expenditure can be incurred as this will assist in avoiding expenditure where funds are not available.
- Future studies should aim to utilize a larger sample size to obtain more reliable and robust data. Additionally, undertaking studies across different government departments.
- Following the quantitative data collection with a qualitative phase would provide greater depth to the analysis, thereby allowing for the formulation of more informed and comprehensive recommendations.

5.6 SUMMARY

CHAPTER 1- This chapter outlines the research's background and logic, beginning with a definition of the research problem and objectives. It presents the research questions that delineate the study's scope and boundaries and explains how the research purpose was formulated from these questions.

The study outlines the theoretical foundation of public sector financial management, highlighting key concepts like financial management, financial governance, and the financial management framework. It underscores the framework's role in enhancing performance and attaining a clean audit.

CHAPTER 2- This chapter examines the financial policies, regulations, and laws in the South African public sector that is relevant to financial management and their impact on financial performance. The discussion delves into the advantages and disadvantages of the financial management framework within the public sector. The main objective is to evaluate how the financial management framework interacts with the public sector environment and its effectiveness in enhancing financial performance.

Finally, the chapter presents the relevant literature used in the analysis, introduces the methodology employed for the empirical research, and outlines the overall plan used to complete the study. The chapter concludes by listing the outlay of the subsequent chapters.

The following chapter will outline the research methodology and design utilized in the study, encompassing data collection procedures, sampling techniques, statistical analysis methods, and the validation of proposed hypotheses.

CHAPTER 3- This chapter describes the research methodology for data collection and analysis, including the study population and sampling procedures. A self-administered questionnaire was used to gather data, which was analysed through Thematic Content Analysis. Quantitative data were processed with software, coded, and categorized into themes and subthemes, supplemented with illustrations and quotes.

The next chapter will discuss the findings from the questionnaire data using various figures, tables, graphs, and charts.

CHAPTER 4- This chapter focused on analysing questionnaire data using SPSS for statistical evaluation. The results were presented in frequency tables, bar charts, and pie charts, with an interpretation of the findings provided.

CHAPTER 5- This chapter outlines the achievement of research aims and objectives, along with offering recommendations, addressing limitations, and suggesting future research areas. The findings are aligned with the research questions posed in Chapter One and the conclusions drawn from the literature review, confirming the success of the study in meeting its aims and objectives.

5.7 FUTURE RESEARCH OPPORTUNITIES

The following areas of future research are proposed:

Another study could be conducted to enhance the findings of this study by focusing on developing a financial management system to improve service delivery efficiency and ensure the proper use of resources in the public sector. The study was confined to the Department of Employment and Labour. Future research should be expanded to all other government departments and public entities throughout South Africa.

- The same study should be undertaken on financial management framework and how it can be improved to address gaps in public sector environment.
- The identical study could be duplicated for an alternative demographic and industry segment within the public sector setting.
- By utilising questionnaire, comprehensive data can be gathered to identify the individuals accountable for, and the procedures involved in, integrating systems and reports.

- By conducting statistical analysis, a study can investigate potential correlations between financial management structure and the overall financial outcomes.
- Further research is needed to conduct a thorough examination of the factors contributing to the discrepancies between the management of resources and financial management processes and the desired outcomes.

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Appendices

Appendix A: Draft Letter of Permission to conduct the Study

Appendix B: Permission granted from Department of Employment and Labour

Appendix C: Draft Covering Letter

Appendix D: Participation Information Sheet

Appendix E: Editing Certificate

Appendix F: Clearance Letter

Appendix G: Draft Questionnaire

APPENDIX A

REQUEST LETTER

35293 Phase 1 Scenery Park

East London

5209

14/09/2022

THE DIRECTOR-GENERAL

DEPARTMENT OF EMPLOYMENT AND LABOUR

PRIVATE BAG X955

PRETORIA

0001

Dear Sir,

**RE: REQUEST FOR PERMISSION TO CONDUCT RESEARCH STUDY AT
DEPARTMENT OF EMPLOYMENT AND LABOUR**

I am a student enrolled at the University of South Africa (UNISA), pursuing a Master of Philosophy in Accounting Sciences. As you may know, postgraduate studies require the submission of a Treatise, Dissertation, or Thesis. Therefore, I am seeking your authorization, both personal and professional, to conduct my research in the units and departments of the Department of Employment and Labour at the Provincial Office in East London.

The title of my research Thesis is **EFFECTIVENESS OF FINANCIAL MANAGEMENT IN PUBLIC SECTOR: A CASE OF DEPARTMENT OF EMPLOYMENT AND LABOUR, EASTERN CAPE, SOUTH AFRICA** and is being undertaken under the Supervision/s or Promotion/s of **Dr. Timothy O Aluko**.

The objectives and aims of this research is to examine **challenges on the implementation of financial governance in order to assist the department in strengthening internal controls, improving ethical environment and achieving clean audit. Secondary, to analyse the financial policies and prescripts available within the Department of Employment and Labour and benchmark with other departments.** The research will involve conducting interviews or administering questionnaires to specific potential participants or respondents selected through a method based on probability sampling. The potential participants or respondents to be included are Deputy Directors, Assistant Directors and supervisors in the following portfolios; Financial Administration, Compensation Fund, Unemployment Insurance Fund, Risk Management, Supply Chain Management, Organised Labour representatives. The study will be beneficial to Department of Employment and Labour in that **it will make meaningful suggestions into the development and improvement of effective financial governance, relevant planning and**

implementation in order to realise the pre-determined objectives contained therein.

The research will strictly follow ethical principles to uphold excellent work quality and research standards. Data collected will solely serve the study's objectives, guaranteeing privacy and confidentiality of participants. Once endorsed by the University, the complete research report will be submitted to the Department of Employment and Labour.

I am seeking permission to gather the required data from officials at the Department of Employment and Labour Provincial Office in East London for my Research Treatise, Dissertation, or Thesis.

I would greatly appreciate your helpful cooperation in giving me permission. Thank you for dedicating time to involve your team in this research project. I believe it will be advantageous for both me and them.

Yours faithfully,

Mzukisi Fodi

DIRECTOR-GENERAL

Approved

Not Approved

APPENDIX B

PERMISSION LETTER FROM DEPARTMENT OF EMPLOYMENT AND LABOUR



employment & labour

Department:
Employment and Labour
REPUBLIC OF SOUTH AFRICA

Postal Address: Private Bag X117, PRETORIA, 0001 • Street Address: Laboria Building, Francis Baard Street, PRETORIA
Tel: 0860101018 Fax: (012) 309 4737 or (012) 309 4738

Enquires : TN DIRE
Telephone : 012 3094186
Date : 19/05/2023

Dear Mr. Fodi

REQUEST FOR PERMISSION TO CONDUCT RESEARCH IN THE DEPARTMENT OF LABOUR'S OFFICES.

Your email dated 19 April 2023 refers.

Please be advised that your request to conduct research in the Department of Employment Labour's Offices has been approved in principle.

The final approval letter signed by the Director-General will only be offered to you when the Clearance Certificate/University's Ethics Committee's Approval as well as the Structured Questionnaire/Interview/Survey or any other method of data collection has been received by our legal department and they are satisfied that your research information will not be used for the purpose of putting the Department of Employment and Labour into disrepute in any way whatsoever.

We trust that the above is in order.

Yours faithfully

**ACTING DEPUTY DIRECTOR: HUMAN RESOURCES DEVELOPMENT
THOMAS DIRE**

Date: 19/05/2023

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DEL PERMISSION
LETTER.pdf

APPENDIX C

DRAFT COVERING LETTER



Date 08/10/2023

Dear Participant

I am Mzukisi Fodi, currently pursuing a Master of Philosophy in Accounting Sciences at the University of South Africa (UNISA). One of the requirements for my degree is to conduct a research project focusing on the Effectiveness of financial management in the public sector, specifically examining the Department of Employment and Labour in the Eastern Cape, South Africa.

The objectives of this research are to assess the impact of financial management in a public sector environment. Additionally, to evaluate the present financial administration structure to ascertain its effectiveness and scrutinize obstacles related to executing financial management. Lastly, to suggest enhancements to the Department of Employment and Labour to enhance internal regulations, foster a more ethical atmosphere, and attain a clean audit.

This serves to request a permission from you to allow me to add you as a participant. Please note the participation in this study is voluntary and that non-participation will have no negative consequences. The study will be conducted through written questionnaire. The research ethics will be adhered to in order to ensure that the participants are not intentionally exposed to any harm.

Please note that you can withdraw from the study at any time, should you feel that you do not want to continue.

The outcomes of this research will be made available to your organisation and all other stakeholders that took part in the study.

Yours faithfully,

APPENDIX D

PARTICIPATION INFORMATION SHEET



Dear Sir / Madam

I am Mzukisi Fodi, a postgraduate student enrolled at the University of South Africa in Pretoria. My student ID is 48165182, and I am under the guidance of Dr. Timothy Aluko. I am presently engaged in a study regarding a Financial Management Framework titled "Assessment of financial management in the public sector: A study of the Department of Employment and Labour in the Eastern Cape, South Africa."

I am extending an invitation for you to participate in a questionnaire.

If you decide to join, your participation in this study will require approximately 10 to 15 minutes.

I am seeking your approval to take part in answering the questionnaire. The information gathered will be kept in Unisa's Research Data Management system for 15 years. The data will only be accessible to the researcher.

Throughout the study, I will require gathering certain personal details from you, such as your job position at DEL, your credentials, and the duration of your employment at DEL.

The questionnaire will ensure confidentiality and anonymity. Your identity will not be disclosed when I share the study findings, keeping your details private. If you agree, other researchers can utilize the gathered data, but your personal information will remain confidential and not be disclosed.

If you choose to participate in the study, it should be on a voluntary basis. Your participation is not obligatory. You have the freedom to exit the study whenever you wish. You are not obligated to respond to any queries if you prefer not to. There are no immediate advantages to joining the study. Opting out will not result in the loss of any services, benefits, or rights typically available to you. Engaging in the study will not incur any expenses for you. You will not receive compensation for your involvement in this research.

The risks linked with this research are not higher than typical daily occurrences. Certain inquiries might cause you to feel sorrowful or disturbed. Should this occur, I will halt the survey and resume it later on.

The findings of this study will be documented in a research paper.

The report will be accessed on the university library website. Should you need a brief overview of the report, feel free to request it, and I will gladly send it to you.

Should you have any inquiries either during or after the research study, please do not hesitate to get in touch with me or my supervisor using the provided contact information. In case you have any issues or grievances regarding the ethical protocols of this study, you can reach out to the University Research Ethics Manager, Research Integrity, via email at (visargr@unisa.ac.za) or contact Prof Lourens Erasmus.

Chair of College of Accounting Sciences, RERC E-mail: erasmlj1@unisa.ac.za.

Yours sincerely,

Mzukisi Fodi (Researcher)

48165182@mylife.unisa.ac.za

0738846006

Supervisor:

Dr. Timothy Aluko

ealukot@unisa.ac.za

UNISA 0123524066

APPENDIX E
EDITING CERTIFICATE

CERTIFICATE OF EDITING AND PROOFREADING

This is to certify that Ms. N. Mntuyedwa provided comprehensive academic Editing, Sub-editing, Proofreading, and Rewriting services, including language refinement and structural editing, for the research thesis titled:

"The Effectiveness of Financial Management Framework in Public Sector Environment"

Authored by Mr. Mzukisi Fodi
Submitted to the University of South Africa (UNISA)

The editing work was conducted during the period October – November 2025, ensuring academic integrity, coherence, and adherence to formal research writing standards.



N. Mntuyedwa

Date: 11 November 2025



Issued on 11 November 2025

APPENDIX F

ETHICS CLEARANCE



College of Accounting Sciences_RERC

Date: 22/07/2024

Dear: Mr MZUKISI FODI

Decision: Ethics Approval from 2 July 2024 to 1 July 2027

NHREC Registration # : (If applicable)

Ref #: 1937

Name: Mr MZUKISI FODI

Student #: 48165182

Staff #:

Researcher: Mr MZUKISI FODI

35293 PHASE 1 SCENERY PARK

East London

mzukisifodi16@gmail.com 0738846006

Supervisor: Dr Timothy Aluko ealukot@unisa.ac.za

Co-Supervisor:

Co-Researcher(s):

Email address:

THE EFFECTIVENESS OF FINANCIAL MANAGEMENT FRAMEWORK IN THE PUBLIC SECTOR A CASE STUDY OF DEPARTMENT OF EMPLOYMENT AND LABOUR IN THE EASTERN CAPE, SOUTH AFRICA

Qualification: MASTER OF PHILOSOPHY IN ACCOUNTING SCIENCES

Thank you for the application for research ethics clearance by the College of Accounting Sciences_RERC for the above mentioned research study Ethics approval is granted for three years.

The **low risk application** was **reviewed** by College of Accounting Sciences_RERC on **2 July 2024** in compliance with the Unisa Policy on Research Ethics and the Standard Operating Procedure on Research Ethics Risk Assessment.

The proposed research may now commence with the provisions that:

1. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.
2. Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study should be communicated in writing to the College of Accounting Sciences_RERC.
3. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.
4. Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.

APPENDIX G

QUESTIONNAIRE

Section A

Place a cross (x) in the appropriate block. Choose only one option

1. Highest education level

Below matric	
Matric	
Certificate	
Diploma	
Degree	

2. Years of working at Department of Employment and Labour

--

3. Position at DEL

--

Section B

Financial Accountability, Reporting and Governance

With each of the following statements indicate the extent to which you agree with the statement or not. Please indicate by means of a cross (x).

QUESTION	RESPONSE- MARK WITH AN (X)				
	1. Strongly disagree	2. Disagree	3. Neutral	4. Agree	5. Strongly agree
1. Controls are in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained.					
2. Allocation of responsibilities to different officials is performed within the financial management section.					
3. Departmental management is accountable to National Treasury through					

the preparation of annual financial statements including reports that indicates what has been achieved with the allocated financial resources.					
4. Financial system used by department has the capacity to link the financial information with the department's physical progress.					
5. Controls are in place to reduce the risk that the physical data may not synchronize with the financial data.					
6. The department arranges workshops/programmes to train finance officials on Generally Recognised Accounting Practice (GRAP) and changes in International Accounting Standards (IAS).					
7. External auditors have sufficient knowledge and understanding of department's guidelines and procedures, including the disbursement guidelines and procedures.					
8. Implementation of recommendations made by the auditors in prior audit reports or management letters been implemented.					
9. The audit outcome/opinion always regarded as an outcome for the entire department.					
10. Information among the different offices flow in an accurate and timely fashion.					
11. Monthly/quarterly or yearly reconciliations performed among the different offices within the finance section.					
12. The department monitoring its budget					

correctly to minimise overspending on the vote.					
13. The department established segregation of duties, controls and procedures for flow of funds and financial information, accountability, and reporting and audits in relation to the other offices.					
14. The departmental financial management practices and structures been fully aligned with the relevant department legislation and regulations.					
15. The financial management practices regarded as adding value to your department.					
16. It is compulsory for all new and existing departmental officials to attend a basic financial management training programme.					
17. The department follow procurement policies and prescripts when doing procurement process.					
18. There any policies and procedures in place to adequately safeguard or protect assets from fraud, waste and abuse.					
19. The physical inventory of fixed assets and stocks reconciled with the respective fixed assets and stock registers, and discrepancies analysed and resolved.					
20. The department have systems and processes in place to eliminate irregular, fruitless and wasteful expenditure.					

THANK YOU FOR YOUR CO-OPERATION