

**THE IMPACT OF UNDERSPENDING AND OVERSPENDING  
ON SERVICE DELIVERY: A CASE OF THE EASTERN CAPE  
DEPARTMENT OF EDUCATION IN THE 2008/2009  
FINANCIAL YEAR**

**BY**

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**FACULTY OF MANAGEMENT AND COMMERCE,**

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**UNIVERSITY OF FORT HARE**


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**Completed: January 2011**

## DECLARATION

I, **MBULELO SAFA**, hereby declare that this mini-dissertation submitted to the University of Fort Hare for the Degree of Masters in Public Administration has never been previously submitted by me for a degree at this or any other university, that this is my own work in design and execution and that all material contained therein has been duly acknowledged.

Signed.....



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Date.....

04 MAY 2011

## Acknowledgements

I would like to express my sincere gratitude and appreciation to my supervisor, Prof. Kanyane for his dedication, knowledge, support and patience with me. Thanks a million times Prof. and may God give you strength to produce more academics like me!

To the respondents in this research, this work is what it is, because of you and it is hence your work. Your patience with me is highly appreciated and may you treat all other aspiring academics in the same way. Special thanks go to all my colleagues, in particular Raymond Mgolozi, who assisted me in reading, interpreting and understanding financial information. Enkosi Gqunu nangamsol

My wife, Nozuko, and my little prides, Qhayiya and Sibabalwe, thanks guys for your support and understanding even when I had to sometimes stay at the computer up to midnight. My brothers, sisters, sisters-in-law, Antase Gwadu and everybody at home – thank you, bethunana, for your support.

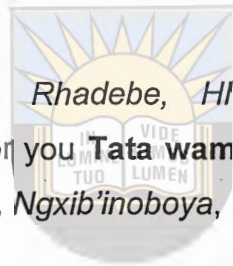
Lastly, I was able to do all this because of the strength and wisdom I have from the Almighty God.

## DEDICATION

This work is dedicated to my late lovely parents, who passed away in 2008 and 2010 respectively, when I was busy with my studies, my father **Aron Makwedi Safa** and my mother **Nozuzile Eljina Safa**.

As you are resting there, you two know very well that I am the person I am, because of you. Despite all the odds you raised me up, groomed me, taught me respect and humility, showed me the values of life and provided me the opportunity to get the basic education and have a future. I will always cherish everything you did for me.

This is for you **Mama wam**; *Rhadebe, Hlubikazi, Mashwabada, Mbhucwa, Ndlebentlezombini, nonkala* and for you **Tata wam**; *Dlamini, Lamyeli, Mtatela, Lunika, Nomana, Cubungulashe, Khathsini, Ngxib'inoboya, Dabilamagwala*.

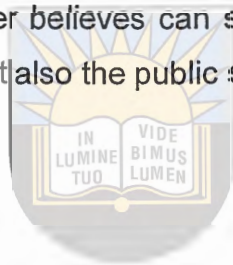


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## ABSTRACT

The Eastern Cape Department of Basic Education consumes a huge chunk of the Eastern Cape Provincial Budget and consequently any misspending has an impact on the Provincial Budget. The Eastern Cape Province is one of the rural provinces and has huge service delivery backlogs. The Auditor-General has over the years given opinions, which indicated that there are no proper controls in the finance management of the Department of Education in the Eastern Cape.

This study presents a case study of the Eastern Cape Department of Education in the financial year 2008/2009, to highlight the impact of both under- and over-expenditure in service delivery in the public sector. At the end of the study, scientific solutions are recommended, which the researcher believes can serve as a blue print to assist, not only the department under study, but also the public sector as a whole.



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## LIST OF ABBREVIATIONS AND ACRONYMS

ANC	African National Congress
BAS	Basic Accounting System
CFO	Chief Financial Officer
DORA	Division of Revenue Act
EDO	Education Development Officer
FCC	Financial and Fiscal Commission
FINCOM	Financial Committee
LTSM	Learner and Teacher Support Material
MEC	Member of the Executive Council
METF	Medium Term Expenditure Framework
NAPTOSA	National Professional Teachers Organisation of South Africa
PERSAL	Personnel and Salary System
PFMA	Public Finance Management Act
PSAM	Public Service Accountability Monitor
SADTU	South African Democratic Union
SCOPA	Standing Committee on Public Accounts
US	United States

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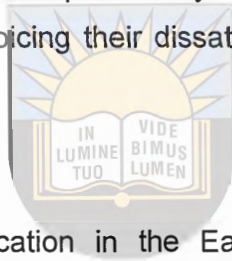
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# CHAPTER ONE

## INTRODUCTION AND GENERAL ORIENTATION

### 1.1 Introduction

The Eastern Cape Government has been widely criticized as the government where there is a serious lack of service delivery. This is particularly so, much as the Eastern Cape is hailed as the poorest and the most rural province and consequently the province where there are many backlogs in service delivery. A large portion of the province is what was known as Transkei, which is mostly characterized by poverty and lack of service delivery. This is particularly so in infrastructural development. Many communities have been voicing their dissatisfaction with the level of service delivery.

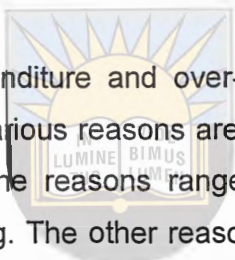


The Department of Basic Education in the Eastern Cape, is but one of the departments where service delivery is lacking. This is the department, which exists in almost all communities through schools and school going children. Any delivery or lack thereof, is immediately felt by the entire society. Schools are not built or renovated and children are taught in dilapidated structures or sometimes under trees. The School Nutrition Programme is also another delivery programme, which has failed the masses of the province.

Many reasons can be identified as causes for this lack of service delivery in the department. For this study, the researcher has singled out underspending (under-expenditure) and overspending (over-expenditure) and how these factors impact on service delivery with reference to the Department of Education. It is imperative that the causes for the lack of service delivery are scrutinized and solutions be found.

## 1.2 Statement of the Problem

The researcher decided to undertake this study in order to analyse the extent as well as the impact of under-expenditure and over-expenditure on service delivery. Once these aspects have been scrutinized, it is hoped that through the study, solutions and answers to questions from the lips of people affected by the lack of service delivery in the Eastern Cape, will be found. Even though there are many reasons for the lack of service delivery, under-expenditure and over-expenditure are singled out for scrutiny in this study.



The causes of both under-expenditure and over-expenditure will be studied and scientific solutions suggested. Various reasons are abound about the causes of this under- and over-expenditure. The reasons range from lack of capacity (Human Resources) to insufficient funding. The other reason that can be cited is the lack of will or commitment on the part of the public servants. This is so, despite the fact that South Africa in general and the Eastern Cape in particular, have adopted a system of budgeting, which is output-based. This form of budgeting emphasizes the need for accountability for results as opposed to procedural accountability based on a system of rules (Mkhize & Ajam, 2006:762). The Public Finance Act of 1999 was, *“an attempt to promote the efficient and effective management of government resources by linking inputs and outputs, to performance.”* (Mkhize & Ajam, 2006:762).

The trend in the budgeting in South Africa is that a large share of the budget goes to education. This share constitutes about 7% of South Africa's Gross Domestic Product. On the other hand provinces spend about 40% of their budget on education, which indicates that priority is given to delivering basic schooling to children (Robinson and Sadan, 1999:43).

Through the research, the spending patterns in the Department of Basic Education will be studied to ascertain how these patterns impact on service delivery. It is

intended that the scientific solutions emanating from the study, will be brought to the attention of the authorities in the Eastern Cape Department of Basic Education for possible application in solving the identified challenges.

### **1.3 Research Objectives**

- The general aim of the research is to provide solutions to the service delivery challenges in the Eastern Cape Department of Basic Education.
- The specific objectives will be to study the extent of over-expenditure and how it impacts on service delivery.
- The causes of under- and over-expenditure will be scientifically studied with a view to finding scientific and long lasting solutions to the problems.
- In the end the research should contribute positively towards enhancing service delivery in the Eastern Cape Department of Basic Education.

### **1.4 Hypothesis**

Under- and over-expenditure have a negative and crippling effect on service delivery in the Eastern Cape Department of Basic Education.

### **1.5 Significance of the Study**

The Eastern Cape Department of Basic Education has been receiving unqualified audit reports for more than five years in succession. One area, which has always been identified as contributing substantively in the audit report opinion, is both under- and over-expenditure. The study endeavours to contribute towards finding scientific solutions to this problem, which has a negative effect on service delivery.

## 1.6 Literature Review

Literature review provides evidence that a researcher has done some preliminary reading on the topic under review in order to develop the initial ideas which ultimately result in the formation of the research problem statement (Mouton, 2001:48). On the other hand Kanyane states that literature review is not only a collection of texts from journals and textbooks, but a review of the existing body of knowledge applicable to the research problem under study (Kanyane, 2008:29).

The basis of the paper is the Public Finance Management Act (PFMA) of 1999, an act, which promotes the object of effective financial management in order to maximize service delivery through the efficient and effective use of limited resources. The tool used to monitor the usage of funds for service delivery is the budget. Kuye describes the budget as the operational plan that is prepared to show how the financial resources will be used to deliver services (Kuye *et al*, 2002).

The then United States (US) Minister of Defence, Robert McNamara first introduced planning-programming budget systems in his department in 1961 (Gildenhuys, 1997). This type of budgeting was adopted by all US federal departments. According to this form of budgeting, programmes which contribute to a similar objective are placed together so that competition for resources takes place among real alternatives (Gildenhuys, 1997).

(Pauw *et al*, 2002:42) describes unauthorized expenditure as, among others, expenditure exceeding a budget amount for a purpose or item. The author continues by explaining it as misdirected spending or overspending or both. To Pauw *et al* (2002:42) unauthorized expenditure combined with fruitless, wasteful and irregular expenditure form the '*gruesome threesome*', which are factors that any accounting officer must avoid at all costs. This reference explains the '*three*' as negative forces working against the economy, effectiveness and efficiency. In the spirit of this

reference's description, the researcher, also includes under-expenditure as the fourth negative force, which works against service delivery.

Under-expenditure and over-expenditure are forms of irregular expenditure, which are the focus areas of the study, because these factors affect service delivery. As was indicated earlier, these forces are evident in the Department of Basic Education in the Eastern Cape. In the 2006/07 Annual Report the Head of Department acknowledged that there was indeed under-expenditure in the Eastern Cape Department of Basic Education, caused by such external factors as registration of contractors and the upswing in building activity in the private sector. The other reason cited is the processing of payments at year-end, which results in under-expenditure (Eastern Cape Department of Education, 2006/2007:37). According to the same report, the Eastern Cape Department of Basic Education underspent by R97 million on the School Nutrition Programme. In that report the Head of Department singled out the School Nutrition Programme and Infrastructure Programme as the main contributors to under-expenditure. Further in that report the Auditor-General mentioned R124,3 million of the School Building Programme that had not been spent by implementing agents in the year under review. The report stated that on compensation of employees the Department overspent by R258,8 million and underspent on goods and services by R388,81 million. On transfers and subsidies the Department is reported to have exceeded its budget by R20,2 million. There are numerous other under- and over-expenditures pointed out in this report, which influenced the Auditor-General to issue a '*no qualified*' report.

Kanyane (see Kuye *et al*, 2002:12) lists the various role players in financial administration and management as:

- **The Accounting Officer:** The accounting officer is responsible for the administration of state funds under the control of the department. In the Department of Basic Education in the Eastern Cape, the accounting officer is the Superintendent-General, who is also the Head of Department (Eastern Cape Education Department, 2006/2007).

- **Programme Manager:** An official with delegated authority and responsibility from the accounting officer to produce a set of outputs for the various divisions of the department (Pauw *et al*, 2002:50). The Eastern Cape Department of Basic Education has eight programmes, namely: Administration, Public Ordinary School Education, Independent School Subsidies, Public Special School Education, Further Education and Training, Adult Basic Education and Training, Early Childhood Development as well as Auxiliary and Associated Services (Eastern Cape Department of Education, 2006/2007).
- **Chief Financial Officer (CFO):** The Chief Financial Officer is appointed by the accounting officer to advise the accounting officer as well as programme managers on the implications of current and new projects. The CFO also advises the management about the budget implications and other financial issues, using the mission statement and strategic plan of the department as a basis for his or her advice.
- **Responsibility Manager:** This is the smallest organizational entity for which a budget can be compiled within a spending agency, that is, the government department. Examples of responsibilities within a department are: a directorate, a specific project, a specific school, a district office et cetera (Fourie, in Kuye *et al*, 2002).
- Other structures that play a role in the budget process are the Cabinet Minister or Member of the Executive Council (MEC) in the case of a province, National Treasury, The Budget Council, National and Provincial Cabinets, Committee on Public Accounts, Parliament. Parliament actually passes the budget into a law (Kuye *et al*, 2002). Since parliament is elected by the public, it is, therefore, accountable to the public or voters. Consequently, if things are not normal with the expenditure part of the budget, parliament is expected to play its oversight responsibility by evaluating the budgetary objectives against the community's needs.

Kanyane in Mafunisa and Maserulume (2004:47) states that most governments exceed their budget allocations, because each ministry spends beyond its limit but the Directors-General cannot satisfactorily explain this in detail before the Standing Committee on Public Accounts (SCOPA). The reference further

explains that over-expenditure is a hereditary issue that has pushed the country into serious deficits, thus affecting the strength of the South African currency. This showcases poor financial management and is not acceptable in terms of the PFMA of 1999.

Kanyane continues by stipulating the underlying factors that contribute to over-expenditure in the various government departments. The factors this author mentions are the following:

- (a) Poor financial management systems, inherited from former homelands resulting in account books not being closed the previous year. This resulted in departments operating in the dark, which made it difficult to control under- and over-expenditures.
- (b) Some provinces closed financial years with a deficit, which is usually paid in the budget of the following year. The provincial governments then started the year with the expenditures of the past financial year.
- (c) The computer systems were not reliable and the governments budgeted and operated in the dark. The unreliable computer systems created opportunities for over-expenditure and corruption.
- (d) In the early years of the democratic government, that is, between 1994 and 1999, 88% of the provincial budget was spent on salaries and only 12% was spent on capital budget.
- (e) The last reason cited is budget cuts perpetuated by the Treasury instructions during the beginning of each financial year. Over-expenditure is also perpetuated by the national government financial instructions and budget cuts in provinces (Mafunisa & Maserulume, 2004:48).

Following on point (d) above, Robinson and Sadan (1999:42) argue that provinces find themselves having to comply with nationally prescribed mandates like teacher: pupil ratios, salary negotiations et cetera. This means that the provinces find themselves with reduced ability to control their expenditure on personnel. This duo further states that it is in the poorer provinces where a greater personnel budget is employed, excluding spending on classrooms and textbooks. This occurs, because in these provinces there are large enrolment figures, redeployment schemes and

payment of voluntary severance packages. Thus, poor children living in the poor provinces have less chance of receiving adequately resourced quality education than children living in the richer provinces, because their parents cannot afford to contribute resources towards the building of classrooms, learner support material and other instructional materials (Robinson & Sadan, 1999:43).

In recent years policies were formulated, which aim at tilting the scales in favour of more spending on capital rather than personnel budget. The Norms and Standards of School Funding of South African Schools Act (Number 84 of 1996) aims at ensuring that poorer schools have access to resources based on the principles of equity and redress. According to the policy, provinces rank their schools in five categories (called quintiles) ranging from the poorest (quintile one) to the richest (quintile five) (Robinson & Sadan, 1999). Schools receive allocations from the province to finance expenditure on books, stationery and maintenance.

Despite all these interventions, there are still reports of under- and over-expenditure. Kanyane in Mafunisa and Maserulume (2004:49) states categorically that both under- and over-expenditure showcase poor financial management and these should be accounted for in terms of the PFMA. The source further pronounces that these problems need to be addressed with forethought.

Max Weber states that bureaucrats must perform certain functions and deliver services for the benefit of the citizens (Esau, 2006). He further says argues that bureaucracy is necessary to ensure that all procedures are adhered to in delivering the services.

## 1.7 Research Methodology

- (a) **Design:** The research design to be used will be mostly the qualitative design, although quantitative design will also be applied in some areas where calculations will have to be undertaken.
- (b) **Target:** The people who will be targeted to provide the information are the officials in the finance directorate of the department as well as the Head of Department. Since the service delivery area in the department is mainly the infrastructure area, the researcher will also target the officials in those areas like in school building, maintenance and renovation. The researcher will also earmark officials in the Treasury Department, since it is where the funds of the department are originating.
- (c) **Research technique:** The technique to be used will mainly be survey of documents and analysis of information contained thereto. The information will be sought through the following methods:
- i. Questionnaires: Questionnaires (see Appendix D) will be sent to the targeted officials who will be given a reasonable time to complete these, considering that most of the targeted respondents have busy schedules.
  - ii. Interviews: There will also be face-to-face interviews with some of the targeted respondents. This will be necessary in order to be able to probe further answers, provided by the respondents.
  - iii. Document Survey: The various documents and reports of the Eastern Cape Department of Basic Education will be surveyed with a view to making scientific decisions and solutions.
- (d) **Research procedure:** The study will be both qualitative and quantitative and hence answers will be described and analysed in order to give effect to the scientific solutions needed.

- (e) **Data analysis:** Data will be analysed using the filtering technique and mind-mapping. The filtering method is where the researcher will filter out any irrelevant information. Mind-mapping is where the data will be organized according to themes and meanings interpreted.

### 1.8 Delimitation of the Study

The study will be confined to the expenditure patterns of the Department of Basic Education in the Eastern Cape. The main focus will be on public finance and service delivery.



### 1.9 Ethical Considerations

The information on the study will be obtained mainly from the Eastern Cape Department of Basic Education. To ensure that the Department does not relate with caution to the researcher a letter will be issued by the University of Fort Hare, which will be introduced as a form of accreditation of the researcher, to access the information of the department in documents and from officials (see Appendix A). The letter will stipulate the undertaking that the information will be used for academic purposes only, that the respondent will provide information freely without any coercion.

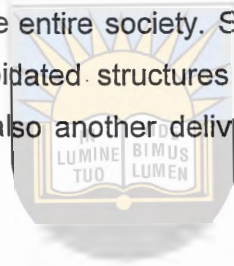
The information the researcher will be accessing through the study, is mainly sensitive and confidential information. The respondents will also be allowed to give the researcher information without their identities being disclosed. The letter mentioned above will commit the university and the researcher to the confidentiality (see Appendix A).

# CHAPTER TWO

## LITERATURE REVIEW

### 2.1 Introduction

The Department of Education in the Eastern Cape is but one of the departments where service delivery is problematic. This is the department, which exists in almost all communities through schools and school going children. Any delivery, or lack thereof, is immediately felt by the entire society. Schools are not built or renovated and children are taught in dilapidated structures or sometimes under trees. The School Nutrition Programme is also another delivery programme, which has failed the Eastern Cape community.

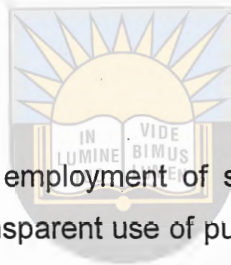


According to Madue and Mahwai (2008:363), public expenditure management emphasizes performance, assessed in relation to goals of macroeconomic stabilization and economic effectiveness and efficiency in the use of public funds. The authors further conclude that expenditure is part of resource management, which provides a link between formulation of goals and objectives and the actual performance of the activities of the organisation. The source also explains that public expenditure is about goods and services bought. In addition, the resource further classifies expenditure into compensation of employees, goods and services, consumption of fixed capital and transfers. Goods and services and compensation of employees are further categorized as current expenditure, while consumption of fixed capital is considered as capital expenditure. Consequently public expenditure management is an integral part of the broader managerial functions. Public expenditure consists of a roadmap of five stages: planning, budgeting, implementation, monitoring and evaluation, and reporting. Public expenditure also entails achievement of goals through planning and decision-making, resource allocation and management, information management and performance management (Madue & Mahwai, 2008:363–364). This duo cites the World Bank

Report of 1984, where it is stated that the inadequacy of hard budget restraints on decision-makers at the planning and budget formulation stage of the cycle are lacking. This leads to inadequate funding operations, poor expenditure control and unpredictability in the flow of budgeted resources to agencies responsible for service delivery.

Under-expenditure and over-expenditure have been identified in this study as one of the main causes of lack of service delivery in the department under study.

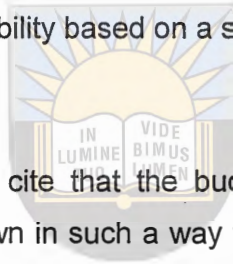
## 2.2 Legal Framework



Financial management is about employment of scarce government resources to ensure efficient, effective and transparent use of public funds and assets, to achieve value for money in meeting the service delivery objectives of the government. It is imperative that there be clear legislative framework for managing expenditure. Through this framework the government is granted powers or duties to execute policies in line with their established functions. Legislation exists to make provision for legitimate and accountable utilization of public funds and the accumulation of revenue. Madue and Mahwai (2008:366) further argue that legislation and policies lay the foundation, since policy decisions are expenditure decisions.

The PFMA, (Act 29 of 1999) promotes the objective of effective financial management in order to maximize service delivery through the efficient and effective use of limited resources. The objective of the act, therefore, is to modernize the system of financial management that focuses on outputs and responsibilities (Fourie in Kuye *et al.*, 2002:77). One of the ways to ensure the act maximizes service delivery is the prescription of the structures and officials to be accountable for the state funds and how these funds are spent. The tool used to monitor the usage of the fund for service delivery, is the budget.

Traditionally budgeting in South Africa was characterized by almost exclusive expenditure control measures. The main aim of the system was to keep control of government expenditure to achieve fiscal discipline (Mkhize & Ajam, 2006:763). This system of budgeting, line item budgeting, was concerned with lack of adequate expenditure control, thereby creating a high risk of corruption. Line item budgeting is often detailed and specifies how much can be spent on a particular item. This system was simple, but inadequate for accounting purposes. Another system of budgeting was then introduced. This system called programme budgeting focused on how much had been spent on each sector of government and resources were classified according to programmes. Programme-based budgeting emphasized the need for accountability for results as opposed to line item budgeting, which emphasized procedural accountability based on a system of rules.



Madue and Mahwai (2008:365) cite that the budget is the foundation for public expenditure. If the budget is drawn in such a way that it covers all required service, then public expenditure will be implemented and managed successfully. The success of public expenditure management does not only depend on the way the budget is drawn up, but also on the way it is implemented.

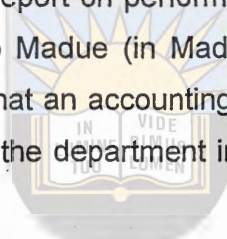
Fourie in Kuye *et al* (2002:105) describes the budget as the operational plan that is prepared to show how the financial resources will be used to deliver a better life to the people of South Africa. Furthermore, the budget sets out:

- The taxes that will be paid,
- How the money will be spent,
- The services that will be delivered.

On the other hand Hughes (2003:166) states that budgets have several functions ranging from recording of government financial transactions to a major role in determining the health of the economy of the country. The PFMA, 1999, was promulgated as one of the key milestones of budget and financial reform in South Africa (Mkhize & Ajam, 2006:762). The main aims of this act are:

- To regulate the financial management in the public sector;
- To ensure that all revenue, expenditure, assets and liabilities are managed effectively and efficiently; and
- To provide for the responsibilities of persons entrusted with financial management.

According to Mkhize and Ajam (2006:768) Section 31 and 43 of the PFMA, Act 29 of 1999, equips and enhances the managerial flexibility and accountability, such that role players can monitor in-year expenditure trends and reprioritize resources in line with changing strategic and operational plans. The PFMA further requires accounting officers to regularly monitor and report on performance of their departments against the agreed budget. According to Madue (in Madue & Mahwai, 2008:367) section 40(1) (a) of the PFMA provides that an accounting officer must keep full and proper records of the financial affairs of the department in accordance with any prescribed norms and standards.

  
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The Financial and Fiscal Commission Act of 1997 was promulgated to give effect to the establishment of Financial and Fiscal Commission (FCC). The FCC acts as a consultative body, which also gives advice and recommendations on financial matters for organs of state in national, provincial and local spheres of governments (Moeti, 2007:72). This author again refers the Intergovernmental Fiscal Relations Act of 1997, which was promulgated to promote cooperation between the spheres of government on fiscal, budgetary and financial matters and also to prescribe the process of the equitable allocation of revenue raised nationally (Moeti, 2007:73). In terms of Section 10 of the Intergovernmental Fiscal Relations Act, the Minister of Finance must annually introduce a Division of Revenue Bill to the National Assembly. The Division of Revenue Bill specifies the following:

- The share of revenue raised nationally that each sphere of government will receive.
- Each province's equitable share of the provincial share of the revenue.

- Any other allocations to provinces or local government as well as any conditions on which those allocations are or must be (Moeti, 2007:73).

South Africa adopted the multi-year budget programming in 1997. In terms of this form of budgeting, budgets are designed within a three-year period (Pauw *et al*, 2002:77). In budgetary terms, this three-year cycle budget is referred to as the METF. Some programmes or financial managers often misinterpret METF budgets to be rigid expenditure plans that may not be amended to reflect changes in strategic and operational plans (Mkhize & Ajam 2006:768). According to these authors this may lead to under-expenditure and high rollovers that might have been avoided with early detection and management intervention. In fact METF is designed in order to foresee changes in the targets and allocate budgets in response thereof.



According to Pauw *et al* (2002: 42) the advantages of multi-year budgeting are that provinces and institutions plan with certainty, because they know their allocations for the next three years. Therefore, departments can plan ahead and enter into development contracts that may run over a number of years and the public is kept informed of the way the government intends spending its money over the next three years.

Robinson and Sadan (1999:42-43) argue that provinces find themselves having to comply with nationally prescribed mandates like teacher: pupil ratios, teacher salary negotiations et cetera. This means that the provinces find themselves with reduced ability to control their expenditure on personnel. These authors further state that it is in poorer provinces where a greater personnel budget is used, which in turn result in excluding spending on classrooms and textbooks. This is because in these provinces there are large enrolment figures, redeployment schemes and payment of voluntary severance packages. Thus poor children living in the poorer provinces have less chance of receiving adequately resourced quality education than children living in the richer provinces, because their parents cannot afford to contribute

resources towards the building of classrooms, learner support material and other instructional materials.

In recent years policies were formulated, which were aimed at tilting the scales in favour of more spending on capital rather than the personnel budget. The Policy on Norms and Standards aims at ensuring that poorer schools have access to resources based on the principles of equity and redress. According to the policy provinces rank their schools in five categories (called quintiles) ranging from the poorest (quintile one) to the richest (quintile five) (Robinson & Sadan, 1999). Schools receive allocations from the province to finance expenditure on books, stationery and maintenance.



Despite all these interventions there are reports of under- and over-expenditure. Kanyane in Mafunisa (2004:49) states categorically that both under- and over-expenditure showcase poor financial management and these should be accounted for in terms of the PFMA. These problems need to be addressed with forethought.

The Budget is presented in Parliament or legislature as a Budget Speech. Once the budget has been approved by the legislative body it becomes a law, which must be adhered to. In addition to the Budget Speech there are other legislative documents related to budget. The following are some of these documents:

- *Division of Revenue Bill* – sets out the division of nationally raised revenue across the three spheres of government.
- *Appropriation Bill* – sets out the amounts to be appropriated by Parliament for each national vote.
- *The Estimates of National Expenditure* – provides detailed information on allocations to national departments, key policy developments and measurable objectives for each programme.
- *The Estimates of National Revenue* – sets out the main revenue estimates both before and after tax policy changes.

Chapter 13 of the Constitution (1996) gives mandate to the National Treasury to ensure transparency, accountability and sound financial controls in the management of public finances (Ababio, 2008: 4). Section 195 (1) of the Constitution provides that public administration and management in all spheres of government should be efficient and effective regarding the use of resources, economically viable and demand a high level of accountability. Madue in Madue and Mahwai (2008:366) describes accountability as the responsibility to undertake specific actions and the responsibility to provide an account for those actions. In terms of Section 188 of the Constitution, the Auditor-General must audit and report on the accounts, financial statements and financial management of national and provincial state departments and administration, all municipalities and other government entities. The Auditor-General Act, 1995 (Act 12 of 1995) establishes the requirement to appoint an Auditor-General, who has the authority to audit and report on all financial accounts of national, provincial and local governments, as well as any other person, who deals with public funds (Madue & Mahwai, 2008: 367). The Auditor-General gives his report through expressing opinions on the finances of the entity being audited. The audit opinions are classified as follows:

**Table 2.1: Audit opinions used by Auditor-General**

	AUDIT OPINION	EXPLANATION
1	Unqualified Audit Opinion	<b>Good Opinion:</b> Statements fairly reflecting financial status of the department or entity.
2	Unqualified Audit Opinion with emphasis of matter	<b>Least Severe Opinion:</b> Financial statements fairly representing financial status but there are issues of concern raised.
3	Qualified Opinion	<b>Severe Opinion:</b> When auditor cannot express unqualified opinion but disagreements are so material or fundamental as to warrant adverse opinion or disclaimer.
4	Adverse Opinion	<b>Most Severe Opinion:</b> Effect of disagreements is so fundamental that auditor decides that a qualification of the report will not be adequate to disclose the misleading or incomplete financial statements.
5	Disclaimer	<b>Very Severe:</b> When there is no appropriate audit evidence and auditor is unable to express an opinion on the financial statements.

*\*Adapted from MPA Public Finance Manual*

The Constitution requires that the Auditor-General must report to the Legislature on its findings. Depending on the opinion of the Auditor-General and issues he raises, the Legislature, on strength of SCOPA's recommendations, determines what appropriate action (if any) must be taken against the Accounting Officer. In September 2008, SCOPA in the Eastern Cape Legislature received a report from the Auditor-General about the finances of the Department of Education in the province. The report was for the year ending 31 March 2007. According to the report the Department had received an adverse opinion. Amongst the points raised by the Auditor-General were:

- An expenditure amounting to R1,6 billion could not be accounted for due to lack of supporting documents.
- No adequate documentation to support expenditure on personnel allowances amounting to R48 million.
- Payments amounting to R370,3 million transferred to implementing agents for school buildings and furniture were found to be irregular as the department relegated all control to the implementing agents.
- Funds paid to implementing agents to the value of R124 million, remained unspent at the year-end and were not properly accounted for in the financial statements.

In addition, the Accounting Officer failed to respond to questions raised by the committee and the Committee recommended that she be charged with financial misconduct. The further recommendation was that legal proceedings be instituted against the Accounting Officer in terms of Section 84 of the PFMA (Eastern Cape Legislature, 08 September 2008).

### **2.3 Theoretical Framework**

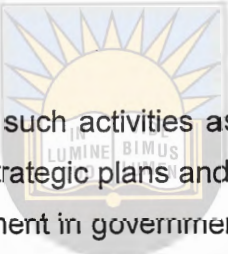
In terms of Max Weber's bureaucracy, bureaucrats should be authorized to exert power to perform particular functions and deliver services for the benefit of citizens (Esau: 2006:363). The power is dependent on, among others, a true desire to serve

and going beyond the call of duty. This author further argues that bureaucracy is a necessary structure for ensuring the delivery of services to the public. In addition, this source debates that in terms of the New Public Management non-compliance with statutory rules hampers service delivery (Esau, 2006:363). According to Lane (1987:3), Max Weber is often considered as the main adherent to the theory about bureaucracy as efficiency. The Weberian administrative theory is riddled with this association. This efficiency claim rests on Max Weber's famous model of bureaucracy, which comprises the following properties: impersonal authority structure, hierarchy of offices, free selection based on achievements in accordance with specific rules, discipline and control in the conduct of office (Lane, 1987:4). This author further argues that bureaucratic efficiency cannot simply be a function of the formal structure of the bureau, but depends crucially on which goals are expressed in the behaviour of bureaucrats as well as which means are considered. The source continues by stating that the model of Weber did not realize the implications of expertise for the structuring of bureaucracies. Two kinds of personnel within the bureau can be distinguished; the administrative personnel and professionals. There is an inherent conflict between the professionals in a bureau, who base their position on the possession of a monopoly of expert knowledge, and administrative staff, who conducts the bureau on the basis of their rule of authority. This conflict between expert knowledge and administrative power may lead to a dysfunctional bureau (Lane, 1987:4).

Another conflict, which may find its way into bureaucracy, is between politicians and bureaucrats. Woodrow Wilson advocated not only a neutral administration, but also administration by experts (Meyer, 1985:20). According to orthodox theory, bureaucracy is a tool for efficient administration, but its goals are determined outside of bureaucracy, by politicians. Writings on relations between democracy and bureaucracy suggest that modern bureaucracy is penetrating into the sphere of political power. This is evident in the collaboration between bureaucracy and politicians in policy making.

Consequently the study will be underpinned by classical theories in general and Max Weber's approach in particular. Government expenditure has to take place according to Max Weber's bureaucratic characteristics, which include division of labour according to skills and authority, responsibility defined by administrative regulations, centralization of authority and keeping of written records for the sake of organizational continuity. This is because the whole notion of expenditure involves strict adherence to procedures and regulations. It will be looked at as whether the procedures themselves have an effect on this over- and under-expenditure.

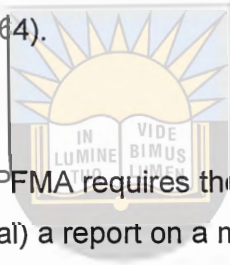
## 2.4 Financial Performance



Financial management deals with such activities as cash management, formulating financial objectives in support of strategic plans and monitoring the flow of cash. The ultimate goal of financial management in government is to ensure that the managers safeguard and use available funds and other scarce resources in the best interest of the citizens (Pauw *et al*, 2002:133). On the other hand the financial performance deals with the efficacy with which the financial management function is discharged (Erasmus, 2008:404). The people expect that the government will manage the public funds under its control in an effective and accountable manner. Being accountable means the managers are held accountable for carrying out a defined set of duties or tasks and for conforming with rules and standards applicable to their posts (Pauw *et al*, 2002:136). A manager is not only the one who is rewarded for good performance, but also the one who suffers the consequences if performance is inadequate. In addition, these authors explain that governments have delegated greater flexibility and autonomy to managers as a means of improving efficiency and effectiveness of manager's operations. This autonomy means managers are given power to make decisions; emphasis on accountability means the exercise of power is checked and balanced.

Continuous checking of power means the performance of the manager is benchmarked against adhering to certain criteria. Adherence to criteria is imperative

in order to achieve effective value-for-money service delivery (Erasmus, 2008:404). Financial performance centres on the execution of specific activities regarding the spending of funds in pursuit of service delivery targets. Financial performance is thus closely related to and cannot be divorced from service delivery. To Madue and Mahwai (2008:364), the idea of linking budgets to performance management is that cost centres are given more autonomy on the management of their budgets, but must simultaneously meet performance targets with the allocated resources. The delivery targets of the department are set out in the operational plan of the department. The operational plan is aligned with the approved budget allocation for each main division. Through the operational plan the department may enhance its success rate of achieving service delivery targets while spending within the allocated budget (Madue & Mahwai, 2008:364).



In order to identify deviations the PFMA requires the Accounting Officers to submit to the Treasury (Provincial or National) a report on a monthly and quarterly basis on the actual revenue and expenditure of the previous month against the budget. The reports do not only serve to identify deviations, but also alert managers to where remedial action is needed (Erasmus, 2008:406). Through being able to identify the deviations and appropriate remedial action the manager is able and accountable to do individual performance assessment. The annual report is also used to assess whether allocated funds were spent as authorized and service delivery targets achieved.

Mkhize and Ajam (2006:769) state that the interdependence of performance monitoring and measurement form an integral part of the planning and budgeting process. The authors further list the elements of interdependence as follows:

- **Inputs:** resources, such as, labour, material, equipment and supplies that are used in the production of outputs.
- **Outputs:** the final goods and services in the production process for external consumption to external clients and customers.

- **Outcomes:** the socio-economic effects or results achieved by producing outputs, for example, reduction in HIV/AIDS infection.

The relationship between the inputs, outputs and outcomes are coined in the three elements prescribed by the PFMA. These elements are:

- **Economy:** the cost of the inputs used to produce outputs,
- **Efficiency:** relates inputs to outputs,
- **Effectiveness:** illustrates the extent to which outputs or services of a programme are successful in achieving stated objectives (Mkhize & Ajam, 2006:769).



Erasmus (2008:405) identifies central responsibilities for line managers to ensure good financial performance. The author lists these responsibilities as:

- Proper costing of the reliable operational plan,
- Expenditure control (including in-year monitoring and reporting),
- Spending efficiency, and
- Revenue collection.

In addition, Erasmus (2008:408-409) further highlights issues that are an impediment to line managers being able to manage their financial performance. Some of the issues are:

- Failure by managers to cost the operational plan in detail, thereby causing poor linkage between the approved operational plan and the final budget allocation. This may be caused by lack of financial skills.
- Delay in filling vacant posts, which impacts on continuity of service delivery and personnel expenditure.
- Spending authority limits, shifting of funds and perceived lack of financial management capacity.
- The cumbersome acquisition process and limited participation by the line manager in the process, including the approval for acquisition.

- Sometimes there are political directives that demand deviation from the planned services, or spending on activities that were not planned in the original approved budget.

Nengwekhulu (2009:351) states that there are a number of instances where public service did not only fail to deliver, but also delivered a dismally poor service to the public, resulting in some departments failing to spend their approved budgets. Many government departments fail to achieve their goals and objectives largely because the degree or quality of supervision is extremely low or totally absent (Nengwekhulu, 2009:355).

This source also mentions that in order to improve public service delivery it requires a disciplined and committed public service, and more importantly, a management cadre, which is not afraid to take disciplinary action against undisciplined public officials. The other factor the author highlights is political interference, where political principals give instructions to accounting officers or officials to take a particular decision, which in most cases would be contrary to provisions of the law or the expenditure of public resources (Nengwekhulu, 2009:357).

## 2.5 Under- and Over-expenditure Explained

Pauw *et al* (2002:42) point out that unauthorized expenditure is an expenditure exceeding a budgeted amount for a purpose. It is a misdirected spending or overspending or both. To these authors unauthorized expenditure, in combination with fruitless, wasteful expenditure and irregular expenditure form the '*gruesome threesome*' are pitfalls, which any accounting officer must avoid at any cost.

Kanyane in Mafunisa *et al* (2004:47) states that most governments exceed their budget allocations, because each ministry spends beyond its limit but the Directors-General cannot satisfactorily explain this in detail before the Parliamentary

Committee on Public Accounts. The author further states that over-expenditure is a hereditary issue that has pushed the country into serious budgetary deficits, thus affecting the strength of the South African currency.

Furthermore, Kanyane (2004:47) continues by stipulating the underlying factors that contribute to over-expenditure in the various government departments as follows:

- (a) Poor financial management systems inherited from former homelands resulting in account books not being closed the previous year. This resulted in departments operating in the dark, which made it difficult to control under- and over-expenditures.
- (b) Some provinces closed financial years with a deficit, which is usually paid in the budget of the following year. The provincial governments then started the year with the expenditures of the past financial year.
- (c) The computer systems were not reliable and the governments budgeted and operated in the dark. The unreliable computer systems created opportunities for over-expenditures and corruption.
- (d) In the early years of the democratic government, that is, between 1994 and 1999, 98% of the provincial budget was spent on salaries and only 2% was spent on capital budget.
- (e) Budget cuts perpetuated by the Treasury instructions during the beginning of each financial year were also potential causes for over-expenditure.

Erasmus (2008:405) states that in the financial year 2005/2006 government departments committed R266,7 million unauthorized, fruitless and wasteful expenditure. This source explains that unauthorized expenditure is either the overspending of a budget appropriation, or expenditure not in accordance with the approved budget.

Another fact raised by Madue and Mahwai (2008:371) is the situation where the budget process is done at another higher level for the lower level, without the involvement of the lower levels. This forces the lower levels to prepare spending

plans and align them with the budget at hand. The authors mention that in the 2001/2002 financial year, the Regional Office estimated 5,9% for salary increases, but the salary increased by between 6% and 8% creating a shortage (over-expenditure) of 2%. Additionally, in the same financial year and in the financial year 2005/2006 the Regional Office's budget for goods and services had far exceeded the actual budget.

Madue and Mahwai (2008:372) continue by identifying accruals as another contributing factor in over-expenditure. In addition, the authors argue that accruals of expenditure across financial years negatively affect the expenditure of future financial years in that these accruals are not taken into consideration during the budgeting process.



Public expenditure management remains a challenge, even though a variety of financial management policies have been developed in South Africa since 1994, to regulate public spending. Every year government departments receive qualified audit reports due to problems associated with public expenditure (mis-)management. These reports state that millions of Rands revert to the National Treasury having been unspent.

## 2.6 Conclusion

The management of public spending is crucial for effective and efficient public service delivery. The performance and delivery targets are incorporated into the operational plan of an organization like the Department of Education. In turn the operational plan is actually the operationalization of the strategic objectives of the department. It is the operational plan that informs the budget. Failure to spend the budget, therefore, means the goals are not achieved. Overspending on the other hand means spending money that is not there. Both under-expenditure and over-expenditure fall under what is defined in the PFMA as unauthorized expenditure.

Unauthorized expenditure is financial misconduct, which must be corrected through disciplining the offending public officials.

The decision-makers, therefore, need to continuously be on the look-out for challenges impeding sound expenditure management, in order for them to employ appropriate measures to address such challenges. For the managers to be effective they need to be decisive, have sound knowledge on financial management and a sense of servitude. With this attitude and an improved financial performance in the public service a contribution can be provided to the ultimate achievement of value-for-money service delivery in the conquest to create a better life for all the citizens of South Africa in general and the Eastern Cape in particular.



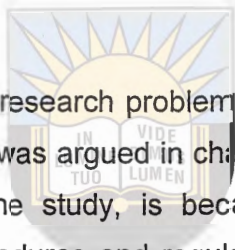
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# CHAPTER THREE

## RESEARCH METHODOLOGY

### 3.1 Introduction

The study seeks to investigate the extent and impact of under- and over-expenditure on service delivery in the Eastern Cape Department of Basic Education. It is also the purpose of the study to find scientific solutions to the problem. This chapter seeks to explain the process and methodology used in conducting the research.



In order to address the identified research problem the study is underpinned by the Weberian bureaucratic theory. It was argued in chapter two that the reason why the bureaucratic theory underpins the study, is because the notion of expenditure involves strict adherence to procedures and regulations. Even though the study is underpinned by bureaucracy as a theory, it also looks at as to whether bureaucracy, especially its praxis, is not stifling service delivery. The White Paper on Transformation of Public Service Delivery states, *“Improving service delivery also calls for a shift away from inward-looking bureaucratic systems, processes and attitudes, and a search for new ways of working which put the needs of the public first, is better, faster, and responsive to the citizen’s needs”* (Nengwekhulu, 2009: 353). The new view emerging on the role of public service is not only to provide services to the society, but to oversee that they are actually delivered (Naidoo & Kuye, 2005:624).

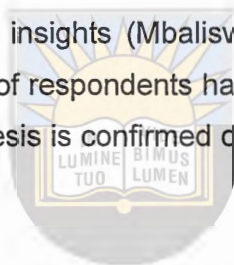
The Provincial Government of the Eastern Cape prioritized education and identified priorities, among others, as follows:

- Scaling up delivery at the basic service delivery sites, the schools.
- The need to lift up teacher morale.
- Improved delivery of the school nutrition programme.
- Scaling up of learner support materials in schools.

- Tackling blockages in the school-building programme and intensify efforts to eradicate mud-schools and class-room backlogs (Eastern Cape Department of Education, 2008/2009:49).

### 3.2 Research Design and Methodology

Mbaliswana (2009:41) define qualitative methodology as a naturalistic inquiry describing and analysing people's individual and social actions, beliefs, thoughts and perceptions. Qualitative research is not aimed at verification of a predetermined idea, but discovery that leads to new insights (Mbaliswana, 2009:41). In this study the beliefs, thought and perceptions of respondents have been analysed and interpreted to determine whether the hypothesis is confirmed or not and to formulate solutions to the problem.



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#### 3.2.1 Target population and sampling

The target group in the research are the officials of the department under study, various oversight institutions including SCOPA, Portfolio Committee on Education (Eastern Cape Legislature), Auditor-General and other institutions. All these respondents constituted the population in the research.

Mbaliswana (2009:47-48) identifies two types of sampling: probability sampling and non-probability sampling. In probability sampling each unit of the population has the same known probability of being selected. Non-probability sampling is, "*selecting information-rich cases for study in depth*". In this study the researcher will use non-probability purposive sampling. This is motivated by the fact that the researcher is familiar with the population and its elements and how they relate to the research aims (Mbaliswana, 2009:48). The sample was then constituted as follows:

- MEC for Basic Education in Eastern Cape,
- 6 departmental officials ranging from the Superintendent-General to the Assistant Director,
- SADTU Provincial Office,
- NAPTOSA Provincial Office,
- Provincial Treasury Office,
- 3 members of the Portfolio Committee on Education (inclusive of 2 ANC members, 1 opposition member),
- 3 members of SCOPA (inclusive of 2 ANC members, 1 member of opposition), and
- Public Service Accountability Monitor (PSAM).

The total number of targeted respondents was 17 and 6 returned the fully completed questionnaires. The shortfall was caused by various factors mentioned in 3.2.2 below. The shortfall, however, did not have any negative effect on the integrity of the research, since most of the information gathered was factual; hence the quantitative part of the research was far less than the qualitative part. The research, therefore, focused more on analysing the views and perceptions of respondents, rather than how many respondents gave a particular response.

### ***3.2.2 Data collection and procedures***

In this research, data were collected through three methods: questionnaires, interviews and document analysis.

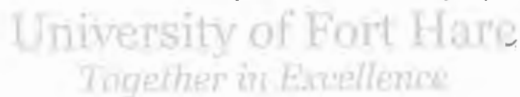
- **Questionnaires**

A questionnaire was prepared and distributed to all the respondents (see Appendix D). Initially the respondents were to complete the questionnaire in the presence of the researcher, but this proved impractical, because the respondents are all individuals with tight schedules and most of them were field workers. It was therefore not possible to pin each one of them to a session to complete the questionnaire. All

the respondents were then given the questionnaire and allowed a week to complete it. For all the respondents (except one departmental official based in the district) the questionnaires were left with their secretaries in their offices and one Member of the Provincial Legislature preferred that the questionnaire be faxed to wherever he was at that particular time. Only one respondent declined to even see the questionnaire saying he was too busy to attend to it. The NAPTOSA representative did not want to complete the questionnaire, because he claimed the researcher was not the member of the union in question.

- **Unstructured Interviews**

An interview is an interactional mode of getting information from a participant and where the respondent is given space to tell a story regarding the aims of the research. Mbaliswana defines qualitative interview as, *"attempts to understand the world from the participant's point of view, to unfold the meaning of people's experiences and uncover their lived world prior to the study"* (Mbaliswana, 2008:49).



The unstructured interviews were reserved for instances where the respondents had to be probed following up on the responses of the questionnaire survey. The respondents were then given an opportunity to elaborate and express themselves with the view to extract unexpected, well thought-out, in-depth and ample information. The following respondents were interviewed:

- 2 departmental officials based in the district office, and
- Chairperson of Standing Committee on Public Accounts (SCOPA) in the Eastern Cape Legislature.

During the unstructured interviews the researcher was taking notes. It was not easy to pin the respondents to an appointment, because of their busy schedules. The difficulty with the departmental officials was that they used technical language, which was sometimes not easy to understand. The interviews with two of the officials could not be concluded in one day as some issues kept cropping up and required of the

researcher to obtain clarity from the officials. Most of the time, therefore, was spent with the researcher trying to understand the financial and Personnel and Salary System (PERSAL) jargon. The problem with interviewing the politician was that he spoke for a long time explaining issues and sometimes even became emotional.

- **Document Analysis**

The researcher used the document analysis method to study documents dealing with the topic of the research. Among the documents analysed were legislation dealing with the management of public funds. This legislation included mainly the PFMA of 1999 (Act No 29 of 1999) as amended, the Constitution of the Republic of South Africa and the Auditor-General Act of 1995. The reports and reviews of the Eastern Cape Department of Basic Education, National Department of Education and Department of Treasury were also analysed and interpreted.

The report of the Auditor-General for the financial years 2007/2008 and 2008/2009 gave information of what the findings of the Auditor-General in the financial year under study and the preceding year were. This gave insight into the reasons for the opinion of the Auditor-General on the finances of the Department of Basic Education.

The reports tabled in the Eastern Cape Legislature as well as Committees dealing with finances of the Eastern Cape Department of Basic Education were read and interpreted. The Portfolio Committees' reports identified for scrutiny were mainly SCOPA and the Portfolio Committee on Education. The budget speech and policy speech of the 2008/2009 financial year were analysed to ascertain how the issues related to the aims of the research were addressed. The Annual Report of the Department of Education for 2008/2009 was also used as a main source document for information and analysis. Finally, the reports and analyses done by the Public Service Accountability Monitor on the finances of the Department of Basic Education were read, analysed and interpreted with reference to the aims of the research.

### 3.3 Ethical Considerations

The researcher gave each respondent a letter outlining the purpose of the questionnaire and requesting assistance (see Appendix C). In some instances the respondents were also briefed about the topic and aims of the research so that they might gain insight into the whole purpose of the research.

The researcher remained committed to ethical conduct associated with any academic research. Information gathered orally and through documents were treated with utmost confidentiality and were only used for the sole purpose of this research.

### 3.4 Conclusion



This chapter intended to explore the research methodologies used in order to reach the conclusion of what exactly is the extent and impact of under- and over-expenditure in service delivery in the Eastern Cape Department of Education. Through the questionnaires the respondents were given an opportunity to apply their minds individually to give their analyses of issues to be researched. The possible differing and individual views and opinions of respondents were then consolidated as findings during the data analysis stage of the research.

The relevant contents of mentioned documents were read and analysed on how these related to the aims of the research. The document that proved to be the most useful was the Annual Report of 2008/2009 of the Eastern Cape Department of Basic Education. This was so because most of the information was sourced from the report. Even the documents developed by PSAM were more for the analyses of the data in the Annual Report. Legislation was also read to understand the legal framework pertaining to the issues being researched.

Through these methodologies sufficient data were gathered, which assisted the researcher to arrive at solutions to expenditure problems in the department under study. The solutions, in the form of recommendations, should then be freely applied in the general public finance management in order to enhance service delivery and a better life for the citizens of the province in particular and the country in general.



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## 4.2 Quantitative Analysis

### 4.2.1 Extent of under- and over-expenditure

The respondents were requested to indicate their views on the extent of both under- and over-expenditure in the department under review. Their responses are graphically presented as follows:

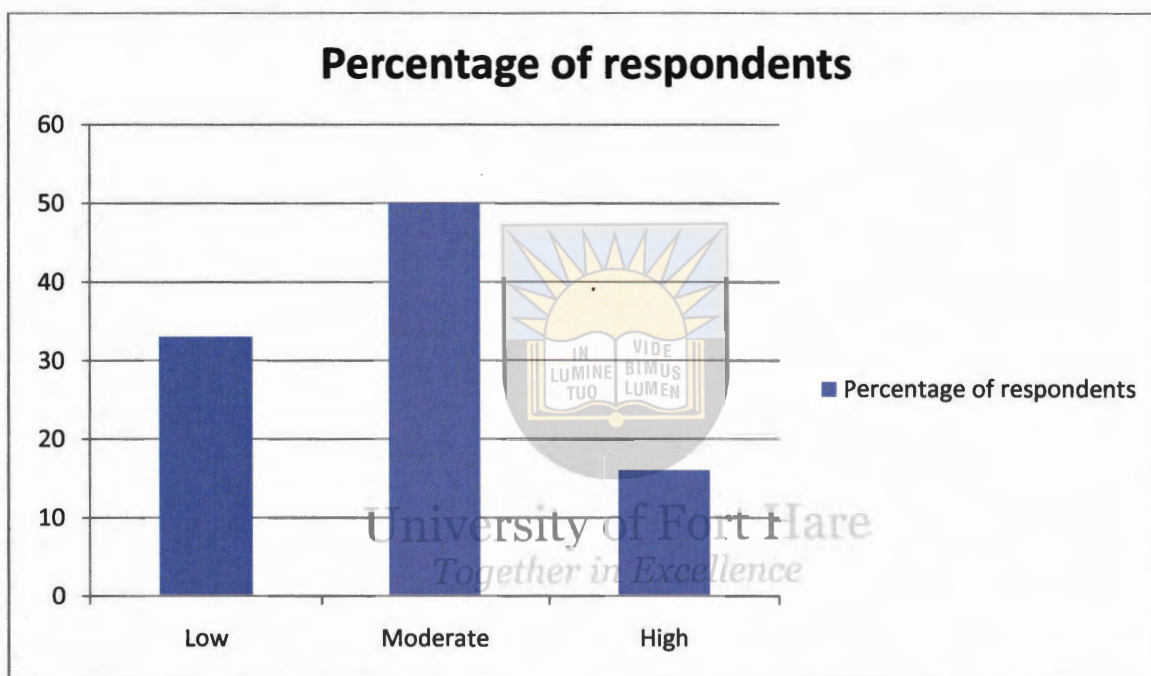


Figure 2

**Figure 4.2: Percentage of respondents' view regarding under-expenditure**

This chart shows that 50% of the respondents felt that under-expenditure was moderate as compared to just more than 30%, who felt it was low and just 16%, who responded that it was high.

In over-expenditure the respondents gave their responses as follows:

Figure 4.3 below, reflects that half the respondents were of the view that over-expenditure was low and another half felt it was moderate. No respondent was of the opinion that over-expenditure was high.

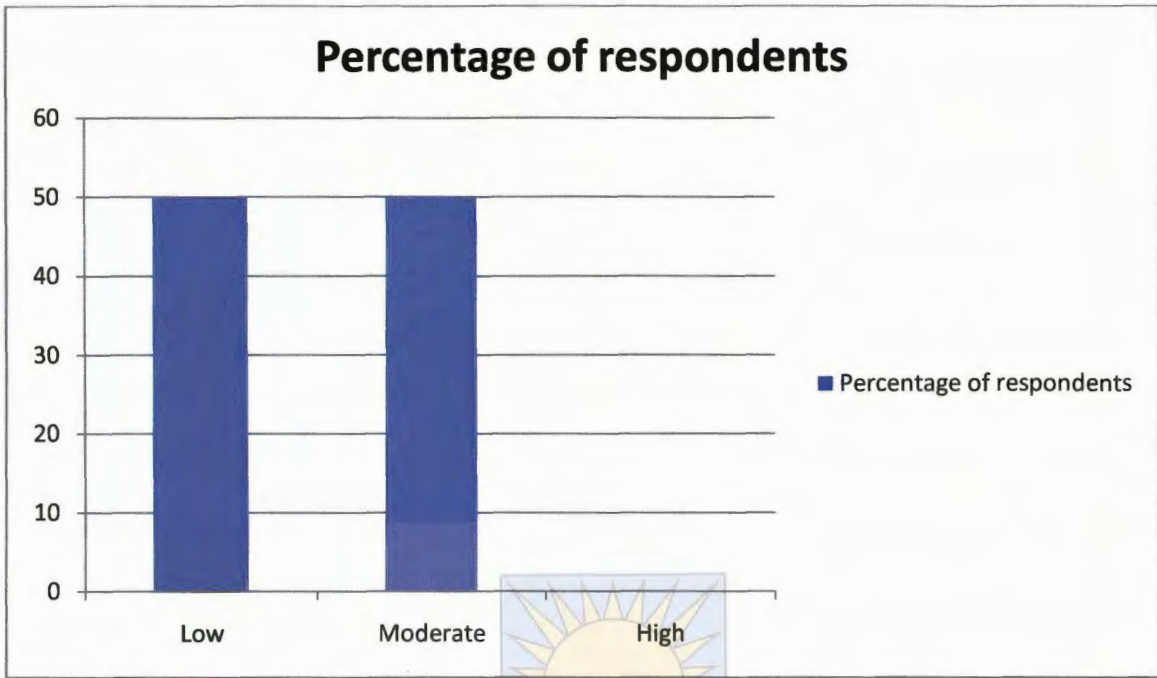


Figure 3

Figure 4.3: Percentage of respondents' view regarding over-expenditure

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On instances of recurrence of under-expenditure the respondents responded thus:

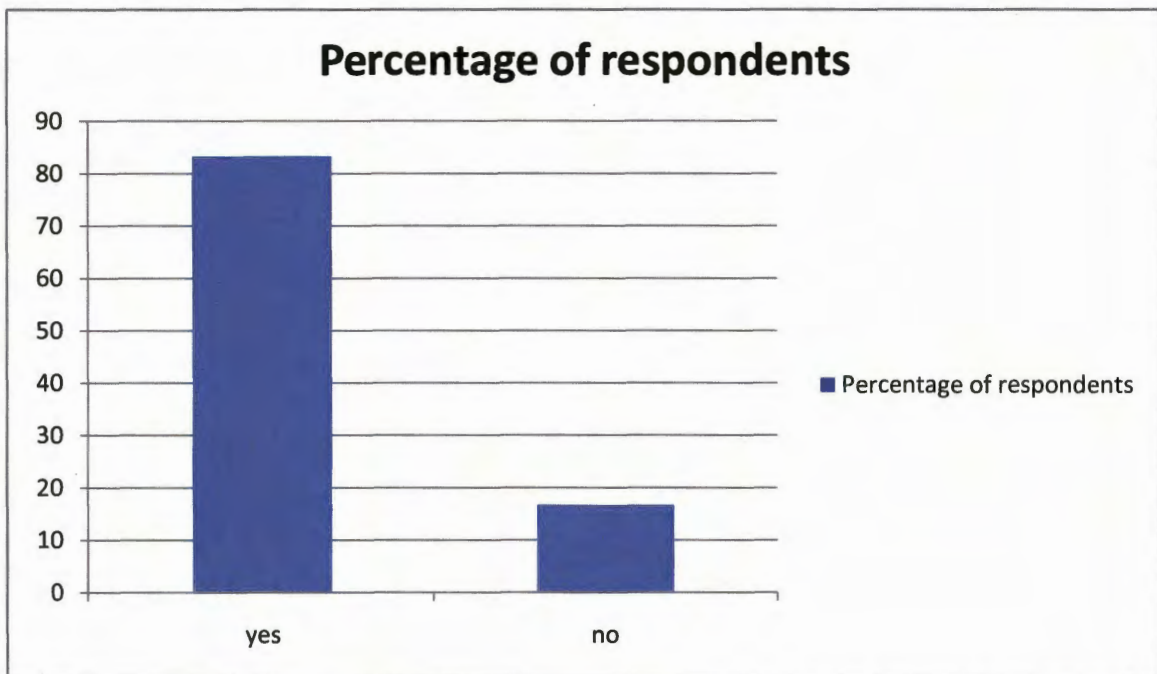


Figure 4

Figure 4.4: Instances of recurrence of under-expenditure

Figure 4.4 above, depicts that more than 83% of the respondents indicated they had come across instances of under-expenditure as compared to only about 16%, who had never come across under-expenditure in the Eastern Cape Department of Basic Education.

#### 4.2.2 Under- and over-expenditure figures

The respondents gave different views when asked about the actual under- and over-expenditure amounts in the year under review in the Eastern Cape Department of Basic Education. The respondents generally gave amounts to the cost items they chose for themselves. It must also be mentioned that respondents were given the questionnaire and allowed to complete the information in their spare time. The researcher could, therefore, not verify where the respondents obtained the information. It can only be assumed that they retrieved the information from their daily interaction with the information of the Eastern Cape Department of Basic Education. In some instances the researcher could detect a resemblance between some information provided and the information contained in the Annual Report of 2008/2009. The respondents supplied information on under-expenditure on identified cost items. These officials' views can be compared as follows:

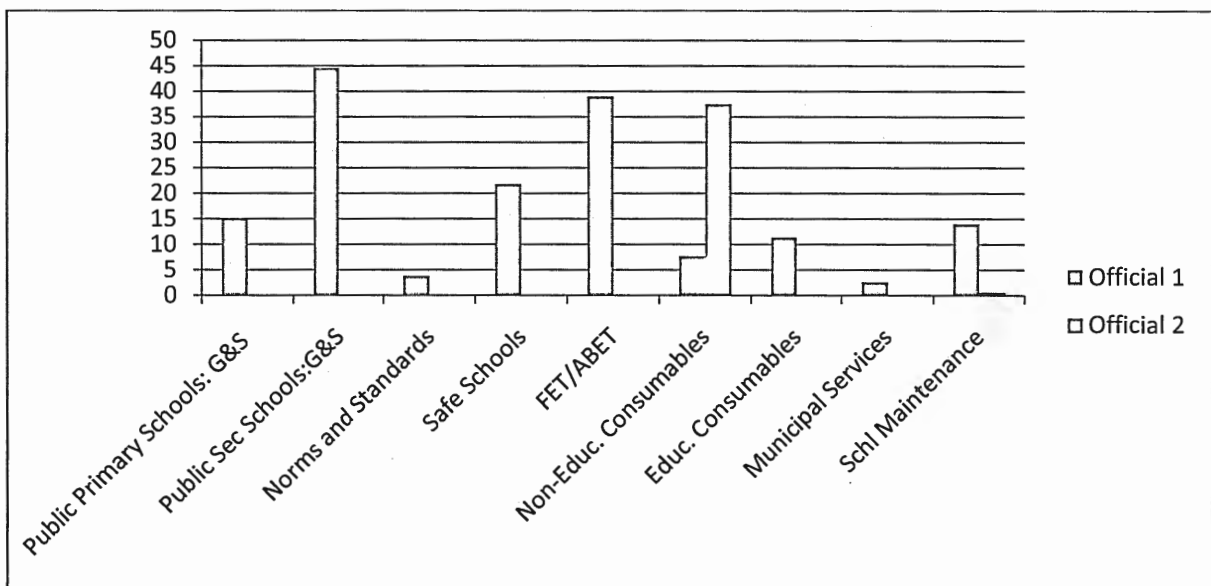


Figure 5

Figure 4.5: Officials' views on under-expenditure on identified cost items

Figure 4.5 above, reflects that according to these respondents there were under-expenditure on all the cost items, with the worst being municipal services at only 2.6%. It must, however, be stated that the respondent did not necessarily indicate the provincial picture, but rather the view of a particular district.

The politicians gave their responses, which could be compared as follows:

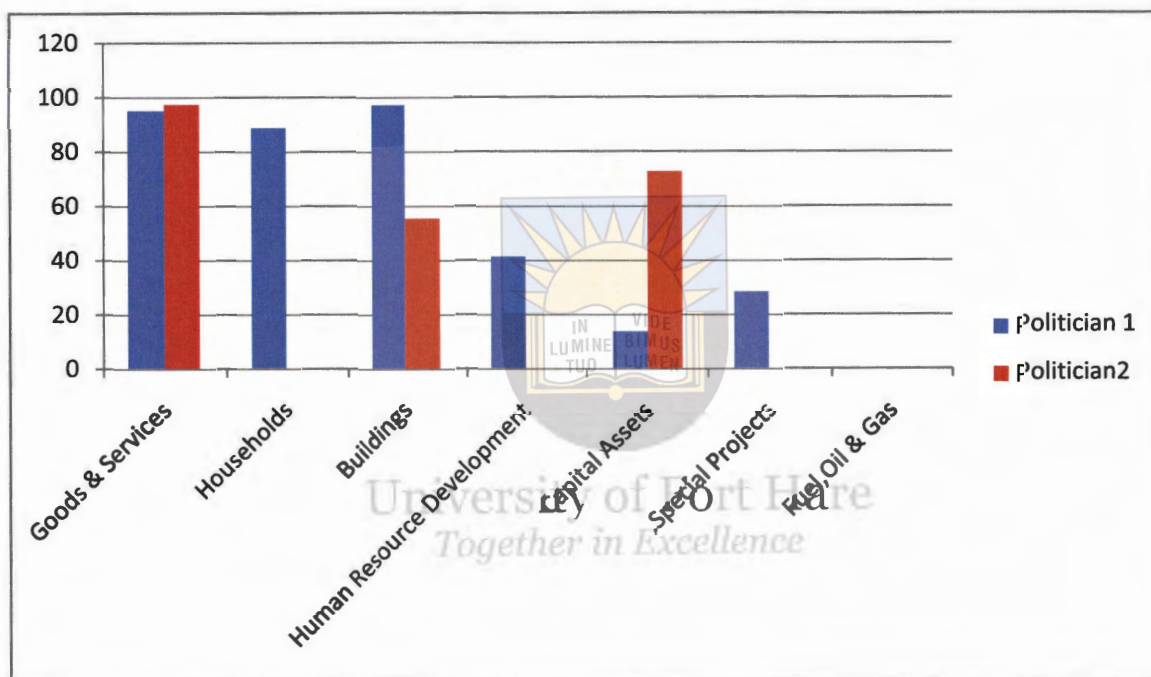


Figure 6

**Figure 4.6: Politicians' views on under-expenditure**

The politicians gave differing views on the exact amounts of under-expenditure, but their views corresponded in that there were under-expenditure in the identified cost items. However there were cost items, which were mentioned by one politician and not the other like households, human resource development and special projects.

The figures for over-expenditure, supplied by one of the politicians are indicated in Figure 4.7 below. The chart reveals that there was no budget for financial transfers, but a sum of more than R4 million was spent, followed by transfers and subsidies where the over-expenditure amounted to 113.77%.

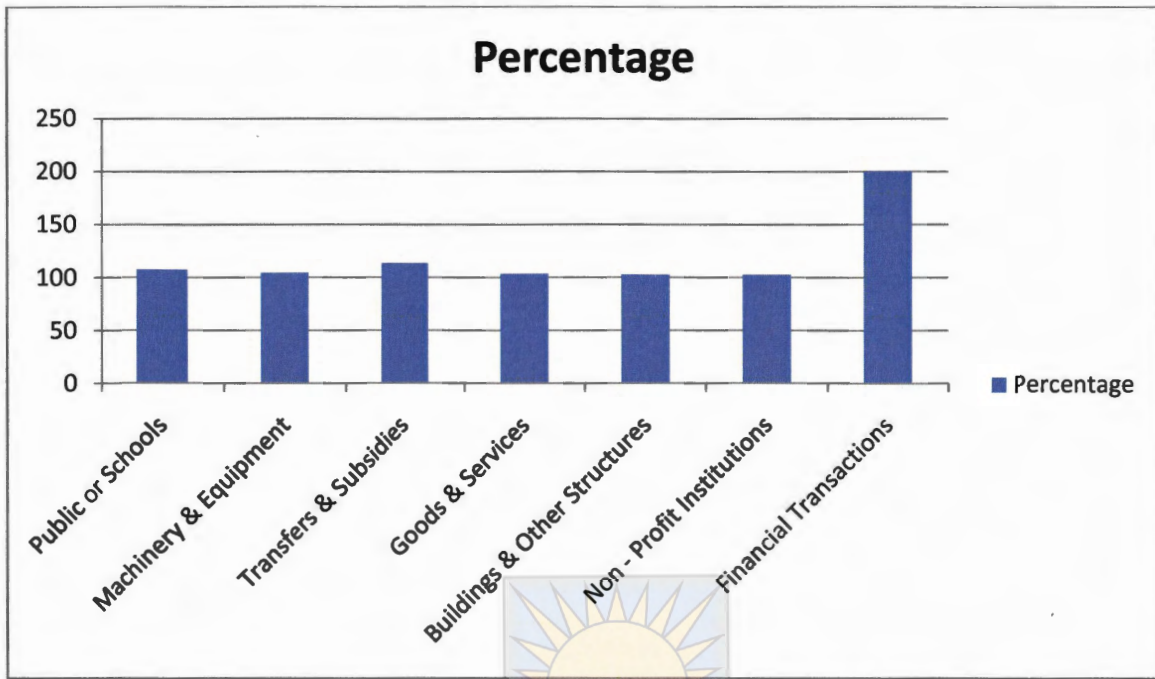


Figure 7

**Figure 4.7: Percentage of over-expenditure as indicated by one of the politicians**

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The Annual Report was read and the researcher selected certain cost items where both under- and over-expenditure were prominent. In the programme 'Administration' under- and over-expenditure can be deduced in the following items:

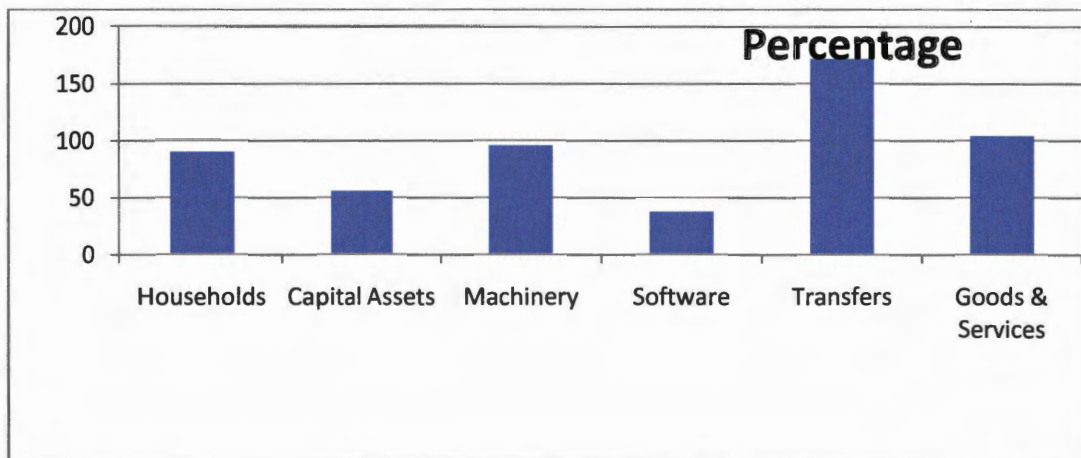


Figure 8

**Figure 4.8: Under- and over-expenditure on cost items in the 'Administration' programme**

Figure 4.8 above, reveals that software and capital assets were the areas where too much under-expenditure occurred and in transfers an over-expenditure of more than 170% was evident.

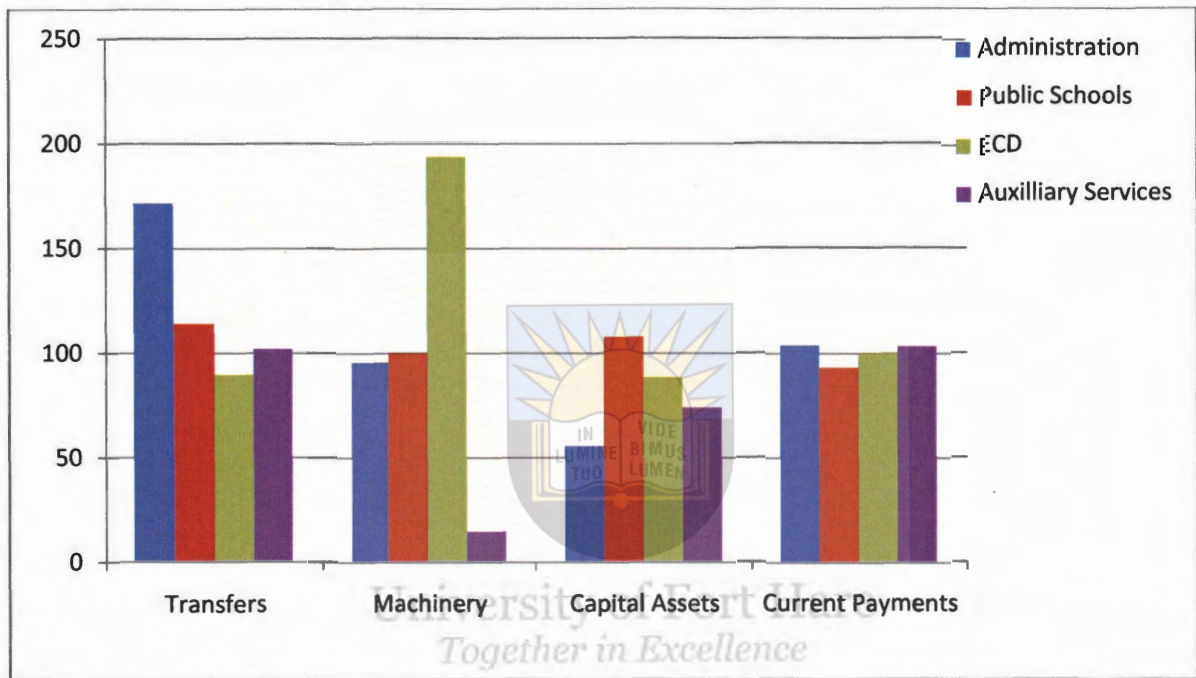


Figure 9

**Figure 4.9: Under- and over-expenditure in the financial year under review**

Figure 4.9 above, indicates that in the financial year under review under-expenditure was mostly evident in Auxilliary Services (programme eight) in machinery and equipment and in capital assets. The worst over-expenditure were transfers in administration and machinery and equipment with 171% and 193% respectively. On the other hand the worst under-expenditure were machinery and equipment in auxilliary services and capital assets in administration, where only 14,5% and 55% respectively were spent. There were also other critical areas of under-expenditure like software, where only 37.5% was spent (see Figure 4.8).

The Annual Report (2008/2009) provides explanatory notes for the variances in expenditure, which were actually the reasons for some of the either under- or over-expenditure. The reasons were as follows:

- The variance was due to the under-expenditure on compensation of employees due to the June 2007 Strike deductions that were effected in 2008/2009.
- Under-expenditure on Goods and Services was due to Learner and Teacher Support Material LTSM, Maintenance invoices that were delayed.
- Transfers to Non-Profit Institutions over-expenditure of R15,567 million was due to rejections as a result of incorrect/closed bank accounts in respect of Section 21 Schools and No Fee Schools.
- In FET the under-expenditure in infrastructure was attributable to delays in the planning of some of the projects and over-estimated cash flow projections for 2008/2009.
- Under-expenditure was more on the maintenance budget as most of the mud schools had not utilized the budget. There were also LTSM invoices that were accruals in the 2008/2009 financial year.
- Non-Profit Institutions' under-expenditure was due to rejections, because of incorrect banking details and late compliance by schools on submission of reports.
- On Machinery and Equipment, over-expenditure was due to the demand for computers in schools in 2008/2009.
- In Software and other intangibles, under-expenditure was due to over provision on this item during the financial period under review (DOE, 2008/2009:159-160).

### **4.3 Qualitative Analysis**

#### **4.3.1 Effects of under-expenditure and over-expenditure**

The dictionary definition of 'effect' is, "*something that is produced by an agency or cause; results; consequence...*" (Dictionary.com). The results of under- and over-

expenditure will now be looked at in terms of the analysed documents and responses from respondents.

From the information gathered the following consequences of under- and over-expenditure could be discerned:

#### **4.3.1.1 Under-expenditure**

- The non-section 21 schools did not utilize the budget that was allocated to them.
- The backlog on the eradication of mud schools remained huge, with very few schools built. In the 2008 Budget Speech the then MEC for Education, Mr Johnny Makgato, promised to rebuild 452 mud schools but the Annual Report stated that only 60 schools were under construction.
- Backlogs could not be eradicated in areas like Learner Support Material, School Safety and school furniture.
- The monies due to employees were not paid but funds were returned to Treasury. This resulted in the unpaid monies being carried over to the next financial year as accruals, which further perpetuated over-expenditure in the following financial year.
- Regarding Human Resource Development the funds were meant to train and capacitate employees in order to enhance service delivery in terms of the Skills Development Act of 1998. The non-utilization of funds meant that employees were not capacitated, yet there were always complaints about poor performance of employees due to lack of capacity.
- The infrastructure programmes in FET Colleges were not fully rolled out due to delays in planning.
- Under-expenditure resulted in the budget cut in the adjustment budget. In simple terms if funds were not spent it meant they were not needed!

#### **4.3.1.2 Over-expenditure**

- Over-expenditure resulted in the department being put under financial strain.

- The department found itself operating on an overdraft, something that is not allowed in terms of the PFMA.
- Over-expenditure, however, also reveals a positive consequence, because it can mean more funds are needed for particular items and in the subsequent years more money can be allocated to those items.

#### **4.3.2 Causes of under- and over-expenditure**

The respondents proffered a wide range of responses on the causes for under- and over-expenditure. The causes in terms of how the respondents responded are categorised into the following:

- Budget related
- Administration
- Internal Controls
- Capacity of officials
- Commitment
- Corruption



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- **Budget related**

One of the officials stated that the budget process was such that funds were not allocated based on needs, but on the scientific processes of the finance officials. The process was over-centralized either within the finance component of the department or within the provincial officials. These results were the allocation of funds to items, which the officials outside the finance component or the Provincial Office felt should not have been prioritised. An example was an allocation of R4,6 million to schools in the rural Dutywa district for municipal services. As a rural district many of its schools did not have municipal services and hence barely utilized the funds. Funds were also allocated to items known as 'slow spenders'. The official based in the Provincial Office felt that the districts and other directorates were allocated budgets not in terms of their actual needs, but according to imagined needs.

The same official stated that the other issue was the difference between the academic year (January to December) and financial year (April to March). At the beginning of the academic year, schools needed to spend more, but they were not allowed to spend, since the financial year was coming to an end. The non-involvement or minimal involvement of officials outside of the finance component caused misunderstanding amongst these officials regarding the rationale behind certain allocations and not owning the budget.

The officials stated that the programme managers at the Provincial Office held on to their budget and did not decentralize it to the districts. They sometimes centralized the budget and the districts often did not know how to access the budget. Some programme managers decentralized the funds late in the financial year leaving the districts with no time to utilize the funds. This was conveniently called financial dumping. Another official based in the Provincial Office stated that there were agreements or resolutions related to salary increases or upgrades, which were sometimes signed by managers, without such increases being budgeted for. The salary negotiations were also done outside of the budgetary process and as such any agreed to increases did not necessarily tally with the available budget. All these lead to over-expenditure.

- **Administration**

The officials based in the Provincial Office responded that the funds for the schools, which are not Section 21 schools were administered by the district offices. The schools have to requisition for procurement through the district offices. Most of the time the communication to schools about the process of the utilization of these funds was either erratic or non-existent. This resulted in the principals not knowing or being unsure how to access the funds. The procurement process, itself, was riddled with red tape and tiresome procedures. Sometimes the procurement processes were delayed because of some corrupt departmental officials, who themselves were service providers to the department.

The official based in the Provincial Office stated that before funds were transferred to Section 21 schools and Independent schools, the schools were supposed to submit Annual Financial Statements and bank details. Most of the times the schools failed to comply with this requirement, resulting in the department withholding the funds until the schools complied. This ultimately caused failure by schools to utilize funds.

The infrastructure projects like building needed planning. The delays in the planning brought about delays in implementing the projects. The service providers also mostly did not have the capacity to carry out some of the projects. The Province also did not have suppliers for specialized services and goods. This gave rise to delays in the completion and ultimate payment for these services. It also ultimately leads to funds not being utilized and hence under-expenditure occurred. In some districts there were mainly no sufficient staff properly trained to run the building and other capital programmes.

- **Internal Controls**

As indicated earlier almost all the respondents stated that the internal controls played a significant role in causing both under- and over-expenditure. The department lacked a proper financial and monitoring system. According to the Chairperson of SCOPA departments were submitting monthly returns of expenditure in respect of each programme to Treasury. This requirement was specified in Sections 32 and 40(4) of the PFMA and also in Sections 7 to 9 of Division of Revenue Act (DORA). The prescription was that expenditure and revenue information for all programmes be provided each month to the National Treasury (Treasury, 2000:4). This was supposed to assist monitoring and control expenditure on a monthly basis.

The department also has an Audit Committee. The function of the Audit Committee is, *"to assist the Head of Department in discharging his/her duties relating to the safeguarding of assets, effective management of liabilities and working capital, the*

*operation of adequate systems and processes of internal control, and the preparation of financial reports and annual statements” (Eastern Cape Department of Education, 2008/2009:109).*

The report of the Audit Committee (2008/2009:109) stated that it was the duty of the internal audit to provide the management and audit committee with assurance that the internal controls were appropriate and effective. Summarily the audit committee gave a report that the internal controls of the department were ineffective (Eastern Cape Department of Education, 2008/2009:110). The report of the Auditor-General for the year under review also noted that the department did not have sufficient and adequate controls over the recording and document management (Eastern Cape Department of Education, 2008/2009:126). The Auditor-General also concluded that there was no audit evidence for accruals amounting to R346,1 million. The report of the Audit Committee indicated that monthly and quarterly reports were submitted timeously, but queried the quality, accuracy and content of the reports. They suggested that the reports could be improved by being made more user-friendly to the specific stakeholders in the department.

- **Capacity**

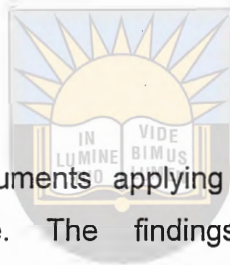
The respondents who are politicians and officials felt that lack of capacity on the part of the officials resulted in both under- and over-expenditure. Generally there were complaints regarding the level of capacity of the officials in the department. The skills shortage had a critical impact on the capacity and capabilities of the public service to provide excellent services to the public (Nengwekhulu, 2009:351). The politicians mentioned that officials lacked financial management skills and were not competent in financial planning.

- **Commitment**

The chairperson of SCOPA raised the other aspect, related to capacity, which is commitment. He stated that the officials of the department were not committed to

their work. Earlier it was reported that officials submitted the monthly and quarterly reports, but these reports were of poor quality. This indicated that the reports that were submitted did not mean anything, but were just submitted for compliance purposes. He stated that through inefficiency, the lack of commitment, dedication and low work ethics, the officials were actually pulling the government down the drain. What also emanated from the data was that no action was ever taken against any official for failure to comply with the PFMA, even though the PFMA was specific about what type of action needed to be taken and as a result officials just acted carelessly, knowing very well that there would be no repercussions.

#### **4.4 Causes of Over-expenditure**



Some of the reasons and arguments applying in under-expenditure are also applicable to over-expenditure. The findings above regarding capacity, administration and internal control will not be repeated as they applied verbatim.

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- **Budget**

The officials stated that the budget of the Eastern Cape Province in general and the Department of Basic Education in particular, was insufficient to address the huge backlogs from the apartheid era. The Eastern Cape inherited the former Transkei with its underdevelopment. It is, therefore, not surprising that a large number of mud schools were based in that area. In addition, a large number of schools in the Eastern Cape were under-resourced. In the year under review the Department of Basic Education projected a need of R46,82 billion to deal with the infrastructure backlog. In the same year the whole allocation represented only 1,85% of the required amount (PSAM,2009:9).

One of the officials responded that some collective agreements, which had financial implications were signed after the budgetary processes had been finalised, thus

resulting in under-budgeting. Applications for a top-up budget, for agreed upon amounts, were often not approved by Treasury. Sometimes there were disagreements between the department and educator unions regarding the movement of educators (redeployment), thus causing some schools to have more educators than the allocated posts. Consequently the department paid more educators than it budgeted for.

The official again stated that the budget for households (which included gratuities) was always based on an estimated number of people who would retire using average retirement age. Leave gratuities occasioned by death and resignations were difficult to project for and this led to more money being paid than budgeted for. The politicians also responded that officials of the department failed to adhere to the PFMA directives more especially where it pertained to routine monitoring. The chairperson of SCOPA stated that it was incumbent upon the Executive, MEC and Accounting Officers to take action against the officials who transgressed the PFMA and Treasury Regulations. In the PFMA there were provisions as to which actions should be taken against transgressing officials, but such actions were never taken and as a result officials just acted irresponsibly knowing very well that there would be no repercussions.

- **Corruption**

One official responded that in scholar transport there was over-expenditure caused by principals, who connived with transport providers to cheat the department into paying for transport services not rendered. Poor monitoring and internal controls again played a significant role as there were officials, who were supposed to monitor the implementation of the programme. This was another typical example of corruption, where officials of the department were involved in business with the department through tender processes.

The problem of top-down budgeting also applied in over-expenditure. Some programme managers in the Provincial Office centralized the budget thereby suffocating the districts with a less than adequate budget.

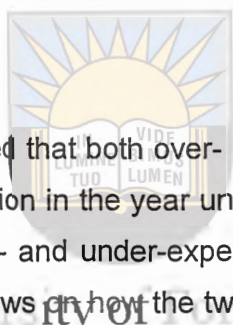
- **Role of the Legislature**

One of the critical responsibilities of the provincial legislature is to provide oversight duties on the functioning of the departments (executive). This was prescribed in Section 65 of the PFMA. One of the committees of the legislature that had a duty to actually play that oversight responsibility on the utilization of finances was SCOPA. The committee undertook its responsibility by, among other things, considering the reports of the Auditor-General, meeting the Senior Management of the affected department and recommending whatever appropriate action to the legislature (Section 65 of the PFMA). The chairperson of SCOPA stated that the committee, however, had no power to play any role beyond recommendations. The legislature itself made recommendations to the executive. It was the executive, who had to decide whether to implement the recommendations. In the tabling of the committee on the 8<sup>th</sup> of September 2008 for the financial year ending in 31 March 2007 the committee recommended that the Accounting Officer of the Department of Basic Education be charged with misconduct in terms of the PFMA. By the time this paper was finalized (mid 2010) the Accounting Officer was not yet charged with misconduct as recommended. The other finding regarding the role of the legislature was the time factor. The programme of SCOPA and the legislature was such that the 2008/2009 financial year report was still to be tabled, when the paper was finalized in the middle of 2010. This meant any report and recommendations for the financial year 2008/2009 would only be released towards the end of 2010. It was clear that some suggested interventions would by then have been overtaken by events. It could either be that solutions had already been found by the department to the problems identified by the Auditor-General or more damage had been done.

- **System Related**

During the interview the officials stated that the system used by the department to pay suppliers was called Basic Accounting System (BAS) and to pay employees the system used is PERSAL. These systems are advantageous because they were flexible. However their serious disadvantage was that they could process a payment for any amount even if the budget was not sufficient or there was no budget at all. This in essence meant the department could spend millions it did not have and the system would simply process the payments.

#### **4.5 Conclusion**



From the findings it can be deduced that both over- and under-expenditure occurred in the Department of Basic Education in the year under review. There were differing views as to the extent of the over- and under-expenditure and as to the causes of both. There were also differing views on how the two could be dealt and done away with. What was common, however, was that both under- and over-expenditure were not only a contravention of legislation, but these issues had a negative effect on service delivery. Schools were neither built nor renovated or maintained, whilst funds were returned to Treasury unspent.

It was also found that there were legislated structures and management systems aimed at averting the two. These legislations and policies were either not adhered to diligently or just ignored. Reasons for non-adherence ranged from lack of capacity and lack of commitment to administrative procedures. It also aspired that failure to act on non-compliance made officials blind to the need to comply at all costs. In terms of the 2008/2009 Annual Report, districts were holding District Financial Committee (FINCOM) meetings where they were checking on under- or over-expenditure patterns, in order to take the necessary corrective measures timeously (Eastern Cape Department of Education 2008/2009:64). As the report suggested it was clear that these FINCOM meetings were being conducted for compliance rather

than to effect the desired improvement in the financial monitoring. Rather than identifying the problems, their effect and causes, the research aimed at finding scientific solutions to these identified problems. The respondents gave their opinions on the possible solutions to the problem. The documents surveyed also suggested solutions to the problems. It is the task of the researcher to coordinate and collate the suggested solutions as recommendations of the research.

The next chapter will discuss the summary of findings, conclusions and recommendations on this study.



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## CHAPTER 5

### CONCLUSIONS AND RECOMMENDATIONS

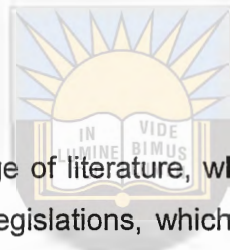
#### 5.1 Introduction

This chapter gives an exposition of the findings as they were narrated in chapter four and also makes recommendations to attempt to bring a resolve towards the problem. The general aim of the research was to look at the impact of under- and over-expenditure in the Eastern Cape Department of Basic Education, how it affected service delivery and how it could be solved. The findings indicated that there were various factors that caused both under- and over-expenditure and there were consequently as many solutions to the problem. The problem reflected badly both in the financial administration of the Department of Basic Education in the year under review and the quest for efficient and effective service delivery in the most impoverished province.

The PFMA of 1999 (Act no 29 of 1999) as amended, defined under- and over-expenditure as unauthorized expenditure. The same act further stated that to make or permit unauthorized, irregular or fruitless and wasteful expenditure was to commit an act of financial misconduct (Section 81). Other laws, regulations and policies had also been passed to instil a financial discipline in the administration workforce in the public service. These progressive legislations and policies were undermined by incidents of under-expenditure and lack of accountability. The Constitution stipulated that one of the principles governing democratic principles was that the resources must be used in an efficient, economic and effective way. In addition, the Constitution further prescribed that the services had to be provided impartially, fairly, equitably and without bias.

## 5.2 Concluding Issues

The first chapter of this research dealt with stating the problem to be researched, being the extent and impact of under- and over-expenditure on service delivery. It was stated that under- and over-expenditure were singled out from a myriad of other causes for the lack of service delivery. In addition to the research objectives, the hypothesis suggested that under- and over-expenditure had a negative and crippling effect on service delivery in the Eastern Cape Department of Basic Education. The research was significant, because it was expected to provide scientific solutions to the problems that resulted in the department under study receiving unqualified audits for years in succession.




In the second chapter a wide range of literature, which deals with issues related to the topic was reviewed. Various legislations, which deal with finances of the state and how they are managed and controlled, were reviewed to determine what provisions there were for the research topic. A particular reference was made to the PFMA (Number 29 of 1999), an act which was referred to on several occasions. This act was described as the flagship legislation in promoting the objective of effective financial management in order to maximise service delivery through the efficient and effective utilization of limited resources. This chapter further stated that Max Weber's bureaucracy is the theoretical framework on which the research is underpinned. It was concluded that failure to spend the budget resulted in the goals of the organization not being achieved. Further it was concluded that both under- and over-expenditure were defined by the PFMA as unauthorised expenditure and were hence considered to be financial misconduct.

The third chapter dealt with the methodology the researcher used in conducting the research. The researcher outlined the methodology that was going to be applied during the research. It was stated that the design of the research was mainly based on both a qualitative and quantitative design, which were going to be applied in certain instances.

The researcher used non-probability purposive sampling in sampling the population of the research. In addition, to the documents analysed, the researcher also used a questionnaire, which was handed over to the respondents. The questions were open- and closed-ended questions (see Appendix D).

The fourth chapter dealt with the presentation and analysis of data that were received from respondents. The interpretation of data was mainly through graphs and explanations. There were differing views on the extent of the issues being researched, but all the respondents were unanimous that both under- and over-expenditure were in existence in the department under study. Findings were made as to the causes of both issues being researched.



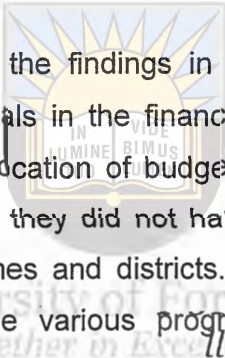
Many of the findings as cited in chapter four were related to staff matters. One of the findings concerned the capacity and commitment of the officials. In the paper mention was also made of the role of supervision within the public service of the Department of Basic Education and how it either positively or negatively affected service delivery. Some of the findings reflected that there had been poor or no supervision on some of the critical aspects of financial management in the Department of Basic Education in the Eastern Cape. The reports of the Auditor-General in the financial year under review and the financial years preceding it, painted a disappointing picture of the finances of the department. The Auditor-General even went further to recommend that the department should be taken over by the National Government. As it was indicated in chapter four the Eastern Cape Department of Basic Education consumed a large chunk of the Eastern Cape Budget, so any financial mismanagement in the department had a bearing on the Provincial Budget. Consequently any solutions to the identified problems should positively impact the province.

In chapter four there were findings, which quoted actual amounts of money. The accuracy of the numbers had not been verified as an auditor would do, but they had been extracted from various reports by the researcher and respondents. The

numbers were used in the research in order for the researcher to have a picture about the issues being researched. Therefore, any discrepancies picked up were not intended, but it did not have a bearing on the integrity of the research as the accuracy of the amounts was not central to the research.

### 5.3 Recommendations

Based on the critical issues raised the following recommendations were drawn:

- 
- i) **Budget:** According to the findings in chapter four and the literature reviewed, only the officials in the finance directorate of the department were involved in the allocation of budgets to programmes and districts. This had the effect that they did not have input in the allocation of the budget within programmes and districts. It is hence recommended that officials attached to the various programmes and districts must be involved during discussions of the amounts allocated to each programme or district and the earmarking of cost items.

It was a finding that one of the causes of under-expenditure was the budget, which was held in the provincial office and decentralized towards the end of the financial year. This resulted in the districts having little or no time to engage in procurement processes to utilize the budget; hence the funds could not be spent timeously. It is suggested that the budget to be utilized in districts and schools should be decentralized to the districts and schools at the beginning of the financial year. Officials in the province, whose responsibility it is to support districts and schools should then follow the budget to the districts and provide all the necessary support to the district and school officials. The support should include actually training relevant people in the schools on compliance issues like procuring, financial reporting and accountability. The department should

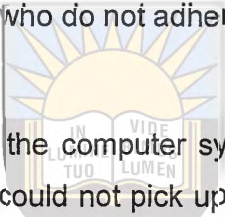
ensure that officials, who are supposed to monitor the scholar transport; principals, Education Development Officers (EDO's) and District Directors execute their duties properly so that possibilities of corrupt tendencies are either picked up early or eliminated out rightly.

Another area where over-expenditure occurred was the personnel budget. In most cases where the personnel budget was overspent, there were salary upgrading and increment agreements, which were concluded in the middle of the financial year, without these agreements being budgeted for. The suggestion is that salary negotiations, including salary upgrades, should be aligned with the budgetary process. This must be enforced to such an extent that officials, who sign agreements committing the department to financial commitments not budgeted for, are dealt with in terms of the applicable laws.

It was evident from the responses of some respondents that the budget allocated to the Eastern Cape Department of Basic Education was not sufficient to cater for its developmental backlog needs. It is recommended that the National Government should consider reviewing the funding formula in order to take into consideration provinces where there are service delivery backlogs like the Eastern Cape. Alternatively the National Government could provide additional funding as conditional grants for specific backlog projects to the Eastern Cape Department of Basic Education.

- ii) **Administration:** Some respondents and documents surveyed suggested that the process of procurement by Section 20 schools was sometimes complex, time consuming and hence inhibited access to the funds. It is suggested the process of procuring by the schools should be simplified to allow easy access to the funds. This must be done without opening opportunities for fraudulent and corrupt activities.

iii) **Internal Controls:** From the findings it emerged that the monthly reports submitted to FINCOM meetings were submitted as a form of compliance and not necessarily as a true reflection of what transpired in that particular month in terms of expenditure. As a result of this, these reports failed to serve the purpose of providing early warning to the department on both over- and under-expenditure. It is suggested that the monthly expenditure reports are read, verified, analysed and monitored, to ensure that these reports render a correct and accurate reflection of the spending patterns of the department in that particular month. It is further suggested that it be made compulsory that the FINCOM meetings be held monthly at the school, Circuit, District and Provincial levels. Disciplinary action must be taken against managers, who do not adhere to this provision.

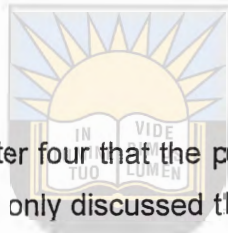


Respondents stated that the computer systems used by the department were user-friendly, but it could not pick up instances of double payments. The systems were also defective in that it paid even if there were no funds for a particular cost item. It is hence recommended that the computer systems used by the department for payments, namely BAS and PERSAL be upgraded or modified so that when a particular cost item does no longer have funds the system can 'soft lock' itself and not process the payment, which normally resulted in over-expenditure or double payment. If the modification cannot be done, the department should consider switching over to a system capable of executing the required blocking procedures.

iv) **Capacity:** One of the findings emanating from the respondents was the lack of capacity on the part of officials, more especially at the level of the district and the school. It is suggested that the department should utilize the skills fund to train all managers and officers, who have a role to play in the financial management. The training should incorporate all the aspects of financial management from budgeting to financial reporting. The officials and managers should also be trained in supply chain

management processes. This training will minimize delays caused by officials, who are not familiar with the provision of prescripts on supply chain.

- v) **Role of the Legislature:** One of the respondents decried the fact that SCOPA has no role to play in the fight against under- and over-expenditure beyond that of recommending to the legislature and the executive. The committee does not have legal powers to do anything if its recommendations are not implemented. It is suggested that the accounting protocols between the executive and the legislature should be strengthened to such an extent that the legislature can make the executive account for its lack of action on the recommendations of the legislature.



It was a finding in chapter four that the programme of the legislature was such that the legislature only discussed the financial reports of 2008/2009 towards the end of 2010. The finding was that there was a risk that any recommendations and interventions that would come from the legislature would become irrelevant, because of time that had elapsed. The suggestion is that the programme of the legislature should be adjusted to such an extent that it deals promptly with financial reports of the departments in order to ensure that whatever solutions or suggestions provided by the legislature, are not at the risk of being overtaken by events.

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# ANNEXURE A

Accreditation letter from the University of Fort Hare



**University of Fort Hare**  
*Together in Excellence*



Recipient of the  
**Supreme Order  
of Baobab**  
(gold)

*Professor MH Kanyane*

*HOD: Department of Public Administration*

*School of Public Administration & Development*

*Faculty of Management & Commerce*



University of Fort Hare

**RE: TO WHOM IT MAY CONCERN:  
REQUEST TO ALLOW MR. M SAFA TO CONDUCT RESEARCH IN THE EASTERN  
CAPE DEPARTMENT OF EDUCATION**

Mr Safa is our registered student in our Masters in Public Administration programme. As part of the requirements for the degree, the student is supposed to conduct a research and submit to us the Research report. The report is solely meant for academic reasons, and nothing else.

The research is focused in the area of Public Finance. We humbly request you to allow Mr Safa to conduct research in the department amongst others, to interact with relevant selected officials including committee members on issues of public finance. We have instructed the student to observe professionalism and ethical considerations by maintaining anonymity of the participants concerned.

Once the research is complete, it will be made available on request to the department for your attention. We hope that the findings of the research will benefit the Department and the provincial government as a whole.

Your support in this research endeavour is appreciated.

Regards,

Signed:  
Prof. Kanyane MH

# ANNEXURE B

Letter to Head of Eastern Cape Department of Education

Box 2135

Dutywa

5000

04 February 2010

The Superintendent-General  
Department of Education  
Eastern Cape Province



## REQUEST FOR PERMISSION TO CONDUCT RESEARCH: ECDOE

I am a student of the University of Fort Hare, doing a Masters in Public Administration.

I hereby request permission to approach certain officials of the department to complete a questionnaire for the research. I have attached the questionnaire and also request you to complete it for me. I will collect the questionnaire on the 08<sup>th</sup> February 2010. On the same day, I further request to have an appointment to see you regarding the questionnaire at the time convenient to you.

The information gathered through the research will be treated confidentially and will only be used for academic purposes.

Yours Sincerely

Mbulelo Safa (Mr)

Contact Cell Number 079 512 9658

Fax Number 047 489 1028

# ANNEXURE C

## Letter to Respondents

Box 2135

Dutywa

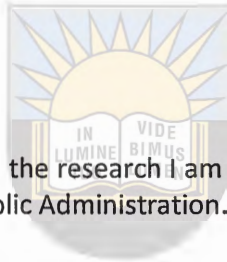
5000

05 February 2010

To Whom It May Concern

.....

.....



I kindly request you to assist me with the research I am doing through the University of Fort Hare for the degree of Masters in Public Administration.

I have prepared and attached a questionnaire, which I would like you to complete and return to me by no later than 09<sup>th</sup> February 2010. You can return it by fax or email.

Thanking you in advance for your assistance.

Yours Sincerely

Mbulelo Safa(Mr)

Contact Numbers:

Phone : 073 400 9919/ 079 512 9658

Fax : 047 489 1028/ 047 489 2423

E – mail: [ghashalala@yahoo.com](mailto:ghashalala@yahoo.com)

# Annexure D

## Questionnaire

1.1 What is your view of the rate of under-spending in the Department of Education in the Eastern Cape in 2008/2009 financial year?

1. Low
2. Moderate
3. High

1	2	3

1.2 What is your view of the rate of over-spending in the Department of Education in the Eastern Cape in 2008/2009 financial year?

1. Low
2. Moderate
3. High

1	2	3

2.1 Have you come across any instances of under-spending in the Department of Education in the financial year 2008/2009?

Yes	
No	

2.1 If 'yes' what are the cost items where you have seen under-spending the most?

### 2.1.1 CAPITAL BUDGET

COST ITEM (name)	Amount Budgeted	Amount Spent













University of Fort Hare  
*Together in Excellence*

4.1 Are there any mechanisms (as far as you know) to prevent over-spending?

Yes	
No	

4.2 Name the mechanisms

.....

.....

.....

.....

.....

.....

.....

.....

.....



5.1 Are there any mechanisms (as far as you know) to prevent under-spending?

Yes	
No	

5.2 Name the mechanisms

.....

.....

.....

.....

.....

.....

.....

6 Do you think the mechanisms are effective? Explain

.....

.....

.....

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.....

.....

# **Annexure E: EDITOR'S CONFIRMATION LETTER**

**SOLI DEO GLORIA  
EDITOR'S CONFIRMATION LETTER  
TO WHOM IT MAY CONCERN**

I hereby state that I have edited the document:

**THE IMPACT OF UNDERSPENDING AND OVERSPENDING ON SERVICE  
DELIVERY: A CASE OF THE EASTERN CAPE DEPARTMENT OF EDUCATION  
IN THE 2008/2009 FINANCIAL YEAR**

**BY**

**MBULELO SAFA**

**MINI-DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTERS IN PUBLIC  
ADMINISTRATION**

**IN THE**  
**FACULTY OF MANAGEMENT AND COMMERCE,  
SCHOOL OF PUBLIC MANAGEMENT & DEVELOPMENT**

**UNIVERSITY OF FORT HARE  
SUPERVISOR: PROF M H KANYANE**

**Completed: January 2011**

## *Disclaimer*

*At time of submission to student, language editing and technical care was attended to as requested by student and supervisor. Any corrections and technical care required after submission is the sole responsibility of the student.*

Kind Regards

Hani Sammons  
D.Litt.et Phil (University of Johannesburg)

SOLI DEO GLORIA  
Language Editing

Cell: 073 778 1801  
Email: [sdgproofed@gmail.com](mailto:sdgproofed@gmail.com)  
DATE: 26 February 2011