

**An examination of the impact of the Standing Committee on Public
Accounts (SCOPA) on financial management of the Eastern Cape
Department of Education**

by

M C Hloho

Submitted in partial fulfillment of the requirements for the degree of

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In the subject



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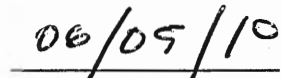
Supervisor

Professor Nengwenkulu

November 2009

DECLARATION

I, Mgcini Collin Hlohlo, hereby declare that the work on this mini-dissertation "An examination of the impact of the Standing Committee on Public Accounts (SCOPA) on financial management of the Eastern Cape Department of Education" is my own original work, has never been submitted for a degree at this or any other university and all sources used have been acknowledged.

**MGCINI COLLIN HLOHLO****DATE**

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ABSTRACT

For many years, poor financial management has been a major challenge facing the Eastern Cape Department of Education. Reports from the Auditor General reflect a Department plagued by poor financial management, lack of internal control systems and poor service delivery. This state of affairs continues to exist despite the fact that SCOPA has consistently discharged its constitutional responsibility of overseeing the financial performance of the Department of Education. The mandate of SCOPA indicates that one of the fundamental objectives of this committee is to ensure that government departments gradually improve their financial management standards. In the light of the continued poor management within the Department of Education, this study focused on whether SCOPA in its role of overseer of the Department's fiscal affairs has managed to yield any positive results.



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The literature reviewed indicated that the legislative sector has failed to hold the executive arm of government accountable. This has come about because the legislative sector does not have the power to enforce compliance with its resolutions. The party electoral system compounds this problem as it entrenches party loyalty, and as a result, the responsibility of holding the executive arm of government accountable is left to the political opposition.

The study further indicated that the Department of Education was facing various challenges such as staff charged with the responsibility of financial management lacking the necessary skills, staff shortages, the slow rate in filling of vacant critical posts and poor monitoring and evaluation. All of these challenges proved to be a barrier to the successful realization of SCOPA's mandate, namely, the improvement of the financial management of the Department. Various interventions have been employed by the Department to solve these problems. Notwithstanding these interventions, the Department continued to face the same challenges. As a result, in 2009, the National Department of Education

intervened by bringing in a team to assist the Eastern Cape Department of Education in turning the situation around. The success of this team will depend on the extent to which the root causes of these problems are adequately addressed by the Department.

Conclusions which were drawn from the study are:

- The legislature and its committees with particular reference to the Standing Committee on Public Accounts has an important role to play with regard to the improvement of financial management standards in government departments. However, there are challenges which are inherent within the system of governance which hinder the successful realization of these objectives. These challenges will continue being unresolved if the current system of governance (list party system) is not reviewed.

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- Failure by SCOPA to effect positive change within the Department of Education must not be seen in isolation. The limited capacity in terms of numbers and skills of the finance directorate of the Department of Education should be relatively easy to resolve as this Department receives the biggest allocation of the provincial budget. The problems that are faced by the department with regard to its financial management will continue to exist if the challenges relating to staff shortages and necessary skilled personnel are not immediately addressed.
- The major problem affecting the Department of Education is the instability at the level of the Accounting Officer and this affected the accountability responsibilities of this Department. The study indicated that instability in this regard had a profound effect on the overall performance of the Department.

CHAPTER ONE: INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

According to the Parliamentary Oversight for Government Accountability (2006:24), "Standing Committees are one of the instruments that parliaments can use to check government activities". This principle has found expression in the Constitution of the Republic of South Africa of 1996, as the executive arm of government is enjoined to be accountable to the legislature with regard to the exercise of executive authority. Section 114 of the Constitution, entrenches the culture of executive accountability to the Legislature. In this regard the Public Accounts Committees hold the executive arm of government to account on the bases of the Public Finance Management Act. These committees seek to promote the objectives of the Public Finance Management Act (PFMA) as reflected in www.treasury.co.za, which are:

- To promote the objectives of good financial management in order to maximise service delivery through the effective and efficient use of the limited resources.
- Modernise the system of financial management in the public sector;
- Enable public sector managers to manage, but at the same time be held more accountable;
- Ensure the timely provision of quality information; and
- Eliminate the waste and corruption in the use of public assets.

The problem of poor financial management, has affected most government departments, post 1994. The introductory paragraph of the PFMA, suggests that a strategy is needed to improve the quality of financial management in the public sector. This strategy must focus on the basics of financial management, such as the introduction of proper

financial management systems, appropriation control, accountability arrangements for the management of budgets, and the efficiency and effectiveness of programmes.

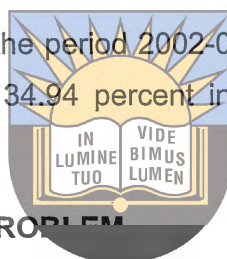
The continued lack of improvement, as mentioned in the Auditor General's Reports in the financial statements of the Eastern Cape Department of Education is contrary to the fact that the legislature and its committees promoted the principles of good financial management through their oversight and legislative programmes. Legislature committees, as oversight instruments, are seen as institutions to oversee the development, prompt implementation of policy and tools for positive change. In this regard, it is therefore imperative to examine the extent to which these institutions are effecting positive change through their oversight mechanisms. For example, the Eastern Cape Department Education has shown a lack of improvement in its financial management standards, despite the fact that the Standing Committee on Public Accounts (SCOPA) of the Eastern Cape Province has played a key and important role in ensuring that systems are improved.

The proposed study will focus on the impact of the Standing Committee on Public Accounts (SCOPA) on the financial management of the Eastern Cape Department of Education. The reason for this focus is due to the fact that this Department is responsible for one of the biggest allocations of the overall provincial budget. The following table indicates the percentage allocation of the Department of Education for the period, 2002-2007 financial years.

Table 1: Percentage of the Department of Education against the provincial budget: Budget Statements 2002-07.

FINANCIAL YEAR	PERCENTAGE ALLOCATION OF THE TOTAL BUDGET
2002-03	37.4%
2003-04	35.5%
2004-05	34.9%
2005-06	33.1%
2006-07	33.8%

This means that, during the period 2002-07, the Department of Education received an average of 34.94 percent in relation to the total provincial budget.



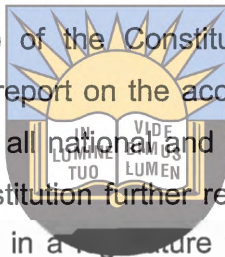
1.2 STATEMENT OF THE PROBLEM

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Poor financial management, lack of the necessary skilled personnel, maladministration and corruption are some of the negative elements which have been attributed to the government of the Eastern Cape Province. It is these issues or challenges that necessitated National Treasury to transform the legislation relating to financial management in the whole of South Africa. The issue of the accountability of Accounting Officers in respect to the financial performance of their institutions is clearly spelt out in the Public Finance Management Act (PFMA) of 1999. The PFMA seeks to deal with or correct many deficiencies which have been experienced by government institutions in respect of financial management. It also seeks to put into effect certain constitutional principles such as transparency and accountability on the part of the executive arm of government in respect of financial management-which will ultimately lead to improved financial management by government departments.

For example, within the government sector, there are many role players or institutions which are enjoined by the Constitution and other relevant legal prescripts such as the PFMA to hold the executive accountable. Institutions such as the legislature, Auditor General, Public Protector *etc*, are entrusted with the responsibility of holding the executive arm of government accountable. However, each of these institutions has a separate constitutional mandate and responsibilities. One can argue that their responsibilities are designed or crafted in such a way that they complement each other in a coexistent manner. For example, section 188(1) of the Constitution requires that the Auditor General must audit and report on the accounts, financial statements and financial management of all national and provincial departments. Section 188(3) of the same Constitution further requires that the Auditor General must table these reports in a legislature that has a direct interest in the audit.



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Once these reports are tabled in the legislature, they are referred to the Standing Committee on Public Accounts for consideration and report to the legislature on their findings and recommendations. In this regard, the Standing Committee on Public Accounts is enjoined by the Constitution to conduct rigorous oversight by holding hearings in terms of section 114 of Constitution, using these reports as the primary tool of holding the executive accountable. The main objective of this process is to ensure there is gradual improvement in the financial management standards of government departments.

For the 2002-2007 financial years, audit opinions in respect of the Department of Education were as follows:

Table 2 Audit opinions (Annual Reports 2002-2007):

FINANCIAL YEAR	AUDIT OPINION
2002/03	Disclaimer
2003/04	Disclaimer
2004/05	Disclaimer
2005/06	Disclaimer
2006/07	Adverse qualification

The Department of Education received disclaimers, the worst audit opinion an institution can receive from the Auditor General in four successive financial years. This scenario clearly indicates a lack of improvement in the financial management of the Department of Education, year after year. This state of affairs has largely influenced the decision to be addressed by the research: **the examination of the impact of the Standing Committee on Public Accounts on the financial management of the Department of Education.**

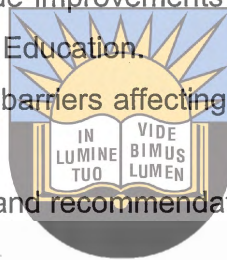
1.3 SIGNIFICANCE OF THE STUDY

The information that will be generated by the study could be used by the Department of Education in the decision making processes especially with regard to financial management issues and turn around plans. The said information could also be of assistance to the legislature in designing strategies aimed at ensuring that its resolutions are implemented by government departments. The research is also expected to develop recommendations aimed at improving the current situation within the Department of Education.

1.4 RESEARCH OBJECTIVES

The study seeks to provide an examination of the role of the Standing Committee on Public Accounts in order to understand its impact on the financial management of the Department of Education. This will be addressed through the following objectives:

- To determine the extent to which the Standing Committee on Public Accounts has made improvements in the financial management of the Department of Education.
- To determine any barriers affecting positive results in the oversight role of SCOPA.
- To make findings and recommendations for improvement.



1.5 HYPOTHESES

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The following hypothesis may be inferred from the statement of the problem:

- The role of the Standing Committee on Public Accounts does not yield any positive impact on the financial management of the Department of Education.
- The resolutions of the Standing Committee on Public Accounts are not adequately implemented.

1.6 DELIMITATION OF THE STUDY

The problem identified by this research applies to most government departments as challenges relating to financial management are a matter of concern for the Province of the Eastern Cape. The study has been

confined to the Department of Education for the financial years 2002-2007.

1.7 OUTLINE OF CHAPTERS

This study will focus on the following chapters:

- **Chapter one:** deals with the introduction and background of the research problem. It further highlights the importance of this study and its intended objectives.
- **Chapter two:** focuses on the review of the literature relating to the oversight role of the legislature and its committees with particular reference to the Standard Committee on Public Accounts.
- **Chapter three:** deals with the research methodology which has been employed in conducting this study. These are the methods which have been used in collecting and analysing data.
- **Chapter four:** concerns the analysis and presentation of the data gathered during the course of this study.
- **Chapter 5:** deals with the findings and conclusions which have been drawn from the study. Recommendations which are based on the findings of the study are also proposed.



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1.8 CONCLUSION

This study will focus on the impact of the work of the Standing Committee on Public Accounts on the financial management of the Department of Education in the Eastern Cape. The oversight role of the legislative arm of government is critical as it seeks to ensure that the executive arm of government carries out its mandate as enshrined in the Constitution. In view of the fact that the Department of Education has continually failed to improve its financial management standards, it becomes crucial to examine the impact of SCOPA in bringing about positive change within this department.

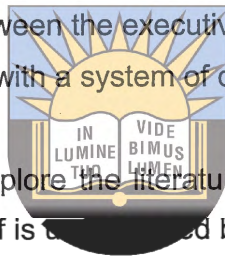


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CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

The principles that underpin the notion of accountability and oversight are the key features of the current constitutional dispensation in South Africa. The current constitutional dispensation centres on the principle of separation of powers between the executive, legislative and judiciary arms of government - coupled with a system of checks and balances.



This chapter seeks to explore the literature relating to accountability and oversight. The study itself is grounded by the ethics theory with specific reference to accountability. Key concepts, such as oversight and accountability will be explored. It is therefore critical for these concepts to be explained so as to understand the environment in which the Standing Committee on Public Accounts (SCOPA) is operating.

2.2 OVERSIGHT AND ACCOUNTABILITY

The current political climate saw the emergence of democratic systems of governance. Central and key to the democratic system of governance is the concept of accountability. Since 1994, South Africa's constitutional democracy has been guided by the principles of transparency, openness and accountability. According to the Collins Concise Dictionary Third Edition (1995:8) accountable means "responsible to someone or for some action". For Loots (1991a: 201), cited in Gloek (2003:66) accountability is "an obligation to answer for a responsibility conferred".

According to Corder, Jagwanth and Soltou (1999:1) accountability can be said to require a person to explain and justify-against a criteria of some kind - their decisions or actions. This further requires a person to correct any faults as a result of their actions or decisions.

Sinclair (1995), cited in Negash (2005:1) identifies five categories of accountability-which are political accountability, managerial accountability (responsibility, efficiency and effectiveness), public accountability (service to the electorate), professional accountability (code of ethics) and personal accountability (responsibility within the value system).

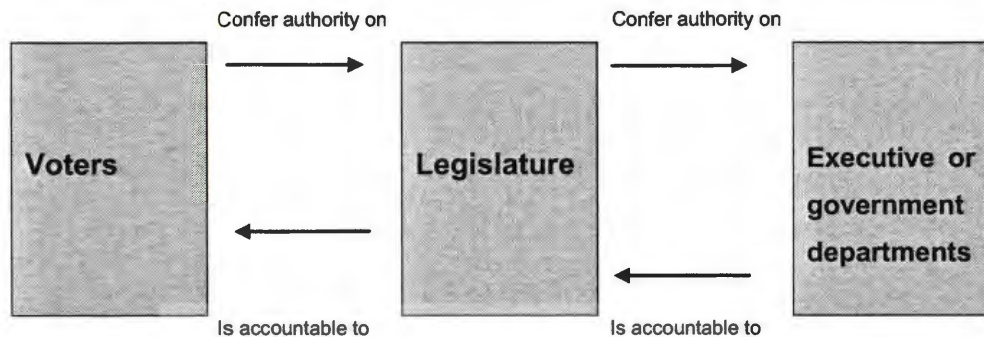


Public accountability is seen as an important tool to ensure effective and efficient delivery of services. According to Gloek (2003:65) “governments have considered public accountability an essential prerequisite for the efficient production and delivery of public services. In this regard, Gloek (2003:66) states that public accountability has assumed a special significance in the context of the governance of developing countries”.

According to Murray and Nijzink (2002:87) oversight and accountability are two sides of the same coin – the accountability of the executive is enforced when the legislature exercises oversight over it and scrutinizes executive action.

In practice, this means that the role of the elected representatives is to ensure that government policies are properly implemented and executed by the executive arm of government. This is necessary to ensure that the interests of the society (voters) are protected. This accountability process can be reflected in the following diagram:

Figure 1: Chain of accountability



Source: Murray and Nijzink (2002: 89)

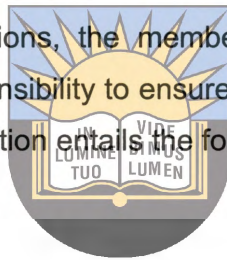
In terms of the Constitution, the Executive Authority (Premier's and Members of the Executive Council) are individually and collectively accountable to the legislature for their executive actions. However, the current practice by the Eastern Cape Legislature Portfolio Committees, especially the Standing Committee on Public Accounts is to call on the accounting officers for the purposes of accountability. This is an incorrect application of the oversight role of the legislature as accounting officers are accountable to the MECs in terms of their performance contracts - accounting officers are merely answerable (not accountable) to the legislature.

2.3 ETHICS AS PART OF GOOD GOVERNANCE

This study is premised on the ethics theory with specific reference to accountability. Ethics are seen as encompassing what is good and right in human beings. Fox and Meyer (1998:45), cited in Du Toit, Van Der Waldt, Bayat and Cheminais, (1998: 108) define ethics as the "process by which we clarify right and wrong and act on what we take to be right". Andrews (1998:35) also cited in Du Toit *et al* (1998:45) sees ethics as "standards

which guide the behaviour and actions of personnel in public institutions, and which may be referred to as moral laws". Thus, ethics in government are pivotal as they play an important role in ensuring that public servants promote good governance in the performance of their duties. Accountability, as a notion embedded in ethics theory, plays a key role by ensuring that public servants are answerable for their actions. Du Toit *et al* (1998:114) state that "accountability also refers to direction and control so that if something goes wrong, someone is held liable".

In exercising their functions, the members of parliament or provincial legislatures have a responsibility to ensure and promote good governance which, under the Constitution entails the following:



- Accountability;
- Responsibility;
- Openness; and
- Transparency.

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Section 1 of the Constitution states as follows:

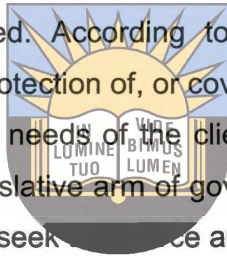
"The Republic of South Africa is one, sovereign, democratic state founded upon the following values:

- (d) Universal suffrage, a national common voters roll, regular elections and multi party system of democratic government, to ensure accountability, responsiveness and openness."

Section 195 (1) of the same Constitution further provides that "public administration must be governed by the democratic values and principles enshrined in the Constitution, including the following principles:

- (a) A high standard of professional ethics must be promoted and maintained.
- (f) Public administration must be accountable".

It is clear from the above that positive ethical values have been incorporated in the founding values of the Constitution. It is therefore incumbent upon the three organs of government (Executive, Judiciary and Legislature) to ensure that these ethical standards as enshrined in the Constitution are observed. According to Mafunisa (2000:5) "unethical behaviour includes the protection of, or covering up of, incompetence, lack of responsiveness to the needs of the clients etc". In view of the above, the functioning of the legislative arm of government and its committees as accountability tools must seek to ensure and protect these ethical values.



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2.4 CONSTITUTION OF THE REPUBLIC OF SOUTH AFRICA, OF 1996

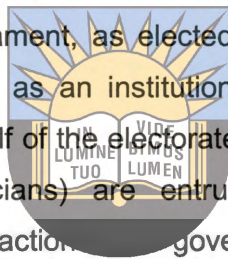
The South African Constitution, which is largely regarded as one of the most progressive and liberal in the world serves as a primary document which articulates the mandate of provincial legislatures and their committees.

Section 114(2) of the Constitution provides that "provincial legislature must provide for mechanisms:

- (a) to ensure that all provincial executive organs of state in the province are accountable to it; and
- (b) to maintain oversight of:

- (i) the exercise of the provincial executive authority in the province including implementation of legislation; and
- (j) provincial organs of state”.

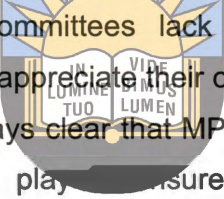
Section 133(2) of the Constitution further states that members of the Executive Council of a province are accountable collectively and individually to the legislature for the exercise of their powers and performance of their functions. Rautenbach and Malherbe (2004: 212) state that “it is the constitutional responsibility of the members of parliament, as elected representatives of the voters, and of parliament as an institution, to control the actions of the executive on behalf of the electorate”. This means that members of parliament (politicians) are entrusted with a responsibility of overseeing the actions of government with regard to the formulation, implementation and monitoring of policy.



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This system of government has been modeled upon the Westminster system, which advocates for a party government and cabinet responsible to the legislature. Murray and Nijzink (2002: 87) argue that legislatures following a Westminster model have proved weak in ensuring that governments remain accountable between elections. This, they argue is caused by the fact that legislatures tend to sustain and support government’s initiatives. The task of holding the executive accountable is left to the political opposition. This view is also supported in a study conducted by Lala in the thesis “Parliamentary Oversight in South Africa 2000” which states that “critics have pointed that parliamentary oversight of the executive, in both established and new democracies, has failed to achieve desired or expected results”. This position is further consolidated in an article in the Daily Dispatch by Overy dated 1 August 2006 “*Who exercises accountability*” that argues that

“there is very little evidence that suggests that the standing committees of the Eastern Cape Legislature are fulfilling their duty of exercising effective oversight”. Overy further argues that “the office of the Auditor General has noted in its audit reports that between 1995 and 2002, not a single resolution adopted by SCOPA was implemented by government departments”. Despite this state of affairs, SCOPA also failed to exercise its powers to hold the executive accountable. The article raises the following points as reasons for the failure of the oversight process:

- 
- Standing Committees lack the necessary capacity and expertise to appreciate their oversight responsibilities.
 - It is not always clear that MPLs appreciate the vital role that they should play to ensure transparent and accountable governance.
 - Party loyalty which sees members of the ruling party failing to discharge their oversight duties for fear of offending senior party members.
 - Limitations of the list system which sees MPLs selected on the bases of the list drawn by senior party members.

This view is also supported by the City Press dated 20 April 2008 in which it was revealed that “despite the probing questions by the Standing Committees on Public Accounts, service delivery continues not being taken seriously by government departments”. In the same vein, The Parliamentarian (2007: 133) states that the serious problem with effectiveness of Public Accounts Committees is that “governments may have little interest in parliamentary oversight of their activities”. The Parliamentarian further states that government departments may consider parliamentary oversight an intrusion in their sphere of influence. Again, this study highlights or

emphasizes the fact that parliamentary oversight has failed to bring about positive change in government departments due to the nature and design of the system of governance.

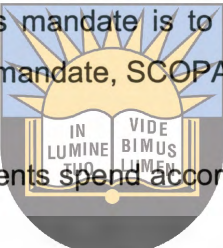
A study on accountability and oversight undertaken by Corder, Jagwanth and Soltau: (Report on Parliamentary Oversight and Accountability), which focused on the constitutional mandate of parliament and challenges it was facing in discharging its mandate revealed that parliament or legislatures do not have an effective machinery to enforce their resolutions to be implemented by the executive. This means that, despite the fact that legislatures and their committees have a constitutional mandate to oversee the executive, the current constitutional and legislative framework does not compel the executive to implement resolutions which have been passed by parliamentary committees. This state of affairs means that, the resolutions of parliamentary committees including those of SCOPA might not find themselves etched significantly in the departmental plans to bring about positive outcomes. In this regard, the study recommended that, for the resolutions of parliamentary committees to find their way into the departmental programmes “mandatory accountability” must be developed which will require the executive to implement resolutions of parliament. The impact of the work of the parliamentary committees is dependent on the implementation of their resolutions and failure by the executive to implement these resolutions will yield no positive impact.

The Constitution is very clear that the role of the legislature is to hold the executive accountable. It is therefore imperative upon the elected representatives to ensure that this task is not left to the opposition so as to ensure that the executive is held accountable

and also to remove a perception that legislatures are failing to hold the executive accountable.

2.5 UNDERSTANDING THE ROLE OF SCOPA

The Standing Committee on Public Accounts plays a major role in the oversight and accountability process. This committee acts as a watchdog over the spending of monies allocated to the executive arm of the provincial government. Its mandate is to improve financial management standards. In terms of its mandate, SCOPA has to ensure that:

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- Provincial departments spend according to the allocated budget;
 - Provincial departments are held accountable if they do not utilize their funds according to Treasury Regulations and the Public Finance Management Act (PFMA);
 - Recommend and report to the legislature in respect of the above.

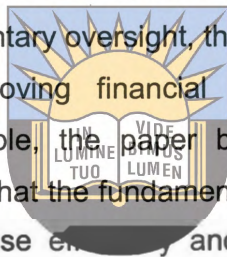
The following reports are usually referred to the Standing Committee on Public Accounts:

- Financial statements of the provincial governments and public entities;
- Audit reports; and
- Other reports submitted by the Auditor General.

Murray and Nijzink (2002: 103) state that the primary role of SCOPA is “to inspect the accounts and follow up on issues that the Auditor General has identified as unsatisfactory”. The mandate of this committee is different

from other legislature committees as it is not concerned with policy matters but rather with the management of the resources supporting such policy matters. SCOPA is more interested in ensuring that public officials comply with the relevant legislative prescripts with regard to the utilization of public resources so as to ensure continuous improvement in this regard.

According to www.idasa.org.za/faqs_details.asp and the Best Practice Book for Public Accounts Committees, central to the overarching responsibility of parliamentary oversight, the main responsibility of SCOPA is the pursuit of improving financial accountability of government departments. For example, the paper by Griffith on "Parliament and Accountability" revealed that the fundamental objective of Public Accounts Committees is to increase efficiency and effectiveness on the part of government in implementing policy.

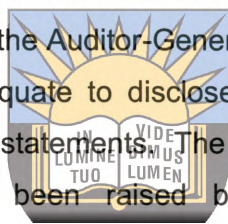


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In view of the above, the role of SCOPA in the oversight process can be reflected as follows:

- To ensure that government departments remain within their budgets,
- Government departments are held accountable if they do not comply with the law and regulations concerning their financial management;
- Provide value for money in the services provided to the public and the state; and
- To ensure that government departments develop and implement the necessary financial management capability and good governance practices.

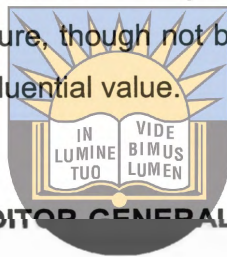
The oversight report of the Standing Committee on Public Accounts dated 28 August 2008 highlighted quite a number of inefficiencies within the Department of Education. This report dealt with the hearings which were held by the committee on the Report of the Auditor-General on the financial statements of Vote 6 – Department of Education for the financial year ended 31 March 2007. During this period, the Department of Education received an adverse opinion from the report of the Auditor-General. An adverse opinion is expressed when the effect of the items raised by the Auditor-General are so material and pervasive to the financial statements that the Auditor-General concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements. The report of SCOPA noted that “concerns which have been raised by the AG pointed to gross mismanagement by the Department. SCOPA further noted that the accounting officer of the Department of Education was not able to fully account for the financial affairs of the department. In this regard and noting the seriousness of the findings by the AG, SCOPA recommended that the accounting officer must be charged in terms of section 84 of the PFMA. These recommendations by SCOPA were also endorsed by the Public Service Accountability Monitor in a press release dated 11 September 2008 by calling on the MEC and accounting officers to explain why disciplinary action should not be taken against officials responsible for non-compliance with the PFMA. Section 84 of the PFMA provides as follows:



“A charge of financial misconduct against an accounting officer or official referred to in section 81 or 83, or an accounting authority or a member of an accounting authority or an official referred to in section 82, must be investigated, heard and disposed of in terms of the statutory or other conditions of appointment or employment applicable to that accounting

officer or authority, or member or official, and any regulations prescribed by the Minister in terms of section 85”.

This was the first time that SCOPA invoked the provisions of section 84 of the PFMA. However, in view of the limitations the legislature has with regard to the enforcement of its resolutions by the executive, it still remains to be seen whether these recommendations by SCOPA against the accounting officer of the Department of Education will be fully implemented by the executive authority. However, it must be noted that resolutions of the legislature, though not binding on the executive, have a strong persuasive and influential value.



2.6 THE ROLE OF THE AUDITOR GENERAL

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The powers and functions of the Auditor-General are set out in sections 188-189 of the Constitution. The functions of the Auditor-General are to audit and report on the accounts, financial management and financial statements of all government departments of national, provincial and local spheres of government, and any other institution required in terms of legislation to be audited by the Auditor General. The Constitution further provides that the Auditor-General must submit all audit reports to any legislature that has direct interest in the audit.

In conducting the audit of public accounts, section 20(3) of the Public Audit Act (Act 25 of 2004) requires the Auditor-General to report on whether resources were procured economically and utilised efficiently and effectively. Findings and the conclusion of the Auditor-General are based on independently verified information. The Auditor General's reports are therefore seen as a reliable tool that can be used to enforce accountability

on the part of government. This, of course will depend on how members of parliament (SCOPA) and other role players utilise this information.

Once the reports of the Auditor-General are tabled in the legislature, they are referred to SCOPA for consideration in line with its mandate. SCOPA is then required to table its own report in this regard with findings and recommendations to the legislature. Once SCOPA's reports are adopted by the legislature they become the resolutions of the legislature, which the executive is required to implement. The resolutions of the legislature are not necessarily binding on the executive as there is no legislative sanction on the failure to implement such resolutions. The following diagram reflects how accountability is enforced with regard to public accounts:

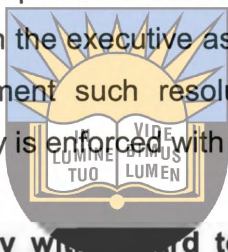
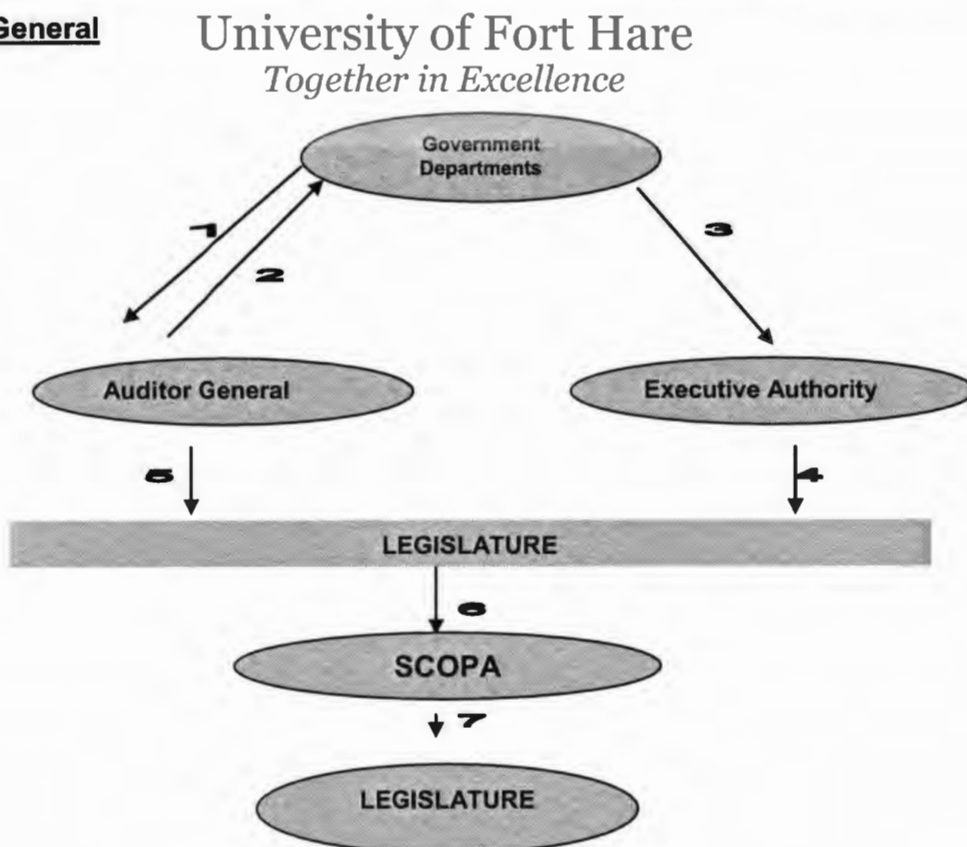
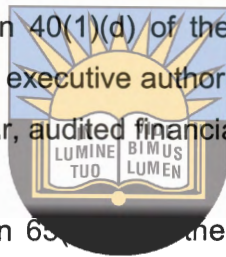


Figure 2: Accountability with regard to the reports of the Auditor General



- (1) In terms of section 40(1)(c) of the PFMA, the Department must submit financial statements to the Auditor-General 2 months after the end of the financial year.
- (2) In terms of section 40(2) of the PFMA, the Auditor-General must, after 2 months of the receipt of financial statements, submit an audit report on the financial statements to the accounting officer.
- (3) In terms of section 40(1)(d) of the PFMA, the accounting officer must submit to the executive authority within 5 months after the end of the financial year, audited financial statements.
- (4) In terms of section 65 of the PFMA, the executive authority must submit to the legislature an annual report with audited financial statements within one month after the accounting officer received the audit report.
- (5) In terms of section 188(3) of the Constitution, the Auditor General must submit audit reports to any legislature that has direct interest.
- (6) Once these reports are submitted to the legislature, they are referred to the Standing Committee on Public Accounts for consideration. SCOPA conducts hearings in terms section 114 (2) of the Constitution.
- (7) SCOPA tables a report on the hearings to the legislature with findings and recommendations.



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2.7 AUDIT REPORTS (ANNUAL REPORTS 2002-07)

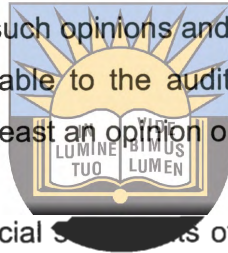
The Department of Education is facing enormous challenges relating to financial management. An examination of the reports of the Auditor-General indicates that same audit findings have been recorded from year to year despite the recommendations by the Auditor-General and the Standing Committee on Public Accounts. To illustrate this, the Department of Education was issued with four successive audit disclaimers by the Auditor-General, with the exception of an adverse audit qualification, which was issued in 2006/07 financial year. This seems to indicate that the Department does not have adequate plans or strategies to address challenges which have been raised by the office of the Auditor-General. This could also indicate the unwillingness or the lack of capacity on the part of the Department to deal with this matter. The PFMA enjoins the accounting officer to ensure that instances of financial mismanagement or lack of controls are dealt with. Section 39 of the PFMA provides as follows:

- (1) The accounting officer for a Department is responsible for ensuring that:
- (c) expenditure of that department is in accordance with the vote of the department and the main divisions within the vote; and
 - (d) effective and appropriate steps are taken to prevent unauthorised expenditure.
- (2) An accounting officer, for the purposes of subsection (1) must:

- (a) take effective and appropriate steps to prevent any overspending of the vote of the department or a main division within a vote”.

Section 40 (1) of the PFMA further requires that the accounting officer must keep full and proper records of the financial affairs of the department”.

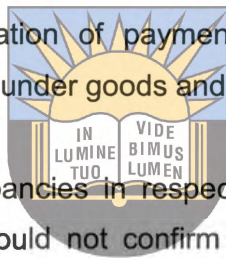
Section 20(2) of the Public Audit Act of 2004 further requires that “the audit report must reflect such opinions and statements as may be required by any legislation applicable to the auditee which is the subject of the audit, but must reflect at least an opinion or conclusion on:



- (a) whether any financial statements of the auditee fairly represent, in all material respects, the financial position at a specific date and results of its operations and cash flow for the period which ended on that date in accordance with the applicable financial framework and legislation;
- (b) the auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters; and
- (c) the reported information relating to the performance of the auditee against predetermined objectives”.

The following report provides a summary on the findings and conclusions of the Auditor-General on the financial affairs of the Department of Education: This information covers the financial years 2002-2007.

- Material uncertainty existed, mainly due to a lack of supporting documentation. The significance of the non-submission represented a limitation on the extent of audit work that could be performed.
- The Department relegated all control and accountability in respect of School Building and School furniture to implementation agents and this was in contravention of section 38(1) of the PFMA.
- Incorrect classification of payments made e.g. classification of transfer payments under goods and services.
- Significant discrepancies in respect of leave and as a result the Auditor-General could not confirm the accuracy of leave gratuity payments made. Leave records were generally in an unsatisfactory state.
- The Department did not have an asset register.
- There were no adequate controls in place.
- Fruitless, wasteful and irregular expenditure was disclosed on the financial statements.
- Financial statements do not present fairly, in all material respects the financial position of the Department of Education and financial performance and cash flows.

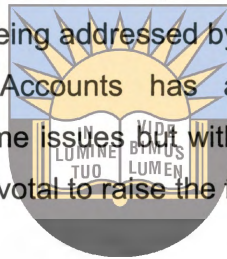


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The Public Service Accountability Monitor (PSAM) on its paper “Administration Budget of the Department of Education” revealed that between 2006/07 and 2007/08 the budget of the Department of Education

was unlikely to address audit disclaimers by the Auditor General. According to the PSAM, the budget of Programme 1: Administration, of the Department of Education, in real terms fell by 4.81 percent. This clearly questions the level of commitment on the part of the Department to adequately address concerns which have been raised by the Auditor General.

The above scenario indicates that the Auditor-General has consistently remarked on the same issues over a period of more than 5 financial years without these concerns being addressed by the Department. The Standing Committee on Public Accounts has also held hearings with the Department on these same issues but without any improvement. If this is the case, it is therefore pivotal to raise the following questions?



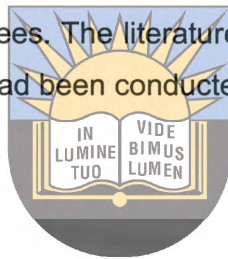
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- If the picture of the finances of the Department of Education is as reflected above, is SCOPA making any positive contribution in the financial management of this department?
- Can SCOPA inject a culture and values of good financial management into the systems of governance of the Department of Education?

2.8 CONCLUSION

This chapter seeks to discuss and define the environment under which the Standing Committee on Public Accounts is operating. Literature reviewed reveals that SCOPA has a constitutional responsibility to promote good governance, transparency and accountability through its oversight

process. The chapter provides an overview of the mandate of SCOPA in the Eastern Cape Province. Basically, the role of legislatures and parliamentary committees have undergone fundamental changes since 1994. These changes had a direct impact on the role and functions of legislatures and parliamentary committees. In this regard, the functioning and the impact of the work of parliamentary committees must be understood within a context of the pre and post 1994 governments. The Westminster system of governance, which was inherited from the British Government had a major impact in shaping the role, functions and powers of parliamentary committees. The literature review also allowed for review of similar studies which had been conducted on public accountability.

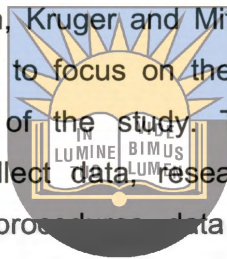


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CHAPTER 3: RESEARCH METHODOLOGY

3.1 INTRODUCTION

Chapter Two, dealt with the literature review and provided a firm base by informing a suitable methodology for this study. This chapter will focus on the types of methods used in conducting this research. Research methodology considers and explains the logic behind research methods and techniques (Welman, Kruger and Mitchell, 2008:2). The purpose of this chapter is therefore to focus on the appropriate methods used to achieve the objectives of the study. Thus, the research approach, instruments used to collect data, research design, target population, sampling and sampling procedure, data collection and analysis will be addressed. This chapter will also touch on how ethical issues were managed during the study.



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3.2 RESEARCH DESIGN

Terre Blanche, Durrheim and Painter (2006:34) define research design as a “strategic framework for action that serves as a bridge between research questions and the execution or implementation of research”. Henning, Van Rensburg and Smit (2007:36) argue that research design “is a reflection of the methodological requirements of the research question and therefore of the type of data that will be elicited and of how the data will be processed” This relates to the concrete steps that will be taken as to how the research will be conducted so as to achieve the intended results. In addressing the research question, the impact of SCOPA on the financial management of the Department of Education, the study has applied both qualitative and quantitative enquiries. According to Terre Blanche *et al* (2006:47), “quantitative and qualitative research have differing strengths and

weaknesses, and constitute alternative, not opposing, research strategies". This therefore means that qualitative and quantitative approaches may be used to complement each other depending on the nature of the data to be collected.

3.2.1 Qualitative research

According to Van Maanen (1979:520) cited in Welman *et al* (2008:188) qualitative research is an "umbrella phrase covering an array of interpretive techniques which seek to describe, decode, translate, and otherwise come to terms with the meaning of naturally occurring phenomena in the social world". The qualitative research is descriptive. Terre Blanche *et al* (2006:47) state that data in respect of qualitative research is collected in the form of written or spoken language, or in the form of observations that are recorded in language. The data is then analysed by identifying and categorising themes. The qualitative approach has been mostly applied in this research exercise due to the nature of the data that was to be collected as it was in the form of written or spoken language.

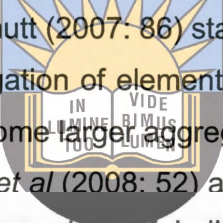
3.2.1 Quantitative research

Welman *et al* (2008:8) describe quantitative research as research that does "not involve the investigation of processes but emphasise the measurement and analysis of causal relationship between variables within a value free context". It deals primarily with numerical data. The quantitative approach has only been used

to complement the qualitative approach, and only in instances where it can provide a deeper and objective understanding of the matters raised.

3.3 POPULATION AND SAMPLING

3.3.1 Target population

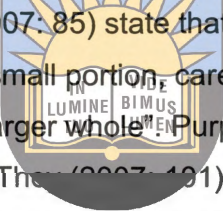


Chambliss and Schutt (2007: 86) state that “the population for a study is the aggregation of elements that we actually focus on and sample from, not some larger aggregate we wish we could have studied”. Wellman *et al* (2008: 52) also argue that “population is the study object and consists of individuals, groups, organizations, human products and events, or the conditions to which they are exposed”. It consists of people who are of relevance to the research question. The study focused on the following personnel due to the knowledge they possess regarding the research question.

- Selected members of the Standing Committee on Public Accounts. In this regard, the study focused on the Chairperson of the Committee and leaders of political parties represented in the committee (ANC, DA, UDM and APC).
- Member of the Executive Council for the Department of Education,
- Senior officials from the Department of Education, Head Office in Zwelitsha. In this regard, the target population consisted of officials from the level of Chief Directors to the

Accounting Officer. These officials were targeted due to the fact they normally represent the Department in meetings with the Standing Committee on Public Accounts. It is presumed that they have sufficient understanding of the functioning of SCOPA in relation to the financial management of the department.

3.3.2 Sample and Sampling Procedures



Chambliss *et al* (2007: 85) state that “the essence of sampling is that a small portion, carefully chosen, can reveal the quality of a much larger whole”. Purposive sampling methods were used in this study. They (2007: 101) further describe purposive sampling “as a sample which targets individuals who are particularly knowledgeable about issues under investigation”. In this respect, participants who were selected had, due to the nature of their jobs, sufficient information and knowledge that was relevant for the study. Samples were selected from senior management of the Department of Education and members of the Standing Committee on Public Accounts.

3.4 DATA COLLECTION METHODS

Data collection methods refer to the type of instruments that were used to collect data in order to address the research question. Questionnaires, interviews and documentary analysis were used as primary data collection methods for the purposes of this study. This approach was necessary so as to create a better understanding of the information received. Terre Blanche *et al* (2006:287) state that collecting data from diverse sources can help researchers to “hone in” on

a better understanding of a phenomenon. Thus, the use of more than one method has the advantage of strengthening the validity and reliability of results.

3.4.1 Interviews

Interviews were conducted by posing open ended questions to persons holding key and strategic positions within the Department Education and selected members of the Standing Committee on Public Accounts. According to Leedy and Ormrod (2001: 196) interviews in a qualitative study are open ended, revolving around one or a few central questions. This allows the interviewer to put more questions, seek clarification and does not limit the interviewees in expressing themselves. Leedy *et al* (2001:159) state that unstructured interviews are more flexible and are more likely to produce information that the researcher hadn't planned to ask for.

Some interviews were conducted telephonically-depending on the schedule of the targeted participants.

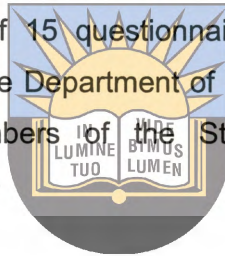
3.4.2 Questionnaires

A questionnaire was designed by the researcher with the intention of recording the relevant information from the target group. The questionnaire focused on the following key areas:

- General information
- What is the role and functions of a Standing Committee on Public Accounts?

- Implementation strategy of the resolutions of the Standing Committee on Public Accounts.
- Challenges, if any, faced by the Department in the implementation of these resolutions.
- To what extent have these interventions improved the financial management of the Department of Education?
- What other measures could be put in place in order to improve the situation?

A total number of 15 questionnaires were distributed to senior management of the Department of Education and 4 questionnaires to selected members of the Standing Committee on Public Accounts.



3.4.3 Observations

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According to Leedy *et al* (2001: 158) a “researcher may make observations as a relative outsider or as a participant observer”. The researcher attended meetings between the Standing Committee on Public Accounts and the Department of Education. The meeting was discussing the report of the Auditor General on the financial statements of the Department for the 2006/07 financial year. The proceedings of this meeting were recorded.

3.4.4 Documentary sources

Relevant documents relating to the Standing Committee on Public Accounts and the Department of Education were reviewed. Terre Blanche *et al* (2006:316) state that documentary sources “are a means by which ideas and discourses are circulated

in society”. This means that documents have valuable information about the institution which is the focus of the study and it is therefore critical for them to be part of such study. In this regard, documents were used as one of the major data sources for this study. The following documentary sources were consulted:

- SCOPA Reports;
- SCOPA minutes;
- AG’s reports;
- Annual reports;
- Management letters;
- Government legislation;
- Newspaper articles;
- Policy speeches;
- Strategic Plans and operational plans; and
- Published researches.



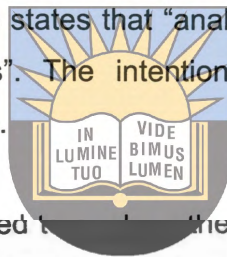
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3.4.5 Ethical consideration

The researcher sought permission from the Office of the Superintendent General in order to source information from the Department of Education. The Chairperson of the Standing Committee on Public Accounts was also approached regarding interviews with members of SCOPA. In addition, the data collection tools that were used did not require the target group to furnish their names. This was intended to ensure that strict confidentiality was maintained during the process of data analysis.

3.5 DATA ANALYSIS

Data analysis is a process which includes the presentation, interpretation and analysis of research results. Smit (2002: 66) defines data analysis as “an ongoing, emerging and iterative or non-linear process”. Leedy *et al* (2001: 161) describe data analysis as “inductive reasoning, sort and categorise” data and break it into “a small set of abstract underlying themes”. Smit (2002: 66) states that “analysis takes place throughout the data collection process”. The intention is to search for similarities, categories and themes.



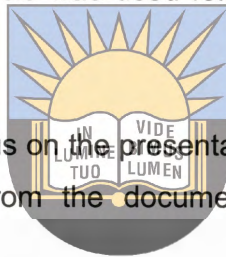
Content analysis was used to analyse the data that was collected for this study. Leedy *et al* (2001:155) describe content analysis as “a detailed and systematic examination of the contents of a particular body of material for the purpose of identifying patterns, themes or biases”. This view is also supported by Klippendorff (2004: 3) who states that “content analysis entails a systematic reading of a body of texts, images and symbolic matter not necessarily from an author’s or user’s perspective. In this regard, content is most relevant in the analysis of results from documents such as reports, newspapers *etc.*”

Data analysis in this regard involved an analysis of data from documents which was then coded in order to identify themes, similarities and categories. Terre Blanche *et al* (2006:324) state that “coding means breaking up the data in analytically relevant ways”. Coding ensures easy analysis of results and reasonably sound conclusions. This makes it easier for the data analysed to be presented in a descriptive manner to give a meaning to the research question.

3.6 CONCLUSION

This chapter provides a description of the research methodology that was followed in assessing the impact of the Standing Committee on Public Accounts role in the financial management of the Department of Education. This study was mainly qualitative in design due to the nature of the data that was to be collected. Interviews, questionnaires and documentary analysis were used as primary methods for the purposes of this study. Content analysis was used for the purposes of analyzing and interpretation of results.

The next chapter will focus on the presentation, analysis and interpretation of the data gathered from the documentary sources, interviews and questionnaires.



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CHAPTER 4: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

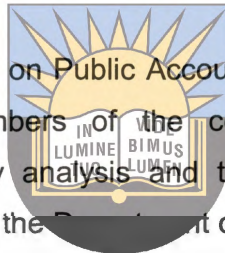
4.1 INTRODUCTION

This chapter deals with the presentation, analysis and interpretation of data collected during the course of the study. Two perspectives will be reflected upon: that of the Standing Committee on Public Accounts and that of the Department of Education.

The Standing Committee on Public Account's perspective focuses on the responses of the members of the committee (questionnaires and interviews), documentary analysis and the researcher's attendance of meetings of SCOPA with the Department of Education. This perspective is largely an analysis of the research data from the point of view of the members of the Standing Committee on Public Accounts.

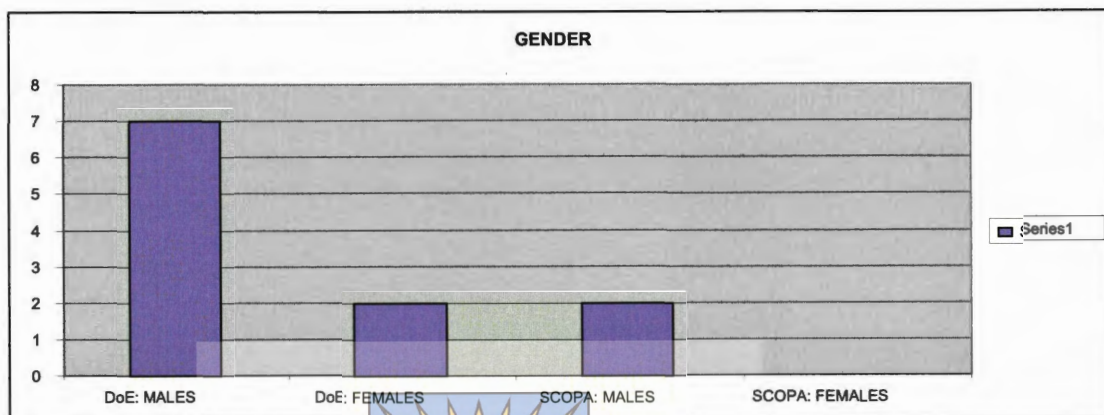
The departmental perspective is based on the research data gathered from top management of the Department of Education and the relevant documentary analysis. This is largely an analysis of the data gathered from the point of view of the Department of Education.

The data which was collected has been coded and categorized into themes which are presented in this chapter.

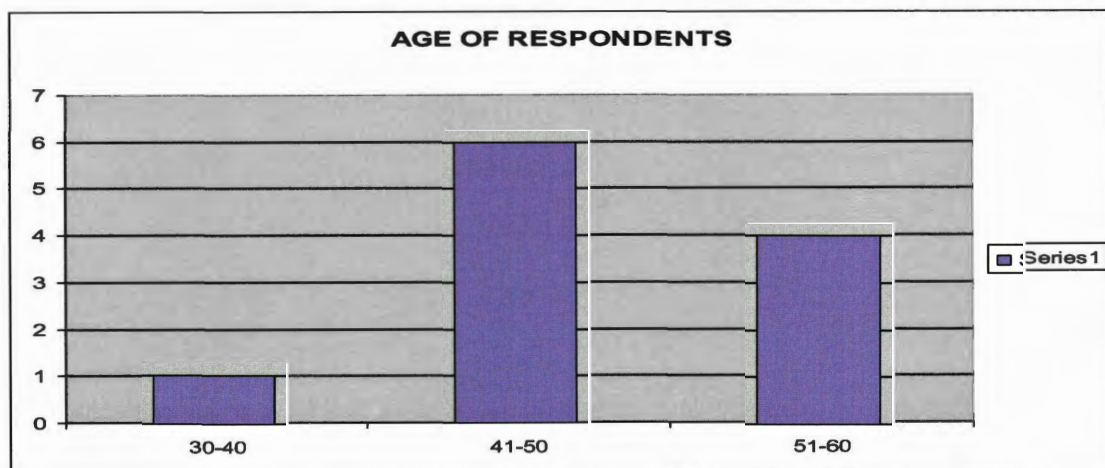


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4.2 PROFILE OF THE RESPONDENTS (Figure 3)

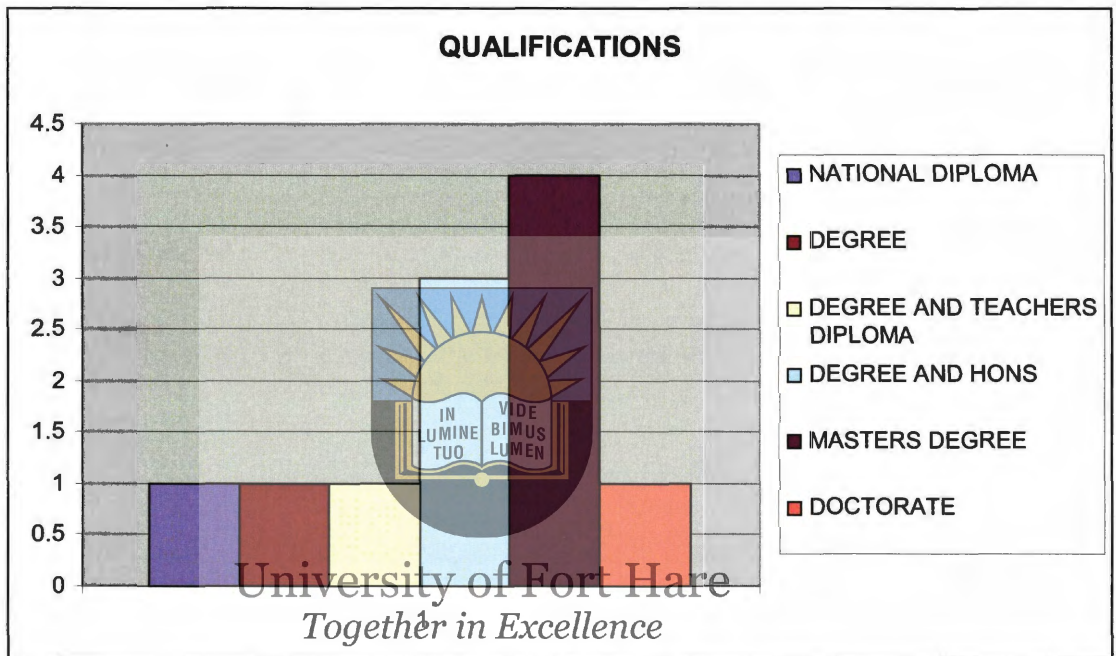


9 Chief Directors including the Acting Head of Department responded to the questionnaire. Of the 9 respondents, 7 are males and 2 are females. Only questionnaires were received from the Standing Committee on Public Accounts due to the fact that the Chairperson of SCOPA delegated this function to the Senior Manager: most of SCOPA members were not available due to the 2009 elections.



(Figure 4: Age of the Respondents)

1 respondent was between 30 and 40 years, 6 respondents were between 41 and 50 years and 4 respondents were between 51 and 60 years.



(Figure 5: Qualifications of the Respondents)

All respondents had a post matric qualification - 3 had an honours degree, 4 had a masters degree and 1 had a doctorate.

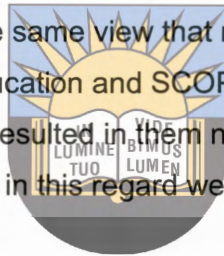
4.3 STANDING COMMITTEE ON PUBLIC ACCOUNTS PERSPECTIVE

4.3.1 Questionnaire

The first part of the questionnaire sought to ascertain the level of understanding of the senior management of the Department of Education of the constitutional role of the Standing Committee on Public Accounts and to what extent the management had undergone the necessary training in this regard. The Chairperson

of the Standing Committee on Public Accounts indicated that senior management of the Department of Education was fully aware of the role and responsibilities of SCOPA. However, the Senior Manager: SCOPA indicated that, in his opinion, senior management of the Department was not fully conversant with the role and responsibilities of SCOPA.

With regard to whether the Department derives any benefits from meetings with SCOPA, SCOPA's Chairperson and Senior Manager share the same view that meetings between the Department of Education and SCOPA were plagued by serious challenges which resulted in them not yielding positive results. The major barriers in this regard were reported as follows:



- The Department continues to receive qualified audit reports from the Auditor General on the same issues without change. This scenario may indicate a lack of proper analysis of the challenges facing the Department and/or the failure by the Department to have effectively dealt with the challenges of the previous financial years.
- The consideration of audited financial statements by SCOPA takes place long after the event has taken place. As a result, one gets a feeling that managers had already told themselves that nothing can be done.
- The fact that SCOPA does not have power or authority to enforce punitive measures also exacerbates this problem. However, the Department has put in place an implementation plan that will ensure that the resolutions of SCOPA are effectively implemented. In this regard, the

respondents are of the opinion that the Department has failed to ensure these plans are effectively implemented. This is evidenced by the fact that challenges which face the Department are the same as those of the previous financial years. SCOPA has consistently raised its concerns with regard to the non-implementation of its resolutions on the following matters: Internal controls, personnel files, leave records, supply chain management processes, management of assets, document management and reconciliation of documents.

There seems to be consensus between the Chairperson and Senior Manager of SCOPA that the Department of Education has consistently failed to improve its financial management systems due to the following reasons:

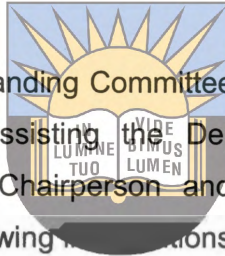
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- Lack of commitment on the part of departmental officials to comply with the necessary legislation regulating public financial management.
- Lack of political will on the part of the departmental political head to ensure that departmental officials comply with the relevant financial regulations.
- Lack of the necessary capacity on the part of departmental officials charged with the responsibility of ensuring that financial management regulations are strictly observed.
- The filling of vacant critical posts takes a long time to be finalized. This state of affairs compromises the extent to

which the Department can adequately deliver on its mandate.

- Recruitment of people with no work ethic. In this regard, civil servants are not willing to work beyond the 8 hours, they are not willing to go an extra mile, and are not team players. What is critical therefore, is not necessarily the filling of vacant posts but ensuring that the correct and necessary skills are acquired to fulfill the mandate.



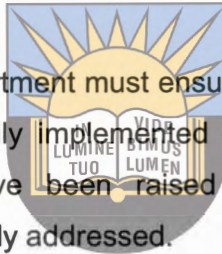
The role of the Standing Committee on Public Accounts is seen as very critical in assisting the Department in addressing these challenges. The Chairperson and Senior Manager of SCOPA proposed the following recommendations in this regard:

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- SCOPA has raised the same concerns on the same issues which were raised by the Auditor General. The last SCOPA report (2008) recommended that the Accounting Officer of the Department of Education must be charged for financial misconduct in terms of the PFMA. The implementation of this resolution by the political head of the Department (Member of the Executive Council) is critical as it will ensure that the resolutions by SCOPA are taken seriously by departmental officials.
- SCOPA has failed to effect positive change due to the fact that it does not have authority to hold the Executive Council in contempt with regard to the non-implementation of its resolutions. For SCOPA to bring about positive results, its resolutions must be implemented by the relevant departments. It is therefore proposed that SCOPA must be

given powers to ensure that its resolutions are implemented, and Accounting Officers are held in contempt of the legislature when they fail to act accordingly.

- SCOPA is seen as a protector of the public purse. How does one protect the public purse if one comes in after it has already been misappropriated and how do you prevent it from being misappropriated again if you don't have powers to enforce punitive measures.



- The Department must ensure that the Audit Implementation Plan is fully implemented so as to ensure that concerns which have been raised by the Auditor General are immediately addressed.

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- The Department must foster and cultivate a culture of accountability with regards to its finances.

4.3.2 Standing Committee on Public Accounts Reports

The Report of the Standing Committee on Public Accounts, ATC No 12 of 2008 dated 18 September 2008 indicates weaknesses with regard to the financial management of the Department of Education. The report revealed the following weaknesses:

- The findings of the Auditor General pointed to gross mismanagement by the Department.

- It also noted that it was evident that the Accounting Officer was not able to fully account on the financial affairs of the Department of Education.
- The report further noted that the Department failed to provide responses to the committee within the stipulated time. Even on the provision of an extension, the Accounting Officer failed to provide responses to the Committee. Such responses were only submitted by the Accounting Officer on the day of the hearing, giving the Committee no chance to review the responses for adequacy.
- The committee expressed extreme displeasure with the manner in which the Accounting Officer dealt with the submission of the responses to the committee.

In view of the above, SCOPA recommended as follows:

- “Due to the serious nature of the items raised by the Auditor-General, which point to gross mismanagement in the Department and the fact that the Accounting Officer was unable to respond adequately to questions raised by the committee, it is the committee’s view that the Accounting Officer failed to account for the department’s financial affairs in the year under review”.
- In the light of this, SCOPA recommended that “the Accounting Officer must be charged with financial

misconduct and that legal proceedings be instituted in terms of section 84 of the PFMA”.

This is the first time that SCOPA has invoked the provisions of sections 84 of the PFMA. It still remains to be seen whether this recommendation will be fully implemented by the Department. However, the MEC for Education has since put the Accounting Officer of the Department of Education on compulsory leave amid allegations of maladministration and corruption on her part.



4.3.3 Newspaper articles

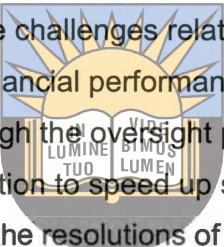
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Analysis of newspaper articles indicate that the oversight role of the Standing Committee on Public Accounts was not yielding positive results on the financial performance of various departments. An article in the Daily Dispatch by Overy dated 1 August 2006 "Who exercises accountability" argues that "there is very little evidence which suggest that the standing committees of the Eastern Cape Legislature are fulfilling their duty of exercising effective oversight. Overy further argues that the office of the Auditor General has noted in its audit reports that, between 1995 and 2002, not a single resolution adopted by SCOPA was implemented by government departments. Despite this state of affairs, SCOPA also failed to exercise its powers to hold the executive accountable.

A similar article appeared in the Sunday Times dated 15 February 2009 which stated that then Minister of Finance, Trevor Manuel "criticized African National Congress (ANC) Members of Parliament

(MPs) for failing to perform their oversight function of ensuring that taxpayers receive value for money. According to this article, the problem was compounded by the fact that ANC MPs were protective of their party comrades who held high offices in government.

The above scenario indicates that there are barriers, whether political or administrative, with regard to the effective functioning of the oversight process. This state of affairs shows the significant negative impact the challenges relating to the oversight process have had on the financial performance of various government departments. Though the oversight process can be seen as a necessary intervention to speed up service delivery, non-implementation of the resolutions of parliamentary committees continues to compromise the effectiveness and efficiency of this process.



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4.4 DEPARTMENTAL PERSEPECTIVE

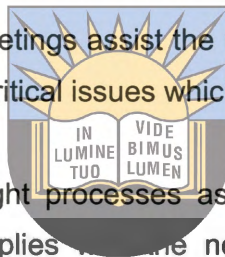
4.4.1 Awareness of SCOPA roles and functions

88.9 percent of the respondents indicated that they were aware of the role and functions of the Standing Committee on Public Accounts and the remaining 11.1 percent stated that they were not aware of the role and functions of SCOPA. All respondents indicated that that they had never been provided with the necessary training in this regard. The implication is that those managers with a lack of understanding of the role and functions of SCOPA may still be lagging behind in terms of compliance with the necessary financial regulations.

4.4.2 SCOPA meetings

There seems to be no consistency with regard to the attendance of senior management at SCOPA meetings. Some managers indicated that they were not sure whether there is a need for them to attend these meetings. However, those who have attended SCOPA meetings are of the view that these meetings are of critical importance especially in dealing with the following matters:

- SCOPA meetings assist the management of the Department to identify critical issues which need immediate attention.
- The oversight processes assist the Department to ensure that it complies with the necessary legislative and policy framework.
- SCOPA meetings also provide departmental officials with an opportunity to raise issues or challenges which they confront during their day to day operations.



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4.4.3 Implementation of SCOPA resolutions

Central to the oversight role of SCOPA, is the timeous implementation of its resolutions by relevant departments. The current constitutional and legal dispensation does not make it obligatory upon departments to implement resolutions of the legislature. As a result, the work of parliamentary committees has yielded no significant positive results due to the non-implementation of their resolutions. In this regard, there seems to be consensus within the management of the Department of Education that an

implementation plan has been put in place so as to ensure that SCOPA resolutions are consistently implemented. However, it was apparent from the responses given that there was no monitoring and evaluating structure within the Department that will ensure that all directorates adhere to this plan. As a result, the Department is not able to fully account for the implementation of SCOPA resolutions. There also seems to be no collective understanding on the part of management on how these resolutions are managed within the Department. Some managers claim that this is the responsibility of the Audit Intervention Committee whereas other managers claim it is the responsibility of the Chief Financial Officer.

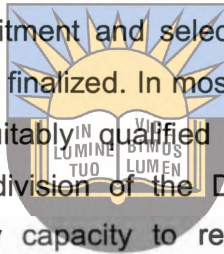


What can be deduced from the above is the fact that the implementation plan of SCOPA resolutions is not effectively and efficiently managed by the Department and as result it is difficult for individual managers to fully account on the implementation status of SCOPA resolutions.

4.4.4 Auditor General's reports

The reports of the Auditor General have consistently highlighted instances of poor financial management on the part of the Department of Education. The Department received disclaimers from the Auditor General on the same issues. The Department received disclaimers, the worst audit opinion an institution can receive from the Auditor General, in four successive financial years (2002-2006). According to senior management of the Department, this state of affairs has been occasioned by various factors, which are:

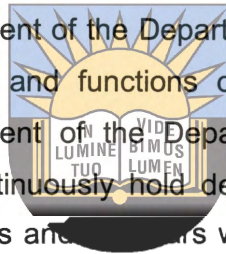
- The organizational design of the Department does not allow for improvement. As a result, the Performance Management System of the Department has collapsed.
- Training and development of staff programmes are not designed to confront the challenges faced by the Department.
- The recruitment and selection process of staff takes too long to be finalized. In most instances, this process fails to recruit suitably qualified personnel. As a result, the financial division of the Department does not have the necessary capacity to respond to the new challenges posed by the PFMA.
- The absence of the Monitoring and Evaluation Unit with regard to the implementation of the Audit Intervention Plans results in the Department not being able to effectively address concerns which have been raised by the Auditor General.
- Lack of proper planning and budgeting resulting in fruitless and wasteful expenditure. This problem has also been exacerbated by the fact that managers have not been provided with the necessary training in this regard.
- Poor implementation of internal control and systems exposes the Department to major risks.



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- Individual managers are required to manage their budgets and expenditure in terms of the PFMA. The decentralization of financial management has placed the responsibility on the individual managers and district offices. This process has resulted in poor financial management as managers have not been provided with the necessary training.
- The meaningful impact of SCOPA resolutions requires the management of the Department to be well conversant with the roles and functions of SCOPA. In this regard, the management of the Department proposed that SCOPA must continuously hold developmental sessions such as workshops and seminars with departmental officials so as to ensure that there is a common understanding on the roles and functions of SCOPA. These workshops must also include the office of the Auditor General so as to ensure that there is an agreement on the specific steps to be taken to deal with the challenges facing the Department of Education.
- Lack of administrative support with suitable financial skills at school level. The real problem in this regard is not the shortage of personnel in terms of numbers but a shortage in terms of capacity and competencies of personnel to carry out their duties effectively and efficiently.
- Low literacy levels of School Governing Body (SGB) members result in them being manipulated by educators. The Department has made significant strides in terms of providing the necessary capacity to the SGB members.



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This process also has its own challenges due to the fact that the term of office for SGB members is three years making it difficult for the Department to train and develop them to the requisite level within the required period.

- The document management system of the Department is an area which the Department has failed to adequately address for a period of time.

4.4.5 Role that can be played by SCOPA in improving the situation



The senior management of the Department is of the view that SCOPA has an important role to play with regard to the improvement of the financial management of the department. According to management, interactions with SCOPA have assisted the Department in identifying areas which need improvement. The role of SCOPA is seen as critical in the following areas:

- Continuous and regular engagement with SCOPA will increase transparency and also promote or instill the culture of accountability with regard to financial management.
- SCOPA always focuses on the Accounting Officer, and the Department of Education has a history of not retaining its Accounting Officers, resulting in the loss of impact of the resolutions by SCOPA. In this regard, relevant managers must be called to individually account in terms of section 45 of the PFMA. This approach will ensure that the relevant managers take ownership of SCOPA resolutions.

- The Department continuously failed to implement SCOPA resolutions due to the manner in which these resolutions were managed. This manner has failed to ensure collective leadership in this regard.
- To ensure continued improvement in the financial management within the Department at all levels, the oversight role of SCOPA must also be extended to the district level.



4.4.6 Departmental Annual Reports

4.4.6.1 Programme Performance

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The Department is required in terms of section 40 of the PFMA to table its annual report to the relevant legislature. The annual report gives an account of the departmental performance with regard to the achievement of its targets in relation to its operational and strategic plans. In addition, the annual report provides a full account of the departmental performance with regard to the management of its finances.

Financial management is located in Programme 1: Administration, which aims to provide overall management with regard to the administration of resources (human and material). An analysis of the departmental annual reports, dating back to 2001,

indicate that the Department failed in its annual reports to give a full account with regard to the extent of the implementation of the resolutions of the Standing Committee on Public Accounts. This state of affairs implies that the resolutions of the Standing Committee on Public Accounts have not been entrenched significantly within the departmental strategic and operational plans so as to ensure proper accountability in this regard. Failure by the Department to provide the necessary information in its annual reports makes it difficult to assess the extent to which the resolutions of the Standing Committee on Public Accounts have brought about positive change within the Department.

4.4.6.2 **Audit Committee Report** **University of Fort Hare**
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The 2007/08 Annual Report of the Audit Committee of the Department has been considered. This report highlights certain weaknesses such as the delays in filling of vacant posts and failure by the Department to implement recommendations of the Internal Audit Committee. It is worth noting that these recommendations fail to make any reference to the implementation of SCOPA resolutions. It is surprising to note that the report of the Internal Audit Committee would fail to highlight SCOPA resolutions as one of its priorities.

4.4.6.3 Report by the Accounting Officer

The report by the Accounting Officer for the financial year ending March 2008 made specific reference to SCOPA resolutions. These resolutions refer to the unauthorized expenditure which has been incurred by the Department from 2001 to 2005. However, this report fails to provide an account of the status of implementation of these resolutions.

4.5 CONCLUSION

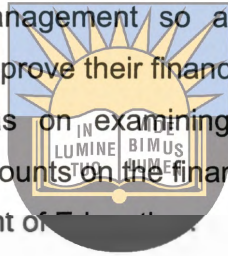


It is clear from the above that there is consensus amongst the respondents that SCOPA has a major role to play with regard to the financial management of the Department of Education. However, there seems to be no collective approach on the side of the Department as to the manner in which SCOPA resolutions must be processed. As result, it is difficult to trace the extent to which the Department has managed to implement these resolutions. This is mainly due to the fact they are not adequately reflected in the strategic plans and annual reports of the department. The full implementation of SCOPA resolutions requires adequate provision of financial and skilled material and human resources. The continued shortage of these resources makes it difficult for the Department to fully comply with its obligations. The following chapter will present findings and recommendations based on the data gathered.

CHAPTER 5: FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

5.1 INTRODUCTION

Over the past ten years, the Department of Education has been characterized by poor financial management, lack of internal control systems and poor service delivery. To address this situation, the Standing Committee on Public Accounts has been tasked with the responsibility of overseeing financial management so as to ensure that government departments gradually improve their financial management standards. The focus of this study was on examining the impact of the Standing Committee on Public Accounts on the financial management of the Eastern Cape Department of Education.



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This chapter focuses on the conclusions emanating from the study and proposes recommendations or solutions to deal with the identified problems. It is hoped that these recommendations or suggested solutions will be considered by SCOPA and the Department of Education and factored into their planning sessions so as to influence change.

5.2 FINDINGS

The study indicated that SCOPA has failed to yield positive results within the Department of Education due to various factors, which are listed hereunder:

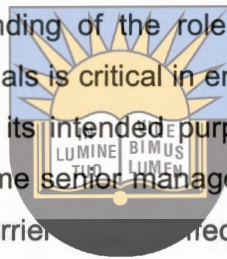
5.2.1 Lack of legislative sanction on the non-implementation of Legislature resolutions

The oversight role of the legislature has not been effective due to the failure by the executive arm of government to implement its

resolutions. This has been compounded by the lack of legislative sanction in this regard, and the party list system of government. The party list system of government advocates party loyalty, and as a result the task of holding the executive accountable is left to the political opposition.

5.2.2 Lack of understanding of SCOPA roles and functions

A clear understanding of the roles and functions of SCOPA by departmental officials is critical in ensuring that the oversight role of SCOPA achieves its intended purpose. Lack of understanding of these roles by some senior managers within the Department could be seen as a barrier to effective realization of the SCOPA mandate.



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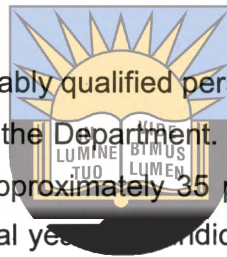
5.2.3 Monitoring and evaluation of SCOPA resolutions

There seems to be a lack of a monitoring and evaluation structure within the Department charged with the responsibility of measuring the extent to which the Department has incorporated SCOPA resolutions in its planning processes. This appears to be one of the reasons why the Department has continuously failed to adequately report and account on its annual reporting with regard to the implementation of SCOPA resolutions.

5.2.4 Institutional capacity of the Department of Education

Numerous interventions have been made over previous years to boost the institutional capacity of the Department of Education. It is worth noting that despite this, the Department continues to face the

same challenges which were identified during the previous financial years. This clearly indicates or suggests that interventions by the Department are not effective or efficient in addressing the root cause of these problems. For a period of more than ten years, the institutional capacity of the Department of Education to effectively and efficiently manage its financial resources has been under suspicion. In this regard, the Department has failed to effectively deal with the following challenges, which have been there for many years:



- Lack of suitably qualified personnel to effectively manage the finances of the Department. The Department of Education is allocated approximately 35 percent of the provincial budget in a financial year. This indicates a need for the Department to ensure that the personnel responsible for financial management are adequately qualified.
- The process of filling vacant critical posts takes too long to be finalized. The vacancy rate has adverse implications for the capacity of the Department to effectively and efficiently manage its financial resources. This is also exacerbated by the lack of the requisite skills and capacity of officials across all programmes of the Department.
- Although the Department has made significant strides in developing internal controls and systems, the poor monitoring and evaluation of these systems has failed to effectively improve financial management within the Department.

- Continuous change in leadership within the Department has not been effective in addressing its challenges. This seems to be one of the reasons why the Department has failed to effectively deal with its challenges. Currently, the National Department of Education has intervened, bringing in new leadership, in a move intended to improve the performance of the Department.

5.3 RECOMMENDATIONS



The following recommendations, based on the conclusions and findings emanating from the study, are proposed:

5.3.1 The legislature must pass legislation which will effectively deal with the oversight responsibility of its committees. The said legislation must deal with issues such as:

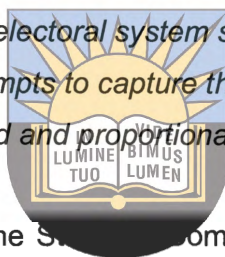
- Clear accounting reporting responsibilities of government departments;
- Legislative sanction on the failure by government departments to observe their accountability responsibilities;

The enactment of this legislation will yield positive results by ensuring that:

- The integrity of the legislature is restored.
- Government departments are compelled to take the resolutions of the legislature seriously.

5.3.2 On the party list system, the views and sentiments which have been proposed in the Report of the Independent Panel Assessment of Parliament (2009:98) must be explored by the legislative sector. The report recommended as follows:

“the impact of the party list electoral system as it is currently structured in South Africa, as well as potential alternative systems, should be given consideration by Parliament. The view of the Panel is that the current electoral system should be replaced by a mixed system which attempts to capture the benefits of both the constituency-based and proportional representation systems”.



5.3.3 The mandate of the Special Committee on Public Accounts is to enhance accountability and promote good governance with regard to financial management. In order to achieve this, departmental officials must have a clear understanding of the roles and functions of SCOPA so as to ensure that SCOPA resolutions find clear expression in the departmental plans and activities. In this regard, there is a need for departmental officials and members of SCOPA to hold ongoing developmental sessions, which will ensure that there is common understanding on the role and functions of SCOPA.

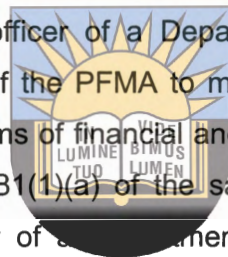
5.3.4 A Monitoring and Evaluation Unit must be established within the Department of Education. The said unit must develop an action plan with a clear monitoring schedule and these plans must find expression in the departmental strategic and operation plans. This will ensure that the Department is able to fully account on the implementation of SCOPA resolutions in its annual reports.

In addition, SCOPA must also strengthen its oversight function by developing a tracking system of its resolutions.

5.3.5 The recruitment and selection policy of the Department must be revisited so as to ensure that it addresses human resource capacity challenges, which have been facing the Department for many years. Continued delays in the filling of vacant critical posts will continue to have a negative impact on departmental performance.

5.3.6 The accounting officer of a Department is required in terms of section 38(1)(a) of the PFMA to maintain “effective, efficient and transparent systems of financial and risk management and internal control”. Section 81(1)(a) of the same act further states that “an accounting officer of a Department or a constitutional institution commits an act of financial misconduct if that accounting officer willfully or negligently fails to comply with the requirements of section 38”. In this regard, it is recommended that the Hon MEC, as an Executing Authority of a Department, must, without fear or favour, invoke the provisions of section 81 of the PFMA in instances where it is apparent that the accounting officer failed to comply with the provisions of section 38 of the PFMA.

5.3.7 The Province of the Eastern Cape needs to seriously embark on a recruitment strategy aimed at attracting a suitably qualified individual with tested leadership skills as an accounting officer for the Department of Education. The permanent appointment of this incumbent will address and stabilize the current leadership challenges facing the Department. Continued delays by the provincial government in effectively dealing with this matter continues to negatively affect the core business of the Department



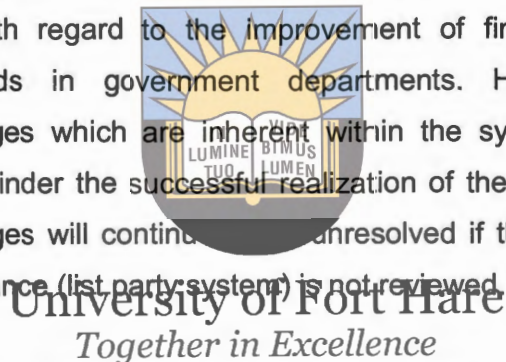
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of Education, which is the provision of compulsory basic education to the province.

5.4 CONCLUSIONS

Conclusions which can be drawn from the study are as follows:

- The legislature and its committees with particular reference to the Standing Committee on Public Accounts has an important role to play with regard to the improvement of financial management standards in government departments. However, there are challenges which are inherent within the system of governance which hinder the successful realization of these objectives. These challenges will continue unresolved if the current system of governance (list party system) is not reviewed.
- Failure by SCOPA to effect positive change within the Department of Education must not be seen in isolation. The limited capacity in terms of numbers and skills of the finance directorate of the Department of Education is affected by the fact that this Department receives the biggest allocation of the provincial budget. Challenges which are faced by the Department with regard to its financial management will continue to exist if the challenges relating to staff shortages and necessary skilled personnel are not immediately addressed.
- The major problem affecting the Department of Education is the fact that there has been no stability at the level of the Accounting Officer and this affected the accountability responsibilities of this Department. The study has indicated that instability in this regard has a profound effect on the overall performance of the department.



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ANNEXURES



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QUESTIONNAIRE

“Examination of the impact of the Standing Committee on Public Accounts (SCOPA) on the financial management of the Department of Education”

Confidentiality Clause:

Confidentiality for the participants will be highly maintained and the information received will only be used for the purposes of the research.

KINDLY COMPLETE THE FOLLOWING QUESTIONNAIRE:



Age: _____

Sex: _____

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Rank: _____

Period within the position: _____

Period within the Department : _____

Qualifications: _____

1. Are you aware of the roles and functions of the Standing Committee on Public Accounts as provided by the Constitution?

A. Yes

B. No

C. Not sure

2. If the answer to the above is negative, has any training been provided to the relevant employees of the Department on the constitutional role of the legislature?

A. Yes

B. No

C. Not sure



3. Are you aware of the meetings between SCOPA and the Department of Education to consider ~~the~~ *Together in Excellence* Auditor General's Reports on the financial statements of the Department?

A. Yes

B. No

C. Not sure

4. Do you take part at these SCOPA meetings?

A. Yes

D. No

E. Not sure

5. If yes, do you derive any benefits from them?

6. If not, explain why?

7. Does the Department have an approved implementation plan of the resolutions of the Standing Committee on Public Accounts?

8. Does the Department consistently implement the resolutions of the Standing Committee on Public Accounts?

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9. If not, explain why?

10. Reports of the Auditor General have consistently indicated poor financial management on the side of the Department of Education. In your opinion, what could be the cause of this state of affairs?

11. Do you think that the Standing Committee on Public Accounts has a role to play in the improvement of financial management of the Department of Education?

12. If not, explain why?

Mr M C Hlohlo

24 Fox Avenue
King William's Town
, 5600
040-608 0062
Fax: 0866197558

16 February 2009

Acting Superintendent General
Eastern Cape Department of Education
Zwelitsha
5608



Dear Sir,

Re: REQUEST FOR ASSISTANCE TO CONDUCT RESEARCH ON THE IMPACT OF SCOPA ON THE FINANCIAL MANAGEMENT OF THE DEPARTMENT OF EDUCATION

I am Master of Public Administration student at the University of Fort Hare. I am currently conducting research and my research topic is **“An examination of the impact of the Standing Committee on Public Accounts (SCOPA) on financial management of the Eastern Cape Department of Education”**.

The main objectives of this study are to:

- determine the extent to which the Standing Committee on Public Accounts has made improvements in the financial management of the Department of Education.
- determine any barriers affecting positive results in the oversight role of SCOPA.
- make findings and recommendations for improvement.

I am therefore requesting assistance from your office in order to complete my studies. This assistance is in respect of the relevant information in the form of interviews and questionnaires. This exercise will target staff members from the

ranks of Chief Directors to the Superintendent General. Only staff situated at the Head Office in Zwelitsha will be targeted.

Thanking in anticipation.

Yours truly,

MGCINI HLOHLO
MPA STUDENT
UNIVERSITY OF FORT HARE



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