Challenges in reporting on pre-determined objectives to the Auditor-General: The case of Limpopo Provincial Departments

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Mini-dissertation submitted in fulfilment of the requirements for the degree Master of Public Administration at the Potchefstroom Campus of the North-West University

Supervisor: Dr M Diedericks

May 2015
DECLARATION

I, Hilgard Maputle Mawela, hereby confirm that this mini-dissertation: “Challenges in reporting on pre-determined objectives to the Auditor-General: The case of Limpopo Provincial Departments” is my own original work and that all sources used or quoted have been accurately reported and acknowledged by means of complete references, and that this mini-dissertation was not previously in its entirety or partially submitted by me or any other person for degree purposes at this or any other University. I also declare that I have submitted my mini-dissertation through TurnItIn, as required by the University rules.

H.M. MAWELA:

.........................................

SIGNATURE
ACKNOWLEDGEMENT

I would like to thank God the Almighty for giving me courage, wisdom and intelligence throughout this journey.

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The realisation of this dream is for all of you!!!!
ABSTRACT

All provincial departments are required to report on pre-determined objectives in terms of Section 40 of the Public Finance Management Act, read in conjunction with Section 5.1.1. of the Treasury Regulations.

The purpose of this study was to establish the challenges faced by the Limpopo provincial departments in reporting pre-determined objectives to the Auditor-General. Reporting pre-determined objectives has been a challenge over the past financial years and this is evident in the Auditor-General’s reports, in which departments continued to receive qualified audit reports (Auditor-General Reports, 2008-2011). The introduction of the Framework for Managing Programme and Performance Information by National Treasury, as well as Government-wide Monitoring and Evaluation by the Presidency, was intended to specifically address this challenge faced by departments (National Treasury, 2007 & The Presidency, 2007). The literature review revealed that performance management is fundamental to enhancing organisational performance.

In this study, a qualitative research approach was used to collect and analyse data. Key findings of the study were that management should prioritise strategic planning, performance reporting, monitoring and evaluation to enable it to be in a position to make a determination as to whether what was planned by the department was realised. It is of paramount importance that performance reporting is on top of the agenda at management meetings.

Keywords

Challenges, pre-determined objectives, performance reporting, Auditor-General, performance information, performance monitoring.
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<tr>
<td>ABC</td>
<td>Activity Based Costing</td>
</tr>
<tr>
<td>AGSA</td>
<td>Auditor-General South Africa</td>
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<td>AR</td>
<td>Annual Report</td>
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<td>CFO</td>
<td>Chief Financial Officer</td>
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<tr>
<td>DPSA</td>
<td>Department of Public Service and Administration</td>
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<tr>
<td>FEA</td>
<td>Federal Enterprise Architecture</td>
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<td>FEAF</td>
<td>Federal Enterprise Architecture Framework</td>
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<tr>
<td>FMPPPI</td>
<td>Framework for Managing Programme and Performance Information</td>
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<td>FSPAP</td>
<td>Framework for Strategic Plans and Annual Performance</td>
</tr>
<tr>
<td>ICASA</td>
<td>Independent Communications Authority of South Africa</td>
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<tr>
<td>INTOSAI</td>
<td>International Organisation of Supreme Audit Institutions</td>
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<tr>
<td>GWME</td>
<td>Government Wide Monitoring and Evaluation</td>
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<tr>
<td>KPA</td>
<td>Key Performance Areas</td>
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<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
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<tr>
<td>LEGDP</td>
<td>Limpopo Economic Growth and Development Plan</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
</tr>
<tr>
<td>MFMA</td>
<td>Municipal Finance Management Act</td>
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<td>MSA</td>
<td>Municipal System Act</td>
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<tr>
<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
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<td>MTSF</td>
<td>Medium Term Strategic Framework</td>
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<tr>
<td>NDP</td>
<td>National Development Plan</td>
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<tr>
<td>OSD</td>
<td>Occupational Specific Dispensation</td>
</tr>
<tr>
<td>PFMA</td>
<td>Public Finance Management Act</td>
</tr>
<tr>
<td>PSR</td>
<td>Public Service Regulations</td>
</tr>
<tr>
<td>SAICA</td>
<td>South African Institute of Chartered Accountants</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>---------</td>
<td>-------------------------------------------------------</td>
</tr>
<tr>
<td>SDBIP</td>
<td>Service Delivery and Budget Implementation Plan</td>
</tr>
<tr>
<td>SCM</td>
<td>Supply Chain Management</td>
</tr>
<tr>
<td>SMART</td>
<td>Specific, Measurable, Achievable and Time bound</td>
</tr>
<tr>
<td>SMS</td>
<td>Senior Management Service</td>
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CHAPTER 1
ORIENTATION AND PROBLEM STATEMENT

1.1 ORIENTATION

The Public Finance Management Act 1 of 1999 (PFMA) paved the way for modernising the system of financial management in the South African public sector. In terms of Section 40 of the PFMA, the accounting officer/authority of a department, trading entity or constitutional organisation must submit an annual report to the Treasury and executive authority within five months of the end of the financial year. This annual report must adequately represent the state of affairs of the department, trading entity or constitutional organisation, its business, financial results, performance against pre-determined objectives and financial position as at the end of the financial year in question.

The enactment of the PFMA replaced the previous Exchequer Amended Act 3 of 1997 and brought about changes in the management of finances. Maude (2007:307) indicates that the PFMA is based on the principle that managers should be allowed to manage finances within an agreed framework while also being held accountable. This Act confers key, specific responsibilities on accounting officers, one of which is to publish annual reports in a prescribed format, which will introduce performance reporting. The information relating to performance measured against pre-determined objectives is subject to auditing by the Auditor-General in terms of Section 20(2) (c) of the Public Audit Act 25 of 2004.

Section 5.1.1 of the Treasury Regulations provides that “the Accounting Officer of an institution must establish procedures for quarterly reporting to the Executive Authority to facilitate effective performance monitoring, evaluation and corrective actions”. The regulations further provide, in section 5.2.1, that “in order to facilitate the annual discussion of individual votes, accounting officers must provide Parliament or the relevant legislature with their respective institution’s medium-term strategic plan and, where applicable, with its annual performance plan” (National Treasury, 2005:15).
According to the National Treasury (2007:2):

Performance information indicates how well an institution meets its aims and objectives, and which policies and processes are functioning effectively and contribute towards the achievement of organisational goals and objectives. Performance information is the key to effective management, including planning, budgeting and implementation, monitoring and reporting. Performance information also facilitates effective accountability, enabling legislators, members of the public and other interested parties to track progress, identify the scope for improvement and better understand the issues involved. Performance information is essential to focus the attention of public and oversight bodies on whether departments are delivering value for money by comparing their performance against their budgets and service delivery plans, and to alert managers to areas where corrective action is required. The most valuable reason for measuring performance is that what gets measured gets done.

According to the National Treasury (2007:1) there is power in measuring results. This statement is explained by indicating that “if you do not measure results, you cannot tell success from failure; if you cannot see success, you cannot reward it; if you cannot reward success, you are probably rewarding failure; if you cannot see success, you cannot learn from it; if you cannot recognise failure, you cannot correct it; and if you cannot demonstrate results, you cannot win public support”. In other words measuring performance has an impact on factors such as performance recognition, managing and correcting poor performance, as well as continuous organisational improvement.

The above background with regard to the value and importance of performance information clearly indicates that departments in the Limpopo Province need to closely monitor and report on performance in a timeous and accurate manner.

The Limpopo Province is situated in the northern part of South Africa. The province has a population of approximately 5.3 million people and comprises the area of three former homelands: Lebowa, Gazankulu and Venda. The province borders Botswana, Zimbabwe and Mozambique (Statistics South Africa, 2012: Online).
1.2 PROBLEM STATEMENT

The Auditor-General defines the audit of pre-determined objectives as “an annual audit of actual performance against pre-determined objectives. This is executed as an integral part of the annual regularity audit confirming compliance with applicable laws and regulations and the usefulness and reliability of the reported performance information as published in the annual report” (2011:1).

According to Lee (2008:114), a survey conducted in the public sector of Australia revealed that there was a general consensus amongst managers regarding the importance of selected financial and non-financial information for achieving the objectives of organisations. However, much of the non-financial information appeared to be underdeveloped, perceived as less useful for disclosure in the annual reports and was less frequently reported.

In South Africa, the Auditor-General, in his 2009/10 audit findings, revealed similar results for Limpopo Province, as illustrated in Table 1 below:

Table 1: Limpopo Province 2009/10 Audit Findings

<table>
<thead>
<tr>
<th>Category of finding</th>
<th>Departments (including legislature)</th>
<th>Public Entities (including trading and constitutional institutions and other types of entities)</th>
</tr>
</thead>
<tbody>
<tr>
<td>---------------------------------------------</td>
<td>-------------------------------------</td>
<td>------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>2009-10</td>
<td>2008-09</td>
</tr>
<tr>
<td>Non-compliance with regulatory requirements</td>
<td>38%</td>
<td>62%</td>
</tr>
<tr>
<td>Reported information not useful</td>
<td>31%</td>
<td>54%</td>
</tr>
<tr>
<td>Reported information not reliable</td>
<td>77%</td>
<td>54%</td>
</tr>
<tr>
<td>Information not submitted for auditing by 31 May 2010</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Total number of audits with findings</td>
<td>10</td>
<td>11</td>
</tr>
</tbody>
</table>

Source: Auditor-General audit findings for Limpopo Province (2009/10)

** & ¹ Regarding 2009-10, the only outstanding report is that of the Limpopo Tourism and Parks Board. The Limpopo Housing Board, the Tribal and Trust Account and the Urban Transport Fund are not required to prepare and submit a report on performance against pre-determined objectives.
Currently, the Auditor-General performs the audit of pre-determined objectives but does not express an audit opinion on the findings. The findings are reported as non-compliance matters because departments and municipalities are still struggling with accounting for their finances. Moreover, according to Table 1 above, the non-reliability of performance information regressed from 54% in 2008/09 to 77% in 2009/10. This means that in 2008/09, only 46% of performance information could be relied on, while in 2009/10 the percentage dropped to 23%.

The Auditor-General Report for 2008/09 indicated that only two out of 13 departments would have received an unqualified audit of pre-determined objectives if an opinion had been expressed. In the 2009/2010 Auditor-General Report, only four out of 13 departments would have received unqualified audits, while four departments would have received qualified audits, another four would have received disclaimers and one would have received an adverse opinion. In the 2010/11 report, only seven out of 13 departments would have received an unqualified audit opinion, three a qualified audit opinion, one a disclaimer audit opinion, and two adverse audit opinions. The aforementioned information is illustrated in Figure 1 below.

![Figure 1: Audit opinions on pre-determined objectives](source: Auditor-General reports for 2008/09, 2009/10 & 2010/11)
As illustrated in Figure 1 above, this is a major cause for concern, because it means that most departments are not in a position to properly account for the usage of allocated funds. Although Figure 1 above shows that there has been improvement over the years, a lot still needs to be done if the Limpopo provincial government wants to receive a clean audit. A clean audit means that there are no irregular findings. The Auditor-General will in the foreseeable future begin to express an opinion on performance in relation to pre-determined objectives and this will be reflected in the audit report.

This study seeks to identify the challenges and bottlenecks faced by Limpopo provincial departments in reporting on performance in relation to objectives. It is through performance monitoring that one is able to determine whether or not the organisation is achieving its objectives. Improvement in reporting on pre-determined objectives is therefore of paramount importance.

In addition, this study attempts to identify the factors that contribute to Limpopo provincial departments not being able to report to the Auditor-General on pre-determined objectives, as reflected in their annual performance plans.

Based on the aforementioned, the problem that this study endeavoured to address is: How can Limpopo provincial government departments effectively manage their performance by reporting accurately on pre-determined objectives to the Auditor-General?

1.3 RESEARCH OBJECTIVES

The objectives of this study are as follows:

- To determine the level of understanding of performance information and reporting on pre-determined objectives by Limpopo provincial departments.
- To establish the regulatory and legislative framework (procedures, policies and systems) by which to manage the reporting on pre-determined objectives.
- To investigate the nature, extent and challenges of reporting on pre-determined objectives.
To provide recommendations to ensure proper reporting on pre-determined objectives.

1.4 RESEARCH QUESTIONS

This study to answer the following questions:

- What does target setting by Limpopo provincial departments entail?
- What procedures, policies and systems are currently in place to manage reporting on pre-determined objectives?
- What are the nature, extent and challenges of reporting on pre-determined objectives in Limpopo provincial departments?
- What are the possible solutions that will ensure proper reporting on pre-determined objectives?

1.5 CRITICAL THEORETICAL STATEMENTS (PRELIMINARY ARGUMENTS)

The following preliminary arguments served as the basis of this study:

Mackey (2006:1) states that there is a growing appreciation within the development community of the fact that an important aspect of public sector management is the existence of results or performance indicators in government. Such an orientation – in effect an “evaluation culture” – is considered to be one avenue for improving the performance of a government in terms of the quality, quantity and targeting of the goods and services the state produces. In support of this objective, a number of countries are working to ensure a results orientation through building or strengthening monitoring and evaluation (M&E) systems. Effective reporting on pre-determined objectives by the Limpopo Provincial Government is therefore of utmost importance.

According to the National Treasury (2007:14), the accounting officer or head official of an institution must ensure that there is adequate capacity to integrate and manage performance information with existing management systems. Each institution will need to decide on the appropriate positioning of the responsibility to manage
performance information. Limpopo provincial departments should therefore identify a unit and position it appropriately to manage performance information.

The significance of performance information for accountability lies in its capacity to facilitate the achievement of the objectives of an organisation and the communication of relevant information to stakeholders. It is thus crucial for those involved in the preparation of performance information to develop and report relevant information in order to uphold their accountability (Lee, 2008:117). With respect to this study, departments should report accurate performance information so that there can be a determination as to whether they are achieving the objectives set out in the annual performance plan and that those in charge can be held accountable.

It is important to ensure that there is an understanding that strategic performance measures and indicators are specific, measurable, attainable, relevant and time bound (SMART). The objectives should provide a clear link between programme outputs and organisational goals (National Treasury, 2007:7). Indeed, if the performance measures are SMART it would not be a challenge for the Limpopo provincial departments to report to the Auditor-General because there would be a clear link between outputs and organisational goals.

1.6 RESEARCH METHODOLOGY

A qualitative research design (discussed in depth in paragraph 4.2 on page 69) was used in this study. The research design inter alia involved a literature review, interviews, questionnaires and analysis of organisational official documentation to determine performance by means of reporting on pre-determined objectives.

1.6.1 Literature review

The literature review for this study involved identifying and analysing documents containing information relating to the research problem, as well as the approach to measuring government performance against pre-determined objectives.
Information for this study was obtained from both primary and secondary sources. Books, journals, policy documents, government reports and reports from previous studies on the research topic were consulted. A preliminary, random search was conducted at the Ferdinand Postma Library of the North-West University, Potchefstroom Campus, and this revealed that there was sufficient material available to research this topic.

1.6.1.1 **Databases consulted**

The following databases were consulted to determine the availability of material for the purposes of this study:
(a) Index to South African Periodicals;
(b) Catalogue of Theses and Dissertations of South African Universities;
(c) SA ePublications;
(d) Catalogue of books in the North-West University, Potchefstroom Campus library; and
(e) Government websites.

1.6.2 **Empirical investigation**

Data was also collected by means of an empirical study. Semi-structured interviews were held with relevant stakeholders such as chief financial officers, strategic planners and budget managers within the Limpopo provincial government.

The secondary aim of the semi-structured interviews and questionnaires was to gather data in order to identify the challenges related to reporting on pre-determined objectives in order to enhance organisational performance. Possible measures to ensure proper reporting on pre-determined objectives were conceived on the basis of the empirical findings.

1.6.2.1 **Research design**

A research design is the plan according to which research participants are sourced and information is collected from them (Welman, Kruger & Mitchell, 2005:52). As
mentioned in 1.6 above, this study made use of a qualitative research design. According to Van Maanen (1979:520), qualitative research is an “umbrella” phrase “covering an array of interpretive techniques which seek to describe, decode, translate and otherwise come to terms with the meaning of naturally occurring phenomena in the social world”. Therefore the qualitative approach is also fundamentally a descriptive form of research. Qualitative research is used by different social sciences disciplines and in market research. The aim of this type of research is to obtain an in-depth understanding of human behaviour and the reasons for the behaviour. Qualitative data is used to generalise information from a specific population on the basis of the results of a representative sample of that population. This generally involves the collection of primary data from a number of individuals (sample) and then projecting the results onto the wider population (Babbie, 2001a:258). Qualitative research can, theoretically speaking, therefore be described as an approach rather than a particular design or set of techniques (Welman et al., 2005:188).

Bless, Higson-Smith and Kagee (2006:100) argue that if one really wants to understand human behaviour, one must get closer to it. It is therefore important to conduct face-to-face interviews. Qualitative researchers are concerned with “understanding” the context in which behaviour occurs, not just the “statistical” extent to which it occurs (Babbie, 2001(a):258). Qualitative studies usually aim for depth rather than “quantity of understanding” (Henning et al., 2004:3). This is exactly what the use of this research design is intended to achieve in this study. This study will discover the new ideas or hidden feelings/beliefs of respondents, and this will be done using a small number of respondents.

Qualitative research includes the use of methods such as focus groups and face-to-face interviews. In this study, questionnaires and face-to-face interviews were used. A qualitative approach was deemed most appropriate for this study because the data collected would provide insights into and generalisations about 13 Limpopo provincial departments.
1.6.2.2 Sampling

This study targeted 12 chief financial officers, 12 strategic planners and 12 budget managers in 12 provincial departments. The total population for this study thus amounts to 36 (thirty six) respondents. Furthermore, it utilised the probability sampling method. Babbie and Mouton (2001:192), as cited by Burger & Silima (2006:658), purport that “a basic principle of probability sampling is that a sample will be representative of the population from which it is selected if all members of the population have an equal chance of being selected in the sample”. Sampling refers to the process used to select a portion of the population for study (Maree, 2007:79).

These methods were selected because the researcher wants to gain an in-depth understanding of the factors that lead to Limpopo provincial departments experiencing challenges in reporting on pre-determined objectives.

1.6.2.3 Instrumentation

Face-to-face interviews were conducted, and questionnaires were prepared and disseminated among the study population. Face-to-face interviews can take different forms, namely structured, semi-structured and unstructured interviews. This study made use of semi-structured interviews, which are viewed as the most appropriate means of collecting data. This involves a questionnaire with various open-ended questions that will shape the respondent’s frame of reference, while at the same time giving him/her the freedom to respond in whatever way he/she wishes to respond. This means that whatever the respondent wants to say in response to a question will be accepted (Bless, Higson-Smith & Kagee, 2006:100).

Qualitative data collection methods in this study included the following:

- Recording well-defined events;
- Obtaining relevant data from management information systems; and
- Administering surveys with closed-ended questions (e.g., face-to face and questionnaires, etc).
1.6.2.4 Interviews

Briggs (1986), as cited by (Silverman, 2004:141), argues that the social circumstances of interviews are more than obstacles to respondents’ articulation of their particular truths. Briggs notes that, like all other speech events, interviews fundamentally, not accidentally, shape the form and content of what is said. Cicourel (1974:68) goes further, maintaining that interviews impose particular ways of understanding reality upon subjects’ responses. Qualitative researchers rely quite extensively on in-depth interviewing (Marshall & Rossman, 2011:142). Kvale (1996:2), as cited by Marshall & Rossman, 2011:142), describes qualitative interviews as “a construction site knowledge” where two (or more) individuals discuss a “theme of mutual interest”.

Face-to-face interviews have the distinct advantage of enabling the researcher to establish a rapport with participants and therefore gain their cooperation. The interviews yielded the highest response rates in survey research. They also helped to clarify ambiguous answers and, when appropriate, collected follow-up information (Leedy & Ormrod, 2001).

The disadvantages of interviews include being impractical when large samples are involved, and the fact that they can be time-consuming and expensive to conduct (Leedy & Ormrod, 2001).

1.6.2.5 Data collection

As mentioned in 1.6.2.3, the data collection procedure for this study included a questionnaire and face-to-face interviews. The interviews were not once-off; follow-up interviews were also conducted when the need arose in order to obtain more clarity.
1.6.2.5  Data analysis

The data collected in this study, that is, the results of the questionnaires, was analysed by the researcher and was then processed and evaluated. All the data was scientifically analysed.

1.6.2.6  Limitations and delimitations

This study focused on 12 provincial departments in the Limpopo Province, without consideration of other provinces. The findings can therefore not be generalised to other provinces, as there are different organisational dynamics at play in each province.

1.7  SIGNIFICANCE OF THE STUDY

This study constitutes an attempt to identify the problems and challenges faced by Limpopo provincial government departments in terms of reporting on pre-determined objectives. The possible solutions and recommendations, based on the findings of the study, will benefit the citizenry of Limpopo because they will enable the provincial departments to account to the public regarding the usage of funds and “the vision 2014 clean audit” will be realised. The “vision 2014 clean audit” means that by 2014 there should be no irregular findings by the Auditor-General (Department of Provincial and Local Government, 2009). The organisational performance of Limpopo provincial government departments would thus be improved in this manner.

1.8  ETHICAL CONSIDERATIONS

Permission to conduct the study in the Limpopo provincial departments was granted by the Head of the Limpopo Treasury. The questionnaire that was disseminated did not require the names of respondents. This was to protect their identities. No respondents were forced to participate in the study and no confidential information was divulged. The outcome of the study will be made available to participants upon their request.
1.9 CHAPTER LAYOUT

The chapters in this study are as follows:

Chapter 1: Orientation and Problem Statement
In this chapter the problem statement will be outlined and the research objectives identified. In addition, the research methodology will be elaborated on and clarity provided with regard to the focus of this study.

Chapter 2: Performance Information
In this chapter the theories, models and arguments of practitioners regarding performance information within government departments will be contextualised.

Chapter 3: Regulatory framework for performance monitoring
This chapter comprises a comprehensive exposition of the regulatory framework related to the research topic, i.e. Constitution, Public Finance Management Act 1 of 1999, etc.

Chapter 4: Challenges with regard to pre-determined objectives: empirical findings
The findings of the study, based on the data collected by means of empirical research, are presented in this chapter. Furthermore, detailed explanations of the research design and methods, target population, data collection procedures and problems, research techniques and instruments used are provided.

Chapter 5: Summary and Recommendations
This chapter will consist of a summary of the study, as well as recommendations based on the empirical findings regarding how to improve the current situation.
1.10 CONCLUSION

In this chapter the introduction and reasons for this study are addressed, as well as the research objectives and questions, theoretical arguments and research methodology, while the structure of this study is also outlined.

The next chapter will consist of a detailed theoretical description of the nature and extent of performance reporting in South African government departments. The necessity and substance for of performance reporting will also be dealt with.
2.1 INTRODUCTION

The research problem, questions and objectives were posed in chapter 1 of this mini-dissertation. The purpose of this study, namely to investigate how Limpopo provincial government departments can effectively manage their performance by reporting accurately to the Auditor-General on pre-determined objectives, was also outlined. With a view to achieving this objective, in this chapter the focus will be on the secondary research objectives, which are to investigate and analyse all the relevant literature regarding the theories, models and practical application of performance information within government departments.

Performance information reporting is explored with a view to suggesting relevant recommendations regarding the effective functioning thereof in Limpopo provincial departments. All relevant terms and concepts will be overviewed and the purpose, characteristics, nature and profile of performance reporting within government structures will be outlined. In this chapter the importance of performance reporting for more effective and improved service delivery in the South African government will also be determined.

2.2 BACKGROUND AND CLARIFICATION OF IMPORTANT CONCEPTS

The context for reporting on performance information in South Africa *inter alia* involves the following: after a general election, the ruling party identifies five key strategic priorities that will be focused on. These priorities then cascade into medium-term strategic priorities that inform planning in the entire Administration. The entire Administration should ensure that what is to be delivered by the departments ultimately contributes towards the achievement of these priorities. The Director General of a province signs a performance agreement with the Premier that outlines the key priorities to be achieved.
The members of the executive council (MECs) will also sign performance agreements with heads of departments and key deliverables that will contribute towards achieving the key priorities will be enshrined in this agreement. The heads of department will also sign performance agreements with senior managers in the department. These agreements will be linked to the strategic plan, as well as the annual performance plan of the department (Public Service Regulations, 2001).

These performance agreements are monitored quarterly through performance reviews or appraisals. It is against this background that Limpopo Government has the mandate to ensure that effective performance takes place across all of its provincial departments. The performance reports of provincial departments are subjected to auditing by the Auditor-General. Performance reporting arises from objectives that are determined by the provincial strategic plan and an annual performance plan. The former often indicate what will be achieved within a particular period with available resources (Public Service Regulations, 2001).

Taking the aforementioned into account, it is therefore important when assessing performance reporting to understand the concepts of planning, strategic planning, performance information, performance management, performance indicators, performance appraisal, performance reporting, performance monitoring, performance evaluation and performance auditing. These terms are important for contextualising the study and they also provide perspective regarding the reporting of performance within South African government structures. They should also serve to deepen the understanding of performance information reporting. These concepts are therefore explored in the subsequent sections.

2.2.1 Planning

Planning fulfils an important role in formulating pre-determined objectives. It is also an aspect of the generic management functions. According to the Oxford Dictionary (2013: Online), “planning is the process of organising activities to achieve a desired goal”. According to Yulk (1994:69), as cited by (Williams, 1998:144), planning is the determining of long-term objectives and strategies, allocating resources according to
priorities, determining how to use personnel and resources to accomplish a task efficiently. Robbins (2000:137) explains that planning “encompasses defining organisational goals, establishing an overall strategy for achieving those goals and developing a comprehensive hierarchy of plans to integrate and coordinate activities”. Planning encompasses defining an organisation’s goals, establishing strategies for attaining these goals, and developing a comprehensive hierarchy of plans to integrate and coordinate activities in the organisation (Smith & Cronje, 2002:89). In this regard, Berning et al. (2005:18) defines planning as the formulation of goals and objectives, and developing strategies to achieve these goals and objectives within a changing business environment.

Hellriegel, et al. (2008:71) indicate that planning is the formal process of choosing the organisation’s vision, mission and overall goals for both the short term and long term; devising divisional, departmental and even individual goals based on organisational goals; choosing strategies and tactics to achieve those goals; and allocating resources (people, money, equipment and facilities) to achieve the various goals, strategies and tactics. Nieuwenhuizen (2011:26) also contends that planning involves all those management activities that deal with setting the business’s objectives and determining how these can be achieved. All of the aforementioned definitions thus define planning as a process.

In order for planning in government departments to be effective, there should be a linking relationship between planning, budgeting and reporting. Figure 2.1 below displays planning as a process and it indicates the important relationship between planning, budgeting and reporting.
According to Figure 2.1, the performance information reported by various government departments enables the South African Parliament, provincial legislatures, municipal councils and the public to track and measure government performance, and to hold it accountable. Performance information also needs to be available to managers at each stage of the planning, budgeting and reporting cycle so that they can adopt a results-based approach to managing service delivery. This approach emphasises planning and managing with a focus on desired results, and managing inputs and activities to achieve these results.

Planning is thus crucial for government and in particular for Limpopo provincial departments in order to define the goals to be achieved and to outline a roadmap for achieving those goals. Taking the aforementioned into account, an operational definition of planning for the purposes of this study can therefore be formulated as “the ability of government to define its pre-determined goals and objectives, and to utilise a roadmap to achieve the set objectives”.

**Figure 2.1: Planning, budgeting and reporting cycle**

Government not only has to do planning but should in actual fact make use of strategic planning. Strategic planning for the Limpopo provincial departments is important as this will have an effect on more effective reporting of pre-determined objectives. This is discussed next.

2.2.2 Strategic Planning

According to Edmondson (1990:27), one of the basic tenets of strategic planning is that it is a process for creating the best possible future for an organisation by enabling those in leadership positions to become proactive rather than reactive regarding the future of that organisation. Determining if strategic planning is worth the time and resources dedicated to it can only be answered by backing up and asking more rudimentary questions such as: (Edmonson, 1990:27)

- What will be accomplished?
- What will be the results of the actions?
- Will the results produce the effect that is desired and, if not, why not?

Rice (1990:17) posits that a strategic plan is a programme or way to manage resources to get profits. A good plan even helps to raise capital resources. A strategic plan looks at where you are and where you have to go, and a review of what steps you need to get there.

Strategic planning deals with the interpretation of stakeholder requirements and expectations, as well as with organisational and environmental issues, and the formulation of plans to meet these requirements and address these issues (Glad & Becker, 1994:159).

In short, strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organisation is, what it does and why it does it, with a focus on the future. The process is strategic because it involves preparing the best way to respond to the circumstances of the organisation's environment, whether or not its circumstances are known in advance; non-profits must often respond to dynamic and even hostile environments (Dix & Mathews, 2002). Being strategic means being clear about the organisation's objectives, being aware of the organisation's resources and incorporating both into being consciously
responsive to a dynamic environment. The process is about planning because it involves intentionally setting goals (i.e. choosing a desired future) and developing an approach to achieving those goals. The process is disciplined in that it calls for a certain order and pattern to keep it focused and productive. The process raises a sequence of questions that helps planners examine experience, test assumptions, gather and incorporate information about the present, and anticipate the environment in which the organisation will be working in the future (Dix & Mathews, 2002).

Strategic planning does not deal with the future decisions but rather the future trajectory of present decisions. It entails having to brainstorm or undertake scenario analyses on what it is that the organisation possesses or offers for a better future (Palmatier, 2008). According to Hellriegel et al. (2008:71), strategic planning is the process of analysing the organisation’s external and internal environment; developing a vision and mission; formulating overall goals; identifying general strategies to be pursued; and allocating resources to achieve the organisation’s goals.

It is important to understand that there is a connection between strategic planning and performance management. A strategic plan provides a framework for the organisation’s focus in which to achieve set objectives over a specified period (Bondar & Rauta, undated; Arasa & K’Obonyo, 2012). In order to influence the organisation’s success or failure in achieving these objectives, a performance management system is necessary to provide management with a degree of measurement with which to establish how well the objectives have been attained (Bondar et al., undated; Arasa et al., 2012).

Strategic planning is important for Limpopo provincial departments because it enables departments to set objectives to be achieved over a five-year period or electoral cycle. It is through this process that the strategic intent of each department is defined and endorsed. The successes or failures in achieving the set objectives are managed through a performance management system.

Another key term that is also important for contextualising the study is “performance” and it is consequently clarified next.
2.2.3 Performance

According to Lefton et al. (1977:4) performance is the outcome of actions on the job, as well as the actions that produce that outcome. According to Langdon (2000:13), performance is the actual work that is done to ensure that an organisation achieves its mission. In terms of this view, performance produces an outcome, tangible work in the form of a product, service or knowledge. Fletcher (1993:30-34); Lefton et al. (1997:40-20); and Langdon (2000:5-8) recognise that performance should yield results or outputs. The results or outputs should be measurable to determine what was achieved. A distinction would then be made about the quality of the output or result. Through high performance patterns, an output or result of high quality should be able to be achieved and sustained, and will make people aim for better than expected results, as highlighted by (Fletcher, 1993:34-36).

In simple terms performance is defined as the accomplishment of a given task measured against set targets and objectives (Monica et al., 2007). In most cases individual and organisational performance are intertwined. Performance at an individual level can be considered as part of a process to ensure that individuals in an organisation have an understanding about what is to be achieved at an organisational level. Conversely, it can be said that performance is about aligning the organisational objectives with the employees’ agreed measures, skills, competency requirements, development plans and the delivery of results (Monica et al., 2007). Thus, the performance agreements that are signed with employees at Limpopo provincial departments are often crafted in line with the objectives and targets of the department. To illustrate the aforementioned, the conceptual clarification of performance management is discussed next.

2.2.4 Performance Management

Performance management supports a company’s overall business goals by linking the work of each individual employee or manager to the overall mission of the work unit (Costello, 1994:3). According to Income data Services (1992:1), the central aim of performance management is to develop the potential of staff, improve their performance and, through linking an employee’s individual objectives to business strategies, to improve the company’s performance.
“Performance Management is used to ensure that the employees' activities and outcomes are congruent with the organisation's objectives. It entails specifying those activities and outcomes that will result in the firm successfully implementing the strategy” (Noe et al., 2000:55). An effective performance management process establishes the groundwork for excellence by linking individual employee objectives with the organisation's mission and strategic plans. The employee has a clear concept of how they contribute to the achievement of the overall business objective. It focuses on setting clear performance objectives and expectations through the use of results, actions and behaviours. Performance management processes also involve conducting regular discussions throughout the performance cycle, which include aspects such as coaching, mentoring, feedback and assessment (Noe et al., 2000:55). Hale & Whitlam (2000:2) indicate that performance management is about applying processes, techniques and systems that maintain and improve individuals' performances while simultaneously aiming to improve the performance of the organisation. In Limpopo's provincial departments, performance management is conducted using the Performance Management Development System (PMDS), in terms of which employees are coached, mentored, assessed and given feedback on a quarterly basis.

According to du Toit et al. (2002:187), performance management is the systematic process by which a public institution involves its public employees in improving effectiveness in the accomplishment of institutional goals, such as improved service delivery. Performance management focuses on the future. It places great emphasis on: (du Toit et al, 2002:187)

- Setting key accountabilities;
- Agreeing to future objectives in each of these key accountability areas;
- Agreeing to measures and standards to be attained; and
- Assigning time scales and priorities.

Williams (2002:1) gives the historic background to the era of performance management. In his view, performance management as a philosophy or system came into being in the late 1980s and early 1990s. Although he maintains that there is no single approach to performance management, Williams (2002:80) also
positions performance management as a system for integrating the management of organisational and employee performance.

According to Williams (2002:45), defining performance management is a difficult task. However there are three main perspectives on performance, namely:

- Performance management is a system devised to manage employees;
- It is a system to manage the organisation; and
- Lastly, it is a system to manage the integration of the former two.

The performance of individuals and that of the departments in Limpopo are not isolated; they are also assessed jointly. Edenborough (2005:2) defines performance management as “a strategic and integrated approach to delivering sustained success to organisations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors”. Performance management can be undertaken at the individual and/or organisation level.

Broadly, performance management is a strategic approach to management that equips leaders, managers, workers and stakeholders at different levels with a set of tools and techniques to regularly plan, continually monitor, periodically measure and review the performance of the organisation in terms of performance indicators and targets for efficient and effective service delivery (Independent Communication Authority of South Africa, 2007:12). Performance management is therefore an approach to people management that aims to optimise individual, team and organisational effectiveness and success through the use of a process for establishing a shared understanding between management and employees regarding what is to be achieved in the workplace; how it is to be achieved (methods to be used and resources available) and the timeline for its achievement (ICASA, 2007:12). These definitions further highlight the fact that individual and organisational performance cannot be treated in isolation, which is the case with Limpopo provincial departments at present.

Performance management originated as a source of income justification and was used by organisations to drive the employees’ behaviours to get specific outcomes (Radnor & Barnes, 2007). In practice, this worked for certain employees who were
driven solely by financial rewards. However, in cases in which employees were driven by learning and the development of their skills, it failed miserably. In recent decades, however, the process of managing people has become more formalised and specialised. Some of the developments that have shaped performance management in recent years are the differentiation of employee or talent management, management by objectives and constant monitoring and review (Radnor & Barnes, 2007). The Performance Management Development System as implemented in Limpopo focuses more on staff development than financial incentives; financial incentives are realised as a consequence of overachievement by departmental employees.

Van der Waldt (2007:11) argues that performance management can be regarded as an umbrella term for the total management of organisational performance. The author further divides performance management into two dimensions. The first dimension refers to the overall performance of organisations and the second dimension to individual (human) performance. Pulakos (2009:3) indicates that performance management is the key process through which work gets done. It is how organisations communicate expectations and drive behaviour to achieve important goals; it is how organisations identify ineffective performers for development programmes or other personnel actions. Strydom (2011:287) also argues that:

Performance management is a formal and methodical ongoing process of shared checking by the manager and the employee, by means of which the employee’s job-related strengths and weaknesses are identified, measured against set objectives, and followed by a development plan to assist the employee in improving his knowledge and skills.

These arguments strengthen the notion that the performance of the departments and that of officials cannot be separated because they are intertwined.

Performance bonuses for individuals can have an influence on targets. Where some form of management reward is related to performance, care must be taken to avoid “the under promise or over achieve syndrome” in setting targets (National Treasury, 2011).

Performance appraisal indicators involve measuring performance using quantifiable performance standards and indicators. The latter is discussed next.
2.2.5 **Performance Indicators**

A performance indicator or key performance indicator (KPI) is a type of performance measurement that can be defined as an item of information collected at regular intervals to track the performance of a system. KPIs evaluate the success of an organisation or of a particular activity in which it engages (Fitz-Gibbon, 1990).

According to Kravchuk and Schack (1996), Rubenstein *et al.* (2003) & Taylor (2006), if an organisation establishes a close link between its goals and performance indicators, sets high but realistic performance targets and undertakes regular performance audits on its performance indicators, this is likely to have a significant impact on the organisation’s decision-making process. Performance indicators should be directly linked to organisational goals and objectives. They need to reflect organisational culture and values by indicating the type of behaviour and performance the organisation will recognise as successful and reward employees. As outputs of the performance management system, performance indicators also need to be in alignment with other human resource-related functions, including training and development rewards, recognition and career planning (www.joburg-archives.co.za). Similarly, in Limpopo’s provincial departments, strategic goals and performance indicators are linked and performance audits are also carried out by way of internal audit.

According to the United Nations Development Programme (2002), performance indicators are used to observe progress and to measure actual results compared to expected results. They serve to answer “how” or “whether” a unit is progressing towards its objectives, rather than “why” or “why not” such progress is being made. Performance indicators are usually expressed in quantifiable terms and should be objective and measurable (e.g. numeric values, percentages, scores and indices).

“Performance indicator” refers to the means by which an objective can be judged to have been achieved or not achieved. Indicators are therefore tied to goals and objectives and serve simply as “yardsticks” by which to measure the degree of success in goal achievement. Performance indicators are quantitative tools and are
usually expressed as a rate, ratio or percentage (The New Zealand Ministry of Health, 2004).

At an organisational level, a Key Performance Indicator (KPI) is a quantifiable metric that reflects how well an organisation is achieving its stated goals and objectives (Iveta, 2012). For example, if an organisation’s vision includes providing superior customer service, then a KPI might target the number of customer support requests that remain unsatisfied by the end of a week. By monitoring this, the organisation can directly measure if it is meeting its long-term goal of providing outstanding customer service.

KPIs are ways to periodically assess the performance of organisations, business units and their divisions, departments and employees. Accordingly, KPIs are most commonly defined in a way that is understandable, meaningful and measurable (MESA, 2012). KPIs, as outlined in the APPs, contribute to the achievement of the strategic goals and objectives of the Limpopo provincial departments.

Performance indicators in Limpopo provincial departments, as enshrined in the APP, are linked to quarterly targets because they indicate what is to be achieved over a 12-month period.

Performance appraisal involves measuring performance using quantifiable performance indicators and standards. This is dealt with next.

2.2.6 Performance Appraisal

Taylor et al. (1984) propose that regular feedback should bring about closer agreement over performance standards between employees and the organisation (that is, the manager). Ashford (1989:133) suggests that when there is regular feedback it might be easier to convey negative feedback when it is necessary.

Perdler, Burgoyne & Boydell (1991) argue that appraisal systems usually do not work because they are done by “bosses” to “subordinates” and so are more about dishing out merit awards or apportioning blame than they are about development and learning from actions at work. Farr (1993:177) contends that informal or day-to-day feedback is more important than feedback that occurs during the annual or semi-annual performance appraisal session in terms of its impacts on work performance and attitudes.
According to Saunders (2002:8) a performance appraisal system provides a roadmap directing employees towards achieving the department’s or organisation’s mission. It provides a firm foundation for decisions about pay raises, promotions, transfers or terminations.

According to Hale and Whitlam (2004:170), performance appraisals are imposed by the organisation for many reasons, such as *inter alia*:

- To assure that managers set and communicate annual goals with their people;
- To align people’s attention and work goals with the needs of the organisation;
- To measure how well people accomplished goals; and
- To assure that people receive, at a minimum, annual feedback on how well they are doing.

Nieman and Bennett (2006:252) indicate that performance appraisals are a formal system of periodic review of the employee’s current or past performance relative to set performance standards. The appraisal process consists of:

- Setting work standards;
- Assessing the employee’s actual work performance relative to the set standards; and
- Providing feedback to the employee with the aim of encouraging performance that is better than the set standard.

Nieman and Bennett (2006:256) further indicate that performance appraisal establishes how well or how poorly an employee has performed, and to what extent the job requirements have been met.

“A performance appraisal is a systematic and intermittent process that assesses an individual employee’s job performance in relation to certain pre-established standards and organisational objectives” (Saini & Rajpoot, 2013).

The performance appraisal process entails translation of organisational goals into individual job objectives and requirements, communication of expectations regarding employee performance, continual provision of feedback to the employees, coaching the employees on how to achieve job objectives and requirements, diagnosing the
employee’s relative strengths and weaknesses and determining a development plan for improving job performance (Saini & Rajpoot, 2013). Performance appraisals in Limpopo are conducted on a quarterly basis and these quarterly assessments are aggregated into an annual assessment. The appraisals are based on the performance agreement signed between the supervisee and the supervisor at the beginning of the financial year.

Performance reporting is important during the processes described above. This is discussed next.

### 2.2.7 Performance Reporting

According to UNDP (2002:6), reporting is the systematic and timely provision of essential information at periodic intervals. A performance report is a report on the performance of a pre-determined activity. Such reports contain performance indicators, which measure the achievements of the organisation and its programmes. For example, for a police department the report might show the number of arrests, the number of convictions by crime category and the change in the crime rate (Schwartz & Mayne, 2005).

Performance reporting requires that information relating to priorities, performance objectives, key performance indicators, targets, measurement and analysis be presented in a simple and accessible format to the relevant target groups (Fourie & Opperman, 2010:258). Performance reporting is a means to an end, never an end in itself. The purpose of information is to promote action. A good report should contain all the information necessary to facilitate decision-making at a strategic level. It should lead senior management to ask the right questions and initiate a chain of actions that will enhance the ability of the organisation to achieve its short, medium and long-term goals. Finance departments are particularly important in this context, since the information they provide reflects the overall health of an organisation. Thus, performance reporting has multiple audiences (Fourie & Opperman, 2010:258). Members of the legislature, the public, stakeholders and the media are all key audiences of performance reports in Limpopo province. In addition, the organisation itself is an important user of performance reporting.
As part of the performance management process, performance monitoring will be outlined next.

2.2.8 Performance Monitoring

Yulk (1994:69), as cited by (Williams 1998:69), posits that monitoring is gathering information about work activities and external conditions affecting the work, checking on the progress and quality of the work, evaluating the performance of individuals and the organisational unit, analysing trends and forecasting external events.

Larson and Callahan (1990:531) further state that, apart from gathering information that might be used for keeping track of the progress made with respect to tasks/goals or providing feedback, such monitoring behaviour might in itself carry an important message for the employee: the frequency with which a manager monitors a subordinate’s performance might help shape that subordinate’s beliefs about the relative importance of his or her various work activities.

According to Johnson (1998:261), monitoring is a system for ensuring that specific project outputs and milestones are achieved on time and in a cost-effective manner. Performance monitoring systems cannot be simply bolted onto existing structures, so to speak; their implementation involves an effective transformation of the decision-making process and distribution of power within an organisation.

Performance monitoring, as part of the total evaluation process, begins in the implementation phase of the strategic planning process. It involves what has been accomplished with regard to the activities that were planned during the development of the strategic plan. Through the comparison it can be determined if the planned actions are being implemented and corrective action is taken where necessary (Johnson, 1998:261).

According to UNDP (2002:6), monitoring can be defined as a continuing function that aims primarily to provide the management and main stakeholders of an ongoing intervention with early indications of progress, or lack thereof, in the achievement of results. An ongoing intervention might be a project, programme or other kind of support to an outcome.
Van der Waldt and Du Toit (2003:202) outline the different types of control necessary for more effective performance monitoring, such as:

- Pre-action control: this type of control foresees problems and proactively tries to solve them;
- Simultaneous control: is applied while a project is being implemented;
- Post-action control: this form of control is exercised only once the whole process has been completed;
- Yes/no screening control: a yes/no checkpoint means that the process cannot continue before all standards have been met; and
- Financial control: comparisons between actual and budgeted figures are made during the year and management tries to achieve or improve on the desired results.

Monitoring involves collecting, analysing and reporting data on inputs, activities, outputs, outcomes and impacts, as well as external factors, in a way that supports effective management (South Africa, 2007:22).

Performance monitoring in Limpopo’s provincial departments is conducted on a quarterly basis during the quarterly performance review sessions. In this session project outputs and milestones are monitored.

Evaluation follows the performance monitoring stage, which is explored next.

2.2.9 Performance Evaluation

According to Edmondson (1990:27), when evaluating the effectiveness of the strategic plan one needs to address three levels of evaluation:

- Evaluation of (Monitoring) progress: this involves comparing what has been accomplished in relation to work plans that were created during the development phase of the strategic plan;
- Evaluation of (Appraising) performance: this involves measuring performance using quantifiable performance indicators and performance standards; and
• Evaluation of (Assessing) the impact: this presents the greatest challenge for developing realistic, credible evaluative measures.

Evaluation is a selective exercise that attempts to systematically and objectively assess progress towards and the achievement of an outcome. Evaluation is not a one-time event, but an exercise involving assessments of differing scope and depth, carried out at several points in time in response to evolving needs for the purpose of gaining evaluative knowledge and learning during the effort to achieve an outcome. All evaluations – even project evaluations that assess relevance, performance and other criteria – need to be linked to outcomes, as opposed to only implementation or immediate outputs (UNDP, 2002:6).

Performance Management Systems (2005:3) defines evaluation as information gathered through the process of monitoring described in section 2.2.8 of this study and is assessed to understand its relevance and implications for the priority issues, objectives, indicators and targets.

Performance evaluation is critical as it looks at the impact of the services that Limpopo departments provide to the citizens. Evaluation is done after three to five years because the impact of the services delivered can then only be measured effectively.

The success of performance monitoring and evaluation is dependent on how performance information is managed. It is therefore necessary to understand what performance information is.

2.2.10 Performance Information

According to the National Treasury (2007:1), performance information portrays, inter alia, an institution's aims and objectives, how it aims to achieve those objectives, if those objectives have been met or not, monitoring and evaluation mechanisms and which policies and processes govern performance. Performance information is the key to effective management, including planning, budgeting, and implementation, monitoring and reporting. Performance information also facilitates accountability, enabling legislators, members of the public and other interested parties to track
progress, identify the scope for improvement and better understand the issues involved.

The National Treasury (2007:14) furthermore indicates that the accounting officer or head official of an institution must ensure that there is adequate capacity to integrate and manage performance information with existing management systems. Each institution will need to decide on the appropriate positioning of the responsibility to manage performance information.

The significance of performance information for accountability lies in its capacity to communicate the achievement of the objectives of an organisation and being able to effectively communicate this information to stakeholders. It is thus crucial for those involved in the preparation of performance information to develop and report relevant information in order to uphold accountability (Lee, 2008:117).

Performance information is largely assumed to provide opportunities for decision makers to learn about the activity or area that is being measured, which will consequently lead to better decisions (National Treasury, 2007). The Auditor-General in South Africa audits pre-determined objectives of public institutions to determine how performance information is managed, as well as the achievement of such objectives. It is therefore important to relate what pre-determined objectives entail. This will be done in the next section.

2.2.11 Pre-determined Objectives

Pre-determined objectives are short-term targets developed to attain an organisation’s long-term goals. Pre-determined objectives are basic tools that underlie all planning and strategic activities, and they also serve as the basis for evaluating performance. Emphasis when setting objectives should be on quantifying the key strategies being developed (Bellenfant & Nelson, 2002:65). Some examples include maximising sales, acquiring another business or expanding regionally.

Considering that the use of pre-determined objectives is an effective tried and tested method, it stands to reason that the Limpopo provincial government would benefit from conducting thorough strategic planning processes to determine key strategies in order to improve its current performance and efficient use of resources – doing
more with less without compromising current service delivery performance levels. Performance auditing focuses on pre-determined objectives and is explained below.

2.2.12 Performance Auditing

According to the South African Institute of Chartered Accountants (SAICA) Guide (1999:4), a performance audit can be described as an independent auditing process aimed at evaluating the measures instituted by management, or the lack of these measures. It ensures that resources have been acquired economically and are utilised efficiently and effectively. It also reports on the acquisition and use of resources to management or the relevant authority.

Raaum & Morgan (2001) further clarify that performance auditing is a fair and impartial assessment that provides objective information about the performance of programmes, activities and functions, and, when applicable, specifics about where improvements can be made and the likely impact of those improvements.

The International Organisation of Supreme Audit Institutions’ (INTOSAI) Implementation Guidelines for Performance Auditing (2004:11) describes performance auditing “as an independent examination of the efficiency and effectiveness of government undertakings and programmes with an aim of making improvements”.

A performance audit is an independent auditing process used to evaluate the measures instituted by management to ensure that allocated resources are procured economically and utilised more efficiently and effectively (Prinsloo & Roos, 2010). The Auditor-General in Limpopo audits performance every year in order to also make a determination about whether resources are utilised effectively, efficiently and economically.

The above concludes the key concepts important to this study. The next section deals with performance information within the Limpopo provincial government in the form of an outline of its management processes in relation to applicable frameworks and prescribed planning documents.
2.3 PERFORMANCE INFORMATION IN PRACTICE – THE CASE OF LIMPOPO PROVINCIAL GOVERNMENT

Legislative requirements for planning, budgeting and reporting of performance information in Limpopo include the Public Finance Management Act 1 of 1999 (PFMA; Treasury Regulations issued in terms of the PFMA, 2002; Public Service Regulations (PSR), Part III B: (applicable only to departments); guidelines, instruction notes and practice notes issued by the National Treasury; the Framework for Managing Programme Performance Information (issued by the National Treasury in May 2007); and the Framework for Strategic and Annual Performance Plans (issued by National Treasury in August 2010).

The aforementioned regulatory frameworks are comprehensively discussed in Chapter 3 of this mini-dissertation.

During the budget process the provincial government plans for future revenue, expenditure, borrowing and other financial matters. As a means of improving budgeting, the development of strategic plans and their integration into the budget process has been introduced. In order to implement this process, there are six important steps that should be considered, namely:

- Preparing strategic plans and prioritising planned objectives as informed by the provincial development plans;
- Assessing resources and cost implications in preparation of the Medium Term Expenditure Framework (MTEF);
- Finalising medium-term allocations and preparing budget documentation;
- Developing processes to facilitate monitoring and reprioritising of spending when strategic or operational plans change;
- Monitoring and evaluating the performance and delivery of programmes in relation to clearly defined priorities, objectives, key performance measures, indicators and targets; and
- Finalising annual financial statements and reports that review performance and achievements against the strategic plan set out at the start of the financial year (National Treasury, undated).

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The subsequent sections discuss the above process flow as currently undertaken by the Limpopo provincial government.

### 2.3.1 Provincial and Departmental Performance Targets

The Limpopo provincial and departmental performance targets are articulated in the Limpopo Employment, Growth and Development Plan (LEGDP). The LEGDP provides a framework for the provincial government, district and local municipalities, the private sector and all organs of civil society to make policy choices in pursuit of the strategic priorities as encapsulated in the provincial Medium Term Strategic Framework (MTSF) (Limpopo Provincial Government, 2009). The MTSF is discussed in the next section of this chapter.

In line with broader national government objectives, the core objectives of the LEGDP are to accelerate economic growth, increase employment and reduce
poverty. The provincial strategic priorities, derived from the LEGDP can be summarised as follows:

- Ensuring more inclusive economic growth, decent work and sustainable livelihoods;
- Investment in economic and social infrastructure;
- Rural development, food security and land reform;
- Universal access to quality education;
- Improved health care;
- Fighting crime and corruption;
- Cohesive and sustainable communities;
- Creation of a better Africa and a better world;
- Sustainable resource management and use; and
- A developmental state, including improvement of public services. (LEGDP, 2009)

The LEGDP lays the foundation for provincial strategic planning, which is discussed next.

### 2.3.2 Strategic Planning

Strategic planning processes in provincial departments does not occur in a vacuum, but is informed by various national/provincial policy directives. These policy directives are then cascaded down to departmental strategic and annual performance plans to ensure linkages to national/provincial objectives.

According to The Enterprise Foundation, Inc. (1999:2), strategic planning focuses on establishing your organisational direction, setting priorities and identifying obstacles and opportunities that might limit or enable you to carry out your mission. Strategic planning can be defined as the process of reconciling the organisation’s resources (internal environment) with threats and opportunities caused by changes in the external environment (Smit & Cronje, 2002:110). Strategic planning focuses on setting out the organisation’s goals and objectives and the strategies to achieve these objectives (National Treasury, 2011:7). Nieuwenhuizen (2011:26) indicates
that strategic planning involves the development of a broad, long-term strategy to reflect the mission of the business.

2.3.2.1 *Medium-Term Strategic Framework*

The Limpopo MTSF guides strategic planning in the province. The MTSF is a statement of intent identifying the development challenges facing the province and outlining the medium-term strategy for attaining pre-determined objectives as articulated in the LEGDP. The MTSF is informed first by the electoral mandate. It also takes into account how global and domestic conditions might change over time (South Africa, 2009).

Figure 2.3 provides an illustration of the MTSF strategic planning process flow and links to other plans in the Limpopo provincial government.

![Diagram of Medium Term Strategic Framework](source)

*Figure 2.3: Links to planning frameworks and other plans*

In a particular fiscal year, provincial departments in particular need to develop strategic plans and budget requirements, taking into account the medium-term imperatives. Similarly, informed by the MTSF and their constitutional mandates, district and local municipalities are expected to adapt their planning to provincial medium-term priorities (National Treasury, 2010).

The MTSF is usually reviewed annually in the light of new developments and experience in actual implementation. The yearly reviews inform both the corresponding MTEF and the provincial government’s annual Programme of Action. In Limpopo, the MTEF details three-year rolling expenditure and revenue plans for provincial departments. The MTEF budget process is designed to match the overall resource envelope, estimated through “top-down” macroeconomic and fiscal policy processes, to the bottom-up estimation of the current and medium-term cost of existing departmental plans and expenditure programmes (Limpopo Provincial Treasury, 2013).

According to Figure 2.3, strategic planning has to be aligned with other provincial plans. Thus the process would take into consideration the MTSF, the provincial growth and development strategies, performance agreements between the Premier and provincial ministers (members of the executive council), service delivery agreements entered into in terms of the broad strategic outcomes and any other relevant long-term government plans. The provincial departments’ current resources and capabilities are also considered. The provincial strategic plan lays the foundation for the development of annual performance plans (National Treasury, 2010).

The National Treasury Regulations 5 and 30 (National Treasury, 2010), issued in terms of the Public Finance Management Act, require public institutions to:

- Produce and table a strategic plan with a three-year planning horizon, outlining the planned sequencing of projects and programme implementation and associated resource implications and other prescribed information;
- Produce and table an annual performance plan that includes forward projections for a further two years, consistent with the MTEF period, with annual and quarterly performance targets, where appropriate, for the current financial year and the MTEF;
- Identify a core set of indicators needed to monitor institutional performance;
• Adopt a quarterly reporting system, including submission of agreed information to executive authorities, the Presidency or Premier’s Offices, the relevant treasury and parliamentary portfolio committees; and
• Ensure that there is alignment of reporting between the strategic plans, annual performance plans, budget documents, and annual and quarterly reports.

The above process seeks to ensure alignment between national and provincial plans, budgets and resources. Strategic plans provide the high level goals and objectives of a department, which in turn need to be cascaded into an annual performance plan.

2.3.2.2 **Performance Plans**

A performance plan sets out what the provincial government departments intend to do within a specific period and during government’s MTEF period in order to implement the provincial strategic plan. The document sets out performance indicators and targets for budget programmes, and sub-programmes where relevant, and facilitates the institution’s realisation of its goals and objectives (National Treasury, 2010).

Figure 2.4 provides an illustration of the process flow and structure of performance plans in the Limpopo provincial government.
Similarly to other provincial governments in South Africa, Limpopo’s performance plan is linked to the provincial strategic plan, the budget and the MTEF, and is further informed by the MTSF, the LEGDP, local government integrated development plans and performance agreements between the Premier and provincial ministers, among other plans.

Table 2.1: Limpopo provincial treasury annual performance plan

<table>
<thead>
<tr>
<th>Programme</th>
<th>Strategic Outcome-Oriented Goals</th>
<th>KPI (s)</th>
</tr>
</thead>
</table>
| Programme 1: Administration| To provide strategic internal administrative support to four programmes in line with relevant prescripts, improve financial management in the department from financial | • Number of programmes monitored for compliance with institutional arrangements  
• Number of HR Strategies / Plans implemented in line with the approved |
<table>
<thead>
<tr>
<th>Programme</th>
<th>Strategic Outcome-Oriented Goals</th>
<th>KPI (s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>capability level 3 to level 3+</td>
<td>HR Plan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Number of programmes supported and monitored in the implementation of Enterprise Risk Management plan</td>
</tr>
<tr>
<td><strong>Programme 2: Sustainable Resource Management</strong></td>
<td>To achieve clean audits in 13 Provincial Departments and 30 Municipalities by 2014</td>
<td>• Number of Research documents produced to align the Provincial Fiscal Policy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Number of budget documents compiled, tabled and gazetted in line with the set standards and National Treasury guidelines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Number of departments monitored on infrastructure expenditure to improve infrastructure service delivery</td>
</tr>
<tr>
<td><strong>Programme 3: Assets, Liabilities and Supply Chain Management</strong></td>
<td>To achieve clean audits in 13 Provincial Departments and 30 Municipalities by 2014 To provide transversal financial systems support to 13 provincial departments</td>
<td>• Number of Inventory Management Monitoring and Support Reports to improve the effectiveness, efficiency and economical Inventory Management in 13 Provincial Departments and 5 Public Entities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Number of Asset Management Monitoring and Support Reports to improve the effectiveness, efficiency and economical Asset Management in 13 Provincial Departments and 5 Public Entities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Number of Votes and Public Entities monitored and supported on contract management and SCM processes</td>
</tr>
<tr>
<td><strong>Programme 4: Financial Governance</strong></td>
<td>To achieve clean audits in 13 Provincial departments and 8 Public Entities by 2014</td>
<td>• Number of courses conducted on transversal systems in line with National Treasury standards</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Number of votes monitored in resolving AG audit findings to improve audit outcomes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Number of consolidated Annual financial statements for votes and for public entities prepared and submitted to the Auditor-General</td>
</tr>
</tbody>
</table>

Treasury Regulations 5.3.1 provides that the accounting officer of an institution must establish procedures for quarterly reporting to the executive authority to facilitate effective performance monitoring, evaluation and corrective actions. Each department is therefore required to develop mechanisms for performance reporting.

2.3.2.3 **Performance Reporting**

The monitoring of performance in Limpopo provincial government departments is conducted through quarterly performance reports and year-end reporting is made in the programme performance section of every department’s Annual Report (AR). In this regard, the quarterly performance reports are ultimately consolidated into the performance section of the Annual Report (National Treasury AR Guide, 2013).

The annual report contains information on the performance of the provincial government departments in the preceding financial year for the purposes of oversight. The report looks at various departments’ performances relative to the targets set out in the provincial performance plan and provides audited annual financial statements. It reveals how the budget was implemented and the state of the department’s financial management systems, as well as relevant background statistics and administrative data series (National Treasury AR Guide, 2013).

Table 2.2 outlines the reports and performance information relevant to the three spheres of government.
Table 2.2: Performance reports and information relevant for government spheres

<table>
<thead>
<tr>
<th>Accountability cycle</th>
<th>Accountability documents</th>
<th>Performance information</th>
</tr>
</thead>
<tbody>
<tr>
<td>National and provincial departments and public entities</td>
<td>Policy documents</td>
<td>Identify baseline information informing policy</td>
</tr>
<tr>
<td></td>
<td>Exploratory memoranda accompanying bills</td>
<td>Set out desired effect of policy</td>
</tr>
<tr>
<td></td>
<td>Strategic plans</td>
<td>Indicate outputs to be produced</td>
</tr>
<tr>
<td></td>
<td>Corporate plans</td>
<td>Specify performance indicators</td>
</tr>
<tr>
<td></td>
<td>Operational plans</td>
<td>Set performance targets</td>
</tr>
<tr>
<td></td>
<td>Budgets</td>
<td>Indicate available resources</td>
</tr>
<tr>
<td></td>
<td>Performance agreements</td>
<td>Allocate responsibilities</td>
</tr>
<tr>
<td></td>
<td>Monthly budget reports</td>
<td>Report progress with implementation of plans and budgets</td>
</tr>
<tr>
<td></td>
<td>Quarterly performance reports</td>
<td></td>
</tr>
<tr>
<td>End-year reporting</td>
<td>Annual reports</td>
<td>Report on performance against plans and budgets</td>
</tr>
</tbody>
</table>

| Municipalities and municipal entities | Policy development | Policy documents | Identify baseline information informing policy |
| | Exploratory memoranda accompanying ordinances | Set out desired effects of policy |
| | Integrated development plans | Indicate outputs to be produced |
| | Municipal budgets | Specify performance indicators |
| | Service delivery and budget implementation plan | Set performance targets |
| | Performance agreements | Indicate available resources |
| | Monthly budget statements | Allocate responsibilities |
| | Mid-year budget and performance assessments | Report progress with implementation of plans and budgets |
| End-year reporting | Annual reports | Report on performance against plans and budgets |


At the end of the financial year, the accounting officer compiles annual financial statements reporting on the implementation of the budget, and an annual report on the implementation of the Annual Performance Plan. All the information contained in the annual report and information on the evaluation of managers’ individual performances then feeds into an annual review and oversight process involving the provincial executive authority and the relevant provincial legislature. The report from the accounting officer then contains recommendations about future performance targets, which feed into the planning and budgeting process for the following year (National Treasury, 2010).
2.3.2.4 **Performance Agreements**

A performance agreement, also known as a performance contract, defines expectations – the work to be done, the results to be attained and the attributes (skills, knowledge and expertise) and competences required to achieve these results. It also identifies the measures used to monitor, review and assess performance (Armstrong, 1993:16).

“Performance agreement” can be defined as a process whereby a manager and employee agree on work that will be done in a specific financial year. They agree on Key Performance Areas (KPAs), Key Performance Indicators (KPIs), baselines, targets, weightings, evidence and means of verification. Performance agreements are also known as “contracting” (Jeskewitz et al., 1998:67).

Performance Agreements signed by Senior Management Service (SMS) members in the Limpopo provincial government are linked to the targets as set out in the Annual Performance Plan. The quarterly targets are linked to the performance agreement of an individual senior manager in terms of areas of responsibility. The SMS members then sign the agreements with supervisors, i.e. general managers, who then monitor performance on the targets as set out in the Annual Performance Plan (Public Service Regulations, 2001).

2.3.2.5 **Performance Appraisal**

The performance appraisal framework in the public service, including Limpopo government, is complicated, which makes the costing thereof even more so. Various components of the appraisal framework are determined separately, leading to overall increases in remuneration that are not related to the performance of public servants (DPSA, 1998). Senior Management Service (SMS) and Middle Management Service members receive total-cost-to-employer packages, while the rest of the employees in the public service are remunerated on the basis of basic salary and add-on benefits. Salary increases of SMS members not on Occupation Specific Dispensation (OSD) are determined through ministerial determinations or directives issued by the Department of Public Service and Administration and are likely to be lower than those for non-SMS members (DPSA, 1998). The salary increases of SMS members
on OSD are determined through a process of collective bargaining in the Public Service Coordinating Bargaining Council together with those of non-SMS members (DPSA, 1998).

2.3.2.6 Monitoring, Evaluation and Audit

In 2004, the South African Cabinet initiated plans for a monitoring and evaluation system for government, and the Presidency subsequently developed the Government-wide Monitoring and Evaluation Framework. The Framework is applicable to all entities in the national, provincial and local spheres of government and notes that the government draws information from three data terrains for monitoring and evaluation purposes, namely: programme performance information; social, economic and demographic statistics; and evaluations (The Presidency, 2007). Figure 2.5 illustrates the relationship between these components.

![Figure 2.5: Components of the Government-wide Monitoring and Evaluation System](image)

Programme evaluations are systematic assessments of programmes or policies, their design, implementation and results, with the aim of determining their relevance, efficiency, effectiveness, impact and sustainability with regard to overall government-spending priorities and the use of public resources. The Presidency, through the Monitoring and Evaluation Ministry, plays a leading role in defining the standards, processes and techniques of planning and conducting evaluations, and communicating the results of evaluations of government programmes and policies (National Treasury, 2010:2). Strategic plans and annual performance plans are intended to provide a basis for evaluating the organisational performance of public institutions. Various kinds of social, economic and demographic statistics are collected by Statistics South Africa, as well as by other government institutions, and provide essential contextual and developmental information in support of both programme and service delivery monitoring and programme evaluation (National Treasury, 2010:2). Programme performance information focuses on information that is collected by government institutions in the course of fulfilling their mandates and implementing government policies. This information is vital in enhancing transparency, accountability and oversight (South Africa, 2007).

The Auditor-General of South Africa (AGSA) has a constitutional mandate to perform an audit of reported actual performance against pre-determined objectives, indicators and targets as contained in the annual performance report of the Limpopo provincial government. An integral part of the AGSA’s annual regularity audit process involves confirmation of provincial government’s:

- Compliance with laws and regulations (existence, timeliness);
- Usefulness of performance reporting (presentation, measurability, relevance and consistency); and
- Reliability of performance reporting (validity, accuracy and completeness) (Public Audit Act, 2004).

The Auditor-General’s audit report will then reflect an opinion or provide a conclusion relating to the performance of the provincial government against pre-determined objectives.
In the 2011/12 fiscal year, the AGSA undertook an audit of 38 auditees, 14 departments (including the legislature and the revenue fund) and 24 public entities (including the tribal and trust account) in Limpopo (AGSA, 2012).

The Auditor-General’s audit findings report reflected an overall regression in Limpopo province, which meant that the provincial administration was moving further away from its desired clean audit outcomes. According to the report, of the three drivers of internal control (i.e. leadership, governance, and financial and performance management), only governance improved since the previous financial year.

- Leadership and financial and performance management showed an overall regression.
- Only two departments and four public entities submitted financial statements that required no material adjustments, compared to two departments and nine public entities in the previous year.
- Seven auditees maintained their status of having no pre-determined objectives findings. Eighteen auditees remained unchanged in terms of findings.
- Four auditees improved to “no pre-determined objectives findings”, while three auditees regressed.
- Ten auditees had no findings on supply chain management (SCM) for the year under review, seven of which maintained their “no finding” status, while four had addressed their findings of the previous year.
- Six auditees that had no SCM findings in the previous audit now had such findings.
- Three departments maintained their “no finding status” on HR management.
- Six departments had repeat findings on HR management, while four departments had new findings. Out of 22 public entities, eight had findings on HR management (AGSA, 2013).

Moreover, five departments of the Limpopo provincial government (including the Provincial Treasury) were placed under administration during the 2011/12 financial year (City press, 2011).

Table 2.3 shows a summary of Limpopo province’s audit outcomes for 2011/12.
The above audit outcomes indicate inconsistent progress, with some regressions, across the various audit areas. There is, however, some progress in the area of pre-determined objectives (AGSA, 2013).

2.4 CONCLUSION

It is clear from the literature review that successful management of performance information starts during the planning phase. Planning for M&E is also important and this is done by developing performance reporting, monitoring and evaluation mechanisms. The literature further indicates that although there is positive progress with regard to pre-determined objectives reporting, there is still a need for further improvement. The literature review further highlighted how Limpopo provincial departments account on performance information, so that service delivery can be improved.

In chapter 3 the focus of the study will be on the statutory and regulatory framework governing performance information and reporting in the South African government. This is aimed at providing information about the legal instruments used in order to report timeous and accurate information to the Auditor-General for more effective functioning of provincial governments.
CHAPTER 3
REGULATORY AND LEGISLATIVE FRAMEWORK FOR PERFORMANCE INFORMATION REPORTING

3.1 INTRODUCTION

The previous chapter contained an outline of what performance information reporting entails with a view to making relevant recommendations regarding the effective functioning thereof in Limpopo provincial departments. It also included an overview of all the relevant terms and concepts and an outline of the purpose, characteristics, nature and profile of performance reporting within government structures. Lastly, the necessity for performance reporting for more effective and improved service delivery within the South African government was detailed.

In this chapter the second objective of this study will be dealt with, namely to investigate and outline the regulatory and legislative framework (procedures, policies and systems) in place to manage reporting on pre-determined objectives. The legislative and regulatory frameworks alluded to include, among others, the National Development Plan, Green Paper – National Strategic Planning, White Paper on Local Government Framework for Managing Programme and Performance Information, the Government-wide and Monitoring Framework, the Constitution of the Republic of South Africa, 1996; the Public Finance Management Act 1 of 1999, Treasury Regulations, Municipal Finance Management Act 56 of 2003; Local Government: Municipal Systems Act 32 of 2000; and the Public Audit Act 25 of 2004.

Legislative and regulatory frameworks define the parameters within which performance information is managed and further direct the activities of performance managers in the South African public service (Erasmus et al., 2005:35). The above-mentioned regulatory and legislative framework of performance information and reporting is consequently discussed below.
3.2 REGULATORY FRAMEWORKS GOVERNING PERFORMANCE INFORMATION IN SOUTH AFRICA

This section provides a discussion of all regulatory frameworks governing performance information in South Africa. As explained in chapter 2, public institutions have a responsibility to publish administrative and performance information reporting in order to account to Parliament and provincial legislatures in accordance with sections 92 and 114 of the Constitution. This is to ensure being transparent and accountable to the public in accordance with section 195 of the Constitution, whereby private individuals and the private sector must have access to information held by government to be utilised in decision-making and related government research (The Presidency, 2007:15).

3.2.1 National Development Plan

The government’s broad developmental strategy, under the auspices of the National Development Plan (NDP), aims to restructure the South African economy in order to accelerate and sustain its performance. The strategy aims to create opportunities for decent and sustainable jobs in order to reduce poverty and the extreme inequalities that characterise the South African society and economy (The Presidency, 2011). The NDP views the creation of an open, responsive and accountable public service as essential. The plan then proposes, among others, significant consequences for not reaching targeted social and economic goals, and measuring performance in economic services departments on the basis of success (The Presidency, 2011:410).

The NDP also places emphasis on performance reporting, monitoring and evaluation. In this regard, the Department of Performance Monitoring and Evaluation (DPME) has the primary responsibility for the first form of accountability, whereby each minister is held accountable by the President’s Office through a performance agreement, the implementation of which is monitored by the DPME (The Presidency, 2011:427).
The NDP further requires provincial legislatures to be particularly robust in their accountability function to ensure that provinces perform their core function in the delivery of basic services equitably, effectively and honestly (The Presidency, 2011: 428).

In Germany the process of forming a Sustainable Development Strategy began in the mid-1990s. The strategy is similar to the South Africa’s National Development Plan. In April 2002, the cabinet approved a Strategy titled “Prospects for Germany. Our Strategy for Sustainable Development”. The German strategy is a multi-dimensional national sustainable development strategy. It declares sustainable development to be a key principle of policy action and a roof for government action. It is structured around long-term objectives, a set of key indicators and priority areas, the areas for action (Bosselman, 2004).

Furthermore, the NDP serves as an overarching plan for other policy frameworks such as the Green Paper on National Strategic Planning, which is discussed next.

3.2.2 Green Paper: National Strategic Planning

The Enterprise Foundation, Inc (1999:1) posits that strategic planning is “an essential process when preparing to carry out your organisational mission. An effective strategic planning process provides a framework in which to make decisions on how to allocate organisational resources, address challenges and take advantage of opportunities that arise along the way”.

According to Graham (2005:245), a strategic plan is a plan that achieves a competitive advantage for an organisation or business unit, while the Green Paper: National Strategic Planning (2009:5) states that national strategic planning is about clearly defining the objectives a country sets itself. It assesses at a macro-level where a country is in relation to those objectives and describes the policies, programmes, options and trade-offs required to achieve those objectives. The outputs of the national planning process are high level in nature but somewhat detailed in describing the desired outcomes.
Strategic planning also means strengthening the relationship between the state and society. This relationship extends beyond the imperatives of electoral cycles and mandates of governments of the day. The state needs to foster an environment of mutual trust with the public. It needs to ensure, through an active citizenry, a culture in which the public enriches both policy development and implementation by the State. Achieving this requires the creation of sustainable institutions (Green Paper National Strategic Planning, 2009:10).

The Green Paper further stipulates that plans must be adaptable and should change from time to time in response to a changing environment. Thus, frequent assessments of capacity and resources are required in order to inform and adapt plans to changing dynamics. Equally, Limpopo provincial departments have to foster a relationship with its citizens by providing better services which are informed by proper planning and resources to implement the plan. The strategic planning process includes the preparation of an annual performance plan (APP) and performance reporting is monitored through the APP.

### 3.2.3 White Paper on Local Government, 1998

The White Paper on Local Government (1998) proposed the introduction of performance management systems into local government as a tool to ensure developmental local government. It concludes that:

> Integrated development planning, budgeting and performance management are powerful tools which can assist municipalities to develop an integrated perspective on development in their area. It will enable municipalities to focus on priorities within an increasingly complex and diverse set of demands. Furthermore, it will enable municipalities to direct resource allocations and institutional systems to a new set of development objectives.

The White Paper adds:

> Involving communities in developing some municipal key performance indicators increases the accountability of the municipality. Some communities
may prioritise the amount of time it takes for a municipality to answer a query; others will prioritise the cleanliness of an area or the provision of water to a certain number of households. Whatever the priorities, by involving communities in setting key performance indicators and reporting back to communities on performance, accountability is increased, and public trust in the local government system is enhanced.

Equally, Limpopo provincial departments, executive authorities and accounting officers should engage communities during the planning process through *imbizos* so that they can understand the expectations of communities. These expectations will form part of the planning process to ensure proper accountability by government.

### 3.2.4 Policy Framework for Government-wide Monitoring and Evaluation System

The Government-wide Monitoring and Evaluation System (GWM&E) describes the Presidency’s approach to performance management, monitoring and evaluation. The document stipulates that this approach should include agreeing on outcomes based on the Medium Term Strategic Framework (MTSF), (discussed in chapter 2 of this study) relating to five priority areas of education, health, jobs, rural development and safety. As mentioned earlier, the MTSF is a statement of intent identifying the development challenges facing South Africa and outlining the medium-term strategy for improvements in the conditions of life of South Africans and for our enhanced contribution to the cause of building a better world (The Presidency, 2009:1). Delivery requirements must be set out in a performance letter from the President to a minister, group of ministers or sector, including the member of the executive committee. Report-back meetings with the President must be held every six months to evaluate progress and give guidance. The delivery requirements must be included in a delivery agreement that should describe the roles and responsibilities of stakeholders in achieving pre-determined objectives (The Presidency, 2009:3).

This framework has three components, namely: programme performance information; social, economic and demographic statistics; and evaluations. The framework includes a set of agreed terms for performance information to be used in
the public sector (The Presidency, 2007). Monitoring involves collecting, analysing, and reporting data on inputs, activities, outputs, outcomes and impacts, as well as external factors, in a way that supports effective management (The Presidency, 2007:1). Monitoring is aimed at providing managers, decision makers and other stakeholders with regular feedback on progress regarding implementation, results and early indicators of problems that need to be corrected. It usually reports on actual performance against what was planned or expected (The Presidency, 2007:1).

According to Lahey (2005), the successful development, implementation and sustainability of a monitoring and evaluation (M&E) system in the public sector require four essential building blocks:

- **Vision**: an understanding of how M&E information can assist public sector managers and decision makers. This, of course, requires strategic leadership, as well as a clear understanding of the basic concepts and potential uses of M&E.

- **Enabling Environment**: a fundamental requirement for ensuring a commitment to not only launch an M&E exercise but also to sustain it over the long term. This translates into a commitment to resource such an exercise, as well as providing an enabling environment to allow it to develop and mature. Given that the introduction of an M&E system might challenge the current culture and the way of doing things within government organisations, political will and leadership are essential to support the values and ethics that underlie a successful M&E system; that is, transparency, objectivity, accountability and a commitment to a results orientation and good governance.

- **Technical Capacity and Infrastructure to Supply M&E Information**: technical capacity includes both the existence of credible and relevant data-gathering systems, as well as the skilled personnel to gather, analyse and report on the performance of government policies and programmes. Additionally, infrastructure is needed to help ensure a systematic, comprehensive and credible approach to M&E. This would include policies and standards that would clarify roles, responsibilities and accountabilities for performance
monitoring and evaluation; establish expectations across the system regarding timing and the level of reporting; and set out quality standards for M&E conduct. The infrastructure would also include the organisational units that would serve to conduct or manage M&E exercises; as well as the policy centre that provides the policy direction, oversight and assistance needed, particularly for new emerging M&E systems.

- Infrastructure to Demand and Use M&E Information: The capacity to “use” M&E information requires both a clarity of expectations, where and how M&E information is intended to be used within government organisations (e.g. planning, policy or programme development; decision-making; budgeting), as well as the capacity within government institutions to actually incorporate and use the M&E information as part of the normal process of business. The latter is based on the assumptions that non-technical personnel (e.g. programme managers) have a suitable appreciation of M&E concepts and that there are adequate “incentives” within the organisation to ensure that managers will actually use M&E information, reporting credible and unbiased results information in a timely fashion. Further, this reinforces the need within organisations for formal or informal vehicles and forums for reporting and sharing M&E information.

In general terms, the discussion of these four “building blocks” really points to two primary foundation pieces for the launching of an M&E system: political will for change and development of M&E infrastructure. The successful implementation of monitoring and evaluation systems in Limpopo also requires political will and the necessary infrastructure.

Limpopo provincial departments must monitor performance by collecting, analysing and reporting data, and provide feedback so that corrective action can be taken. Evaluation is a time-bound and periodic exercise that seeks to provide credible and useful information to answer specific questions to guide decision making by staff, managers and policy makers. Evaluations might assess relevance, efficiency, effectiveness, impact and sustainability. Impact evaluations examine whether underlying theories and assumptions were valid, what worked, what did not and why. Evaluation can also be used to extract crosscutting lessons from operating unit
experiences and determine the need for modifications to strategic results frameworks (The Presidency, 2007:1). Limpopo provincial departments need to determine the impact of their programmes on the livelihoods of the citizen as this will be a determining factor regarding whether service delivery is indeed taking place. Figure 3.1. below provides an overview of how the GWM&E’s intended outcomes are to be achieved.
Figure 3.1 above shows how the GWM&E’s intended outcomes can be achieved.


The flow diagram above indicates how the GWM&E system can contribute to achieving its intended outcomes. It illustrates the relationship between various governance processes and the relevant data terrains. It also facilitate a clear sequence of events based on critical reflection and managerial action in response to analysis of the relationships between the deployment of inputs, the generation of service delivery outputs, and their associated outcomes and impacts (The Presidency, 2007).

The GWM&E system sketches the policy context for supporting frameworks such as National Treasury’s Framework for Managing Programme Performance information. The latter is discussed next.

3.2.5 Policy Framework for Managing Programme Performance Information

The Framework for Managing Programme Performance Information (FMPPI) was issued by National Treasury in terms of the mandates set out in section 215 and 216 of the Constitution. The objectives of this framework are to enable government departments to understand:

- The importance of performance information as a management tool;
- The link between the framework and the Government-wide Monitoring and Evaluation System;
- The role of performance information in planning, budgeting and reporting;
- Key concepts, including the criteria for good performance indicators;
- An approach to developing performance indicators;
- The capacity required to manage and use performance information;
- The roles of key government institutions in performance information management; and
- The publication of performance information (National Treasury, 2007).
According to the FMPPI, ministers, members of the executive committee (MECs) and mayors within municipalities are accountable to Parliament, to the provincial legislatures and to municipal councils respectively. To answer to this accountability they need to provide regular reports on performance-related matters under their control and therefore need to ensure that appropriate systems and procedures are implemented by the institutions under their control to enable them to fulfil their accountability responsibilities (National Treasury, 2007:13).

According to the Framework, National Treasury’s role in relation to performance information and management include developing standards, formats or templates, core sets of performance information and guidelines related to performance information management. Other roles and responsibilities prescribed for the National Treasury and Provincial Treasuries include monitoring, providing training, providing input into the processes to select and define performance indicators and using the information to monitor, evaluate and report on effectiveness, efficiency and economy in the use of resources to deliver services (National Treasury, 2007:18).

The FMPPI addresses only a part of the overall performance management framework. Similarly, in the United States of America the framework used for performance information is the Federal Enterprise Architecture Framework (FEAF) and it is demonstrated by Figure 3.2. below.
Figure 3.2. above shows the structure of the U.S. Federal Enterprise Architecture Framework (FEAF)

Source: Chief Information Officer Council 2001: A Practical Guide to Federal Enterprise Architecture

The flow diagram shows the Federal Enterprise Architecture (FEA) Framework that is implemented in the U.S. The FEA is the enterprise architecture of a federal government. It provides a common approach for the integration of strategic, business and technology management as part of organisation design and performance improvement (FEA Consolidated Reference Model Document, 2005). Enterprise architecture (EA) is a management best practice for aligning business and technology resources to achieve strategic outcomes, improve organisational performance and guide federal agencies to better execute their core missions. An Enterprise Architecture (EA) describes the current and future state of the agency and lays out a plan for transitioning from the current state to the desired future state. FEA is work in progress to achieve these goals (FEA Practice Guidance, 2007). Within SA, the Framework for Strategic Plans and Annual Performance complements the FMPPI and is discussed next.
3.2.6 Framework for Strategic Plans and Annual Performance

Similar to the FMPPI, the Framework for Strategic Plans and Annual Performance (FSPAP) was issued by National Treasury in terms of the mandates set out in section 215 and 216 of the Constitution of 1996. The FSPAP sets out a framework to align strategic and annual performance planning with an emphasis on the outcomes-oriented monitoring and evaluation approach as articulated by the GWM&E. The Framework demonstrates that medium-term strategic plans and annual performance plans can play a constructive role in clarifying the relationship between broader policies and programmes, and departmental or institutional budgets (National Treasury, 2010).

The Framework further provides timeframes for submission, tabling and reporting on these documents; clarifies the relationship between institutions’ plans, policy developments and budgets; and provides details and definitions of key concepts and information to be reported on in specific sections of the strategic plans and annual performance plans. The emphasis is on performance information, and templates that should be used and customised in drafting the strategic plans and annual performance plans (National Treasury, 2010).

The National Treasury has since revised Treasury Regulations 5 and 30, issued in terms of the Public Finance Management Act (PFMA) to provide the necessary legal basis for the implementation of this Framework and to support the implementation of the FMPPI. Over and above the FMPPI, there are legislative requirements for performance information reporting and these are discussed next.

3.3 LEGISLATIVE FRAMEWORK GOVERNING PERFORMANCE INFORMATION

A summary of the important legislative requirements pertaining to performance information is provided in this section. Laws governing financial management in government departments and municipalities were enacted in 1999 and 2003. These include the Public Finance Management Act 1 of 1999 and the Municipal Finance Management Act 56 of 2003.
3.3.1 Constitution of the Republic of South Africa, 1996

The Constitution of the Republic of South Africa, 1996, constitutes the immediate source of ethical directions to public officials in general and public human resources in particular. The Constitution is the supreme law of the Republic. Any law or conduct that does not abide with the Constitution is invalid. To fulfil its primary ethical functions effectively, the Constitution must be accepted by all the people of South Africa (Erasmus et al., 2005:35).

Section 195 (1)(b), chapter 10 of the Constitution states that public administration must be governed by the democratic values and principles enshrined in the Constitution, including the following principles:

- A high standard of professional ethics must be promoted and maintained;
- Efficient, effective and economical use of resources must be promoted;
- Public administration must be development oriented;
- Service must be promoted impartially, fairly, equitable and without bias;
- People’s need must be responded to and the public must be encouraged to participate in policy making;
- Public administration must be accountable;
- Transparency must be fostered by providing the public timely, accessible and accurate information;
- Good human resource management and career development practices to maximise human potential must be cultivated;
- Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectively, fairness and the need to redress the imbalances of the past to achieve broad representation (Constitution of the Republic of South Africa, 1996).

Section 217(1) of the Constitution stipulates that when an organ of state in the national, provincial or local sphere of government, or any other institution identified in
national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective. The constitutional requirements in this regard should be seen as an imperative, not a prerogative for public institutions, and have to be adhered to diligently.

Section 92 of the Constitution states that “members of the Cabinet are accountable collectively and individually to Parliament for the exercise of their powers and the performance of their functions”, and they must “provide Parliament with full and regular reports concerning matters under their control”. Section 133 provides for the accountability of members of the executive council of a province to the provincial legislature.

Similar arrangements are specified for municipalities in the Municipal Structures Act 117 of 1998. Limpopo provincial department MECs and municipal mayors must account to the provincial legislature and to the municipal council in respect of matters under their control. This will ensure accountability arrangements as enshrined in the constitution.

The Public Finance Management Act (PFMA) gives effect to various sections of the Constitution and is therefore discussed next.

3.3.2 Public Finance Management Act 1 of 1999 (PFMA)

The Public Finance Management Act 1 of 1999 (PFMA) is a key legislative instrument for facilitating the reform of financial management in the public sector in South Africa. The Act adopts an approach to financial management that focuses on outputs and responsibilities rather than the input approach previously employed (PFMA 1999:50). Previously, financial management was limited to controlling and regulating financial resources. The change in focus resulted in financial management now also focusing on achievement of objectives within a clear accountability framework. The PFMA is positioned very high up in the statutory order, as is clearly reflected in section 3(3), which states that “in the event of any inconsistency between this Act and any other legislation, this Act prevails” (PFMA, 1999).
The key objectives of the PFMA are summarised in the foreword as being to:

- modernise the system of financial management;
- enable public sector managers to manage, but at the same time be more accountable;
- ensure the timely provision of quality information; and
- eliminate waste and corruption in the use of public assets (PFMA 1999: Foreword).

Both the Constitution and the PFMA promote the effective and efficient management of state resources. Shall (2000:13) observes that the PFMA emphasises the need for accountability for performance results by focusing on outputs and responsibilities, rather than just on procedural accountability, which ensures that rules have been adhered to. In other words, in terms of budgeting and financial management, the focus is not only compliance with the relevant Appropriation Act, but also on obtaining value for money from each government department for every rand spent.

The PFMA also introduced performance management into the public sector. In terms of the Act, the accounting officer must submit an annual report and audited financial statements that fairly present the state of affairs of the department, trading entity or constitutional institution, its business, its financial results, its performance against pre-determined objectives and its financial position as at the end of the financial year concerned (PFMA, 2000:50). Limpopo Provincial departments are required in terms of Section 40(3)(a) of the Act to report on pre-determined objectives at the end of the financial year. By doing so, those who are managing programmes are held accountable.

The importance of performance management and its appropriate application are further highlighted in that accountability for the effective, efficient and economical use of resources is not limited to the Treasury Department or accounting officers (the head of a department or the chief executive officer) but is also devolved to line managers who are accountable for their particular areas of responsibility. The aforementioned is detailed in section 45 of the PFMA, which states that: “An official in a department – (b) is responsible for the effective, efficient, economical and
transparent use of financial resources within that official’s area of responsibility” (PFMA, 1999). This implies that each line manager is responsible for the resources deployed in a particular programme and it is a requirement of Section 27(4) of the PFMA that measurable objectives must be submitted for each programme. Furthermore, line managers could also be held accountable for the outputs generated by that programme. The Public Finance Management Act gave rise to the Treasury Regulations, which are discussed next.

3.3.3 Treasury Regulations 5 and 30

The Treasury Regulations 5 and 30 issued in terms of the PFMA serve as a legal basis to support the implementation of the FMPPI and the FSPAP. The regulations require institutions to:

- Produce and table a strategic plan with a five-year planning horizon, outlining the planned sequencing of projects and programme implementation and associated resource implications and other prescribed information;
- Produce and table an annual performance plan that includes forward projections for a further two years, consistent with the medium-term expenditure framework (MTEF) period, with annual and quarterly performance targets, where appropriate, for the current financial year and the MTEF;
- Identify a core set of indicators needed to monitor institutional performance;
- Adopt a quarterly reporting system that includes the submission of agreed information to executive authorities, the Presidency or Premier’s Offices, and the relevant treasury and Parliamentary portfolio committees. Public entities are encouraged to submit the reports to their executive authorities and responsible departments;
- Ensure that there is alignment of reporting between the strategic plans, annual performance plans, budget documents and annual and quarterly reports;
• Ensure that there is alignment of reporting with specific Constitutional and other legislative, functional and policy mandates (National Treasury, 2005).

The Regulations also mandate the accounting officer of an institution to establish procedures for quarterly reporting to the executive authority to facilitate effective performance monitoring, evaluation and corrective action. Reporting of quarterly performance will enable Limpopo departments to assess performance, i.e. whether pre-determined objectives have been met.

3.3.4 Local Government: Municipal Systems Act 32 of 2000

The Local Government: Municipal Systems Act (MSA) 32 of 2000 establishes a framework for planning, performance-management systems, effective use of resources and organisational change in a business context in the local government sphere. The Act also establishes a system for municipalities to report on their performance, and to provide residents with an opportunity to rate and contribute to the performance of municipalities.

The MSA further identifies the core components of a performance management framework to include:

• The development of a performance management system that includes a determination of appropriate performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality’s development priorities and objectives set out in its integrated development plan (IDP);
• Setting of measurable targets and involving the community in doing so;
• Monitoring and review of performance on the basis of indicators linked to the municipality’s integrated development plan;
• Internal and external auditing of performance;
• Reporting and publication of an annual report on performance; and
• Establishing a process of regular reporting. (MSA, 2000)
The Municipal Finance Management Act (MFMA) 56 of 2003 complements the MSA. For example, chapter 5 of the MSA deals with IDPs and the preparatory process, while chapter 4 of the MFMA deals with budgets and their preparatory process. These two processes are, however, one process and not two separate processes, as the IDP and budget must be fully aligned and consistent with each other. In order to illustrate this, the MFMA is discussed next.

3.3.5 Municipal Finance Management Act 56 of 2003 (MFMA)

Both the Municipal Systems Act and the MFMA deal with internal processes, consultative processes, performance systems and reporting, and accountability mechanisms (MFMA 2003:64). The two Acts are built on the adoption by the municipality of a performance system. The budget of the municipality must contain performance targets and measurable objectives, which are set out at the beginning of the financial year according to section 17 of the MFMA. Linked to these performance targets are the adoption of the annual service delivery and budget implementation plan (SDBIP) and annual performance agreement between the mayor (or executive committee) and municipal manager (contained in section 57 of the MSA as amended, and sections 53 & 69 of the MFMA).

At the end of the financial year, the municipality must publish an annual report that details both its financial and non-financial performance. While the MFMA focuses on financial performance (chapter 12), the MSA focuses on non-financial performance (section 46 of MSA as amended). An annual report will be presented and considered by the municipal council using the process outlined in chapter 12 of the MFMA.

The MFMA further reflects the requirements for managing performance in sections 62, 121(c) and 165. Section 62 requires the accounting officer to ensure that the resources of the municipalities are used effectively, efficiently and economically. This requirement is met by conducting performance audits. Section 121(c) requires that the annual report includes the annual performance report and section 165 requires the internal audit unit to advise the accounting officer and report to the audit committee on performance management (MFMA, 2003).
Apart from the MSA, another piece of legislation that impacts on the MFMA is the Public Audit Act discussed in the next section.

3.2.6 **Public Audit Act 25 of 2004**

The development of performance reporting is further enhanced by stipulations in the Public Audit Act 25 of 2004 that requires performance information to be subjected to auditing by the Auditor-General (AG) SA. Section 4(1) (a) of the Act provides that the Auditor General must audit and report on the accounts, financial statements and financial management of all national and provincial state departments and administrations. The auditing of performance information provides assurance as to whether the reported performance against pre-determined objectives produced by government institutions is useful and reliable (Auditor-General Pocket Guide, 2011:4).

Section 20(3) of the Act provides the Auditor-General with the discretion to report on whether the auditee’s resources were procured economically and utilised effectively and efficiently. The Act also makes provision in section 12(1) for the Auditor-General to authorise one or more persons to perform or to assist in the performance of an audit. The Auditor-General can therefore also authorise or do performance audits.

Section 20 (1) & (2) of the Act further requires the Auditor-General SA to provide an opinion or conclusion on the performance information reported against pre-determined objectives. The Auditor General stated that four departments had findings on the usefulness of information compared to two in the previous year and six departments had findings relating to reliability compared to four in the previous year. Eleven (58%) of the entities had findings on usefulness as against 12 in the previous year and 10 (53%) of the entities had findings on reliability compared to nine in the previous year. Overall, in the province we have not seen adequate attention being given to the reporting on performance information and, consequently, there has not been noticeable progress in enhancing the transparency of reporting against service delivery objectives (AG, General report on Limpopo, 2012-13).
The AG further commended that all auditees submitted their annual performance reports for auditing on time. However, auditees that submitted annual performance reports that did not contain material misstatements regressed from eight (35%) in 2012-13 to three (13%) in 2013-14 (AG, General report on Limpopo, 2013-14). Because of this the AG in Limpopo has placed more emphasis on the usefulness, accuracy, validity and reliability of the pre-determined objectives in the annual report (Public Audit Act, 2004) The Public Service Regulations Act is another piece of legislation that highlights the importance of performance monitoring and reporting and is therefore discussed next.

3.2.7 Public Service Regulations Act of 2001

The Public Service Regulations Act of 2001 provides a framework for strategic planning, performance management and monitoring. Part III B states that an executing authority shall prepare a strategic plan for the department. The plan should contain the department’s core objectives, programme for achieving the objectives and how they will be monitored and measured. In addition the plan should be linked with other government policies and regulatory mandates (Public Service Regulations, 2001).

In terms of performance management and monitoring, Part VIII, A, B, and C stipulate that departments shall manage performance in a consultative, supportive and non-discriminatory manner in order to enhance organisational effectiveness, efficiency and accountability for the use of resources in the achievement of results. The regulations further mandate departmental executive authorities to determine a system for performance management, development and monitoring of employees in a specific department (Public Service Regulations, 2001).

The King report on corporate governance illustrates the importance of reporting non-financial information and is therefore also noted as important legislation for the purposes of this study.
3.2.8 King Code of Governance for South Africa

The importance of integrated reporting, including financial and non-financial information, receives prominent attention in the King Code of Governance for South Africa, 2009 (King III). The King III report highlights the necessity of integrated reports to increase trust and confidence among stakeholders and provides legitimacy to the operations of an entity. The King Committee recommended integrated sustainability performance and reporting as a norm for business practices. “Integrated reporting” refers to a holistic and integrated representation of the company’s performance, in terms of both its finances and its sustainability. King III also applies to the public sector and recommends that entities should, by way of explanation, indicate whether the principles of the code have been applied or not (Institute of Directors Southern Africa 2009:16). The King III report further states that the province should appreciate that strategy, risk, performance and sustainability are inseparable (Institute of Directors Southern Africa, 2009:16).

Similarly, in Hong Kong, the framework for corporate governance for public bodies also aims to assist governing boards, councils and management of public sector bodies to establish and maintain a clear focus on performance, transparency and accountability. The framework identifies certain fundamental principles expected of an organisation, namely openness, integrity and accountability, and key personal qualities required of governing board members. The qualities required for governing board members is selflessness, integrity, objectivity, accountability, openness, honesty and leadership. These principles and qualities should be applied to four dimensions of the governance of public sector organisations, namely standards of behaviour, organisational structures and processes, risk management and control, and accountability, reporting and disclosure (Corporate Governance for Public Bodies-Basic Framework, 2004).

Both the corporate governance codes alluded to above emphasise the need to build the confidence of stakeholders through accountability practices.
3.4 CONCLUSION

In this chapter, a concerted effort was made to elaborate on the statutory and regulatory framework regarding performance reporting. The legislative frameworks described above place emphasis on reporting to enforce the accountability of Limpopo departments to various stakeholders. The legislative and regulatory framework furthermore emphasises the issue of monitoring and evaluation, which is needed to ensure that Limpopo provincial departments engage in self-introspection about the impact of the services they are delivering to citizens. Compliance and implementation of the above-mentioned legislative and regulatory frameworks are monitored by the Auditor-General (AG).

In chapter four, the focus of the study will be the explanation of the research design and methods, population and sample, data collection procedures and problems, research techniques, and the instruments used to explore effective performance reporting by Limpopo Provincial Departments. The chapter will also outline the empirical findings of the study.
CHAPTER 4
CHALLENGES WITH REGARD TO PRE-DETERMINED OBJECTIVES: EMPIRICAL FINDINGS

4.1 INTRODUCTION

In the previous chapter the regulatory and legislative framework for reporting on pre-determined objectives and performance monitoring was dealt with in order to reflect on the regulations and legislations that govern the management of performance information in the public sector.

The aim of this chapter is to address research objective 3 of this study, namely to investigate the nature, extent and challenges of reporting on pre-determined objectives in Limpopo provincial departments. The aforementioned objective will be addressed by, firstly, outlining the research methodology utilised in this study and, secondly, by elucidation of the empirical findings.

4.2 RESEARCH METHODOLOGY

Brynard and Hanekom, (1995:28-29) define research methodology as the methods of collecting data, which necessitates reflection on the planning, structuring and execution of the research in order to comply with the demands of truth, objectivity and validity. Hence, research methodology focuses on the processes of research and the decisions the researcher has to take to execute the research project. According to De Vos et al., (2002:19) research methodology deals with “what scientific knowledge is” and also “which methods to apply or to follow” to obtain scientific knowledge. In short, the word “methodology” refers to how to get from the starting point to the point where scientific knowledge is achieved.

4.2.1. A description of a qualitative research approach

A qualitative approach was used for this study because the data collected needed to provide insights and generalisations about Limpopo provincial departments. The fact that this study was contextual in nature and that it was aimed at arriving at an in-
depth description and understanding of the challenges in reporting pre-determined objectives to the AG, meant a qualitative research approach was appropriate.

Qualitative research methodology is concerned with understanding the processes and social and cultural contexts that underlie various behavioural patterns and is mostly concerned with exploring the “why” questions of the research. Qualitative research typically studies people or systems by interacting with and observing the participants in their natural environment (in situ), and focusing on their meanings and interpretations (Holloway & Wheeler, 1996).

According to Struwig and Stead (2001:11), the term “qualitative approach” does not only describe a single research method. There are many research methods associated with qualitative research. Mouton (2002:81) explains that qualitative research focuses on the quality of the study and not on statistical processes to solve problems. The validation of findings is essential to secure the credibility of the research. May (2002:1999) explains that qualitative research always involves some kind of direct encounter with the “world”, whether it takes the form of ongoing daily life or interactions with a select group. Denzin & Lincoln (2003:13) indicate that qualitative researchers stress the socially constructed nature of reality, the intimate relationship between the researcher and what is studied, and the situational constraints that shape that enquiry. They seek answers to questions that stress how social experience is created and given meaning. In contrast, quantitative studies emphasise the measurement and analysis of casual relationships between variables, not processes (Denzin & Lincoln, 2003:13).

Adams, Khan, Reaside and White (2007:26) contend that qualitative research is based on the methodological principles of positivism and neo-positivism, and adheres to the standards of a strict research design developed prior to the actual research. It is applied to qualitative measurement and statistical analysis can also be used. Qualitative research embraces a number of methodological approaches based on diverse theoretical principles. It employs methods of data collection and analysis that are non-quantitative, aims towards the exploration of social relations and describes reality as experienced by the respondents. For Padgett (2012:2), qualitative methods emphasise being inductive over being deductive. They favour naturalistic observation and interviewing over the decontextualising approaches of
quantitative research. As such, they imply a degree of closeness and an absence of controlled conditions, in contrast to the distance and control of traditional scientific studies. Qualitative research is predicated on “open systems” assumptions, in which the observational context (and the observer) is part of the study itself (Manicas & Secord, 1982).

Creswell (2014:37) identifies the following characteristics of qualitative research:

- Qualitative researchers tend to collect data in the field at the site where participants experience the issue or problem under study;
- Qualitative researchers collect data themselves through examining documents, observing behaviour and by interviewing participants;
- Qualitative researchers gather multiple forms of data rather than relying on single data sources;
- In the entire qualitative research process, the researcher keeps a focus on learning the meaning that the participants hold about the problem or issue, not the meaning that researchers or writers from the literature bring to the research;
- Qualitative research is a form of inquiry in which researchers interpret what they see, hear and understand. The researcher’s interpretation cannot be separated from their own background, history, context or prior understanding; and
- Qualitative researchers try to develop a complex and holistic view of social phenomena.

Creswell (2014:4) furthermore states that qualitative research is an approach designed for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. The process of research involves formulating questions and procedures, data typically collected in the participants’ setting, data analysis inductively building from participants to general themes, and the researcher interpreting the meaning of the data. The final written report has a flexible structure. Those who engage in this form of inquiry support a way of looking at research that honours an inductive style, a focus on individual meaning and the importance of rendering the complexity of a situation accessible. Creswell (2014:19) further posits
that the qualitative approach is premised on a constructivist worldview, ethnographic design and observation of behaviour. The researcher seeks to establish the meaning of a phenomenon from the views of participants. This means identifying a culture-sharing group and studying how it develops shared patterns of behaviour over time (i.e. ethnography). One of the key elements of collecting data in this way is to observe participants’ behaviour during their engagement in activities. A qualitative research approach could be further defined as a transformative worldview, narrative design and open-ended interviewing (Creswell, 2014:4).

4.3 RESEARCH DESIGN

The research design for this study, *inter alia*, included a study of the relevant literature and data collected through questionnaires and scientific analysis of the responses and interviews. The researcher adopted an interpretive social sciences approach by using a qualitative research design that is descriptive in nature. Singleton & Strait (2004), as cited by Webb & Auriacombe (2006:589), state that a research design comprises a clear statement of the research problem, as well as plans for collecting, processing and interpreting the data that will provide answers to the research questions.

With qualitative research it is important to also ensure triangulation. In this regard, Denzin (1978) describes four different types of triangulation methods, including data triangulation, investigator triangulation, theory triangulation, and methodological triangulation. Data triangulation was ensured in this study by using multiple data collection methods such as a study of the relevant literature (see chapters 2 & 3 of this study), analysis of existing legislation, guidelines and protocols pertaining to performance information reporting, reviewing of Limpopo provincial departments official documents and obtaining data from interviews.
4.4 RESEARCH INSTRUMENTS

The primary research instrument used in this study is a questionnaire comprising both closed-ended and open-ended questions. The questionnaire provided the background to the study (Over and above the questionnaire, interviews were conducted with respondents). The closed-ended questions were categorised in a Likert scale formula, with scores ranging from one (1) to five (5); with one (1) being “totally disagree” and five (5) being “totally agree”.

Johnson (2014:117) indicates that face-to-face semi-structured interviews require clarity, good communication skills and the ability to establish rapport. In some cases, it helps to send the interview guide (the exact open-ended questions that will be asked) in advance.

4.4.1 The use of interviews

According to Cohen and Manion (1980:243), an interview has the following purpose:

- To test hypotheses or to support new ones, that is to help identify variables and their relationship;
- The means of gathering information have a direct bearing in achieving the research objectives; and
- To follow up unexpected results, to validate other methods and to go deeper into the respondents’ reasons for responding as they do.

Burgess (1984), as cited by May (2002:225) indicates that in qualitative research, interviews are usually taken to involve some form of “conversation with purpose”. The style is conversational, flexible and fluid, and the purpose is achieved through active engagement by the interviewer and interviewee in relevant issues, topics and experiences during the interview itself. The term “qualitative interviewing” is usually intended to refer to in-depth, semi-structured or loosely structured forms of interviewing (Mason, 2002:64).
The use of interviews in this study enabled the researcher to gather a great deal of information relevant to address the research objectives; and where responses required further clarity a follow-up interview was conducted.

4.4.1.1 Advantages in the use of the interviews

Interviews have the following advantages over the use of a questionnaire (Vermeulen, 1998:63):

- It allows flexibility of approach;
- It permits the interviewer to observe the respondent for signs of evasiveness, and non-cooperation; and
- It provides the interviewer with the opportunity to clarify misunderstandings.

The above-mentioned advantages of interviews were also relevant and applicable to this study, in which a flexible approach to the interview was adopted and questions were posed in such a way as to be best understood by respondents. The interview gave the researcher an opportunity to observe any signs of evasiveness regarding the questions raised.

4.4.1.2 Common pitfalls in interviewing

While there are advantages to conducting interviews, as noted in the previous section, Field and Morse (1994:67-73) alert their readers to several pitfalls to interviewing, such as:

- **Interruptions**: This distracts participants, so that thoughts are lost and time must be spent regaining the level of intimacy established prior to the interruption. Telephone calls branded the most significant intrusion during an interview;
- **Competing distractions**: A high-quality interview will require concentrated energy on the part of both the researcher and participant;
- **Stage fright**: The use of the tape recorder as well as the use of an open-ended question can make the participant feel vulnerable;
- **Awkward questions**: In the course of an interview many questions are likely to be asked that are not normally part of polite conversation;
• **Jumping**: Asking questions in an apparently illogical order;

• **Teaching and preaching**: The researcher might become trapped in a teaching mode by a question asked by the participant – on health information, for example – or the participant being misinformed, which might trap lure the interviewer inadvertently into a preacher role;

• **Counselling**: The premature use of reflecting and summarising can inhibit the interview. It is easier for the participant to agree with the researcher than to explain how it really is;

• **Revealing one’s own response**: The participant could test the researcher by giving information in the third person and observing the researcher’s response;

• **Superficial interviews**: Frequently, interviews are too shallow because the researcher moves the participants along too quickly;

• **Confidential information**: A level of trust might develop between the researcher and the participant to the extent that the participant passes on information labelled as confidential; and

• **The use of translators**: This could slow down the process, as the translator first has to translate, or the translator might not accurately translate the effective meaning and expression of the participant.

The abovementioned pitfalls were, however, minimised during the interviews. The researcher made appointments with the interviewees and requested them to switch off their phones to avoid interruptions during the session. The researcher further highlighted to the participant the confidentiality of the responses provided and used a language understood by the participants.

### 4.4.2 Semi-structured interviews

The study also made use of semi-structured interviews wherein a set of predetermined questions, as well as open-ended (questionnaire: Section C), were posed to the respondents. The latter allowed the researcher to probe information. In a semi-structured interview, pre-determined questions are posed to each participant in a systematic and consistent manner (Struwig & Stead, 2001:98). Maree *et al.* (2009:87) also reveal that a semi-structured interview usually requires participants to
answer a set of pre-determined questions. It also allows for the probing and clarification of answers.

Semi-structured interview schedules provide a clear set of instructions for interviewers and can provide reliable and comparable qualitative data (Benard, 1998). The researcher attempted to create an environment in which respondents could speak openly about how they perceive reporting on pre-determined objectives in their departments. An interview schedule was used and the reporting of results followed the format of the interview schedule administered. The results of the interview were used to determine the factors that lead to the challenges in reporting pre-determined objectives to the Auditor-General.

4.5 ETHICAL CONSIDERATIONS

Research should be based on mutual trust, acceptance, cooperation, promises and well-accepted conventions and expectations between all parties involved in a research project. On this basis, relatively few limitations and many options for action are available which offer the best opportunities for answering research questions and contributing to society (Sarantakos, 2000:20-21).

According to Gravetter & Forzano (2003:60), researchers have two basic categories of ethical responsibility: responsibility to those, both human and non-human, who participate in the project; and responsibility to the discipline of science to be accurate and honest in the reporting of their research.

Creswell (2003:64) posits that the researcher has an ethical obligation to protect participants within all possible reasonable limits from any form of physical discomfort that could emerge from the research project. The fundamental ethical rule of social research is that it must bring no harm to participants (Babbie, 2007:27). The researcher treated the responses from respondents with confidentiality and they were specifically used for the purpose of this study only. The respondents were informed upfront that their biographical information and responses would only be used for purposes of completing this study. The respondents were guaranteed confidentiality and anonymity. The aim of the research was thoroughly explained to the participants.
4.6 PROCESSING OF RESEARCH DATA

Neuman (2006: 467) states that, in general, data analysis means “a search for patterns in data – recurrent behaviours, objects, phases or ideas”. The author further indicates that data analysis “involves examining, sorting, categorising, evaluating, comparing, synthesising and contemplating the coded data, as well as reviewing the raw and recorded data”. Patton (2002:434) points out that analysts have an obligation to monitor and report their procedures. This means that they must observe their own processes, and analyse and report on the analytical process. The extent of such reporting will depend on the purpose of the study, whether it is to conduct basic or applied research, to do a summative or formative evaluation, or undertake action research. Creswell (1998:142-165) believes that the process of data analysis and interpretation can best be represented by a spiral image – a data analysis spiral. This implies that the researcher moves in analytic circles rather than using a fixed linear approach. One enters with data made up of text or images (e.g. photographs and videotapes) and exits with an account or a narrative. In between, the researcher touches on several facets of analysis, circling around and “upwards” towards the completion of the process.

Data analysis in a qualitative inquiry necessitates a twofold approach. The first aspect involves data analysis at the research site during data collection. The second aspect involves data analysis away from the site, following a period of data collection. The second aspect is conducted between site visits prior to, as well as after, completion of data collection (Erlandson et al., 1993:113).

In this study the data obtained by means of the questionnaire and semi-structured interviews were processed by the researcher since it was a manageable volume. The questionnaire was, according to the respondents, clearly understood and the researcher found it easy to administer. The responses from the participants were positive as they did not experience difficulty in completing the questionnaire.

4.7 DESCRIPTION OF THE SAMPLE

Arkava & Lane (1983:27) draw a distinction between the terms “universe” and “population”. “Universe”, they write, refers to all potential subjects who possess the
attributes in which the researcher is interested. Powers et al (1985:235) define a population as a set of entities in which all the measurements of interest to the practitioner or researcher are presented. Seaberg (1988:240) also defines a population as the total set from which the individuals or units of the study are chosen. Miles & Huberman (1994:27) indicate that a key feature of qualitative sampling is that researchers usually work with small samples of people, nested in their context and studied in depth. The term “sample” always implies the simultaneous existence of a population or universe, of which the sample is a smaller section, or a set of individuals selected from a population (Gravetter & Forzano, 2003:465).

A sample comprises elements or a subset of the population considered for actual inclusion in the study, or it can be viewed as a subset of measurements drawn from a population in which we are interested (Unrau, Gabor & Grinnell, 2007:279).

The study was conducted in Limpopo provincial departments, which constituted the population for this study. It currently has a compliment of 117 424 staff members. The total number of participants in the survey was 36 (thirty six), comprising of CFOs, planners and budget managers. The sample of 36 was based on the fact that there are 12 departments in the province and in each department three officials (i.e. CFO, budget managers and the planner) were selected to participate in the study. Out of the 36 questionnaires that were distributed, 30 responses were received, that is 83% of those approached. The data that was collected from the different respondents was analysed in order to arrive at an interpretation in relation to the entire population. The analysis and interpretation of empirical data is discussed next.

4.8 EMPIRICAL DATA ANALYSIS AND INTERPRETATION

In this section the empirical responses collected by means of a questionnaire and semi-structured interviews (Appendix A) are captured and presented. The questionnaire was divided into three sections: A, B and C, which are discussed below.
Section A contained questions designed to obtain demographic information from respondents, such as the respondent’s position within the Limpopo Provincial Legislature, gender and years of experience in government.

Section B consisted of closed-ended questions relating to strategic planning and performance management, performance reporting, performance auditing and monitoring, and evaluation. The respondents had to indicate on a Likert scale whether they “totally agree”, “agree”, “neutral”, “disagree” or “totally disagree” with the statements.

Section C comprised open-ended questions asking respondents to express their views regarding how performance information is managed and reported in their departments, as well as how they perceived the Treasury and Office of the Premier in terms of providing support to achieve pre-determined objectives.

4.8.1 Section A: Demographic information

A.1. Position

The respondents had to indicate their position within the Limpopo Provincial government. The results indicate that 40% were chief financial officers, 27% were budget managers and 33% were planners. This information was necessary to determine the level and expertise of provincial government officials who participated in the study.

Source: Drawn from the MS Windows Excel spreadsheet analysis
**A2. Gender of the respondents**

![Gender of respondents](image)

*Source: Drawn from the MS Windows Excel spreadsheet analysis*

In terms of gender equity, 63% of the respondents were male and in the majority, while only 37% of the respondents were female. Gender equity targets had not yet been achieved and government should prioritise the appointment of women in key positions.

**A3. Years of experience in government**

![Years of experience](image)

*Source: Drawn from the MS Windows Excel spreadsheet analysis*
Thirty-six percent of the respondents had six to 10 years' experience, 33% had 11 to 19 years' experience and 26% had more than 20 years of experience. This should indicate that the level of experience is adequate within the provincial departments, so the participants should be able to deal with reporting on pre-determined objectives to the Auditor-General.

4.8.2 Section B: Likert scale questions

Section B of the questionnaire determined the extent to which measures were in place in order to report to the Auditor-General timeously, effectively and efficiently regarding pre-determined objectives.

Statement B1: Top management gives strategic planning processes the attention it deserves.

The statement was meant to determine the extent to which strategic planning is given priority by management. Strategic planning is important because it informs the annual performance plan and the APP is used to monitor performance reporting.

![Response Chart]

*Source: Drawn from the MS Windows Excel spreadsheet analysis*

In this statement, 20% of the respondents totally agreed and 40% of respondents agreed that top management gave strategic planning the attention it deserves, while 27% of the respondents disagreed with the statement.
It could be deduced that while the majority of the respondents are in agreement with the statement, top management must still improve in terms of giving strategic planning the attention it deserves. Thirteen per cent were not sure whether strategic planning is prioritised by top management or not. Strategic planning was discussed in section 2.2.2 of this mini-dissertation.

**Statement B 2: Annual performance plans are not merely a desktop exercise but are developed in a strategic planning session**

This statement was meant to determine if provincial departments hold strategic sessions in order to develop their annual performance plans. It is important for an APP to be developed in a session where the targets set will be interrogated so that they meet the SMART criteria.

![Response Pie Chart]

*Source: Drawn from the MS Windows Excel spreadsheet analysis*

Twenty six per cent and 46% of the respondents totally agreed and agreed respectively that annual performance plans are not merely a desktop exercise but are developed in a strategic planning session, while 20% of the respondents disagreed with this statement.

It could be deduced that while the majority agreed with the statement, more still needs to be done to ensure that annual performance plans are developed in a strategic session as opposed to being a desktop exercise. Twenty per cent of the
respondents did not agree, while 7% were unsure about the statement that annual performance plans are not a merely desktop exercise but developed in a strategic session. Relevance of annual performance plans were discussed in section 2.3.2.2 of this mini-dissertation.

**Statement B 3: Targets in the Annual performance plans are thoroughly interrogated to determine whether they meet the SMART (specific, measurable, achievable, realistic and time bound) criteria**

This statement was meant to determine the extent to which targets are debated so that they meet the SMART criteria. The statement was in accordance with the theory investigated in chapter 1 that it is important for targets to meet the SMART criteria because this enables departments to measure whether the targets are achieved.

The statistical results revealed that 37% totally agreed with the statement, while 33% agreed with the statement. On the basis of these statistics, it could be concluded that the targets are interrogated during planning in order to meet the smart criteria. This should however be strengthened because 13% of the respondents did not agree with the statement, while 17% of the respondents were unsure. The SMART criteria were discussed in
section 1.5 while the annual performance targets were discussed in section 2.3.1 of this study.

**Statement B 4: There is a link between strategic planning and the available budget of the department.**

This statement was made to determine the extent of the linkage between strategic planning and budgeting. The statement was in accordance with the theory investigated in chapter 2, where it was emphasised that there should be an important relationship between planning, budgeting and reporting.

![Pie chart showing response distribution]

*Source: Drawn from the MS Windows Excel spreadsheet analysis*

The majority (50%) of the respondents agreed with the statement that the strategic plan is linked to the available budget, while 23% of the respondents totally agreed with the statement.

Fourteen percent of the respondents disagreed with the statement and 3% totally disagreed with the statement. It could therefore be deduced that while the majority agreed with the statement, more still has to be done to ensure that strategic planning is linked to the budget at all times. The importance of effective budgeting was discussed in section 2.2.1 while strategic planning was discussed in section 2.2.2.
Statement B 5: Quarterly performance reports are prepared and submitted timeously to Treasury.

This statement was made to determine whether performance reports are submitted to Treasury by the due date. Punctuality in this regard is important because it enables Treasury to monitor the performance of departments and provide feedback timeously.

Source: Drawn from the MS Windows Excel spreadsheet analysis

The statistical results revealed that 43% of the respondents totally agreed while 37% agreed with the statement that quarterly reports are prepared and submitted to Treasury timeously. While both respondents who totally agreed and those who agreed were in the majority, it could be concluded that there is still room for improvement since 13% of the respondents were unsure and 7% disagreed with the statement that quarterly performance reports are prepared and submitted timeously to Treasury timeously. Performance reports and its importance were discussed in section 2.2.7 of this study.

Statement B 6: Means of verification for achieved targets are submitted every quarter.

This statement was meant to determine if there is portfolio of evidence for achieved targets. Means of verification for achieved targets is important because it confirms
that targets were indeed achieved and because such evidence is required during the audit.

![Response Pie Chart]

*Source: Drawn from the MS Windows Excel spreadsheet analysis*

Thirty seven per cent of the respondents agreed with the statement, which means that verification for achieved targets is submitted every quarter. Twenty-seven respondents totally agreed with the statement. While respondents who totally agreed and those who agreed were in the majority, it could be deduced that the means of verification are not submitted every quarter. The assumption is based on the fact that 23% of the respondents disagree while 13% of the respondents were unsure of the truth of the statement.

**Statement B 7: Management provides the required resources to ensure that quarterly targets are achieved.**

This statement was meant to determine if adequate resources are provided in order for targets to be achieved. This statement is important because if resources are not provided, the targets set might not be achieved which will lead to findings by the AG that targets are not SMART.
The statistical results revealed that 23% of the respondents totally agreed and 33% agreed with the statement that management provides the required resources to ensure that quarterly targets are achieved. It could be deduced that while both respondents who totally agreed and those who agreed were in the majority, that resources were not provided at all times by management. This deduction is based on the fact that 27% of the respondents disagreed, while 17% of the respondents were unsure. The provision of required resources was discussed in section 2.2.1 of the literature review emanating from this study.

**Statement B 8: There is a clear understanding of the Auditor-General's definition of accuracy, reliability and completeness of performance information by officials.**

This statement tested the level of understanding by officials of how the Auditor-General defines accuracy, reliability and completeness of performance information. It is important for officials to have this understanding because this enables them to report performance information as required by the AG.
The statistical results revealed that 33% of the respondents disagreed with the statement that there is a clear understanding of the Auditor-General’s definition of accuracy, reliability and completeness of performance information by officials. Thirteen per cent totally disagreed with the statement. Since both respondents who disagreed and totally disagreed were in the majority, it could be deduced that there is a lack of understanding of how the Auditor-General defines accuracy, reliability and completeness of performance information.

Twenty per cent of the respondents agreed 17% totally agreed and the remaining 17% were unsure of the veracity of the statement. Performance information was discussed in section 2.2.10 of this study.

**Statement B 9: Treasury analyses quarterly performance reports submitted and provides feedback to the relevant department.**

This statement determined whether quarterly reports submitted to Treasury were analysed. It is important for Treasury to analyse performance reports submitted so that the gaps identified can be reported to the line departments. This gives departments the opportunity to correct before the audit by the AG.
Fifty per cent of the respondents were not sure whether Treasury analysed quarterly performance reports submitted and provided relevant feedback to departments in this regard. Seventeen per cent of the respondents disagreed with the statement. The statistical results revealed that the majority were unsure or disagreed with the statement. In this instance, it could be deduced that feedback is not provided on quarterly reports submitted to the Treasury by provincial departments. As mentioned, performance reports were discussed in section 2.2.7 of the study.

Twenty seven percent agreed, while 6% totally disagreed with the statement.

Statement B 10: Quarterly performance review sessions are held in your department.

This statement endeavoured to ascertain whether departments reviewed their performance quarterly. Quarterly reviews are important because this enables departments to monitor their achievements as per the APP.
Forty three per cent of the respondents agreed with the statement that quarterly performance review sessions are held in the department, while 30% of the respondents totally agreed with the statement. Since both the respondents who agreed and those who totally agreed with the statement were in majority it could be deduced that quarterly reviews are held in departments to ensure that performance is reviewed.

Seventeen per cent of the respondents were unsure; 7% disagreed and 3% totally disagreed with the statement that quarterly performance reviews were held in the relevant departments. Performance appraisal was discussed in section 2.2.6 of this mini-dissertation.

Section C of the research questionnaire and interview schedule is discussed next.

**4.8.3 Section C: Open ended-questions**

The following questions were posed to the participants as per Appendix A (Section C).

*C1: Does your department have a policy on managing performance information? If the answer is yes, how would you describe the effectiveness of the policy in terms of providing guidance on reporting?*

This question was asked in order to determine whether performance information is managed according to relevant policies, to ensure uniformity across the department.
Eight out of 30 (26%) respondents indicated that their departments did not have policies for managing performance information; instead:

- Departments without a policy used the National Treasury Framework for Managing Programme and Performance Information
- The respondents who had a policy in place indicated that it was effective because it clearly defined the roles of all stakeholders and the timeframes for submissions. The challenge, however, was that line managers did not follow the provided guidelines.

**Interpretation of the results of question C1**

The above responses indicate that although the majority of the departments have a policy for managing performance information, there are still departments that should develop a policy for management purposes. Line managers are also not following the guidelines provided in the policies.

**C2: To what extent is your strategic plan linked to the budget and could problems relating to target setting be linked to non-alignment of the two?**

This question was posed to determine the linkage between the strategic plan and the budget because if there is no linkage between the two some targets as set out in the strategic documents might not be achieved.

All the respondents (100%) agreed that the strategic plan should be linked to the budget. However challenges arise as a result of the following:

- When budget cuts are implemented;
- The APP is finalised and submitted before the finalisation and tabling of the budget;
- There are instances in which the budget allocation is reduced/cut after the APP is submitted and this affects the targets as set out in the APP;
- Targets are not effectively costed per activity.

**Interpretation of the results of question C2**
The above responses indicate that, although all the respondents agreed that the strategic plan is linked to the budget, challenges arise when the budget allocations are reduced or cut. It would mean that some of the targets set before the cuts are implemented might not be achieved. Targets in the APP are not based on Activity Based Costing (ABC). ABC means that activities undertaken to support the achievement of the targets in the APP will be costed.

**C3: Could problems relating to target setting be linked to non-alignment of the strategic plan and budget?**

This question was posed to determine whether non-alignment of the strategic plan and budget would lead to problems encountered in setting targets. Targets set should always include a budget to be achieved.

All of the respondents (100%) agreed unanimously that non-alignment could lead to challenges with regard to setting the targets and that planning and budgeting should at all times be considered simultaneously.

**Interpretation of the results of question C3**

Based on the information from the respondents, it could therefore be deduced that most unachievable targets are the result of a lack of financial resources.

**C4: Are quarterly reports submitted with means of verification (MoV)**

This question was posed to determine whether MoVs are submitted to substantiate the targets achieved.

All the respondents (100%) confirmed that quarterly performance reports are submitted with means of verification; however the following challenges were highlighted:

- In certain instances MoVs are submitted after the due date;
- MoVs are merely submitted for the sake of compliance because the quality is poor; and
- MoV’s are not commensurate with the claimed achievement.
Interpretation of the results of question C4

In light of the information provided by the respondents, it could be deduced that although MoVs are submitted there is a level of non-compliance with the set submission dates and MoVs are not quality assured before submission.

C5: What is the quality of the reports and means of verification submitted?

The question was posed to determine whether the quality of MoVs was reliable. The reliability of performance information gives an indication that the achievements are tangible.

Ninety-four percent of the respondents indicated that the MoVs were not of good quality. They indicated the following shortcomings:

- MoVs are submitted for compliance because the quality is not up to standard;
- The actual performance as reported does not address the target; and
- Reports and MoVs were not in line with planned outputs as per operational plans and standards set out in the policy framework were not adhered to.

Interpretation of the results of question C5

It could therefore be deduced that while a portfolio of evidence regarding achieved targets is available, there is a shortcoming in terms of quality. The reporting of performance is not accurate because it does not address the target.

C6: Are organisational performance review sessions held in your department?

This question was asked to determine whether performance reporting is being taken seriously by departments. It is through this arrangement that departments can closely monitor their own performance.
All respondents (100%) indicated that they do have performance review sessions in their departments and this transpires due to senior management meetings being held quarterly.

**Interpretation of the results of question C6**

The above responses indicate that performance review sessions are held within all relevant departments. It could therefore be deduced that departments continuously monitor their performance to ensure effective service delivery.

**C7: Since the Office of the Premier and Treasury are the custodians of planning, reporting, monitoring and evaluation, how would you describe the support you receive from the two departments?**

This question was posed to determine the level of support provided by the two departments to other sector departments.

Ninety five percent of the respondents indicated that the support received is minimal. The respondents indicated that:

- The two departments are visible at the reporting stage but not necessarily during the planning stage; and
- The two departments do not complement each other. Instead they seem to be competing.

**Interpretation of the results of question C7**

Based on the above responses, it could be deduced that the two departments are not supporting sector departments, which is vital in terms of ensuring effective, efficient and economical reporting of performance information. This would also enhance the optimal functioning of the machinery of government.

**C8: If support from the Office of the Premier and Treasury has not been satisfactory, what could the contributing factors have been?**

This question was posed to determine the lack of support by the two departments.
Eighty five percent of the respondents alluded to the fact that:

- There is lack of understanding of the business of client departments; and
- The two departments lack capacity in terms of “warm bodies” (human resources) to assist sector departments.

**Interpretation of the results of question C8**

On the basis of the aforementioned statements by the respondents, it could be deduced that the two departments are not able to live up to their expectations and there is therefore a need to build capacity in terms of both technical skills and adequate human capital.

**SUMMARY AND GENERAL INTERPRETATION OF STATEMENTS AND RESPONSES TO THE QUESTIONNAIRE AND SEMI-STRUCTURED INTERVIEWS**

The purpose of statements B1 – B10 was to determine the extent to which measures have been put in place in order to report timeously, effectively and efficiently on pre-determined objectives to the Auditor-General. Respondents were therefore probed to provide their opinion regarding the matter.

Statements C1 to C8 were open-ended questions asking respondents to express their views regarding how performance information is managed and reported in their departments, as well as how they perceived the Treasury and Office of the Premier in terms of providing support to achieve pre-determined objectives. It became clear that the respondents were of the view that ineffective reporting was still at the order of the day due to reasons such as the lack of strategic and performance plans.

**4.9 CONCLUSION**

In this chapter the research methodology, research design, data analysis and interpretation, and empirical findings were described. Two sets of instruments, namely questionnaires and interviews, were used as methods for collecting data. The research findings obtained from the questionnaires and interviews provided a
picture of the status of how performance information is managed in provincial departments, especially Limpopo provincial departments, taking into consideration both the internal and external environment. A qualitative approach was adopted in order to achieve the set objectives of this study.

The observations were that although Limpopo provincial departments have made significant progress in reporting performance information, it is evident from the analysis that performance reporting in departments is still not receiving the necessary attention it deserves.

The next chapter deals with the summary, recommendations and the final conclusion of the study.
CHAPTER 5
SUMMARY AND RECOMMENDATIONS

5.1 INTRODUCTION

In the previous chapter, the research methodology followed to obtain data from CFOs, planners and budget managers was outlined. The main outcomes of the literature study and the empirical investigation, including the findings on the research objectives, was presented. In this final chapter the findings of this study will be summarised and recommendations will be made regarding improving the reporting on pre-determined objectives to the Auditor-General in line with the four objectives identified in Chapter 1, namely:

- What does target setting by Limpopo provincial departments entail?
- What procedures, policies and systems are currently in place to manage reporting on pre-determined objectives?
- What are the nature, extent and challenges of reporting on pre-determined objectives in Limpopo provincial departments?
- What possible solutions will ensure proper reporting on pre-determined objectives?

5.2 SUMMARY

In chapter 1, it was stated that Limpopo provincial departments are faced with the challenge of reporting on pre-determined objectives to the Auditor-General. The general orientation of the study was provided to contextualise the specific research problem. A detailed exposition of the research questions, research objectives and the methodology that would be followed was provided.

In chapter 2, a theoretical orientation of strategic planning, performance management, performance reporting, performance indicators, performance information and pre-determined objectives was provided. The purpose of this chapter was to provide a general perspective regarding key concepts, as well as to explain the importance of reporting performance information to the Auditor-General.
It was further determined that reporting on pre-determined objectives would enable Limpopo provincial departments to determine the impact of the services delivered to the citizenry.

In chapter 3 the statutory and regulatory framework was dealt with. It was clear from the frameworks that reporting on pre-determined objectives is a lawful obligation. In this chapter, the legislation and policies, as well as other related regulatory documents, were outlined. The management of performance reporting in Limpopo provincial departments occurs within the statutory regulatory framework. This framework enhances the reporting on programme performance. The main statutory and regulatory frameworks that underpin reporting performance information were analysed.

In chapter 4 the challenges faced in respect of strategic planning and performance management, performance reporting, performance auditing and monitoring and evaluation were outlined. The empirical findings of the questionnaire and the interviews administered in Limpopo provincial departments were also presented. It became clear that proper policies and systems have to be developed to ensure effective and efficient reporting on pre-determined objectives. Even though efforts have been made to improve performance reporting, a lot still has to be done by Limpopo provincial departments.

Respondents’ views that were captured during the empirical study regarding how Limpopo departments could improve their reporting on pre-determined objectives were also described. The respondents aired these views within the context of discussion about the fact that the Treasury and the Office of the Premier have a major role to play in guiding departments in terms of reporting.

Through interpretation of the results, conclusions can be reached as to whether the objectives of the study were achieved. These findings, collected through the literature review, observation, questionnaires and interviews are summarised in the next section.
5.3 FINDINGS WITH REGARD TO RESEARCH OBJECTIVES

The primary objective of this study was to determine how Limpopo provincial government departments could effectively manage their performance by reporting accurately on pre-determined objectives to the Auditor-General.

Objective one was to determine answers to the question: “What does target setting by Limpopo provincial departments entail?”

The answer to this question was found in the theories regarding strategic planning, performance reporting and pre-determined objectives, as outlined in chapter 2.

Objective two was to investigate and explore the procedures, policies and systems that are currently in place to manage reporting on pre-determined objectives.

This objective was achieved by studying the relevant statutory and regulatory frameworks that focus on performance reporting, as outlined in chapter 3.

Objective three was to find answers to the question: “What are the nature, extent and challenges of reporting on pre-determined objectives in Limpopo provincial departments?”

This objective was addressed by making use of observation, a literature review, the distribution of a questionnaire and semi-structured interviews with senior managers within the Limpopo Provincial departments, as noted in chapter 4. During the interviews the respondents listed key challenges faced in their reporting on pre-determined objectives.

Objective four was to find answers to the question: “What are the possible solutions that will ensure proper reporting on pre-determined objectives?”

This objective was achieved by making recommendations based on the findings regarding the challenges faced in reporting on pre-determined objectives to the Auditor-General by the Limpopo Provincial Legislature. The recommendations are presented in the next section.
5.4 RECOMMENDATIONS

The following recommendations on how to improve reporting on pre-determined objectives in Limpopo provincial departments are based on the extensive literature overview presented in chapters 2 and 3, and the findings of the empirical study described in chapter 4.

- Performance targets in the annual performance plan should be interrogated so that they meet the SMART criteria.
- Limpopo provincial departments should develop policies, procedures and systems for managing programme performance reporting.
- Quarterly performance reports should be submitted with a portfolio of evidence (means of verification).
- A workshop should be conducted by the office of the Auditor-General with officials in Limpopo provincial departments to establish a clear understanding of the Auditor-General’s definition of accuracy, reliability and completeness of performance information by officials.
- There is a need to build capacity in the Limpopo Treasury and Office of the Premier, in terms of both the number of officials and the technical ability of those officials.
- The quality of the quarterly reports need to be monitored in the same way as those done at the end of the financial year and complete audit files prepared for each quarter. This will build up to the annual report that is to be audited by the AG. An electronic performance reporting system that can enforce timeous and complete reports should also be considered.
- The Limpopo Treasury and Office of the Premier should understand the business of each department so that proper guidance can be provided by the two departments.

Accordingly, future research should investigate the following:

(a) The role of Provincial Treasury and Office of the Premier as oversight institutions to enhance effective performance reporting; and
(b) The impact of reporting pre-determined objectives to Limpopo citizens.
5.5 FINAL CONCLUSION

This research aimed to establish the challenges faced by Limpopo Provincial departments in reporting on pre-determined objectives to the Auditor-General and to provide recommendations to address these challenges. An analysis of the extent of the problem and the strategies to address the challenges was conducted. The study was motivated by reports of the Auditor-General that showed a lack of improvement in terms of the audit outcomes for pre-determined objectives. Although there have been some improvements, there is still a lot to be done to improve the audit outcomes.

A qualitative research design was applied to conduct the research focusing on Limpopo provincial departments. The research revealed that Limpopo provincial departments faced serious challenges in reporting performance information.

In addition, the literature review revealed that Limpopo provincial departments should focus more energy on planning as this will ease performance reporting. Another revelation is that performance reporting ensures that those who are in charge of service delivery to the citizens are able to account for the resources utilised.
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Appendix A

INTERVIEW QUESTIONNAIRE FOR A MASTER’S MINI-DISSERTATION

Dear Sir / Madam

My name is Hilgard Maputle Mawela and I am currently doing research as part of the requirements for the degree of Masters in Public Administration at the Potchefstroom Campus of the North-West University. The title of my research is: “Challenges in reporting on pre-determined objectives to the Auditor-General: The case of Limpopo provincial departments”. The study will involve chief financial officers, planners, and budget managers from provincial departments in Limpopo.

The research seeks to solicit your assistance in completing the questionnaire below. Participation is voluntary. Please note that all answers are confidential and will be used for research purposes only. Participants will remain anonymous. Your gender, and position within government is only required for our records, in order to ease the process of data analysis. Once again, thank you for your willingness to participate in this research project.

Before we start, I would like to provide a background to the study.

Government departments are mandated by the Public Finance Management Act (PFMA) to prepare an annual report with the inclusion of audited financial statements. The reports must fairly present the state of affairs of the particular department or trading entity, its core business, financial results, pre-determined objectives and its financial position as at the end of the financial year concerned. The **purpose of the study** is therefore to investigate factors leading to challenges faced in reporting on pre-determined objectives to the Auditor-General in Limpopo province.

**SECTION A: DEMOGRAPHIC INFORMATION**

The following personal information is necessary for statistical purposes, to summarise the conclusion of the study in a proper manner and to reflect the opinions of members in all post and gender levels and relevant experience in the Limpopo Provincial Government.
Please indicate which is applicable to you by marking the appropriate box with an ‘x’ (cross).

1. Position

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<thead>
<tr>
<th>Position</th>
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<tbody>
<tr>
<td>Chief Financial Officer</td>
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<td>Budget Manager</td>
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<td>Planning Manager</td>
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2. Gender

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3. Experience in Government

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<td>6 – 10 years</td>
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<td>11 – 19 years</td>
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<td>20 + yrs</td>
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SECTION B: LIKERT STATEMENTS (CLOSED-ENDED)

This section focuses on Strategic Planning and Performance Management, Performance Reporting and Auditing, as well as Monitoring and Evaluation. This information is necessary to determine the challenges faced in reporting on pre-determined objectives to the Auditor-General.

Please indicate to what extent you agree with the following statements by marking the appropriate box with an ‘x’ (where 1 = Totally disagree; 2 = Disagree; 3 = Neutral / Unsure; 4 = Agree; and 5 = Totally agree)
Strategic Planning and Performance Management

B.1. Top management gives strategic planning processes the attention it deserves

| 1 | 2 | 3 | 4 | 5 |

B.2. Annual performance plans are not merely a “desktop exercise” but are developed in a strategic planning session

| 1 | 2 | 3 | 4 | 5 |

B.3. Targets in the annual performance plans are thoroughly interrogated to determine whether they meet the SMART (specific, measurable, achievable, realistic and time bound) criteria

| 1 | 2 | 3 | 4 | 5 |

B.4. There is a link between Strategic planning and the available budget of the department

| 1 | 2 | 3 | 4 | 5 |

Performance Reporting

B.5. Quarterly performance reports are prepared and submitted timeously to Treasury

| 1 | 2 | 3 | 4 | 5 |

B.6. Means of verification for achieved targets are submitted every quarter

| 1 | 2 | 3 | 4 | 5 |

B.7. Management provides the required resources to ensure that quarterly targets are achieved

| 1 | 2 | 3 | 4 | 5 |
Performance Auditing

B.8. There is a clear understanding of the Auditor-General’s definition of accuracy, reliability and completeness of performance information by officials

1 2 3 4 5

Monitoring and Evaluation

B.9. Treasury analyses quarterly performance reports submitted and provides feedback to the relevant department

1 2 3 4 5

B.10. Quarterly performance review sessions are held in your department

1 2 3 4 5

SECTION C: OPEN-ENDED QUESTIONS

The information in this section is necessary to determine whether appropriate structures are in place to ensure timeous reporting on pre-determined objectives to the Auditor-General.

Please provide elucidation regarding the open-ended questions below. With your permission the interviewer would like to follow up in an interview session that will be recorded.

C.1. Does your department have a policy on managing performance information?

.................................................................................................................................

C.1.1 If yes, how would you describe the effectiveness of the policy in terms of providing guidance on reporting?

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C.1.2. If no, how do you ensure timeous and correct reporting on performance information?
C.2. To what extent is your strategic plan linked to the budget and could problems relating to target setting be linked to non-alignment of the two?

C.3. Could problems relating to target setting be linked to non-alignment between the strategic plan and budget?

C.4. Are quarterly reports submitted with means of verification?

C.5. What is the quality of the reports and means of verification submitted?

C.6. Are there organisational performance review sessions in your department?

C.7. Since the Office of the Premier and Treasury are the custodians of planning, reporting, monitoring and evaluation, how would you describe the support you receive from the two departments?

C.8. If support from the Office of the Premier and Treasury has not been satisfactory, what could have been the contributing factors?

C.9. Suggest any improvements towards reporting on performance information to the Auditor-General.

INTERVIEW REGISTER
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Enquiries: HM Mawela

TO: HEAD OF DEPARTMENT
FROM: HILGARD MAPUTLE MAWELA

SUBJECT: REQUEST FOR PERMISSION TO CONDUCT A RESEARCH

The above subject matter has reference;

I have registered for a Masters in Public Administration with North West University, the title for my research topic is -Challenges in reporting on pre-determined objectives to the Auditor General: The case of Limpopo Province.

I therefore hereby request permission to conduct the research in the province.

HM Mawela

Permission granted/ not granted

GC Pratt
Head of Department
Dear Hilgard Maputle Mawela

**Language editing**

This is to confirm that I edited your mini-dissertation *Challenges in reporting on pre-determined objectives to the Auditor-General: The case of Limpopo Provincial Departments* and that I indicated the necessary grammatical corrections.

Although I took all reasonable precautions to ensure that all grammatical and stylistic corrections are indicated, you remain responsible for the final product. Therefore, please check these suggested corrections before applying them and, if possible, again perform a spell check after you have implemented them, in order to eliminate typing errors.

Please contact me if there are any queries or if I can be of further assistance.

Yours sincerely

MJ Coetzee

Michelle Coetzee
Mr M.H. Mawela
NWU (Potchefstroom Campus)
POTCHEFSTROOM

CHECKING OF BIBLIOGRAPHY

Hereby I declare that I have checked the technical correctness of the Bibliography of Mr. M.H. Mawela according to the prescribed format of the Senate of the North-West University.

Yours sincerely

Prof CJH LESSING