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Internal control systems and the compliance support structures of the Eastern Cape Department of Rural Development and Agrarian Reform

By

Awonke Geqeza

(217068456)

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Supervisor: Prof. J Dubihlela

Cape Town

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DECLARATION

I, Awonke Geqeza, declare that the content of this thesis represents my unaided work, and that this thesis has not previously been submitted for academic examination towards any qualification, at any tertiary institution, either nationally or internationally. Furthermore, this thesis represents my opinions and perceptions and not necessarily those of the Cape Peninsula University of Technology.

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ABSTRACT

The non-compliance with the public finance management act, national treasury regulations, and internal financial controls hinder service delivery within most local government institutions. Consequently, the region is worse affected by sporadic service delivery protests. To prevent this, internal control units (ICU) were established within government departments. The establishment of ICUs is necessary as an essential internal control mechanism, as a monitoring tool, and ensuring compliance processes are upheld within the department. They also manage any risk of financial mismanagement of public funds. Against this background, this paper reports on compliance support structures of the ECDRDAR, as this department shares with district municipalities the role to develop rural communities.

This paper sought to establish factors that lead to non-compliance issues and their effect on financial management and service delivery in the mentioned department. This research study's main objective was to determine the extent to which the management support to the ICU's role could help to properly manage the government funds. The study employed a quantitative research cross-sectional survey method to investigate the effectiveness of the ICU's role using a sample of 110 with valid interviewer-administered questionnaires. Data were collected from the finance employees of the department, which consisted of unit managers, their assistants, and internal control unit Directors.

This study employs several statistical techniques such as the descriptive statistic, correlation, and ANOVA to analyse the data from the survey. The survey results reflected that poor management communication about compliance procedures among finance employees, inadequate training, ICUs independence and objectivity, and lack of management support were the main deterrence to the effectiveness of the ICU. Based on the drawn conclusion, appropriate recommendations were suggested to assist the government departments to overcome non-compliance issues. Although the study provided some useful insights, it is also acknowledged that further research could employ larger sample sizes and other departments.

ACKNOWLEDGEMENTS

DEDICATION

This piece of work is dedicated to my daughter, Enzokuhle Mpeke.

CONTENTS LIST

LIST OF TABLES

ABBREVIATIONS AND ACRONYMS

AO   Accounting Officer

CFO   Chief Financial Officer

ECDRDAR   Eastern Cape Department of Rural Development and Agrarian Reform

IA   Internal Audit

ICU   Internal Control Unit

IDPNC   Integrated Development Plan Nerve Centre

NTR   National Treasury Regulations

PFMA   Public Finance Management Act

RDP   Reconstruction and Development Programme

CHAPTER ONE

INTRODUCTION AND BACKGROUND OF THE STUDY

Figure 1.1 graphically depicts the explanation of the critical flow of discourse of the content of Chapter 1.

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┌─────────────────────┐        ┌─────────────────────┐
│    INTRODUCTION     │  ──▶   │  BACKGROUND OF THE  │
│                     │        │   RESEARCH STUDY    │
└─────────────────────┘        └─────────────────────┘
                                          │
                                          ▼
┌─────────────────────┐        ┌─────────────────────┐
│ THE SIGNIFICANCE OF │  ◀──   │   STATEMENT OF THE  │
│      THE STUDY      │        │ RESEARCH PROBLEM AND│
│                     │        │  RESEARCH QUESTIONS │
└─────────────────────┘        └─────────────────────┘
          │
          ▼
┌─────────────────────┐        ┌─────────────────────┐
│ PRELIMINARY LITERATURE│ ──▶  │ THEORETICAL FRAMEWORK│
│       REVIEW        │        │                     │
└─────────────────────┘        └─────────────────────┘
                                          │
                                          ▼
┌─────────────────────┐        ┌─────────────────────┐
│ ETHICAL CONSIDERATIONS│ ◀──  │ RESEARCH METHODOLOGY│
│                     │        │                     │
└─────────────────────┘        └─────────────────────┘
          │
          ▼
┌─────────────────────┐        ┌─────────────────────┐
│ LIMITATIONS OF THE STUDY│ ▶ │   CHAPTER SUMMARY   │
│                     │        │                     │
└─────────────────────┘        └─────────────────────┘
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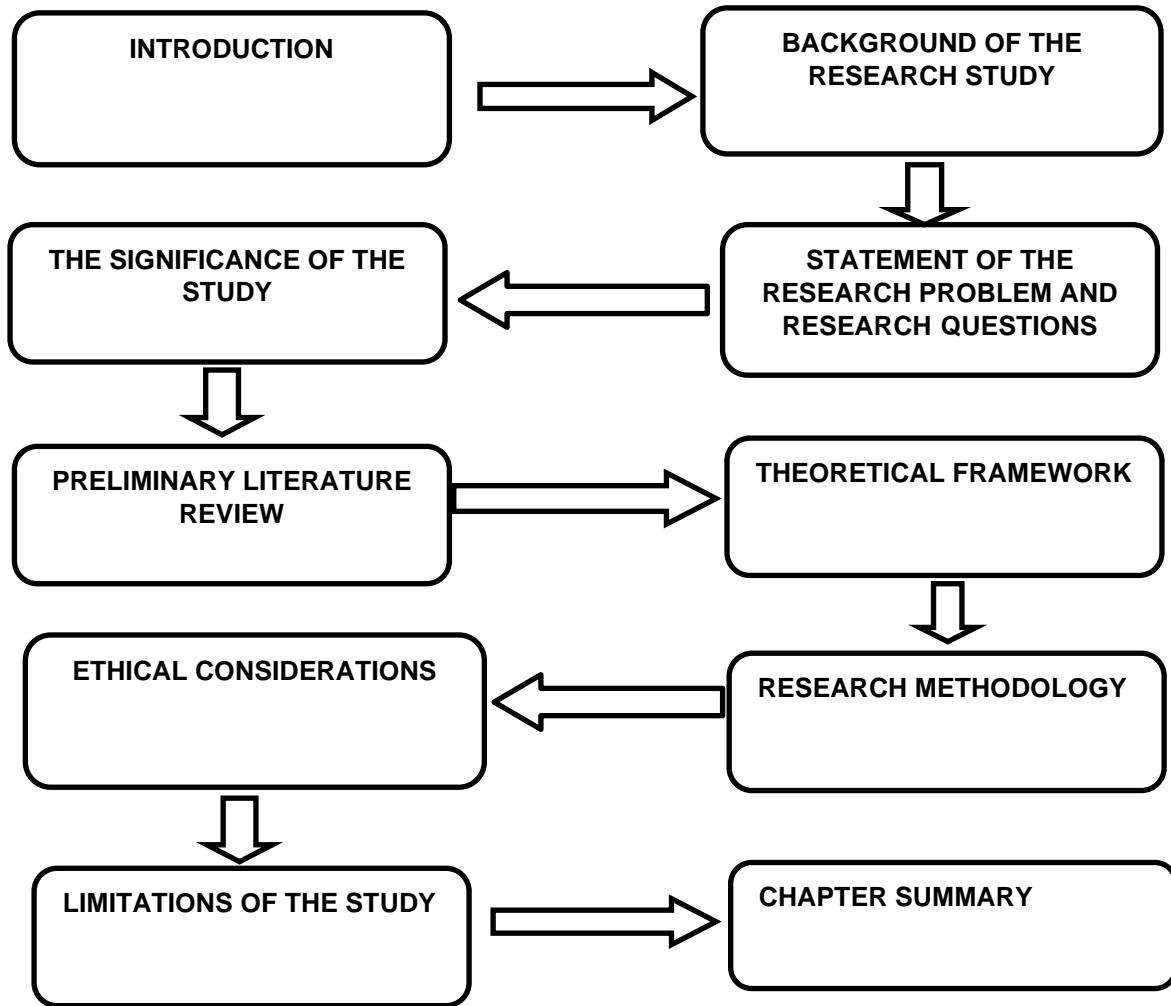
Figure 1.1: Layout of Chapter 1: Scope of the Research (Source: Own)

1.1   Introduction

This chapter's focus was towards providing the scope of the research study conducted. This was to provide the reader with a general viewpoint of the research and aid in the understanding of the primary notion of the research study.

1.2   Background of the Study

Public service delivery remains a challenge faced by South African local government institutions (Antwerpen & Ferreira, 2016:82). One of the reasons attributed to the public service delivery problems within the government departments is the mismanagement of funds, as the departments continue to incur unauthorised, irregular, wasteful, and fruitless expenditures each year (Dlomo, 2017:iv). The nature of such expenditure indicates the non-compliance with the prescribed financial legislation and internal controls that govern how the government department should procure the public goods and render services. Such legislations include the procurement process, the Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999) and the National Treasury Regulations Acts of 2000.

According to Sebola and Mamabolo (2016) quoting Tohmatsu (2003), non-compliance causes the organisation to suffer losses and force it to divert the funds, which were initially intended for attaining its objectives towards recouping the losses. It, therefore, negatively affects service delivery. Antwerpen and Ferreira (2016) stressed that the service delivery must be improved, and the government departments should train their employees so that they can perform their duties efficiently. The government departments also require the organisational structures with suitably qualified employees that should be supported in delivering the public services they are employed for (Mkanyeza et al., 2013:2).

To improve service delivery in South African government departments, ICU was established to prevent non-compliance with the legislation and internal financial controls. The legislation governs the procurement and financial management of government institutions. The establishment of ICU is to assist internal audit function with the compliance of all financial legislation and internal controls, which helps to prevent the misuse of government funds (Al-Hawatmeh & Al-Hawatmeh, 2016:226-227). One of the local government departments that have established ICU is the Eastern Cape Department of Rural Development and Agrarian Reform (ECDRDAR). ICU established within the ECDRDAR works within the finance function to ensure compliance processes are upheld so that at least financial risks are minimised, and financial mismanagement is prevented within the department. Furthermore, the ICU's role within the department is aligned with the finance function's role, which strives to attain the departmental goals and objectives (Coetzee, de Bruyn, Fourie & Plant, 2014:11).

1.3   Statement of the Problem

While the finance function and ICU share the same goal in the ECDRDAR of ensuring that internal control objectives are met, ICU seems to be prevented from performing its regular formal responsibilities. The organogram requires that internal control employees report to the Chief Financial Officer (CFO). At the back of the reporting structure, it is the assumption that management often meddle with ICU operations. The management does not to comply with the provisions of the PFMA and misuse departmental funds (Uwaoma and Ordu, 2015). This was noted by other employees at the lower positions and they also do not comply with the procurement related legislation, policies and processes when rendering public services (Smart Procurement, 2011). There is also, however, a lack of necessary action taken by management to reprimand such non-compliance by employees.

Moreover, the ICU would identifies financial risk that the department is exposed to and recommend necessary precautions to prevent such risks to the management. However, it is unfortunate that the management does not implement such recommendations, hence the departments continue to misuse government funds in the form of unauthorised, irregular, fruitless and wasteful expenditures (Dlomo, 2017). This undermines the role of ICU and encourage financial misuse to thrive well with the department. The ICUs are a legislative requirement in terms of the PFMA section 38(1)(a) (i-ii), deployed to assist finance function to ensure the proper implementation and compliance of operations in line with provisions for public service, finance, and corporate governance (Tys, 2015). Therefore, undermining its role by management leads to the problem statement of this study: The lack of management support for ICU in the ECDRDAR negatively affects overall compliance to policy, regulations, and statutes, which exposes the department to high risks that affect service delivery. Based on the research problem, this study formulated the following research questions.

1.4   Research Questions

The study seeks to answer the main question of whether the lack of management support towards ICU in the ECDRDAR negatively affects compliance within the department, exposing the department to high risks that affect service delivery.

This study tries to answer the following research questions in this attempt:

1. Does the role of ICU require management support in providing assurance and enhancing operational compliance for government departments such as the ECDRDAR?
2. Is there an existence of management support on the role of ICU for the attainment of the ECDRDAR objectives?

3. How effective are ICU in providing reasonable assurance to stakeholders on matters of risk exposures and service delivery in the ECDRDAR?
4. What are the operational challenges that ICU experiences from the support structures within the ECDRDAR?

1.5 Research Objectives

This study tries to achieve the following main research objectives:

1. To ascertain whether the role of ICU require management support in providing assurance and enhancing operational compliance for government departments such as the ECDRDAR;
2. To confirm whether management supports ICU for the attainment of the ECDRDAR objectives;
3. To understand the effectiveness of ICU in providing reasonable assurance to stakeholders on matters of risk exposures and service delivery in the ECDRDAR; and
4. To find the operational challenges ICU experiences from the support structures within the ECDRDAR.

1. 6 The Significance of the Study

The findings of this study were to help the ECDRDAR employees to understand the role of ICU towards the compliance of internal controls as well as the importance and benefits derived from complying with internal controls.

Other significances of this study are the:

- requirement for the award of a master's degree; and
- reference for other research topics.

1.7 Literature Review

The literature review is defined as the analysis and interpretation of previously conducted researches that will be used and are correlated to the study under review (Taylor & Procter, 2008). The literature related to the non-compliance in government departments was examined to identify the gap missed by previous scholars.

Correlated studies include, but are not limited to, Sebola and Mamabolo on the study entitled compliance to procurement processes, deviant behaviour and effects on service delivery in the public sector (2016); Morudu on the study entitled service delivery protest in South African

municipalities: An exploration using principal component regression and 2013 data (2017); and Ferreira and Antwerpen on their study entitled contributing factors to poor service delivery by administrative employees in the Gauteng public service in South Africa (2016). These scholars have documented similar studies on the problem of the current study.

There, however, an essential part-element that the previous scholars missed relating to the problem of this study. This was the lack of management support towards ICU in their efforts to ensure compliance with the internal controls, resulting in the mismanagement of government funds. The study of a similar problem has never been conducted in the ECDRDAR. This research study, therefore, intends to fill that gap.

1.8   Theoretical Framework

The principal-agency theory underpins this study. The theory explains the relationship that should exist between two or more parties, where there is a principal that defines the work the agent must perform (Uwaoma & Ordu, 2015:108). The theory was applied to this study because ICU only works as agents of the principal who is the key employer (the government). The government (principal) employs the unit to ensure that internal financial controls, rules, and regulations are followed at least so that there are no unauthorised, irregular, fruitless, and wasteful expenditures. The extent to which the internal control units can exact compliance with internal financial controls is only limited to the level of their freedom or the freedoms that they are getting.

1.9   Research methodology

The research methodology is an explanation of the methods and the reasons of the approach that the research is going to use when investigating the research problem and the gathering of a data (Myers, 2009:301).

1.9.1   Research approach and design

The research approach and design are a foundation plan of research. They provide ideas on how the research study must be carried out in trying to answer the research question (Bryman & Bell, 2015). That includes the details of how a sample size or groups, measures, treatments, and programmes are going to be used together in trying to answer the research questions.

There are two types of research approaches, namely qualitative and quantitative approach. This study adopted a quantitative approach and measured statistically the correlation that exists between the dependent and independent variable (Wegner, 2012:187). It then certifies the existing hypothesis relationship for its accuracy using statistical methods (Wegner,

2012:211). Last, it describes what is observed and contributors in the correct manner. A descriptive research approach was applied because it is concerned with the present position of the phenomenon (Patton, 1990:234).

1.9.2 Population and sample

A population can be defined as the total number of respondents available for a researcher to use in collecting data. A sample is a selected number out of the total population that the researcher is going to use in trying to answer the question at hand (Creswell, 2003:302). In this regard, the sample size consists of the seven districts of the ECDRDAR (Wegner, 2012:187-211). The researcher used a quantitative study to simplify the results reached from the sample and measure variables (Wild & Diggnes, 2009:85).

The researcher proposed that purposive sampling be used in this study. This means all the finance officials within the ECDRDAR were chosen based on their characteristics and the objectives of the study. The 150 respondents were used as a sample to reduce the costs and difficulties. The research drew a sample size from the actual population (Stokes, 2000:16).

1.9.3 Data collection

This research study used both primary and secondary sources of collecting data. Primary data refer to the information that was never used to answer the research question at hand. It, therefore, is specifically tailored to this research study and the data will be gathered using questionnaires (Walsh & Lipinski, 2009:569-585).

The secondary data are data that was collected from the literature review. Primary data was collected from the ECDRDAR (Fruhling & Digman, 2000:13-22). The researcher arranged standard questionnaires, keep it as concise as possible using simple English that all participants understood. Furthermore, the questionnaire was designed user-friendly to the participants so that they can complete it in the absence of the researcher.

1.9.4 Data analysis

The data collected was analysed so that useful information can be selected out of the raw data and garbage can be abundant (Miles & Huberman, 1994:46-49). The useful information was then analysed using the following steps, namely data reduction (preparation) was done to summarise answers. Data display and distribution were conducted to illustrate associations and dissemination. Last was data analysis, which was used to make conclusions and to assess whether the sample outcomes can be generalised to the overall population (Patton, 1990:381).

1.9.5 Validity and reliability

Validity refers to the results or information that is the "best approximation to the truth or falsity" of the observed phenomenon (Boyatzis, 1998). Reliability is defined as the results of information attained from the source and that are consistent over a period and the reliable information provides the outcomes of a sample size that symbolises the population in question (Boyatzis, 1998). To test the validity of the research results in this study, construct validity was implemented. This type of validity (construct validation) was conducted to certify that a measuring instrument (a questionnaire) measures what it is supposed to measure (Chakabva, 2015:45). This was done by computing factor and correlation analysis on the SPSS.

To test the reliability of the study's results, pre-testing of a questionnaire was conducted by pre-selecting a sample of respondents and asking them to complete a questionnaire to identify vagueness and bias (Bryman & Bell, 2015). Additionally, the Cronbach's Alpha test was computed using SPSS 2.5 to determine internal consistency across the parts of a measuring instrument. In doing this, it was to determine the extent to which various variables in a questionnaire measures the matching general concept.

1.10 Limitations of the Study

Although the quantitative research method data collection instrument (a questionnaire) makes it easy to collect a vast amount of data, there are also some inherent limitations and weaknesses (Chaka, 2013:14). Some potential limitations include the cooperation of participants. Since the questionnaire involves interaction with participants, it, therefore, requires cooperation. Some people interviewed were reluctant to share information needed in this study, or not willing to participate. Since this study was limited within the ECDRDAR, several required participants within this department were at their retirement age, which reduce the number of respondents, as they retire before data collection. The effect of these limitations was seen in the response rate being lower than the acceptable level, resulting in producing distorted outcomes.

1.11 Ethical Considerations

Ethics refers to the ethical to which the researcher should comply when collecting the data, which is an acceptable human conduct (Walsh & Lipinski, 2009:569-585). Miles and Huberman (1994) itemised the ethical consideration into five key points, namely informed consent, voluntary, privacy, confidentiality, and anonymity. These points are explained below.

Informed consent: The participant was informed about the study and had provided written consent to participate in this study.

Voluntary: Participation in this study was voluntary, as the respondents were free to withdraw at any time.

Privacy: The researcher respected the privacy of the respondents because the personal information that is attained was never disclosed to anyone.

Confidentiality: The respondents were assured that the information collected will not be used for any other purpose except for the research purpose and it will never be shared with anyone who is not directly involved in this research study.

Anonymity: The respondents remained anonyms; thus, they were informed that the questionnaire will not show their names as a guarantee of their privacy.

1.12   Summary of Chapters

Chapter one outlines the research problem and serves as a short contextual of the study, objectives of the research, as well as the hypotheses of the research. The significance of the study, methodology and design were also noted in this chapter.

Chapter two focused on the theoretical framework for ICU and the compliance support structures within the Eastern Cape Department of Rural Development and Agrarian Reform.

Chapter three discussed how the research was conducted. The focus was on both primary and secondary sources that were used, methods of collecting data was discussed under research methodology, which involves research design, sample and population, data collection, and data analysis procedures.

Chapter four provide an analysis of the data and interpretation of the research findings. Charts, tables, and graphs were used in this chapter.

Chapter five covers the Implications, recommendations, conclusion, and areas of further research.

CHAPTER TWO

LITERATURE REVIEW

Chapter 1 explained that ICU works with the finance function to ensure the proper management of government funds. The problem towards their working relationship was identified, which was later developed into the problem statement of this study. The preceding also provided the background of the study, the research objectives, and the proposed research methodology as well as ethical considerations to be observed. Figure 2.1 graphically depicts the explanation of the critical flow of discourse of the content of Chapter 2.

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┌─────────────────────┐           ┌─────────────────────┐
│   INTRODUCTION      │  ──────▶  │ OVERVIEW OF THE     │
│                     │           │ ECDRDAR             │
└─────────────────────┘           └─────────────────────┘
                                             │
                                             ▼
┌─────────────────────┐           ┌─────────────────────┐
│ THE ROLE OF         │  ◀──────  │ THEORETICAL         │
│ INTERNAL CONTROL    │           │ FRAMEWORK           │
│ UNIT                │           │                     │
└─────────────────────┘           └─────────────────────┘
         │
         ▼
┌─────────────────────┐           ┌─────────────────────┐
│ THE ROLE OF         │  ──────▶  │ BARRIERS OF         │
│ MANAGEMENT WITHIN   │           │ COMPLIANCE WITHIN   │
│ THE DEPARTMENT      │           │ GOVERNMENT          │
│                     │           │ DEPARTMENTS         │
└─────────────────────┘           └─────────────────────┘
                                             │
                                             ▼
┌─────────────────────┐           ┌─────────────────────┐
│ IMPORTANCE OF       │  ◀──────  │ THE IMPACT OF NON-  │
│ OVERALL COMPLIANCE  │           │ COMPLIANCE ON       │
│ WITHIN THE          │           │ SERVICE DELIVERY    │
│ GOVERNMENT          │           │                     │
│ DEPARTMENTS         │           │                     │
└─────────────────────┘           └─────────────────────┘
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         ▼
┌─────────────────────┐
│ CHAPTER SUMMARY     │
│                     │
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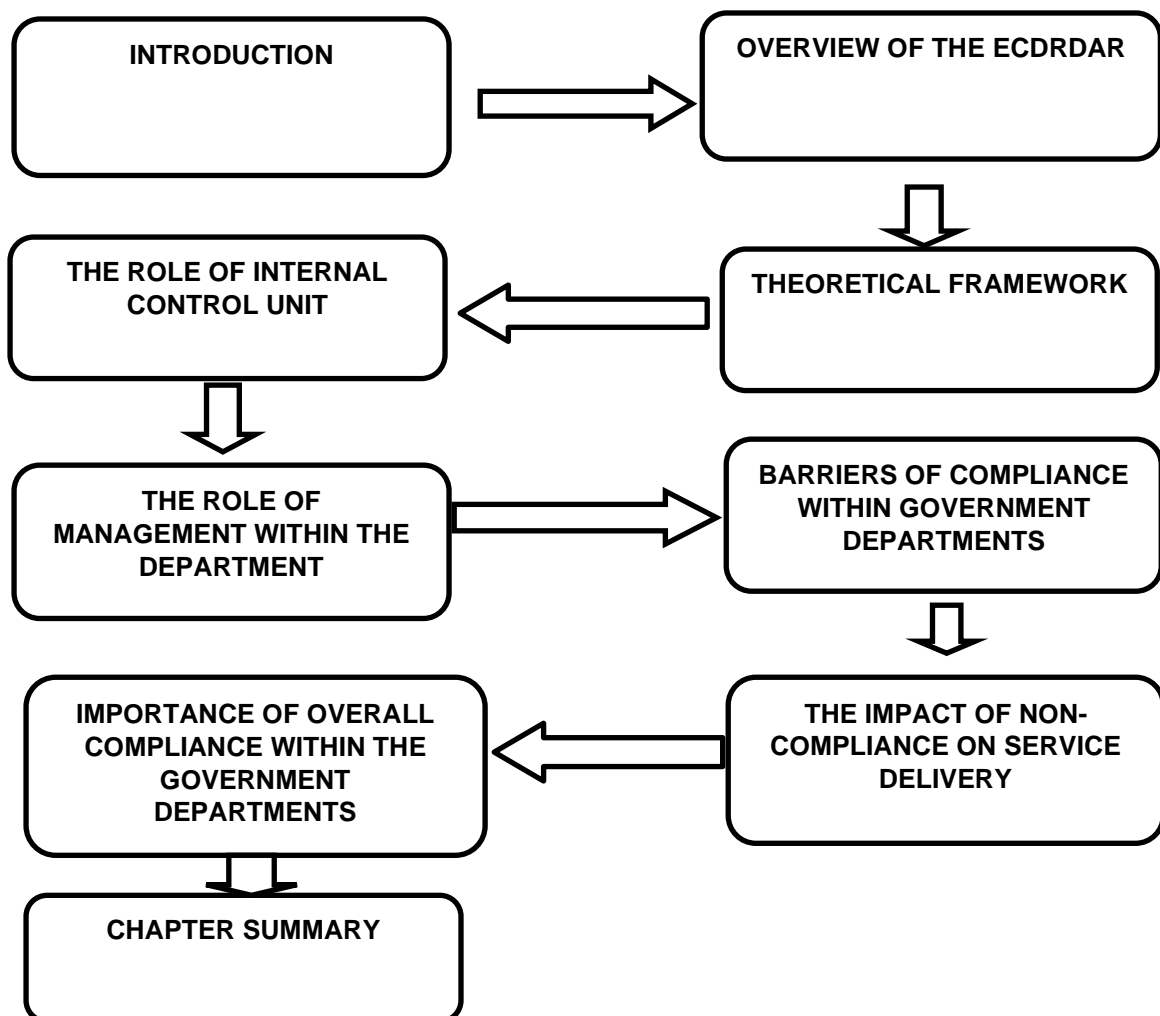
Figure 2.1: Layout of Chapter 2: Scope of the Research (Source: Own)

2.1   Introduction

Poor public finance management is one of the prevalent factors hindering service delivery within most government departments. This is despite the PFMA and NTR (financial management legislations) and internal controls implemented to regulate the financial management within the departments. One of the factors contributing to poor public finance management is non-compliance to the implemented financial legislation and internal controls. This is prevalent, even though most of the government departments have established ICU, which is necessary as an essential internal control mechanism. This unit is used as a tool for monitoring and evaluating financial management activities.

This chapter projects the importance of complying with the prescribed financial legislation and internal controls of the ECDRDAR. It further provides the details of how compliance with such legislation and controls could assist the department to achieve accountability and integrity. Additionally, it assists in improving the implementation of its programmes and develop confidence among citizens and related stakeholders. This chapter starts by providing an overview of ECDRDAR, highlighting the mission, vision, and the objective of the department towards improving the standard of living in rural communities. The chapter details the profile of the Eastern Cape district municipalities that have rural communities which the department is striving to improve. It also outlines the rural development programmes provided by the department as well as its importance in the public sector.

The chapter briefly explains the theory that underpins this study as well as all-important variables, which are explained in the conceptual framework, and the ones that will be documented during the literature search. This chapter is keen to discuss the influence of management towards the implementation of financial legislation, internal controls, and the role of ICU that ensures compliance with such legislation and internal controls, as these are the pillars of financial management. The assessment of previously documented work was done to draw a clear picture of the topic of ICU.

The literature review was used to put the research study under review in a proper perspective, which will ultimately allow a fair argument on the case under investigation. As it was indicated in the main research objective (section 1.5), to ascertain whether the role of ICU requires management support in providing assurance and enhancing operational compliance for government departments such as the ECDRDAR, it is vital to examine how management support fit or relate to compliance processes. Despite the importance of such insight, there has been no research study documented in this direction. To fill that gap of knowledge, this research study, therefore, will be examining the management role to the compliance of financial legislation and internal control. This in-depth consultation of the literature review lays

a foundation for the current research study and further provides evidence of what the previous scholars have documented about this subject area.

2.2 Overview of the Eastern Cape Department of Rural Development and Agrarian Reform (ECDRDAR)

ECDRDAR is one of the South African provincial government departments. In the Eastern Cape (EC), this department is made up of six district offices. The six district offices report to the head office located in Bisho, the sovereign capital of the Eastern Cape Province (ECP). The ECDRDAR strives to improve the standards of living for rural communities by creating employment opportunities and providing food security programmes through agriculture. It is common knowledge that the Eastern Cape has one of the largest rural folk in South Africa (Lehohla, 2017). The focus of ECDRDAR is to minimise the level of poverty by uplifting the standards of living in rural areas (Department of Rural Development and Agrarian Reform, 2018).

The department has devised a strategic plan that encompasses the programmes offered to develop poor rural communities. These programmes are agricultural, both crop farming and livestock, agricultural collages, and service rendering programmes that are aimed at assisting upcoming farmers. In doing so, the ECDRDAR relies on the municipalities regarding the approval of farmland. This led to the establishment of the Integrated Development Planning Nerve Centre (IDPNC).

The IDPNC is a programme designed to authorise communication between the municipalities and the department towards assisting each other in developing and rendering public services. That means, at some point, the department interacts with the municipalities to render public services. Therefore, before elaboration can be made on these programmes regarding how they are attaining a better life for people living in rural areas, it, therefore, necessary to first profile the municipalities working with the department to achieve its objectives.

The programmes of the ECDRDAR spread all over the ECP and benefit a wide range of rural communities in the region. These programmes are being operated within the following district municipalities of the Province: Alfred Nzo, Amatole, Chris Hani, Joe Gqabi, OR Tambo, and Sara Baartman. Within these district municipalities, there are two Metropolitans, which are Buffalo City and Nelson Mandela Bay, as well as other local municipalities that will be listed under the profile of each district municipality. The district offices of the ECDRDAR are also found within those municipalities. Figure 2.2 is a map that clearly articulates the districts, metropolitans, and local municipalities of the ECP.
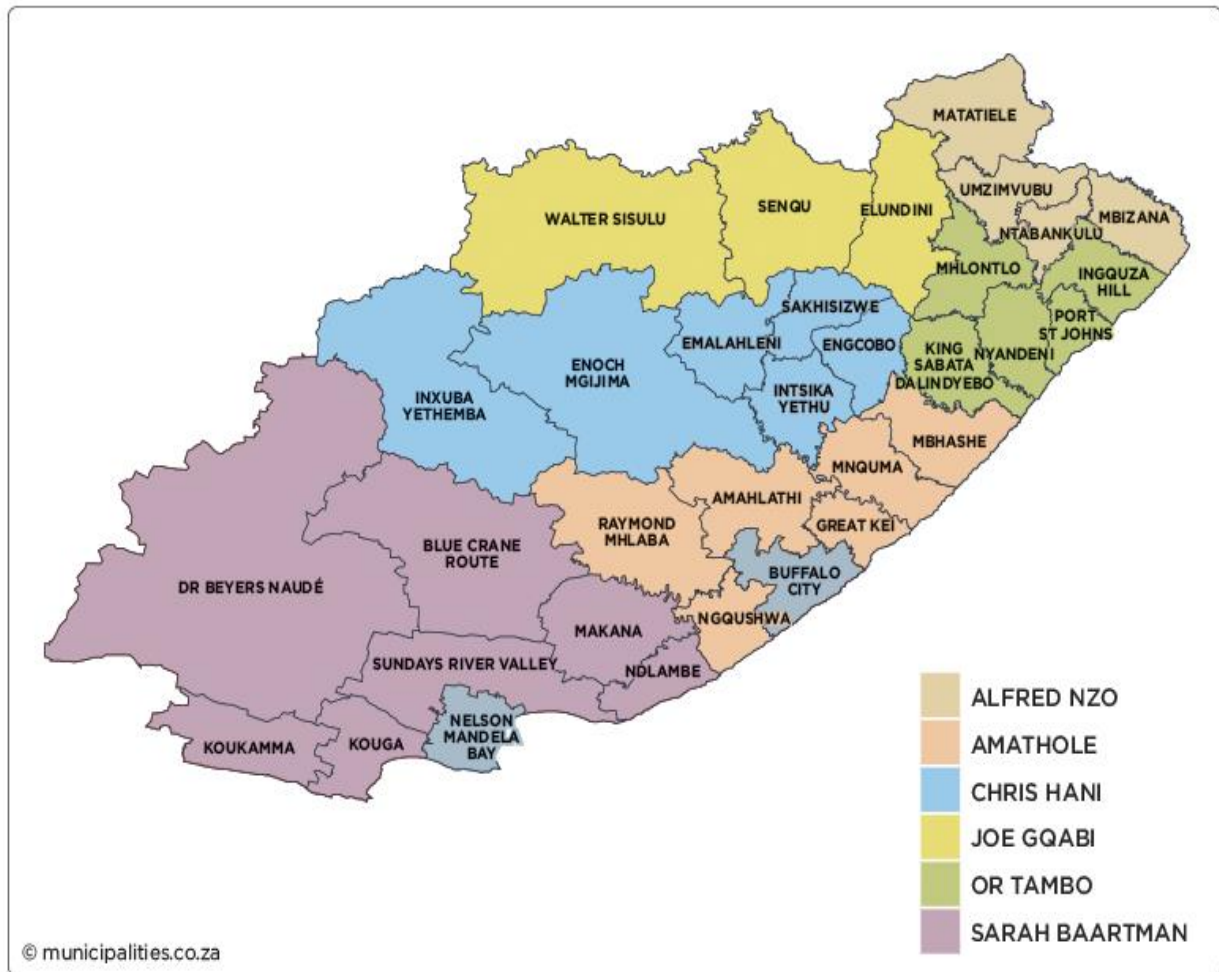
Figure 2.2: Eastern Cape map (Source: ECDRDAR, 2018)

2.2.1 The profile of Eastern Cape District Municipalities

South African municipalities are grouped into three categories. These are category A, B and C, where category A consists of Metropolitan Municipalities (Metros), category B contains Local Municipalities (LM), and Category C consists of District Municipalities (DM). The roles and functions of category C (DM) are set out in the White Paper on Local Government of 1998, under Section 83 of the Local Government: Municipal Structures Act of 1998, and the Intergovernmental Relations Framework (IGRF Act of 2005). Category B LMs' roles, responsibilities, and structures are clearly articulated under the municipal Structure's Act (MSA) (No. 117 of 2009). The DMs and LMs share the provisions of four major public services such as water, electricity, refuse removal, and sanitation.

On the other hand, Metros have the responsibility to render all services to the communities under their jurisdiction (Ncube & Vacu, 2018). According to the South African Local Government and Associations (SALGA, 2018: online), DMs play a fundamental role in rural

development as well as assisting LMs to fulfil their mandate. Through IDPNC, government departments and municipalities can communicate and share the key planning, programme, and project-based information. Essentially, the ECDRDAR shares with the municipalities the provision of land and water schemes; these are placed under the jurisdiction of the municipalities.

The South African Constitution acknowledges the development role played by local government spheres (DMs, LMs, and Metros), as their role is constituted within the National Development Plan (NDP). One of the main focus areas for the NDP is an "Integrated and Inclusive Rural Economy" by 2030, which will be realised by the success of land reform initiatives, infrastructure development, employment creation as well as poverty alleviation (Manuel , 2011).

To achieve NPDs objectives does not only require a strong national government, but it also needs the assistance of capable local government spheres closest to the people. As such, in the Eastern Cape Province, there are six Category C DMs, 30 Category B LMs, and two Category A Metros working close to the people. The ECDRDAR district offices are also located within the early mentioned category C district municipalities. Each of the EC Category C district municipalities will be briefly profiled below.

A) Alfred Nzo District Municipality

Mayor: Sixolile Mehlomakhulu (Executive Mayor)

Deputy Mayor: Sandile Sello (Deputy Executive Mayor and Community Development Services)

Speaker: Tsileng Sobuthongo

Municipal Manager: Z Sikhundla

Description: This district municipality (Alfred Nzo) is classified under Category C of South African municipalities. In the ECP, the district municipality is found in the north-eastern corner of the Province. The boarders of Alfred Nzo district municipality(ANDM) cut across the Drakensberg Mountains, covers the north part closest to the Harry Gwala District Municipality, the south and east part closest to the OR Tambo District Municipality, as well as the west part nearby Lesotho (ECDRDAR, 2018: online). The municipality consists of Matatiele, Ntabankulu, Mbizana, and Umzimvubu Local Municipalities. This district municipality is regarded as the smallest, which only covers 6% of the geographical area (ECDRDAR, 2016: online). With an area of 10 731km² size, this DM has a population of 867 864 (SSA: 2016).

Main economic sectors: Community services (28%), wholesale/trade (15%), agriculture (12%), manufacturing (10%), transport (6.4%), and construction (6%) (ECDRDAR, 2018:online).

B) Amathole District Municipality

Mayor: Ms Nomfusi Winnie Nxawe

Deputy Mayor: Vacant post

Speaker: Nceba Ndikinda

Municipal Manager: Mr Thandekile Mnyimba

Description: The Amatole district municipality (ADM) forms part of the South African municipalities that are classified as Category C. This district is found at the centre of the ECP. The district's jurisdiction covers the Sunshine Coast starting from the Fish River Mouth pass the Eastern Seaboard to the south part of Hole in the Wall alongside the Wild Coast ((ECDRDAR, 2018:online). ADM consists of the following municipalities: Buffalo City Metropolitan Municipality, Amahlathi Local Municipality, Great Kei Local Municipality, Mbhashe Local Municipality, Mnquma Local Municipality, Ngqushwa Local Municipality, and Raymond Mhlaba Local Municipality. The area size of this DM is about 21 117km² with a population of 880 790 (SSA, 2016: online).

Main Economic Sectors: Community services (44%), finance (19%), manufacturing (14%), trade (13%), transport (4%), agriculture (3%), and construction (2%) (ECDRDAR, 2016: online).

C) Chris Hani District Municipality

Mayor: Kholiswa Vimbayo

Deputy Mayor: Vacant post

Speaker: Mxolisi Koyo

Municipal Manager: Ms Yoliswa Sinyanya (Acting)

Description: The Chris Hani District Municipality (CHDM) is also classified under Category C regarding the South African categories of municipalities. The CHDM is located at the north-east part of the region. It connects all the districts within the province. The borders of this municipality cover the north part closest to the Joe Gqabi District, Cacadu as well the south part nearby ADM. It further covers the east part of the OR Tambo District and the west part of Northern Cape (ECDRDAR, 2018). The following local municipalities fall within the jurisdiction

of the CHDM: Emalahleni Local Municipality, Engcobo Local Municipality, Enoch Mgijima Local Municipality, Intsika Yethu Local Municipality, Inxuba Yethemba Local Municipality, and Sakhisizwe Local Municipality.

The CHDM is considered the second largest within the region, which covers almost a third of its geographical area. The CHDM is a very conducive district for agricultural activities, as it is an ideal agro-processing investment area and advantageous since it is approximate to the East London as well as Port Elizabeth ports, with the links to major routes such as the N6 and N10 (ECDRDAR, 2018:online). The size of this DM is about 36 407km² area with a population of about 840 055 (SSA, 2016).

Main Economic Sectors: Community services (52%), trade (15%), finance (14%), transport (6%), agriculture (4%), manufacturing (4%), and electricity (2%) (ECDRDAR, 2016).

D) Joe Gqabi District Municipality

Mayor: Mr ZI Dumzela

Deputy Mayor: Vacant post

Speaker: TZ Notyeke

Municipal Manager: Mr Zolile Williams

Description: The Joe Gqabi district municipality (JGDM) was formerly known as uKhahlamba District Municipality. It is classified under Category C of South African municipalities and is found within the ECP. This DM is nearby the Free State Province as well as the north side of Lesotho. The municipality's jurisdiction covers the north portion of the OR Tambo District and CHDM, as well as the east portion of the Northern Cape to the west parts of ANDMA ((ECDRDAR, 2018: online). Within the Joe Gqabi DM, the following local municipalities are found: Elundini Local Municipality, Senqu Local Municipality and Walter Sisulu Local Municipality. This DM is about 25 617km² of area size with a population of 372 912 (SSA, 2016).

Main Economic Sectors: Community services (55%), finance (12.6%), trade (9.7%), manufacturing (9.6%), and agriculture (6.2%) (ECDRDAR, 2016: online).

E) OR Tambo District Municipality

Mayor: Ms Nomakhosazana Meth

Deputy Mayor: Robert Nogumla

Speaker: Xolile Nkompela

Municipal Manager: Mr Owen Hlazo (Acting)

Description: The OR Tambo District Municipality (OTDM) also forms part of the South African municipalities that are classified under Category C of municipalities and is found in the east side of the ECP along the coastline. It is situated nearby the north side of ANDM, the north-west side of JGDM, south-west side of ADM, and the west side of C HDM ((ECDRDAR, 2016: online). The OTDM "covers about 80% of what used to be marginalised homeland in the Transkei and is one of the four Integrated Sustainable Rural Development Programme (ISRDP) nodes in the province" (ECDRDAR, 2016). The OTDM consist of Ingquza Hill, King Sabata Dalindyebo, Mhlontlo, Nyandeni and Port St Johns Local Municipalities. The above DM is about 12 141km² of area size with a population of 1 457 384 (SSA, 2016).

Main Economic Sectors: Community services (55%), trade (18.5%), finance (16.9%), agriculture (3.5%), transport (3.1%), manufacturing (2.8%), and construction (2.7%) (ECDRDAR, 2016).

F) Sarah Baartman District Municipality

Mayor: Ms Khunjuzwa Eunice Kekana (Executive Mayor)

Deputy Mayor: Vacant post

Speaker: Nonkqubela Pieters

Municipal Manager: Mr T Pillay

Description: The Sarah Baartman District Municipality (SBDM) was formally known as Cacadu District Municipality, which is classified under Category C of South African municipalities, located in the ECP. The jurisdiction of the SBDM starts from the north parts of Graaff-Reinet to the south of the Indian Ocean between the east side of the Great Fish River and the west of Bloukrans River (ECDRDAR, 2016: online). The Sarah Baartman district surrounds one of the largest metropolitan ports in South Africa, the Nelson Mandela Bay found in Port Elizabeth (ECDRDAR, 2016: online). The Sarah Baartman District Municipality consists of the following municipalities: Nelson Mandela Bay Metropolitan Municipality, Blue Crane Route Local Municipality, Dr Beyers Naudé Local Municipality, Kouga Local Municipality, Koukamma Local Municipality, Makana Local Municipality, Ndlambe Local Municipality and Sundays River Valley Local Municipality. The SBDM is about 58 245km² of area size with a population of 479 923 (SSA, 2016).

Main Economic Sectors: Agriculture (mohair) and tourism (ECDRDAR, 2016).

Within the profiled municipalities, there are rural communities in which the ECDRDAR had pledged to assist with its programmes to improve their poor living conditions.

2.2.2 The Eastern Cape rural communities

To understand the influence of the ECDRDAR on such rural areas, these rural communities must be explained. Various scholars explain or define the term rural differently. This term, however, is well-defined in the Rural Development Framework as a small populated place where people mostly depend on natural resources such as farming, and the place that consists of rural communities as well as small towns dispersed across the spaces. The rural definition also caters for large settlement areas that are lacking economic base except transferring payments (Pavel & Moldovan, 2019:1). As explained by Pavel and Moldovan (2019:1), the rural area is categorised by underdevelopment and are disadvantaged from essential public services. Furthermore, rural communities are also commonly known as the areas of living situated far outside towns and are sometimes referred to as homelands.

The Eastern Cape rural areas also meet the definitions of rural communities provided above. Generally, these areas are faced with high levels of poverty, underdeveloped infrastructure, and unemployment Westaway, 2012:116-117). Unemployment levels are generally known to be extremely high in rural communities; this has forced many to take improper jobs that earn them low incomes while others have relied on government pension grants for their survival (Zamxaka, 2015:6).

While the food prices and the lack of employment are increasing, these rural communities continue to be exposed to starvation, as most rural communities are also lacking food security programs (Selepe, Mtyingizane & Masuku, 2015:4). The ECDRDAR (2018) have claimed that the lack of food security programmes is attributed to the province not being self-reliant in the production of food because of the lack of sustainability in the utilisation of natural and other associated resources. The study conducted by Westaway (2012) has indicated that 73% of people living in the rural areas of the region make their living on an income of less than R300 a month. It can be understood that the low income earned by these rural communities is further reduced by transportation cost when they want to acquire some food commodities.

Another report issued by the Statistician-General Pali Lehohla in 2017 has shown an increase in the number of people that are classified as extremely poor, from 13.4 million in 2006 to 13.8 million in 2015. Seeing the emerged issues facing rural communities, people from these communities will remain jobless, suffering from hunger and chronic diseases and high levels of poverty unless strategic plans are implemented (Phezisa, 2016:20). Previous and current scholars have cited that one of the things that must be considered when trying to overcome the prevalent issues in rural areas is farming. According to Tang, Lui and Huang (2019:1-15), farming is crucial in rural communities regarding reducing hunger as well as creating job opportunities. Tang, Lui and Huang (2019:1-15) elaborated that agriculture is the vehicle through which rural community starvation can be reduced. Based on these, rural communities must plough crops and farm with livestock to make a living. In support of the above strategic plans to improve the poor living conditions in rural communities, the South African democratic movement led by the ANC, however, issued a Reconstruction and Development Programme (RDP) as their core policy stand (Mosala, Venter & Bain, 2017:1). The RDP is a document that issues a set of policy and procedures to be used for a combined and well-reasoned socio-economic progress (Mosala, Venter & Bain, 2017:1). The aim for RDP is to improve the standard of living in rural areas through the services provided by government institutions. Economically, this document has helped to successfully address the main goals of changing the approaches of the "post-apartheid South Africa" consisting of growth, improvement, reform, and reallocation consistent with the macroeconomic framework with the Keynesian paradigm (Futshane, 2011:9). The ECDRDAR programmes are also inherent from the RDP to attaining a better life for people living in rural areas; these programmes will be elaborated on below.

2.2.3 Programmes of the ECDRDAR

Rural development can be summarised as the state measures in place to eradicate the poor standards of living in rural communities (Ngomane, 2012). It is common knowledge that a lack of job opportunities and poverty in most rural communities of South Africa have been a major problem for a long time. Previous and current scholars have documented that, to comprehensively address the development issues, references should be made to its current socio-economic necessities. The various problems affecting rural communities necessitate the need for an intervention in the form of rural development programmes, such as the programmes offered by ECDRDAR. The ECDRDAR programmes came into existence after the department has pledged to strive for a prompt improvement on the standard of living for the poorest communities of the region (Strategic Plan 2010-2015 Department of Rural Development and Agrarian Reform).

These programmes are categorised into three groups, namely ploughing and cropping agricultural programmes, livestock agricultural programmes, and service rendering programmes. The main objective of these programmes is to create employment opportunities through which poverty can be alleviated. For example, the ploughing and cropping agricultural programmes provide various kinds of support towards the upcoming farmers (Pule, 2015). To be precise, these programmes (ploughing and cropping) encourages people to grow crops to sustain themselves while the department also promotes agriculture as a form of a food security programme. According to the previous studies by Zamxaka (2015), Olayemi and Nirmala (2016), and Masuku et al. (2017), agriculture is viewed as the method that is mostly used by people in rural communities to sustain themselves.

These studies also mentioned that it is a traditional way for rural communities to grow crops and raise livestock to make a living. Several agriculture and development studies' scholars have documented that agriculture is essential as food production for rural development, and it creates employment opportunities through which poverty is eradicated (Futshane, 2011:13). In efforts to promote agricultural production, the ECDRDAR subsidises smallholder farmers with seeds and fertilizers to produce various agricultural products (Qoboshiyane, 2017). In the year-end 2016/17, the department reported having subsidised 158 smallholder farmers as well as 5 603 producers of clustered grain.

The department has a partnership agreement with the WIPHOLD for producing saleable maize. This partnership has resulted in 1 937 hectors being ploughed, which yielded 134 employments in the rural communities (Department of Rural Development and Agrarian Reform, 2017). The department has initiatives that are intended to assist smallholder farmers of fruit and vegetables with infrastructure and manufacturing inputs (Menzelwa, 2016). These initiatives have created 45 jobs opportunities and contributed to 1 744 seasonal employments (Menzelwa, 2016). The Nicks foods super spar, as well as other local retail stores, were identified as the market for this farming, which inspired intensive production (Vena, 2016). The department also encourages farmers to do their best in production by the awards introduced for the most produced farmers. This initiative has motivated many farmers because one of the farmers won the provincial and national awards for being the best woman entrepreneur (Zokwana, 2017:6). This farmer has created 44 stable jobs as well as 68 seasonal jobs for deciduous fruit that is aimed to be exported to the "Middle East, Far East and Europe", and this yielded a total income of 9.5 million in the year 2016 (Zokwana, 2017:6). All the above stated has gained the department importance in the public sector due to their efforts to benefiting the rural communities as well as contributing towards the South African economic growth (Nkwinti, 2017).

Concerning livestock farming, the province has numerous animals under the care of the ECDRDAR. These animals are treated for diseases and prevention of such through the departmental diseases monitoring plan (Feni & Riddin, 2017). Moreover, the department also provides the infrastructure that is used for animal protection against climate changes in support of smallholder farmers, which have created 837 employments opportunities (Ngada, 2017). Last, the department also conducts land rehabilitation for farming purpose. Land rehabilitation involves the process of preparing the soil for crop production, and this has benefited 592 people due to the 519 green employments that were created (Ngada, 2017).

The department also runs two agriculture colleges that are aimed at training young farmers with the necessary skill and expertise that are required in the field of agriculture (Zokwana, 2017:3). Furthermore, the department is also offering support to the agri-businesses, cooperatives, and companies that are directly connected with the commercial market (Qoboshiyane, 2017). It has emphasised developing young females and farm employees by subsidising them to take agricultural training and courses (Department of Rural Development and Agrarian Reform, 2016:494). On the other hand, it also assists the upcoming farmers to draw up profitable business plans and make well-reasoned economic choices (Menzelwa, 2016).

Because of these department efforts, the poverty levels were alleviated (this is in terms of the headcount research) from 14.4% in 2011 to 12% in 2016 (Department of Rural Development and Agrarian Reform, 2017). For the department to achieve its overall mandate, it, therefore, must perform all the departmental activities to sustain service delivery to the rural communities.

To sustain service delivery, the department has formed structures where rural communities can voice their needs and interests so that the department can speed up its service delivery (Futshane, 2011:14). These structures were necessitated by the call for the Masiphathisane integrated service delivery model that was initiated by the premier of the province, Honourable Phumulo Masualle.

The integrated service delivery model, operation Masiphathisane, was established in 2016 to strengthen service delivery in the communities of the province. According to Qupe (2016), Masiphathisane is a "programme through which the government is bringing itself to the people". To be precise, the operation Masiphathisane was established to overcome service delivery problems the rural communities faced (Palezweni, 2016). This model strives to create strategies that combine services, convey them to the communities, and improves the lack of communication between government spheres and local communities to prevent service delivery problems, which caused many complaints recently (Masualle, 2016).

To further the Masiphathisane campaign, the war rooms were initiated to bring together communities, stakeholders, and government officials to strengthen service delivery and mend the relationship between communities and government (Mjekula, 2016). The war rooms are chaired by the Ward Councillor, and community development workers became the secretaries who are responsible for the operations of the war room (Mjekula, 2016). This includes maintaining the relationship between the various stakeholders available in the communities, namely traditional leaders, religious formations, youth formations, and women co-operatives (Gaga, 2016). Officers are also appointed from various government departments to engage with the programme and to formulate a structure, which ensures the smooth running of the war room (Gaga, 2016).

According to Kupelo (2016), the purpose of these war rooms is to ensure that government can work together with the local communities as well as available stakeholders to resolve service delivery issues in time. Kupelo further said the war rooms promote inclusion of local communities and other stakeholders in government planning, services delivery, and performance monitoring measures. This is despite two municipalities that have declined the Masiphathisane model, claiming that there are uncertain issues around the funding of this model, and they are afraid to end up using municipal funds to fund it (Mvumvu, 2017). The ECDRDAR, however, is one of the government departments that have adopted the Masiphathisane integrated service delivery model to enhance their service delivery processes.

For the ECDRDAR to deliver on its rural development programmes, it needs funding from the national revenue fund. The national revenue fund is put under the management and disbursement of the Department of National Treasury. All government departments are dependent on the funding obtained from the Department of National Treasury to effectively conduct their programmes (Department of Rural Development and Agrarian Reform, 2018).

For the departments to manage the funds received from the national treasury effectively, certain legislations were introduced. These are the Public Finance Management Act 1 of 1999 (PFMA) (as amended by Act 29 of 1999), and the National Treasury Regulation Acts of 200 (NTR). Considering that the republic of South Africa is still a developing country, the government's interest in its departments is about presenting and implementing such legislation to help to attain sustainable development. As such, the PFMA and NTR were introduced, which are discussed below.

2.2.4   The Public Finance Management Act 1 of 1999

Munzhedzi (2016) stated that the Public Finance Management Act 1 of 1999, as it was amended by Act 29 of 1999, is a regulation that promotes efficiency and effective management

21

of South African public sector finances. This act supports the internal processes of government administration that are channelled towards attaining sustainable improvement and quality of public services. Nombembe (2011) further advocated that the PFMA aim to strengthen the management of government funds. It helps them attain accountability, stewardship, transparency, and good corporate governance at the national, regional, as well as the local government.

In section 38(1) (*b*) of the PFMA, it is stated that an accounting officer (as it is one of its responsibility) must ensure effective, efficient, economic, and transparency in using "department, trading entity or constitutional institution's" resources. That is attained through section 38 (1) (*a*) (i), which states that an accounting officer of the department must ensure the department has and maintains "effective, efficient and transparent systems of financial, risk management and internal control". This helps to safeguard government resources, as these sections prevent irregularities in government spending.

As such, section 38 (1)(*g*) of the PFMA further states that an accounting officer "on discovery of any unauthorised, irregular or fruitless and wasteful expenditure, must immediately report, in writing, particulars of the expenditure to the relevant treasury and in the case of irregular expenditure involving the procurement of goods or services, also to the relevant tender board".

These expenditures are occurring because of the improper use of government funds (financial misconduct). Consequently, after an accounting officer has reported on any of such expenditures, the accounting officer must take the necessary steps in accordance with section 38(1)(*h*)(iii) of the PFMA against all public servants whom their actions have resulted in the department incurring unauthorised expenditure, irregular expenditure or fruitless and wasteful expenditure. Through section38 (1)(*h*)(iii) of the PFMA, an accounting officer prevents the reoccurrence of such expenditures.

To further protect the department from incurring those expenditures, section 38(1) (*n*) compels an accounting officer to comply with the provisions of the PFMA and to ensure that all departmental officials comply with the same provisions of the PFMA. All the mentioned processes are conducted to ensure proper public finance management in government departments. In 2000, the treasury regulations were also established to strengthen proper implementation and compliance with the PFMA provisions. These will be discussed below.

2.2.5   National Treasury Regulations of 2000

The National Treasury Regulations (NTR) aim at simplifying the PFMA provisions and re-enforcing compliance (Van Loggerenberg, Carmichael & Siswana, 2017). It should be noted that the establishment of NTR is to explain how the public finance management should be

carried in the government departments. They, therefore, should not be seen as the regulations to replace, rewrite or contradict the PFMA provisions. The NTR is simply providing the details under section 38(1) (a) and 76(4) (e) on how the accounting officer should go about implementing section 38 of the PFMA. As such, Section 3.2.1 of the NTR indicates that an accounting officer must guide on risk assessment conducted to uncover risks that the institution might face and assess applicable strategies to mitigate such risks. These risks include material risks that could jeopardise the attainment of institution objectives.

According to section 3.2.2 of the NTR, an accounting officer is also required upon the completion of risk assessment to issue a certificate with the details of the completed risk assessment as well as an operational fraud prevention plan to the relevant treasury within a specified period. Section 9.1.1 of the NTR advises an accounting officer to also ensure that reasonable care is taken to identify and mitigate unauthorised, irregular, fruitless, and wasteful expenditure by using effective, efficient, and transparent processes of financial, risk management, and internal controls. Section 4.1.1 of the treasury regulations provide the details of what an accounting officer should do when an official or officials allegedly have committed financial misconduct. The focus for these sections explained above is to strengthen proper public finance management in government departments. Furthermore, these treasury regulations also govern the spending of the department funds, since they detail what is expected from an accounting officer regarding how the funds should be safeguarded to achieve the departmental objective (Dlomo, 2017:38).

Furthermore, all the government departments are required to comply with the PFMA section 38 and treasury regulations section 38(1)(a) and 76(4)(e) to efficiently manage their finances and to ensure they achieve their objectives (Public finance management act No. 29 of 1999). The implementation of section 38 of the PFMA requires that an accounting officer of the department, "trading entity or constitutional institution to ensure that the department, trading entity or constitutional institution" must have and maintain an effective system of internal controls.

Maintaining an effective system of internal controls help to strengthen the department's likelihood of attaining established goals and objectives (Coetzee et al., 2014:98-99). In support of this view, the studies conducted by the scholars such as Bubilek (2017), Mwachiro (2013), Siwangaza (2013), Tini (2016), Uwaoma and Ordu (2015) revealed that the implementation of effective internal controls strengthens the financial management of the organisation; hence, the departments are required to implement such controls.

Moreover, the implementing of internal controls in government departments are according to the PFMA recommendation as stated above. These efforts intend to enhance compliance with

the PFMA provisions of the proper management of government funds. As such, the internal controls are implemented using the guidelines provided by the PFMA provisions. These are all recommended processes and measures to be in place as required by the Constitution, which ensures the efficient and effective management of public funds (National Treasury, 2012). The provisions of the PFMA must guide the internal controls since they are implemented to improve compliance with such provisions, as stated above. Structures are established to ensure the implementation and compliance with the above legislation and internal controls with the government departments. To paint a clear picture of such support structures, the conceptual and theoretical framework, therefore, is explained below.

2.3   The Theoretical Framework

The theoretical framework for this study is that of the principal-agency theory. The theory provides an understanding of the fundamental role that comes with the corporate governance within the government departmental structures as well as the internal agents within the departments (Thanh & Cheung, 2010:6). In the case of the ECDRDAR, the internal agents that will be examined are management and ICU. According to Franck (2009), agency theory is more suitable in explaining organisational internal structures because many principal agency contacts could be identified within the organisation. Having more than one agent representing a principal at times could lead to the agency's problems since, at least, one of the agents might want to pursue their interest (Thanh & Cheung, 2010:6). In support of this view, the studies conducted by the scholars such as Bendickson, Muldoon,Liguori and Davis (2016), Voorn, Genugten and Thiel (2019), and Schillemans and Bjurstrom (2019) revealed that arises having multiple agents within the public sector result to the agency problems, which affect service delivery. In the case of government departments, many agency relationships are found within the departments. For this study, however, only the management and internal control units are examined.

The government department management herein referred to as accounting officers, is the agent of the government given the responsibility to run the department according to the government's interest. On the other hand, ICUs are also the agents employed by the government to assist management with the compliance issues of financial legislation and internal financial controls. It has been cited that although ICU assists with the compliance issues, management, at times, overrides compliance measures to pursue their interest. This creates an agency problem because one of the agents (management) have a conflict of interest acting on their interest, and ignoring the principal interest (Boshkoska, 2015:205). This negatively affects the internal control setting as well as the role of ICU within the department.

The role of management towards compliance within the government departments is explained below.

2.4   Role of Management within the Department

The management of the ECDRDAR is tasked with many responsibilities. These responsibilities include ensuring that the department delivers on its overall mandate (Department of Rural Development and Agrarian Reform, 2018). In general, the management of the government departments implement the policies and achieve the desired results by being responsible for delivering such results, which are outlined in the departmental budget (National Treasury, 2012:2). It further prepares the departmental budget that reflects measurable departmental objectives (National Treasury, 2012:2). As part of ensuring the attainment of such departmental objectives, the management has been designated a responsibility to implement the PFMA and Treasury regulations (Makgatho, 2013:14). Also, designing and implementing the systems of internal control as a requirement of section 38 of the PFMA. Such systems ensure that necessary action(s) are in place, which provides reasonable assurance concerning the achievement of departmental objectives (Bubilek, 2017).

The financial legislation such as the PFMA and NTR are crucial for proper financial management in the government departments. These legislations are necessary because they provide the guidelines on how the government funds should be managed. According to the NTR of 2000, financial management is an important element to the successful operation of all organisations since it is associated with how limited resources available in the organisation are utilised. Seeing unauthorised, irregular, fruitless, and wasteful expenditures incurred by government departments, however, might be an indication of non-compliance with the financial legislation (Dlomo, 2017:4). Hence, this study establishes the effectiveness of the compliance support structures within the ECDRDAR. The finance reporting structure is presented in Figure 2.3.
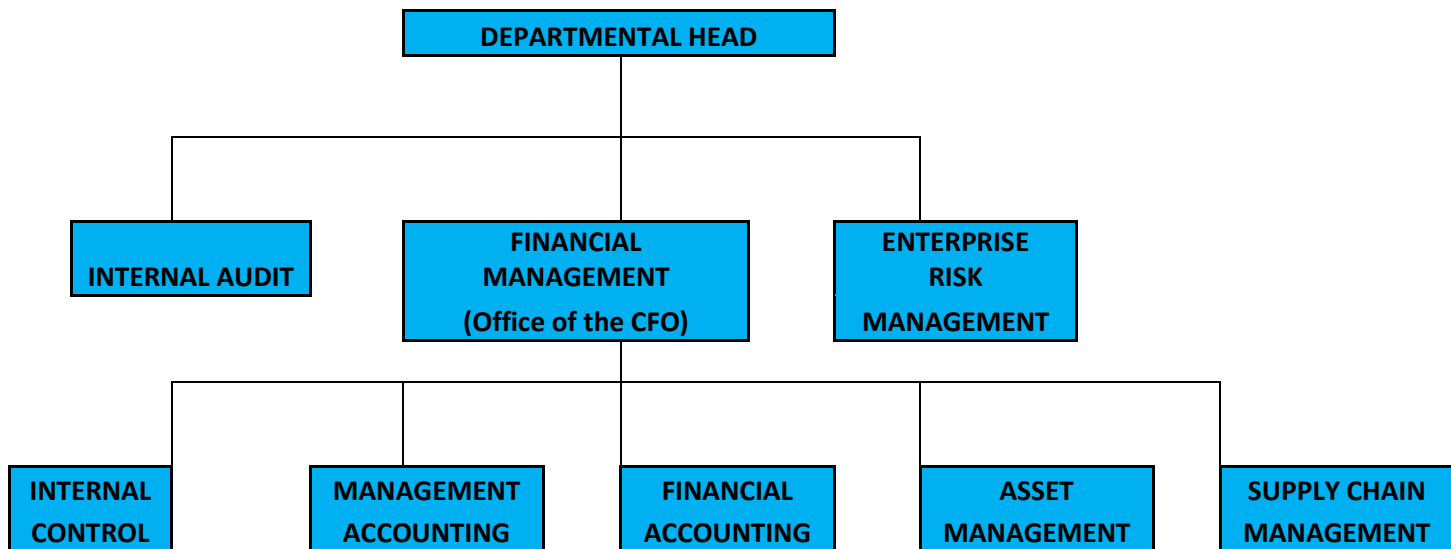
Figure 2.3: Generic Functional Structure (Source: Department of National Treasury 2016)

The above generic functional structure is the representation of the role and the reporting of financial management sections within the ECDRDAR. This structure was implemented by the Department of National Treasury in full collaboration with the Department of Public Service and Administration in 2006. According to Rahmatika (2014:68), the structure like the above is formed to ensure good cooperate governance because it consists of:

➢ The principles that support a desire to assist rural communities, and the standards that are meant to develop people's capability to realise the country's goals of becoming independent, social justice, and sustainable development.

➢ The functional aspects that ensure government departments being efficient and effective in carrying out their duties to attain the country's goals.

According to Agyenim-Boateng et al. (2012), good cooperate governance is expressed by how an organisation and its systems functions, and the relationship exists among organisational managers, directors as well as other related stakeholders. Asaolu, Adedokun and Monday (2016) stated that governance is a concept comprising the set of principles that are meant to ensure the effective functioning of state institutions and to establish a good relationship between the citizens, government, and the parliament. Furthermore, Mebratu (2015) elaborated that good governance consists of ethical principles such as being compliant to the "rules of law, openness, transparency, accountability and fairness" of the state institutions when dealing with the public. The structure articulated above is also formulated in compliance with the above-explained good cooperate governance principles.

All the functions of the above structure work together to ensure the ECDRDAR delivers on its services to rural communities. The finance structure of the department starts with the departmental head, which is referred to as the Accounting Officer (AO). The department also has the finance unit that is headed by the CFO to assume the financial management responsibilities of the department (Department of Arts & Culture, 2013). The department has an internal audit function that is responsible for oversight duties and assurances over the systems of internal control, management of risk and the promotion of governance in the departmental structures (Western Cape Government, 2013). Internal audit function reports administratively to the accounting officer and functionally to the Audit Committee of the Board. Through the audit committee, internal audit function helps to ensure the accounting officer's responsibilities are executed effectively (Knysna Municipality, 2013). The accounting officer and the management are tasked with the responsibilities of enterprise risk management (Department of National Treasury, 2012).

Furthermore, the office of the CFO consists of the following functions, namely management accounting, financial accounting, asset management, supply chain management, and internal control unit (Western Cape Provincial Administration, 2002:3). These functions share a common goal, which is to help and ensure that the CFO's responsibilities are executed effectively, ultimately attaining the department objectives. Management accounting conducts the following duties: planning and budgeting, monitoring, and reporting on departmental spending (Rongala, 2015). Financial accounting ensures the proper collection of monies due to the department (revenue management), expenditure management, and other accounting-related activities (Department of Sport, Recreation Arts and Culture, 2018). Asset management ensures the proper management of immovable and movable assets of the department while the supply chain assists with the acquisition of goods and services (Swanepoel, 2014). On the other hand, the ICU assists to ensure that all the processes involved in the above-mentioned finance functions comply with the treasury regulations, PFMA provisions, and internal controls (Department of National Treasury, 2012).

2.5   Role of Internal Control Unit within the Department

The ICU is a unit established to assist the finance function in compliance with financial legislation and internal controls that govern department funds. As such, the unit is incorporated within the finance departmental structure (Treasury regulation, 2001:8-9). The role of ICU is to minimise and where possible eliminate non-compliance with financial legislation such as PFMA and NTR, and internal financial controls within the government departments. This unit pre-audits all the procurement documentation to ensure that procurement personnel upheld all procurement policies, procedures, and regulations. Further, the unit pre-audits all the

payments before authorising payment to confirm their compliance with the payment guidelines articulated in the PFMA and NTR, and internal controls. The unit also identifies financial risks and weaknesses and recommends areas for improvement to the CFO to ensure proper management of public funds.

The ICU assists the finance function and prevents financial risk to which the department might be exposed because of non-compliance with PFMA and NTR guidelines. The unit understands compliance to mean the adherence of all department employees to the overall PFMA and NTR guidelines, and internal controls when procuring and rendering public services within the department (Department of Rural Development and Agrarian Reform, 2018).

The operations of the ICU are being guided by earlier-mentioned financial legislation and the unit was established more than a decade ago (Department of National Treasury, 2012:1). Through compliance ensured by the ICU, the department could effectively execute its activities; thus, sustaining its service delivery and meeting its overall objectives (Hailemariam, 2014:11-12). The efforts of the ICU's role to ensuring compliance with the financial legislation and internal financial controls have gained them importance in the public sector, because of their public interest and the safeguarding of government funds (Al-Hawatmeh & Al-Hawatmeh, 2016:226).

Public funds are commonly regarded as the cornerstone of service delivery for all government departments since these funds enable the departments to deliver on its services and meet their mandate. As such, compliance with financial legislation and internal financial controls place the government department in a good position to meet its overall mandate and objectives (Oseifuah & Gyekye, 2013:241). Compliance with financial legislation prevents the mismanagement of public funds and ultimately, helps the departments to be economical, efficient, and effective in using the funds when it renders public services.

Moreover, ICU works with the finance managers to provide a direction on how internal control objectives will be met and consequently, attain the departmental objectives (Eastern Cape Department of Education, 2015). Furthermore, the ICU assists government organisations to achieve accountability, integrity, improve the implementation of government programmes, and develop confidence among citizens and stakeholders. The ICU's role was found effective in ensuring compliance within government departments in a study documented by Al-Hawatmeh and Al-Hawatmeh (2016). In the South African context, however, these units experience operational challenges. The ECDRDAR is not immune to these challenges. This has been identified to be the most prevalent at the district offices where the ICU does not report directly to the CFO but the finance manager within the department.

2.6 Barriers of Compliance within Government Departments

The ICU has "gained importance" in the government department because of their role that ensures compliance and safeguards government funds (Al Hawatmeh & Al Hawatmeh, 2016:226). They are the only unit that is used as a preventative control (first line of defence) to protect and manage government resources (Makgatho, 2013:12-13). They help the department to prevent the manipulation and corruption that usually occurs when procuring and paying for goods and services in the government departments.

The unit, however, experiences operational challenges that make its role ineffective in preventing the mismanagement of departmental funds. The relational and predictive factors leading to non-compliance issues were found to be a lack of management support, not clearly communicating the role of ICU among finance employees, inadequate training of employees, and the impaired objectivity and independence of ICU. These predominant causes of non-compliance are further discussed below.

2.6.1 The lack of management support

The ICU and management relationship should be like that of internal audit function (IA) and departmental management. According to Cohen and Sayag (2010), IA's relationship with management requires the top management to put more importance on the IA function, as this encourages all employees at various levels to support the operations of the IA function. Equally, with ICU and management, when management placed more importance on the role of ICU, all finance employees will support its processes. According to Hailemariam (2014) and Asaolu et al. (2016), management support referred to measuring it by the amount of support provided towards the auditing process. This consist of availing essential resources, funding, means of transport if required, availing training, presenting the auditing employees with new technology, as well as procedures.

Dessalegn and Aderajew (2007) added that management support could be expressed by how management treats the audit findings and recommendations; thus, when management is committed to implementing recommendations on such findings, it will be supporting the audit processes. This means that ICU employees will be more inspired and encouraged to execute their engagements knowing that management knows their value-adding to the department. This, however, is not the case with the relationship between the ICU and management in government departments. It was observed that the ICU reports to the finance managers within most district offices of government departments.

As such, the findings and recommendations suggested by these units on the financial risks that the district might be facing do not serve much purpose because of management's lack of

commitment to implement them. Consequently, government departments are unable to prevent unauthorised, irregular, wasteful, and fruitless expenditures even though they have ICU, which is designated the responsibility to prevent such expenditures. It can be understood that for a government department to attain overall compliance with its financial management guidelines, management must value the role played by the ICU towards proper finance management. Furthermore, this can also help in understanding the impact of operational challenges experienced by ICU in departmental finance management.

2.6.2 Communication of ICU role among finance employees

One of the committees of sponsoring organisations' (COSO) framework component, information and communication described the importance of relevant, reliable, and easily accessible information to reach those who need it for them to timely execute their responsibilities (Channar, Khan & Shakri, 2015:93). This, however, is not the case with government departments. The information concerning the role of the compliance support structure and compliance procedures do not flow to those who need it. Consequently, it results in several finance employees not understanding the role of the ICU with the department. This adversely affects the department, as employees are unable to do their work accordingly because of poor communication of compliance procedures, which leads to the violation of financial legislation guidelines.

2.6.3 Inadequate employee training

According to Sommerville (2007: 208), training is described as a process where employees are equipped with the necessary information needed for them to operate within their respective working environments. This process also changes how the employees behave within the organisation (McCleland, 2002: 7). Adequate training is considered as an essential and imperative instrument used by the organisation to improve its employees' performance for organisational growth and success (Elnaga & Imran, 2013:140). The inadequate training of employees, however, affects their job satisfaction and work performance, which, in turn, threatens the service to be rendered (Lashley & Best, 2002:6). According to Ukandu and Ukpere (2013:573), when the employees do not receive enough training, they are unable to effectively execute their work, thereby affecting service delivery.

2.6.4 Objectivity and independence of ICU

According to Jackson and Stent (2014:7), objectivity refers to an uninfluenced mental attitude, which allows the work to be performed and executed accordingly. Whereas independence is measured by the freedom available to perform the work free from all the conditions, which

threatens the work to be performed unbiasedly (Coetzee et al., 2014:36). The ICU within the ECDRDAR district offices reports to finance management and, at the same, time ensures it complies with financial management legislation and internal financial controls. This kind of reporting does not give much freedom to the role of the ICU since the finance managers turned to influence the work and the decisions made by the ICU concerning compliance within the department. Because of this reporting structure, the ICU's objectivity and independence are impaired.

2.6.5 Intentional disregard for compliance with financial legislations

Generally, some employees in the government department often argue that the compliance with financial legislation such as PFMA and NTR is unnecessary and, as a result, they simply bypass such legislation (Xiao, 2011:87). This could be viewed as a red flag indicating the intention to misuse the department's funds (Campbell & Hartcher, 2003:12). Another concern is management's ability to override PFMA and NTR; this ultimately causes all employees to not comply with the financial legislation and internal controls.

2.6.6 Collusion in government departments

Collusion is best described as an unethical act committed by two or more people aiming at defrauding the organisations (European Federation of Accountants, 2005:7). This limits the ability of the PFMA and NTR guidelines to prevent the elements of fraud, more especially when one or all the people involved are in key positions (Xiao, 2011:87). Collusion in government departments is perpetuated when two or more employees that perform segregated duties are sharing the same intention to defraud the department.

2.6.7 Lack of effective supervision

CPA (2008:24) stated that supervision is the second level of ensuring compliance with the PFMA and NTR guidelines. It should be noted that supervision includes reviewing and approving procedures, which are the detecting controls. These entail the re-check of activities done by other personnel to ascertain whether they are correctly done. This also aims to ensure that intentional errors and fraudulent activities are easily detected and prevented. The lack of supervision, however, easily attracts irregularities in the department. Furthermore, the absence of supervision makes it difficult to effectively segregate the duties with the department, resulting in non-compliance and elements of fraud thriving (Siwangaza, 2013:22-23). The lack of supervision also results in fictitious or unauthorised transactions being processed.

2.6.8 Unauthorised transactions

It is common knowledge that when financial legislation guidelines such authorisation and approval are lacking, fictitious transactions easily occur in government departments. The departments are paying non-work-related expenses, i.e. where employees would claim for subsistence allowance for travelling that was never authorised and not work-related (Appiah, 2012:12). In addition, at times, the personnel that are dealing with the payments to supplies are defrauding the department by processing fictitious payments. These issues are ultimately preventing the department to meet its overall mandate due to misused funds.

2.6.9 The role of management in compliance

Management is essential in ensuring the smooth operation of the department. How they manage the department directly influences the functioning of internal controls, PFMA and NTR (Coetzee et al., 2014:101). With this view, the study by Uwaoma and Ordu (2015:115) showed that in some instances, management fails to comply with the financial management guidelines they implemented for their benefit. It should be noted that how management treats compliance within the department directly influences how the rest of the employees will perceive compliance with financial management legislation (Dinapoli, 2010:6).

Management is sometimes referred to as "setting the tone at the top", meaning they provide the direction towards the attainment of the department's objective (Coetzee et al., 2014:101). As such, they are expected to comply with the PFMA and NTR so that employees can also comply (Xiao, 2011:86). Moreover, how management deals with non-compliance or the financial misconduct of its employees proves where management stands with the overall compliance within the department (Dinapoli, 2010:6). For instance, if management has favouritism over its employees and overlooks other employees' financial misconduct, it results in those employees believing that what they are doing is acceptable (Uwaoma & Ordu, 2015:115).

Because of management not condemning financial misconduct accordingly, the entire departmental employees will be relaxed knowing that no action will be taken against them even if they do not comply with the provisions of PFMA and NTR (Uwaoma & Ordu, 2015:115). With this kind of management, however, non-compliance is invited, and the collusion and fraudulent activities thrive easily. According to Dmitrieva (2014:10), good management ensures effective compliance with the provisions of financial management legislation by "frowning at any type of malpractice or misconduct".

2.7 The Impact of Non-Compliance on Service Delivery

As advocated by Nziwakhe and Mpehle (2011), the government of the Republic of South Africa is committed to public services delivery and the creation of an environment suitable for service delivery. The South African government spheres, however, are experiencing sporadic service delivery protests around the region (Morudu, 2017:3). As cited by various scholars, one of the reasons for such service delivery protests is attributed to non-compliance with the procurement processes (Sebola & Mamabolo, 2016:60). The impact of non-compliance on service delivery is discussed below.

2.7.1 Violent service delivery protest

According to Sebola and Mamabolo (2016), failure to comply with the PFMA, NTR and procurement processes causes financial losses as well as a loss in time spent fixing inefficiencies caused by non-compliance. It results in an organisation diverting the resources that were originally meant to achieve its objectives to the areas for which it was not intended. Thus, affecting service delivery since some of the diverted resources were meant for service delivery. Consequently, the department fails to uphold the promise made for public service delivery to the communities, which angers them to resort to sporadic service delivery protests.

2.7.2 Poor quality service delivery

Ambe and Badenhorst-Weiss (2012) stated that non-compliance with financial legislation such as the PFMA, NTR and others yields poor quality public service delivery. Perpetuators of non-compliance put their focus on how much they are going to pocket instead of the quality of service that must be rendered to the community. It results in a low quality of goods and services being used in rendering public services to the communities.

2.7.3 Undermining constitutional democracy and the rule of law

According to Pillay (2004), non-compliance is a form of corruption that affects service delivery, as it erodes accountability, undermines constitutional democracy and the rule of law, damage governance, tarnish the public trust on state's credibility, and threatens government ethics.

2.7.4 Destroys state's machinery for service delivery

Munzhedzi (2016) believed that the link between procurement within state organs and corruption is inadequately addressed. Subsequently, this challenge destroys the government's efforts on public service delivery because it steals a huge amount from the public funds. As stated by Munzhedzi (2016), this study is of the view that non-compliance to the financial

management legislation must be rooted out, as it paralyses the government machinery for delivering services to the public.

2.7.5 Waste taxpayers' money

Mahlaba (2004) and Munzhedzi (2013) indicated that corruption affects public service delivery. Their study is of the view that non-compliance with the PFMA, NTR and other legislation governing the financial management of state organs costs the taxpayers of the republic hundreds of millions of rand each year. The millions of rand are paid by taxpayers for the government to render public services to the people. The assertion by Dlomo (2017) that in the 2013/14 financial year, the South African government spent R62.7 billion rand in activities that are in violation of laws and regulation. The Smart Procurement (2011) indicated that a large amount of government funds ends up wasted on corrupt activities and the procurement process often becomes evident that non-compliance thrives. The taxpayer's money is not used for its purpose and service delivery is at jeopardy.

2.8 Importance of Overall Compliance within the Government Departments

Steaming from the preceding effects of non-complying with the PFMA, NTR and all other financial management legislation or guidelines, it is necessary that the department employees comply to avoid the occurrence of such irregularities. The primary mandate of the departments is to provide service delivery to the public, and the compliance with financial management legislation strengthens the attainment of departments' overall mandates (Makgatho, 2013:13). The purpose of financial management legislation is to provide sound financial management, which is aimed at promoting effective service delivery to the South African communities by effectively and efficiently using government resources (Luyinda, 2008).

Compliance with the PFMA and NTR plays a pivotal role in minimising and, where possible, eliminates unauthorised, irregular, fruitless, and wasteful expenditures, which result in a delivery of public services (Public Finance Management Act. 1 of 1999). In the case of the ECDRDAR, compliance with these financial guidelines will assist the department to manage its finances towards the effective implementation of the programmes that are meant to improve rural areas. The studies by Bruwer (2016), Bubilek (2017), Siwangaza (2013), and Tini (2016) suggested that compliance with established internal controls also assist in managing the finances of the organisation.

According to the International organisation of supreme audit institution (2013), internal controls, by definition, can be summarised as the policies and procedures put in place by the management of the state organ and other personnel. They are designed to lower risks and

provide the likely hood that in pursuit of the state organ assignment, the following internal control objectives are met:

➢ Performing orderly, lawfully, cost-effective, resourceful, and effectiveness of operations

➢ Achieving accountability commitments

➢ Fulfilling the laws and regulations

➢ Protection of the resources against loss, mismanagement, and damage

Note should be taken that internal controls do not provide absolute assurance; they only provide reasonable assurance that the departmental objectives will be attained (Coetzee et al., 2014:98). The importance of internal controls is its ability to identify and mitigate the risks that could jeopardise the attainment of the department objectives (Bruwer, 2016:41). Complying with them will assist the ECDRDAR to lower the risks that could prevent the department from effectively improving the rural areas through its programmes. Such compliance includes a wide range of plans, approaches, processes, management policies, and directives related to operational efficiency (Uwaoma & Ordu, 2015:108). According to Ntongo (2012:8), complying with controls provides reasonable assurance; however, non-complying provides little or no assurance. Nqala (2017:89) also advocated that non-complying leaves the organisation vulnerable to all kinds of risks.

2.9   Chapter Summary

The literature review has provided an overview of the Department of Rural Development and Agrarian Reforms, of where the department is situated, the department mandate, and its importance in the public sector. The chapter also outlined the Eastern Cape district municipalities and the rural communities situated within those municipalities. The role of department and district municipalities towards improving the standard of living within rural communities were also outlined. The chapter described financial legislation that governs financial management within the government department towards service delivery, and the programmes established to develop rural areas. The theory that underpins the study was also explained. The financial legislation explained were regarded as the fundamental guidelines that ensure proper public financial management.

Management's role within the government department, as well as the departmental generic reporting structure, were briefly discussed. It was also established that within the department structures, there is ICU that plays an essential role in ensuring compliance with the financial legislation and internal control. The study, however, also established the operational challenges experienced by the ICU when executing its compliance role within the department.

These include the lack of management support, lack of communicating the role of ICU among finance employees, inadequate training of finance employees, and the impaired objectivity and independence of ICU. These issues contribute to non-compliance issues prevalent within government departments. The study explained that non-compliance issues within the department negatively affects public service delivery. In closing, this chapter emphasised the importance of complying with the overall financial management legislation and internal controls, as these provide reasonable assurance that service delivery will be provided to the people.

CHAPTER THREE

RESEARCH METHODOLOGY

Chapter 2 conducted a literature review that was mainly focused on previous research on the role of ICU in organisational governance and overall compliance within the public services. The sources that were consulted include international sources such as published books, journals, and other research related publications. The explanation of the critical flow of discourse for the current chapter (Chapter 3), is graphically depicted in Figure 3.1.

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│ DATA COLLECTION METHODS │ ◀─── │ SAMPLING PROCEDURES │
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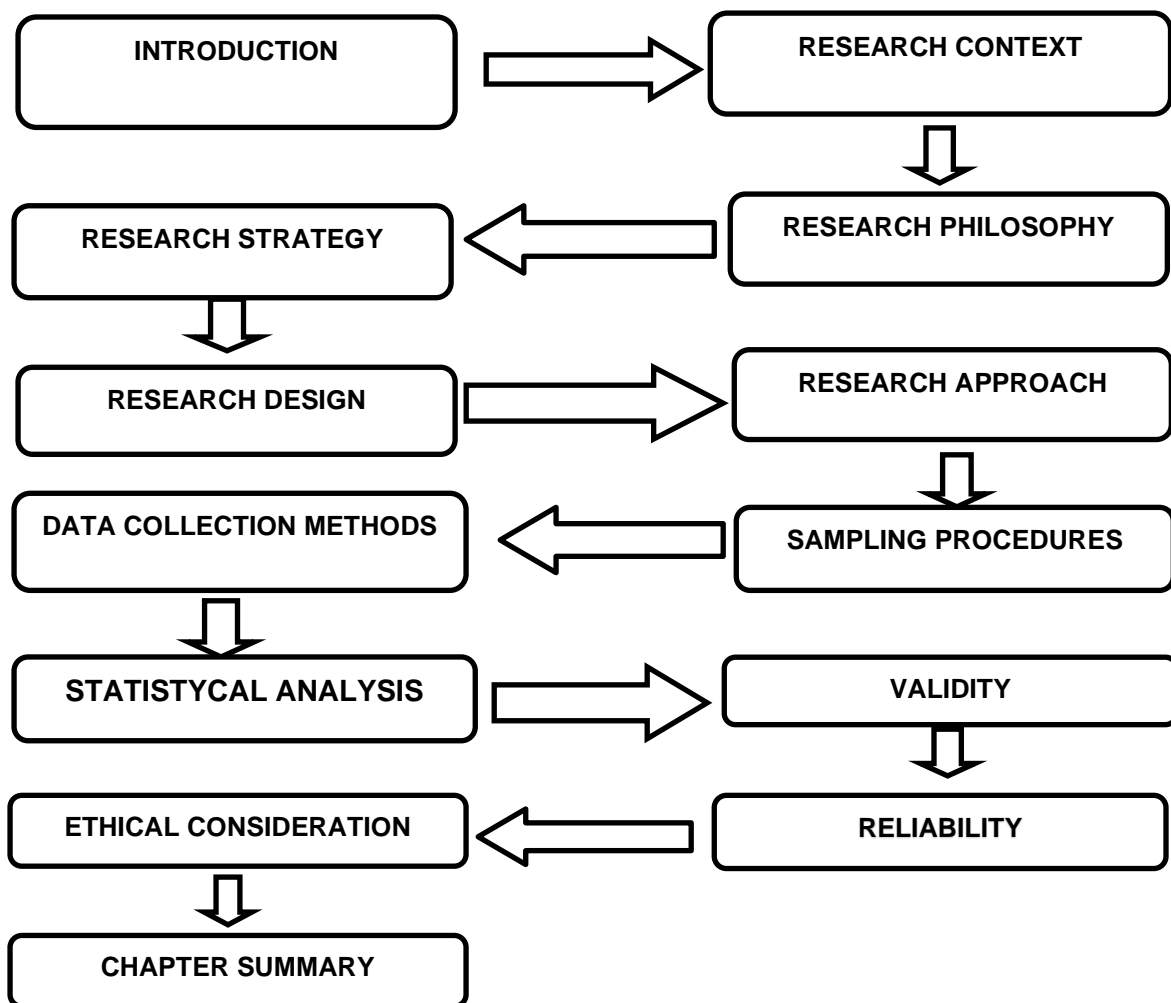
Figure 3.1: Layout of Chapter 3: Scope of the Research (Source: Own)

3.1   Introduction

This chapter aims to discuss the research methodology that undergirds this study. The discussions will consist of different research methods to be used and why certain methods are chosen. This chapter will also explain the research purpose, research approach and research strategy to be used. The chapter will further provide the details of adopted sampling methods as well as the details of data collection, and the methods of data analysis to be employed when analysing data will be described. The discussions pertaining to the reliability and validity issues for this study will be briefly explained. Lastly, ethical considerations that will be observed in this research study will be detailed.

Research can be defined as a process or systematic way of inquiry to obtain and gather the information that is helpful to understand the phenomenon under investigation (Bhat, 2018). Based on this definition, the primary objective for this research study is to ascertain whether the role of ICU to ensure compliance with internal controls requires management support, and it seeks to establish barriers that prevent overall compliance processes. Other aspects such as the compliance measures and the management support structures of the ECDRDAR were studied in Chapter Two as follows:

➢ The role of management towards departmental compliance
➢ The role of ICU towards compliance with internal controls
➢ Barriers to compliance with internal controls
➢ Impact of non-compliance on service delivery
➢ The importance of overall compliance within government departments

The in-depth literature consultation that was conducted in Chapter 2 necessitated the current study to be divided into three phases that highlight the main compliance issues towards the management of the department, ICU and the departmental employees at large (refer to Table 3.1). In phase 1 of this research process, the focus was on the development of preceding theory as well as the literature assessment that establishes the preliminary research problem.

The second phase proposed a fieldwork survey be conducted at the ECDRDAR using interviewer-administered questionnaires. A survey is defined as an efficient way of obtaining information from many respondents by using a pre-designed questionnaire (Collie & Rine, 2009). It is also considered to be an efficient process of obtaining primary data by communicating with the respective participants. Collie and Rine (2009) stated that a survey can be designed specifically for the phenomena under investigation. As such, it is useful when trying to attain data concerning certain parts of the population.

In general, data can be used for various purposes. In the case of the current study, however, it will be used to assess the departmental compliance measures as well as the supporting structures of the ECDRDAR. The survey outcomes will be used to establish the impact of various non-compliance issues such as the lack of knowledge for internal control systems, qualifications, and the years of experience working for the department. Furthermore, a survey will be used owing to the quick, low-cost, efficient, and accurate ways it provides to evaluate information concerning the population.

3.2   Research Context

For this study, a deductive approach was employed because it first allows using the literature review to define a proposed theory (Soiferman, 2010:3). The questions that are pertaining to the empirical study were pre-determined and the logical association between perceptions were also identified. This study will now focus on establishing empirical evidence that either agrees with or declines certain assumptions. To ensure the study remains relevant when embarked on the fieldwork, the latest internet figures as well as current statistics, however, will be used to periodically update the theoretical sections of the study. The observed investigative study will be conducted within the conducive research conditions as well as where the observed phenomenal exist (in the ECDRDAR). In addition, the findings of this study will be used to answer the research problem and to highlight the areas for further research where necessary.

3.3   Research Philosophy

Saunders, Lewis and Thornhill (2008:108) stated, "The research philosophy you adopt contains important assumptions about the way in which you view the world. These assumptions will underpin the research strategy and the methods you choose as part of that strategy". Hence, knowledge advancement and the nature of knowledge relate to the research philosophy (Saunders, Lewis & Thornhill, 2008). The research methodology will be guided by the research onion illustrated in Figure 3.2 adopted from Saunders, Lewis and Thornhill (2008).
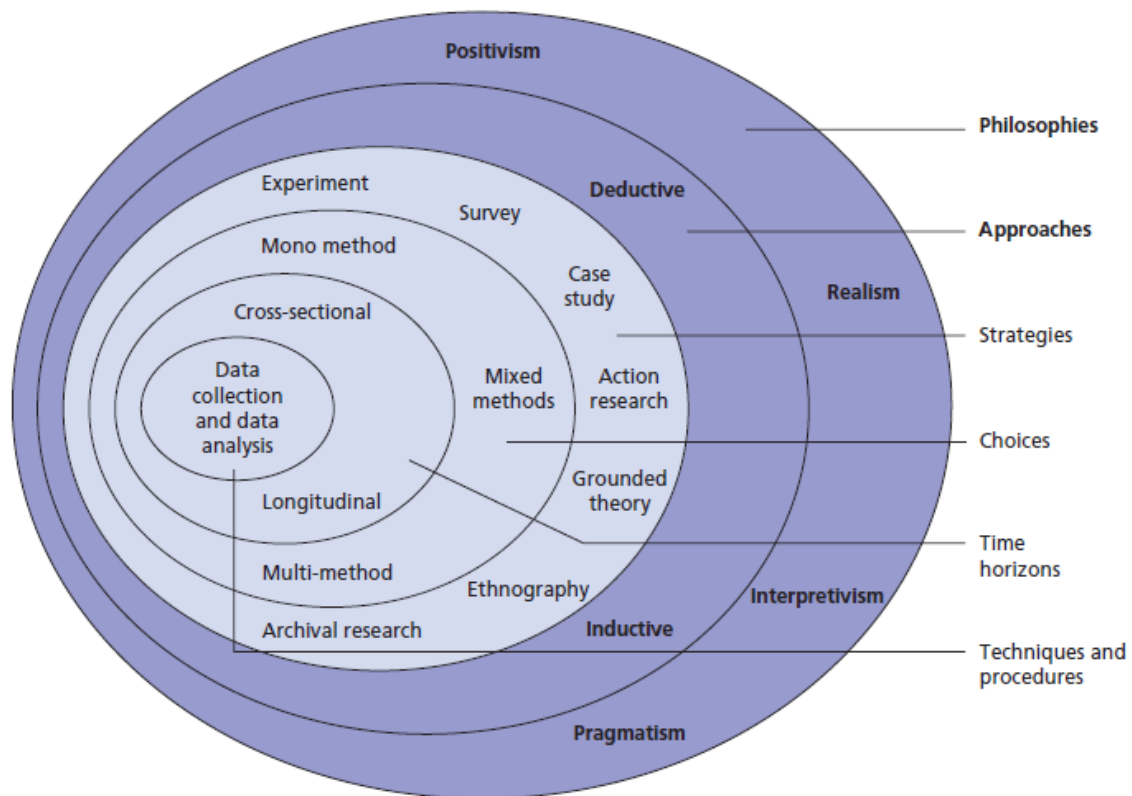
Figure 3.2: Research onion (Adopted from Saunders, Lewis & Thornhill, 2008)

Research philosophy can be viewed as ontology or epistemology and each viewpoint influences how scholars think about the research method (Mkansi & Acheampong, 2012:132). the research approach determines which method between qualitative, quantitative or mixed method was used in the research study, whereas research strategy can be viewed as a roadmap that provides a direction towards the attainment of research objectives (Melnikovas, 2018:34). Saunders, Lewis and Thornhill (2008) proposed four management research philosophies, namely (1) positivism, (2) realism, (3) interpretivism, and (4) pragmatism as shown in Table 3.1.

Table 3.1: Management Research Philosophies

	Positivism	Realism	Interpretivism	Pragmatism
Ontology: *the researcher's view of the nature of reality or being*	External, objective and independent of social actors	Is objective. Exists independently of human thoughts and beliefs or knowledge of their existence (realist), but is interpreted through social conditioning (critical realist)	Socially constructed, subjective, may change, multiple	External, multiple, view chosen to best enable answering of research question
Epistemology: *the researcher's view regarding what constitutes acceptable knowledge*	Only observable phenomena can provide credible data, facts. Focus on causality and law like generalisations, reducing phenomena to simplest elements	Observable phenomena provide credible data, facts. Insufficient data means inaccuracies in sensations (direct realism). Alternatively, phenomena create sensations which are open to misinterpretation (critical realism). Focus on explaining within a context or contexts	Subjective meanings and social phenomena. Focus upon the details of situation, a reality behind these details, subjective meanings motivating actions	Either or both observable phenomena and subjective meanings can provide acceptable knowledge dependent upon the research question. Focus on practical applied research, integrating different perspectives to help interpret the data
Axiology: *the researcher's view of the role of values in research*	Research is undertaken in a value-free way, the researcher is independent of the data and maintains an objective stance	Research is value laden; the researcher is biased by world views, cultural experiences and upbringing. These will impact on the research	Research is value bound, the researcher is part of what is being researched, cannot be separated and so will be subjective	Values play a large role in interpreting results, the researcher adopting both objective and subjective points of view
Data collection techniques most often used	Highly structured, large samples, measurement, quantitative, but can use qualitative	Methods chosen must fit the subject matter, quantitative or qualitative	Small samples, in-depth investigations, qualitative	Mixed or multiple method designs, quantitative and qualitative

Realism is a philosophical position that links with the scientific examination. This subdivision of epistemology is analogous to positivism, as it adopts a scientific incline towards knowledge development where there is a reality relatively mind independent; therefore, the opposite of idealism. Two types of realism have been proposed, namely (1) direct realism declares that what is experienced through human senses depicting the world precisely, and twenty critical realists draw attention to the deception of the senses (Saunders, Lewis & Thornhill, 2008).

According to Saunders, Lewis and Thornhill (2008), critical realists' proposition is that there is constant change in the social world. This position is consistent with the research's purpose, which attempts to comprehend the reason for a phenomenon (performance because of the alignment of the supply chain, competitive and information systems strategy), which is a

predecessor for recommending change. This research, therefore, will be based on critical realism where the importance of a multi-level study would be acknowledged and each level (individual, the group and the organisation) could transform the researcher's understanding of the studied phenomena (Saunders, Lewis & Thornhill, 2008).

3.4   Research Strategy

Dinnen (2014) explained the research strategy as a "step-by-step plan of action"; thus, a roadmap that provides a direction towards the attainment of research objectives. It allows the research to be conduct systematically within the periods, whereas it also produces quality output and detailed reporting. Based on this definition, this study used the research strategy as a guide towards attaining research objectives. Moreover, this study also followed a theory-testing and use of empirical research.

The theory of testing was appropriate to be used because many scholars have been documented elsewhere on the subject matter, and the fundamental variables were identified from those scholars. This study's main objective is to assess whether these prevalent issues really occur in South African government departments. Table 3.2 clearly articulates the research strategy to be used for this study.

Table 3.2: Research Strategy for Non-Compliance Issues

Non-compliance Variables	Preliminary analysis / Literature review	Formal analysis
Management	➤ Management neglects internal controls ➤ Unauthorised transactions ➤ Distortions of information and poor management communication ➤ Lack of effective supervision mechanisms	➤ Internal control barrier by management ➤ Internal control barrier on implementation
Internal Control Unit	➤ Role of internal control unit	➤ Effectiveness of the role of internal control unit
Employees	➤ Intentional disregarding internal controls ➤ Collusion	➤ Internal controls barriers by employees

3.5 Research Design

The research design is an explanation of the methods and the reasons for the approach that the research study is going to follow when investigating the research problem and gathering data (Rahmatika, 2014:68). In addressing the research problem, this study has followed the quantitative research approach. This study deployed a non-probability sampling method, and the respondents were selected using purposive sampling.

The questionnaire was used as a data collection tool to collect information that was helpful in addressing the research problem. The sample size for this study consists of 110 respondents, of which all of them had met a set of delineation criteria. Data collected were analysed using both descriptive and inferential statistics. The above research design methods are further elaborated on the sections below. In addition, Khan (2007:35) and Maholtra (2004:75) classified the research purpose by the threefold research methods being exploratory, explanation and descriptive.

3.5.1 Exploratory

The exploratory research method primarily requires a clearly stated and detailed theory as well as accurately developed hypotheses (Reiter, 2017:143-144). With this type of enquiry, the interest is on the amount of theory and available hypotheses that can be used to explain the theory, or the extent to which explanations can provide important and useful results. This research method is deemed successful when the theory and hypotheses, which were previously developed, accurately explains the phenomena, providing a solid and strong association among the cause and the results (Reiter, 2017:143-144). This provides a valuable insight into the problem under review, which results in a clear picture being created about the research purpose. In addition, this method of research also permits a researcher to collect a large amount of data on the phenomenon under observation that could lead one to draw a conclusion that the problem never existed.

3.5.2 Explanatory

The explanatory research method is sought to establish why certain phenomena occur. It provides explanations about the existing problem using casual associations (Rahi, 2017:2). With this type of enquiry, the interest is in identifying the nature of an existing connection among identified variables. In some circumstances, it is essential to illustrate that a connection effect exists, where one variable depends on another. The association and interactions of factors pertaining to non-compliance were studied using this method. This type of research

design is also known as causal research. Many scholars have stated that this method of investigation is more appropriate to employ under the quantitative approach

3.5.3 Descriptive

With this type of design, observation is an essential research tool that is used for data collection purposes. It normally strives to evaluate circumstances aiming to establish the standard way of them occurring (Walliman, 2011:10). This helps to predict what can be expected to happen if the same circumstance reoccurs. In general, observations can be made in various ways, but it depends on the kind of information required. For instance, respondents can be interviewed, or questionnaires can be disseminated, which done with the aim to obtain data that describes the existing situation pertaining to the variables as well as their condition for the duration under investigation. Thus, a precise systematic and truthful description of the research problem will be provided.

In general, the analysis of the association between the cause and effect is not necessary to be conducted on the problem under review. The frequency tables, percentages, and other statistical procedures such as uni-variate graphs will be used to interpret the data. This process of interpreting data is mostly used for revenue analysis, media research, and attitude surveys. Furthermore, this study will follow the exploratory research owing to its interest in establishing and testing the hypothesis (Hague, 2002:26). It is also expected that the levels of accuracy should be high when the study attempts to define the problem, analyse, and further test the findings.

3.6 Research Approach

According to Masama (2017:43), there are three basic research approaches, namely qualitative, quantitative, and mixed method (i.e. combination of qualitative and quantitative). These methods comprise of many interpretations because of their broadness, which resulted in a variety of beliefs and conclusions to be made in defining them.

Qualitative research, therefore, is defined as the method that deals with "subjective assessment of attitudes, opinions and behavior" (Makgatho, 2013:56). This method of research is concerned with the gathering of certain case studies from a small-scale level, which is scrutinised using informal interviews (Tini, 2016:9). Moreover, the qualitative research method is more interested in producing results that do not fall within the perimeters of quantitative analysis (Vaittinen, 2015:50-51). Lastly, under the qualitative method, data are normally collected using the following techniques: focus group interviews, projective techniques, and in-depth interviews (Mvelase, 2015:54).

On the other hand, the quantitative research method is explained as the technique that uses observed assessments (which consist of statistical measures as well as analysis methods) to the attainment of research objectives (Zikmund et al., 2012:134). Bryman and Bell (2007:28) added that this method could be interpreted as the "research strategy" that requires the attainment and analysis of a large amount of data.

Quantitative research method often allows the research study to direct a significant number of the population towards quantifying concepts with scales, for instance, point Likert-scales (Mvelase, 2015:54). These concepts are arranged for indirect or direct quantitative values that are helpful in providing valuable insight into the respondents' perceptions (Zikmund et al., 2012:134). Such values are also deemed useful in statistical computations as well as hypothesis testing. In addition, the quantitative research approach consists of data collection, data analysis and interpretation using the following techniques such as structured observation, and questionnaires (Chakabva, 2015:39).

Based on the above explanations, the quantitative approach will be used in this study. It will be employed to gain an in-depth understanding of the factors that lead to non-compliance in most government departments in the South African context. Table 3.3 clearly illustrates, as a form of summary, the differences between qualitative and quantitative research design.

Table 3.3: Summary of Quantitative and Qualitative Research Designs

	QUALITATIVE	QUANTITATIVE
Objective	To gain a qualitative understanding of the underlying reasons and motivations of a certain behaviour	To quantify data and generalise sample results to the population using inferential statistics
Sample	Small number of non-representative cases	Large number of non-representative cases
Data collection	Unstructured/informal and flexible	Structured/formal
Data analysis	Non-statistical and heavily reliant upon the researcher's interpretations	Statistical and findings are usually expressed in numbers
Outcome	Develop an initial understanding	Recommend a final course of action

	QUALITATIVE	QUANTITATIVE
Types of data	Verbal statement qualification	Numbers/statistics
Tools for data collection	Focus groups, case studies, observation, unstructured depth interviews	Use of surveys, questionnaires, personal interviews, archives, shopping mall surveys and experiments

Source: Malhotra (2012:137)

Moreover, the world of research has two research paradigms, namely positivist and interpretivistic research paradigm (Watkins, 2010:43). For this study, the positivist research paradigm will be employed since this research paradigm is more focused on quantitative research approaches, against interpretivism that is focused on qualitative research approaches (Siwangaza, 2013:29). Furthermore, the nature of this research study is empirical and thus, falls within the domain of positivist research paradigm. In addition, this research study was considered descriptive since it entails the explanation of phenomena that are present in the real world.

The questionnaire was used as the instrument of data collection. This method was chosen simply because it provides a wider scope that enables the research study to look at the society at a broader scale (Tini, 2016:38). It also enables using descriptive and explanatory data. The research method that, therefore, has been chosen in the current research study is suitable to be used to analyse the management role towards the efforts of ICU that emphasises the overall compliance within the ECDRDAR.

3.7   Sampling Procedures

The sampling procedure for this research study consisted of the following steps:

3.7.1   Target population

A population can be defined as the total number of respondents available for a researcher to use when collecting data whereas the sample is the number selected from the total population that the researcher is going to use in trying to answer the question at hand (Wangui, 2012:24). Similarly, the seven districts (including head office) of the ECDRDAR were selected to be used as the target population for this research study. The population size elements if are large, and it becomes more difficult for data to be collected from all the members of the population. Especially when the expenses to be incurred and the time to be spent in collecting large amounts of data are considered. Hence, many scholars commonly use the sample because it is feasible, inexpensive, precise, and quick (Khan, 2007:39)

The population sample size that was used in this study consists of the finance unit of the ECDRDAR. The sample size was calculated using the Raosoft sample size calculator. The Raosoft sample size is defined as useful statistical software, which allows the researcher to establish the sample size by considering the confidence level, the marginal error, and the total population (Devault, 2017).

3.7.2 Sample frame

A sample frame is a representation of the elements of the target population (Malhotra 2012:373). Coldwell and Herbst (2004:73) define it as a list that consists of the directions of identifying the target population. The sample frame for this study was the finance directorate of the ECDRDAR. The data gathered for this research study were obtained from randomly sampled employees working in the finance directorate of the ECDRDAR. These employees possess the knowledge and experience in the field of finance, which is relevant to the research questions.

3.7.3 Method of sampling

Two sampling methods are commonly followed in the research survey, namely probability and non-probability sampling. Surbhi (2016) has differentiated the methods as follows:

Probability sampling statistically refers to a technique where every member of the population has a known and equal chance of being selected. This method is "based on the randomization principle". It assures that all the members of the population have an equal chance to be selected. This reduces possible errors and prevents bias when the respondents are selected. Moreover, when the statistical estimates of the sample are generalised to characterise the overall population, the possibility of sampling error must be considered. The sampling error generally refers to the extent to which the sample outcomes differs from the total population. Probability sampling method consist of simple random sampling, stratified sampling, cluster sampling, and systematic sampling.

Non-probability sampling is in contrast with the probability sampling because not all members of the population have an equal chance to be selected. Their selection depends on the scholar's personal preference, and the population segments that form part of the sample are normally selected randomly. While none of the probability is attached to any segment of the population, sample items are selected using personal decision or previous experience. In certain circumstances, however, items that only provide convenience usually form part of the sample. With this type of sampling, using statistical tools is not applicable and, therefore, the sampling error will be unknown. Non-probability sampling consists of convenience, quota, judgement or purposive, and snow-ball sampling.

This research study followed a purposive sampling method (non-probability sampling) in selecting the respondents; thus, the finance official of the ECDRDAR had been chosen based on the researcher's preferences and objectives of the study (Dawuda, Aninanya & Alnaa, 2015:37). This method was chosen since the study wanted to access a subset of people; these are financial management employees of the ECDRDAR. Thus, all participants were selected because they fit a profile of the study.

3.7.4   Sample size

The sample size for this study consisted of 150 respondents, as the size was approximately to the number of finance employees available at ECDRDAR. Some limitations, however, transpired during the data collection phase as follows: in total, 40 respondents were outstanding after the data collection due to the following constrains:

> ➢ In total, 19 participants, were retired and have resigned by the time of data collection and their respective posts were not filled to comply with the cost containment measures, which necessitated the freezing of posts that are viewed as non-essential (Gordhan, 2017).

> ➢ Twenty-one employees refused to complete the questionnaire circulated to the department.

Because of the above limitations, only 110 valid questionnaires were collected.

3.7.5   Response rate

The response rate is commonly known as the return or completion rate. This rate is usually used to express, in a percentage form, the number of completed and returned questionnaires from the total questionnaires disseminated. As such, the response rate for this study was seventy-three percent (73%). The efforts to attain as many as possible responses was also conducted, which are constant telephonic reminders and frequent visits to encourage the participants to complete their questionnaires. The distributed questionnaires also had a cover letter to detail the ethical considerations to ensure the respondents that their responses will be treated confidential.

3.8   Data Collection Methods

Data collection techniques varies with the research approach that is chosen. Since the quantitative research approach was chosen for this study, it, therefore, was also appropriate to employ a survey method for data collection purposes. Based on this background, the data were collected using a questionnaire as data collection instrument. Two sources of data

collection were used namely primary and secondary data, where primary data refers to the information that has never been used to answer the research question at hand, that is, it was specifically tailored to this research study (Agyenim-Boateng, et al., 2012:35-36).

Whereas the secondary data is the data collected through the literature examination. Watkins (2010:57-67) argued that data collection for any research study can be attained using numerous data collection tools consisting of, but not limited to, "focus groups, role playing, in-depth surveys, large-scale surveys, laboratory experiments, scenario research, interviews, observations, critical incident techniques, dairies, protocol analysis, repertory grid techniques and questionnaires".

3.8.1 Questionnaire attributes

The characteristics of a questionnaire when it is used in different circumstances is assessed in the Table 3.4 below. The instruction for distributing questionnaires were based on the table below.

Table 3.4: Main Attributes of Questionnaires

Attribute	Online	Delivery and Collection
population's characteristics for which suitable	Computer literate individuals who can be contacted by e-mail or internet	Literate individuals who can be contacted by post, selected by name, department etc.
Confidence that right person has responded	High if using e-mails	Low but can be checked at collection
Likelihood of contamination or distortion of respondent's answer	Low	Could be contaminated by consultation with others
Size of sample	Large, can be geographically dispersed	Dependent on number of field workers
Likely response rate	Variable, 30% reasonable within organisation, internet 10% or lower	Moderately high, 30–50% reasonable
Feasible length of questionnaire	Conflict advice, however, fewer screen probably better	8–9 A4 pages
Suitable types of questions	Closed question but simple and sequenced	Closed question but simple sequenced

Time taken to complete collection	2–4 weeks from the date of distribution	Dependent on the sample size and number of available field workers
Main Financial resources implications	World Wide Web Page design	Field workers, travel, printing data entry
Role of interviewers/ field workers	None	Delivery and collection of questionnaires, enhancing respondents' participation
Data input	Captured	Closed questions will be designed so that responses could be entered using optimal mark readers after questionnaire have been returned

(Source: Saunders, Lewis & Thornhill, 2008:284).

3.8.2 Questionnaire design

A questionnaire is defined as a well-organised method used for data collection, which contains several sequenced questions either written or verbal that the respondents must answer (Zikmund, et al., 2012:65). These questions are designed to extract facts and opinions, and they are useful for obtaining a data (Hague, 2002:106). According to Cox (1979:24) and Maholtra (2004:278), a questionnaire that contains these questions must be nicely prepared aiming to stimulate the interest of the respondents so that they can offer a full participation that provides complete, accurate, and relevant answers. Upfold and Sewry (2006:5) provided the details of how an attractive questionnaire should be prepared. As such, the questionnaire for this study was made up of the following characteristics:

➢ The questionnaire was attractive to the extent of stimulating the interest of the respondent, as such that many have easily completed it.
➢ The questionnaire was of a sensible length to avoid being appeared as too overly long.
➢ How the questionnaire was presented created an impression that the information expected from the participants is valuable, it is also worthy of their time and trouble.
➢ The questions were phrased user-friendly so that the respondents could fill-in a questionnaire in the absence of the researcher.

3.8.3 Questioning format

Several forms of organised questions are used to produce different possible responses. The questionnaire format varies with the instrument that will be used for data collection. With that said, Martins, Loubser and van Wyk (1996:222-229) suggested these questions to be grouped as follow:

➢ Variate of options in a question but only one answer required

The above types of questions were used in the questionnaire of this study, where the respondents were presented with two or more options to choose from but were required to choose one answer from the given alternatives.

➢ Multiple-option questions with a variate of answers

These provide more than two options and permits for multiple responses to be provided. These questions were never used in the questionnaire of this study.

➢ Dichotomous questions

The questionnaire for this study also consisted of dichotomous questions, where either a "Yes" or a "No" were the options to answer the statements that were posed to them. Using these questions, however, was limited since they normally require a follow up questioning to understand the real activities on the ground.

➢ Scaled questions

These questions are generally known as a point Likert scale measurement. These questions are used for various purposes, for instance, they can be used to measure attitudes towards a certain issue. Within the questionnaire of this study, scaled questions were used to measure the occurrence of certain issues through the scales that are ranging from strongly disagree, disagree, neutral, agree, and strongly agree. Note should be taken, however, that the scale of these questions also varies with what the researcher is interested in.

The scale from never, rarely, sometimes, most of the time, and always was also used. In addition, they were scales ranging from very little, little, moderate, quite, and a lot to measure the effect of certain issues in which the study was interested. The answers from the statements posed on the Likert scale were captured next to each corresponding statement of the conditions that were investigated. The scaled questions were also used for classifying mutual elements such as age, qualification, and directorate, which are best categorised in range.

➢ Open-ended questions

This format of questioning does not have restrictions because all possible answers are accepted because the questions are unknown. As opposed to the closed questions, with these questions, respondents are given an opportunity to express exactly what they know or understand about certain issues without being influenced by the alternatives provided. Care, however, should be taken when developing these types of questions to avoid attaining incorrect data because of the irrelevant data they sometimes produce. Open-ended type of questions was not used in the questionnaire of this study.

3.8.4   Question content and phrasing

Giesen et al. (2012:10), Martins et al. (1996:216), and Zikmund (1999:246-251) issued guidelines that should be included in the content and phrasing of questions in a questionnaire, which necessitated the following:

➢ Questions were kept as simple and concise as possible using simple English that will be understood by everyone.
➢ To avoid invalid answers, unclear terms that could have different meanings to different people such as using regularly, occasionally, or frequently were omitted from the questionnaire of this study.
➢ Using leading or loaded questions were avoided at all cost because they sometimes influence the participants to respond in a certain way (counter bias questions).
➢ The questions were posed such that they do not appear as assumptions.

3.8.5   Questioning sequence

Giesen et al. (2012:10) provided some suggestions on how the questions should be sequenced:

➢ In the questionnaire of this study, simple questions were asked first to catch the respondent's interest.
➢ The questions to be answered by certain respondents were grouped together with a clear indication as to which respondents must answer those questions.
➢ The questions were sequentially developed to flow smoothly.

3.8.6   Questionnaire layout

It is of paramount importance that a closer look be given to a questionnaire design and formatting as these could greatly influence the response rate and the completion of a questionnaire. It is generally known that a questionnaire is used to obtain various information from the respondents, including information about their biography, work experience, attitude, and behaviour. In this study, however, the questionnaire was also used to obtain information relating to the factors that leads to non-compliance with internal control, its implication, and the means of preventing such factors.

The questions developed in the questionnaire design were organised according to the following sections:

Section A: Biographic information

This section focused on the biographic analysis. The questions that will be posed consist of age, gender, and academic qualification.

Section B: Employment history

This section aims to ensure that all the respondents meet the delineation criteria. The questions include the type of industry, years of experience, directorate, designation, and the understanding of compliance measures put in place.

Section C: The objectives of the ICU role

This section aims to ascertain the objectives of the ICU role by the literature review and its role towards the compliance with internal controls in the ECDRDAR. The question about the objectives of ICU role will be asked.

Section D: Compliance with procurement and payment processes

The purpose of this section is to confirm the activities performed by ICU as financial monitoring and ensuring compliance with the procurement and payment processes is upheld. The question about such activities will be asked.

Section E: Effectiveness of ICU

The purpose of this section is to check the effectiveness of the ICU role. As such, the questions about the effectiveness of the ICU role will be asked.

Section F: ICU assurance activities

The aim of this section is to confirm the effectiveness of ICU in providing reasonable assurance to stakeholders on matters of risk exposures and service delivery in the ECDRDAR. The related questions will be asked.

Section G: Operational challenges experienced by ICU

In this section, the aim is to establish the problems that could hinder the success of implemented internal controls. The questions about reasons that leads to non-compliance issues are posed in this section.

Table 3.5 illustrates how the research objectives will be addressed by various questions.

Table 3.5: Questions Answering Empirical Research Objectives for This Study

EMPIRICAL RESEARCH OBJECTIVE	QUESTION
To ascertain whether the role of ICU require management support in providing assurance and enhancing operational compliance for government departments such as the ECDRDAR	SECTION C question 1, 2, 3, 4 & 5 SECTION D question 6, 7, 8, 9, 10, 11 &12
To confirm whether management supports ICU for the attainment of the ECDRDAR objectives	SECTION D question 16
To find out the operational challenges internal control units are experiencing from the support structures within the ECDRDAR	SECTION C, question 13, 14 &15 SECTION G, question 1, 2, 3, 4 & 5
To understand the effectiveness of internal control units in providing reasonable assurance to stakeholders on matters of risk exposures and service delivery in the ECDRDAR	SECTION E, question 1, 2 & 3 SECTION F, question 1, 2, 3, 4, 5, 6, 7, 8, 9 & 10

3.8.7 Pre-testing

Pre-testing is a method used to identify and correct potential errors that might arise before issuing the final product of a questionnaire (Martins et al., 1996:90). For this study, a sample of respondents were pre-sent the questionnaire with the intention to identify vagueness, bias and to determine the time required to complete a questionnaire as well as to address major problems in it (Zikmund 1999:258). This was done to ensure that the questionnaire attains accurate information. It was also used to ensure the attainment of the study's expectation by checking whether respondents will understand the questionnaire. Effective measuring of the instrument was ensured by considering all recommendations that were suggested by the sample of respondents who received the questionnaire. Wagener (2004:67) suggested that potential problem issues such as below should be addressed:

➢ Lucidity of instruction provided: for this study instructions were made extremely clear
➢ Vague (unclear) questions: unclear questions were avoided
➢ Using technical jargon: using jargon language was also avoided
➢ Time that is assigned to the completion of a questionnaire: each questionnaire was assigned a maximum time of 15 minutes to be completed

The drafted questionnaire was revised, and the formal survey took place in three months from May 2018 to July 2018.
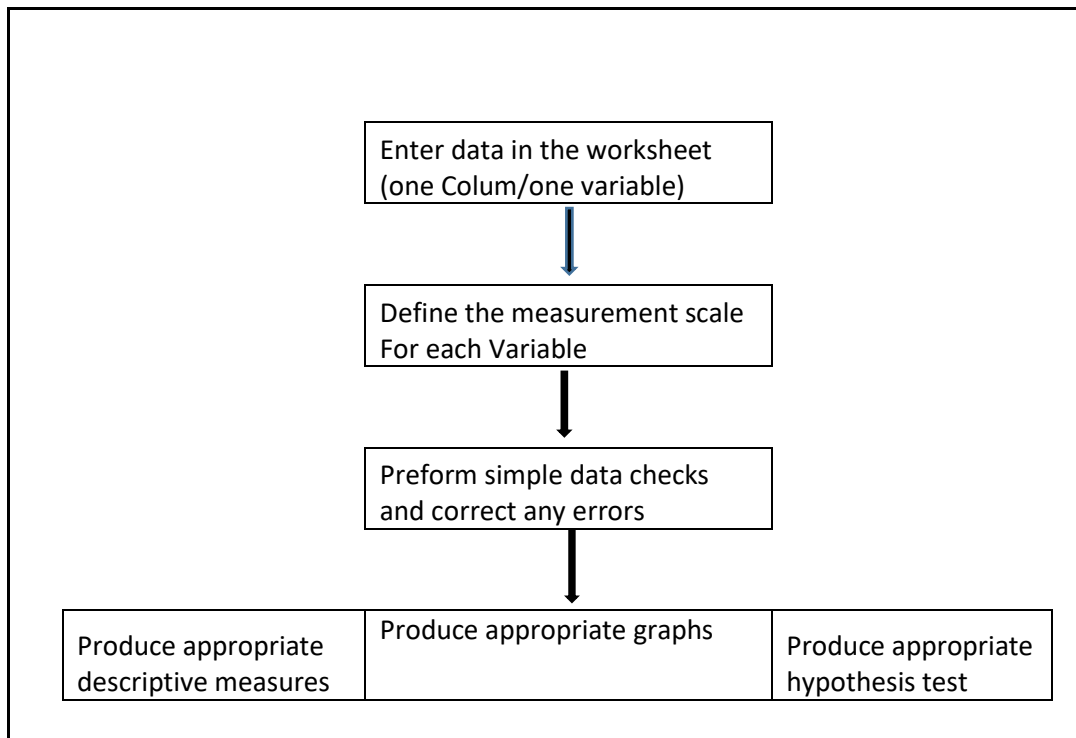
3.8.8 Reply options

Part of the questionnaire for this study was created on google forms and the link was sent to the respondents via email, where respondents had to open the link and complete the questionnaire. At the completion of the questionnaire, the send back option was made available for the respondents to submit their completed questionnaires. This method reduces the cost that could be incurred when the drop and pick method is used. Since this method require connection from the internet, the paper-based questionnaire, however, was also distributed to the respondents who cannot access the online survey. Hand-delivered questionnaires were collected after a week from the day it was distributed.

The instructions on how to complete a questionnaire were clearly articulated, and during the distribution of a questionnaire all respondents were encouraged to follow those instructions. The instructions that were given include asking the respondents to try and leave no blank question even if they are not certain about the answer. There were also instructions requesting the completion of one question or section before moving on to the next, thus following chronological order. A copy of a questionnaire will be attached as the appendix at the completion of this research study.

3.9   Statistical Analysis

Valid conclusions can be made with the help of statistical science when there are uncertainties. This study used both descriptive and inferential statistics. The activities in statistical analysis will move through three phases. First will be data reduction that will be done to summarise answers. Second will be data display and distribution that will be conducted to illustrate associations and disseminations. Third will be data analysis, which will be used to make conclusions and to assess whether the sample outcomes can be generalised to the overall population (Page & Meyer, 2003:163).

Data will be analysed, and inferences will be conducted using statistics, which strive for validating research outcomes. Figure 3.3 shows a typical data analysis procedure in world research.

```
          ┌─────────────────────────────┐
          │ Enter data in the worksheet │
          │ (one Colum/one variable)    │
          └─────────────────────────────┘
                        │
                        ▼
          ┌─────────────────────────────┐
          │ Define the measurement scale│
          │ For each Variable           │
          └─────────────────────────────┘
                        │
                        ▼
          ┌─────────────────────────────┐
          │ Preform simple data checks  │
          │ and correct any errors      │
          └─────────────────────────────┘
                        │
                        ▼
┌──────────────────┬──────────────────────┬──────────────────┐
│ Produce          │ Produce appropriate  │ Produce          │
│ appropriate      │ graphs               │ appropriate      │
│ descriptive      │                      │ hypothesis test  │
│ measures         │                      │                  │
└──────────────────┴──────────────────────┴──────────────────┘
```

Figure 3.3: Schematic Illustration of a Typical Data Analysis Process (Page & Meyer, 2003:162).

3.9.1   Data preparation

Data reduction is a process that was performed to prepare data for analysis. In this phase, the raw data was sorted, cleaned, and organised to ensure that it is of manageable size where the meaning can be made (Khan, 2007:47). This usually enables synthesising and using statistical tools with the intention to ultimately interpret outcomes related to the research problem. The editing and coding process forms part data preparation.

➢ **Editing**

For this study, editing was performed on the questionnaire returned to detect questions that are not fully completed, and to confirm that no more than one alternative was answered for one question. Where the questionnaire was not fully completed or more than one answer were provided for one question, clarity was requested from the respondents during the questionnaire collection period. This was to ensure that no questionnaire will be discarded because it is deemed invalid.

Maholtra (1993:123) also suggested that the editing should consist a thorough inspection of each questionnaire with the intention to:

- Ensure a questionnaire complies with the sample requirements
- Ensure that relevant data is provided by accepting only questions that are correctly completed.

- Ensure that all the sections, pages and questions are fully completed. In most cases, the respondents might leave other questions as blank simply because they overlooked them and thought they are not important.
- Ensure that there is consistency in the answering of questions.
- Allow for consistency when capturing responses to a specific question.
- Ensure the accuracy of findings is achieved when analysing.

➢ **Coding**

Coding is a process of allocating codes to the participant's responses, which is generally known as preliminary phase of data tabulation (Martins et al., 1996:299). For this study, comparable codes were allocated to the comparable answers from specified categories that are unrelated. To ascertain whether there is reliability among the answers, the codes will be exported to a coding sheet where data were checked for consistency. Moreover, when there is a reason to believe that codes are extreme and are considered abnormal, they were discarded. Data will be stored using new variables that will be created, which will be later used for analysis.

3.9.2   Data display

➢ **Tabulation**

Counts are normally used to compute or group various cases that belong together. The tabulation, which is known as crosstabs on SPSS, will be used to determine data distribution and to test if there is a statistical significance between two groups of data (Martins et al., 1996:305). The technique that will be used to compute tables is dependent on the kind of responses that are required. Cross-tabulation is a useful process that will be conducted to group the data in raw tables to form simple tables by means of dependent and independent variables. Against this background, this study will use crosstabs to test the statistical significance between variables.

➢ **Graphs**

Descriptive statistical method, which consist of bar graphs and pie charts will be created to clearly illustrate the results of the statistical analysis. These will be computed to make it easy for a data to be understood, analysed, and compared.

3.9.3   Data Analysis

The data collected from the research survey was analysed using Statistical Package for Social Sciences (SPSS) version 2.5. The frequency distribution tables will be computed to present the distribution of responses. The analysis will further be used to:

- achieve the overall objectives of this research study;
- Draw conclusions and the possible identifying of potential areas for future research.

When the research objectives, therefore, are all met, factor lead to non-compliance in government departments will be known and the suggestions will be availed to address them for future purposes. Analytical tools to be computed consist of:

➢ **Factor analysis**

The factor analysis procedures will be followed, and the computations will be run using the SPSS software package. This will be computed to identify variables that belong to the same component; thus, the factors explaining the same patterns of correlation. Factors that belong together will be grouped in one category and appropriately named.

3.10   Validity

Validity refers to the results or information that is the "best approximation to the truth or falsity" of the observed phenomenon (Heale & Twycross, 2015: 66-67). Based on this definition, validity is normally conducted to ascertain whether the instrument that used is measuring what it is supposed to measure, and to provide the best approximation to the truth and falsity of the concept that is being measured.

Moreover, the validity of the survey instrument refers to the extent to which the researchers can report correct data, which signifies the study under investigation (Martella et al., 2013:309). The study followed content validity, which is accepted when the instrument covers a characterised sample of the topic under review. To ascertain the questionnaire content validity in this study, the Chief financial officer, ICU Director and the finance manager were approached and presented the questionnaire for this research study. After their assessment, they were all satisfied that the questionnaire covered the entire scope of ICU and provide an accurate representation of implemented internal controls in the government department.

Furthermore, this research study asked the following validation questions: "Is this department a head office or district office?", "Does the department have an internal control unit?", "Does the scope of ICU require the management support?", "Does the department promote compliance with internal controls?", "Are all employees under the finance section aware of internal controls?". The above questions were also used as the "delineation questions" in the data collection tool.

3.11   Reliability

Reliability is defined as the results of information attained from the survey instrument that is consistent over time, and the reliable information provides the outcomes of a sample size that symbolises the population in question (Loan, 2015:50). Kimberlin and Winterstein (2008:2276) stated that, reliability is one of the fundamental indicators of how excellent the survey instrument is. The survey instrument's reliability can be summarised as the extent to which that instrument can attain the same results on the repeated occasions, while it is consistent and accurate (LoBiondo-Wood & Haber, 2013:298). In addition, when the instrument is reliable, bias and errors will be limited during the phase of analysing the findings.

The errors could be caused by the false responses provided by the respondents on certain questions. Respondents might give out false answers when they think it is required from them to respond in a certain way. Moreover, reliability is also reduced by the errors that arise from ambiguous questions in a questionnaire. This could include giving out vague ranges that create confusion to the respondent, which leads to them not exactly understanding the category under which they fall. Bias is prevalent when fewer literature reviews are consulted for the study under investigation.

For this study certain steps were taken to maximise the reliability of the study, these were as follow:

- Respondents were assured about their anonymity. The aim is to lessen their fear so that they can answer the questionnaire honestly.
- The questionnaire had a cover letter that consisted of instructions that encourages all participants to try and answer all the questions to the best of their ability
- Where there was a need to clarify certain questions, respondents were encouraged to call the researcher on the number that was available on the questionnaire cover.
- Lastly, a further test will be done on the answers obtained from the respondents using SPSS to ascertain their reliability.

3.12   Ethical Considerations

Ethics refers to the ethical way the researcher should comply when collecting the data, which is an acceptable human conduct (Walsh & Lipinski, 2009:569-585). According to Creswell (2003:325), a researcher has a responsibility to obey and protect the "rights, needs, values and desires" of the participants.

Blumberg, Cooper and Schindler (2011:116-119), Collis and Hussey (2009:46-47), Leedy and Ormrod (2010:101-104), and Remenyi, et al. (1998:229-230) itemised the ethical

consideration into five key points, namely informed consent, voluntary, privacy, confidentiality and anonymity as explained below.

- **Informed consent**: The participants were informed about the study and had provided a written consent to participate in this study.
- **Voluntary**: Participation in this study was voluntarily; respondents were free to withdraw at any time.
- **Privacy**: The research study respected the privacy of the respondents and consequently, there was no personal information attained and disclosed to anyone.
- **Confidentiality**: The respondents were assured that the information collected will not be used for any other purpose except for the research purpose and it will never be shared with anyone who is not directly involved in this research study.
- **Anonymity**: Lastly, the respondents remained anonyms; thus, they were informed that the questionnaire should not show their names as a guarantee of their privacy.

3.13   Summary

This chapter provided the in-depth research methodologies that underpins this study. The specific layout to be used in gathering empirical evidence to successfully meet all research objectives was provided. The research design, sampling strategy and sample frame were fully detailed. The data collection techniques that will be used to obtain data for this study was also provided. The details of how the questionnaire will be designed, organised, and distributed to the respondents was given. The sequence to be followed when analysing the data was explained as well as the different statistical processes to be used. The limitations of this study and ethical considerations that undergirds this research study were also provided.

Data analysis will be covered on Chapter 4 to report on the outcomes of the empirical research. Various statistical procedures will be used to clearly illustrate the findings and to produce meaningful interpretations. Moreover, it will suggest ways that can be used in addressing the findings by the management of the ECDRDAR. Note should be taken, however, that the decision to take and implement these recommendations remains the responsibility of the management for the above-mentioned department.

CHAPTER FOUR

PRESENTATION OF RESULTS AND DISCUSSION OF FINDINGS

4.1   Introduction

Chapter 3 explained different research methods that underpin this study as well as the reasons for choosing such methods. The chapter also discussed the research purpose, research approach and research strategies that were used. The chapter further provided the details of adopted sampling methods as well as the details of data collection, and the methods of data analysis to be employed when analysing data. The discussions pertaining to reliability and validity issues for this study were also briefly outlined. Chapter 3 was concluded by detailing ethical considerations that were observed during the survey period. Figure 4.1 clearly demonstrates the schematic flow of the discourse for the current chapter.
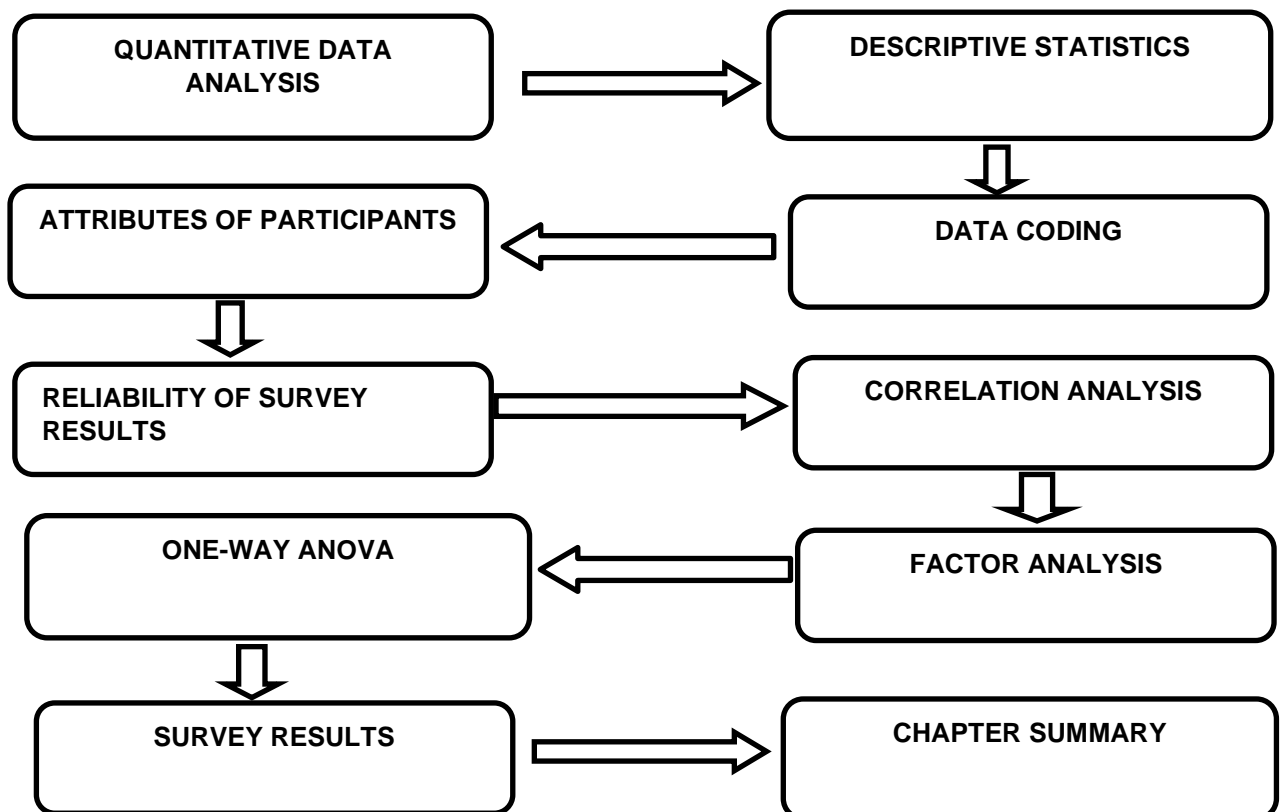
Figure 4.1: Layout of Chapter 4: Data Analysis (Source: Own)

This chapter aims to discuss the statistical analysis of the survey. The survey was conducted within the Eastern Cape Department of Rural Development and Agrarian Reform's (ECDRDAR) finance directorate, which consist of the following units: internal control, expenditure, budget, salaries, and revenue management. The primary research objective for the survey was to examine the state of management support towards the role of ICU within the ECDRDAR. This chapter further presents the analysis of data collected using a questionnaire instrument. De Vos and Fouche (2002:339) explained data analysis as "the process of bringing order, structure, and meaning to the mass of collected data". The SPSS was used to analyse responses to the questionnaire that was used for this study, which was aimed at attaining information regarding the state of management support towards the role of ICU within the ECDRDAR.

4.2   Quantitative Data Analysis

The chapter provides quantitative analysis and reports the results on internal control and the compliance support structures of the ECDRDA. This chapter further avails discussions on the outcomes of the study. The data was collected using a Likert scale, ranging from strongly agree (5) to strongly disagree (1), always (5) to never (1), and a lot (5) to never (1). In the beginning, the chapter discusses the descriptive statistics as well as demographic information. The findings to answer the research questions of the study are provided after the validity and reliability of the instrument tests are articulated.

4.3   Descriptive Statistics

Loeb et al., (2017:1) explained descriptive statistics as data simplification. Thus, descriptive statistics allows given data to be summarised into limited concise, descriptive measures. Descriptive statistics play a significant part in organising and extracting essential parts of information in large quantities of data collected, as these can be used as a representation of the entire population or only a sample of it. According to Wegner (2012:7), summarised data enable the researcher to determine profiles, patterns, associations, and tendencies within the data, these are normally represented by measures of central tendency and validity or spread.

4.4   Data Coding

Smith and Davies (2010:155) explained data coding as a process of assigning keywords to the text segments. Saldaña (2013:5, 8) referred to the coding process as a "cyclic" process, where more cycles can be integrated into the coding process so that categories, concepts, and themes are created from the data. In addition, Smit (2002) indicated that data coding is

essential in data analysis. As such, the data concerning the ICU objectives were coded as ICUO, compliance with procurement, and payment processes coded as CPPP.

The data about ICU effectiveness to prevent financial mismanagement were coded as ICUEPFM, whereas its assurance activates were coded as ICUASA. Lastly, the operational challenges experienced by ICU were coded as CEICU. Table 4.1 indicates all the codes and their meanings that will be used in testing the reliability of the date used.

Table 4.1: Items Coding

CODE	FACTOR
OICU	Objectives of Internal control unit role
CPPP	compliance with procurement and payment processes
EPFMICU	effectiveness of internal control unit to prevent financial mismanagement
ICUASA	Internal control unit assurance activities
OCEICU	Operational Challenges experienced by internal control unit

4.5   Attributes of Participants and Their Response Rates

The survey results that are discussed in this section are based on 110 responses received from the participants of the study. In total, 150 questionnaires were distributed: however, only 110 questionnaires with a response rate of 73% were fully completed and returned. Of the total respondents, 35.5% are males whereas 64.5% of the total survey were females. In total, 18.2% of the participants indicated that their age category falls under 30 years, 40% falls within 30–39 years, 13.6% falls within 40–49 years, 26.4% falls within 50–59 years and lastly, 1.8% of the respondents are above 60 years. Regarding the qualifications that the respondents possess, 10% have Matric certificates, 39.1% have undergraduate or equivalent degrees, and 50.9% possess postgraduate qualifications.

Table 4.2: Demographic Data of Participants

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	71	64,5	64,5	35,5
	Male	39	35,5	35,5	100,0
	Total	110	100,0	100,0	

Age category		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under 30 years	20	18,2	18,2	18,2
	30-39 years	44	40,0	40,0	58,2
	40-49 years	15	13,6	13,6	71,8

		Frequency	Percent	Valid Percent	Cumulative Percent
	50-59 years	29	26,4	26,4	98,2
	60 and over	2	1,8	1,8	100,0
	Total	110	100,0	100,0	

Education		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No formal education	1	0,9	0,9	0,9
	High School education (Grade 12)	10	9,1	9,1	10,0
	Undergraduate or equivalent degree	43	39,1	39,1	49,1
	Postgraduate or equivalent degree	56	50,9	50,9	100,0
	Total	110	100,0	100,0	

Employer ECDRDAR		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	110	100,0	100,0	100,0

Working destination		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Head office	40	36,4	36,4	36,4
	District office	70	63,6	63,6	100,0
	Total	110	100,0	100,0	

Employment tenure		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	In the past twelve months or less	22	20,0	20,0	20,0
	Between 2-5 years	16	14,5	14,5	34,5
	More than 5 years	72	65,5	65,5	100,0
	Total	110	100,0	100,0	

Department units		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Finance	110	100,0	100,0	100,0

Finance Sections		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Salaries	21	19,1	19,1	19,1
	Payments	32	29,1	29,1	48,2
	Internal control	30	27,3	27,3	75,5
	Budgeting & Revenue	18	16,4	16,4	91,8
	Accounting services	3	2,7	2,7	94,5
	All of the above	6	5,5	5,5	100,0

Position held		Frequency	Percent	Valid Percent	Cumulative Percent
	Total	110	100,0	100,0	
Valid	Entry level	38	34,5	34,5	34,5
	State accountant	24	21,8	21,8	56,4
	Senior state accountant	21	19,1	19,1	75,5
	Assistant Manager	15	13,6	13,6	89,1
	Manager or above	12	10,9	10,9	100,0
	Total	110	100,0	100,0	

All respondents (100%) indicated that they are working for the ECDRDAR. In total, 36.4% are working at the head office of the department, whereas 63.6% are stationed in different district offices of the ECDRDAR. Concerning the tenure of the respondents working for the ECDRDAR, 20% of the respondents have been working for a period of 0 to 12 months, 14.5% have been working for 2 to 5 years, and 65.5% have been working for more than 5 years.

All of the respondents (100%) have indicated that they are working within the various finance sections of the ECDRDAR, as such, 19.1% indicated to be working in salaries section, 29.1% of the respondents works within the expenditure section, 27.3% of the respondents works within internal controls section, 16.4% of the respondents works within the budgeting section, 2.7% of the respondents works within the revenue section, and 5.5% are the finance managers that oversee the overall operations of finance sections.

Concerning the working position held by the respondents within the ECDRDAR, 34.5% of the respondents occupied entry levels, 21.8% occupied state accountant positions, 19.1% occupied senior state accountant positions, 13.6% occupied assistant manager's positions, and 10.9% comprises both managers and directors. The analysis of demographic data of respondents is clearly articulated in Table 4.3.

Table 4.3: The Department Promoting Internal Controls

Survey Questions	Count	Colum valid N %
Are all employees aware of internal controls	89	82.4%
The department promoting compliance with internal controls	105	97.2%
The department has an ICU	107	99.1%
The role of the ICU requires management support	100	92.6%
The department uses an ICU as a tool for monitoring and evaluating financial management activities	86	79.6%

A significant 99.1% of the respondents have indicated that the ECDRDAR have ICU. As such, an additional significant 97.2% stated that the ECDRDAR promotes compliance with internal

financial controls. Of the total respondents, 82.4% are aware of internal controls that they must observe within the department. While 92.6% of the respondents indicated that the role of ICU requires management support, and 79.6% have indicated that the ECDRDAR use ICU as a tool for monitoring and evaluating financial management activities.

4.6 Descriptive Statistics Results

Three data central measures, median, mean and the standard deviation were used to represent the results of this study. According to Gravetter and Wallnau (2013:72), mean values are normally used to rank or prioritise items, whereas the median values are used to provide an insight into the absolute middle value (average). The central measures were used as the basis for a five-point Likert scale to determine the point of "neutral" or "moderate" where the mean value is 3. In the same manner, a mean value greater than 3 (thus, 4 and above) represents the agreement whereas a mean value less than 3 represents the disagreement.

4.6.1 Objectives of ICU role

To understand the role of ICU within the ECDRDAR, sampled respondents were asked to provide their agreement regarding the statements related to the objectives of ICU. This was achieved using a five-point Likert scale (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5= strongly agree). Each statement was phrased in the following manner: *The role of ICU…* the summary of the results is shown in Table 4.4.

Table 4.4: Objectives for the role of internal control unit

The role of ICU requires management support to:	Valid						Median value	Mean value	Standard Deviation
	1	2	3	4	5	Total agreement			
Improves corporate governance	0,9%	1,8%	12,7%	44,5%	40%	84,5%	4	4.21	.802
Improves functioning of internal controls	1,8%	1,8%	10%	38,2%	48,2%	86,4%	4	4.29	.860
Mitigate Financial risks		0,9%	10,9%	41,8%	46,4%	88,2%	4	4.34	.707
Promote compliance with controls	0,9%	1,8%	8,2%	37,3%	51,8%	89,1%	5	4.37	.788
Provide assurance services about compliance with internal controls	0,9%	2,7%	6,4%	40,9%	49,1%	90%	4	4.35	.795

The results of Table 4.13 indicate that the majority (at least 84.5%) agrees with the objectives of ICU. Their views were also supported by the calculated mean values that are above 4, which represent the level of agreement. The inference was made that ICU requires management support to improve corporate governance (84.5% of the time), improve functioning of internal controls (86.4% of the time), mitigate financial risks (88.2% of time), promote compliance with controls (89.1% of time), and provide assurance services about compliance with internal controls (90% of the time).

4.6.2   Compliance with procurement and payment processes

Furthermore, to understand the financial management role played by ICU within the ECDRDAR, sampled respondents were required to indicate their level of agreement with the statement made regarding the role played by ICU. This was achieved with a five-point Likert scale (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5= strongly agree). Each statement was phrased in the following manner: *ICU requires management support to ensure…* The summary of the results is shown in Table 4.5.

Table 4.5: Activities Performed by ICU

ICU require management support to ensures:	Valid						Median value	Mean value	Standard Deviation
	1	2	3	4	5	Total agreement			
compliance of commitment (orders)	0,9%	0,9%	0,9%	30%	67,3%	97,3%	5	4.62	.649
all payments to be made are valid	1,8%		2,7%	24,5%	70,9%	95,5%	5	4.63	.715
the validity of subsistence and travel allowance claims	1,8%	1,8%	4,5%	22,7%	69,1%	91,8%	5	4.55	.819
correctness of personnel-related claims	0,9%	1,8%	10%	23,6%	63,6%	87,3%	5	4.47	.821
correctness of bonuses paid to employees	3,6%	8,2%	15,5%	36,4%	36,4%	72,7%	4	3.94	1.086
department spend within its budget	4,5%	8,2%	7,3%	40,9%	39,1%	80%	4	4.02	1.100
revenue management requirements are adhered	12,7%	12,7%	18,2%	29,1%	27,3%	56,4%	4	3.45	1.352

On average, all activities performed by ICU with a median value of 4 and above were regarded by the participants as the procedures that the ICU performed. Supported by the calculated mean values, most of compliance activities ensured by ICU are meant to monitor and evaluate

financial management activities. With such insight, ICU requires management support to ensure the department process valid commitments (orders) (with a mean value of 4.62), the validity of all payments to be made (with a mean value of 4.63), and the validity of subsistence and travel allowance claims (with a mean value of 4.55), the correctness of personnel-related claims (with a mean value of 4.47), and department spend within its budget (with a mean value of 4.02). Other compliance activities performed by ICU, which had a close to the average means, were ICU requires management support to ensure the correctness of bonuses paid to employees (with a mean value of 3.94) and revenue management requirements are adhered to (with a mean value of 3.45). Considering the above, it is evident that ICU plays an important role that monitors and that compliance with the procurement and payment processes are upheld within the ECDRDAR. Although several other compliance activities are conducted within the ECDRDAR, only the above relate to procurement and payment controls, and are mostly applicable to the role of ICU.
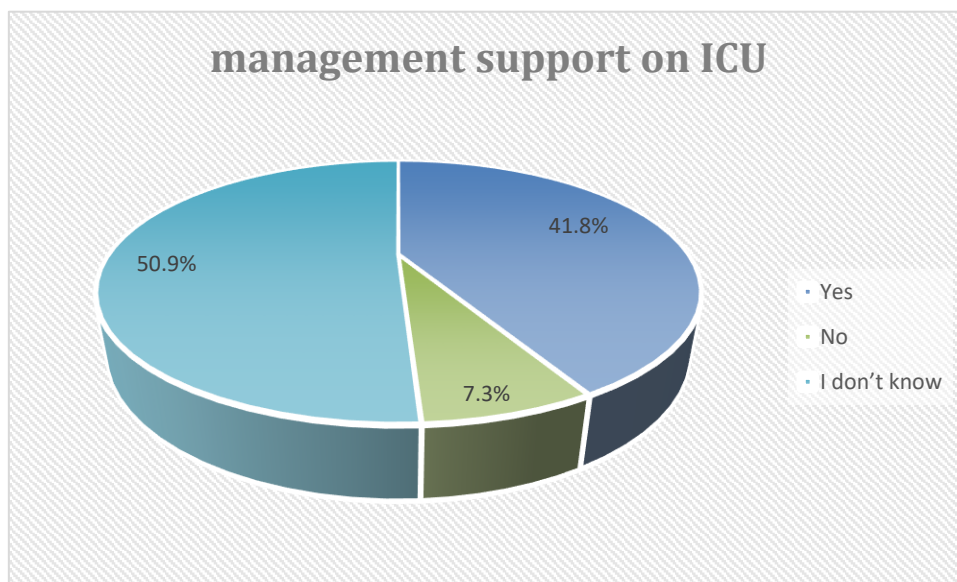
Figure 4.2: Management Support on Internal Control Unit

Figure 4.2 indicates that 41.8% of respondents have indicated that management support the role of ICU to enhance compliance with internal controls. Whereas 50.9% does not know whether management support the role of ICU to enhance overall compliance.

4.6.3   Effectiveness of ICU Role to Prevent Financial Misconduct

To understand the effectiveness of ICU's role to prevent financial mismanagement within the ECDRDAR, sampled respondents were provided with the expenditures that commonly occur because of financial mismanagement and were asked to indicate how much does the role of ICU help to prevent them. This was achieved using a five-point Likert scale (1 = Never, 2 =

Little, 3 = moderate, 4 = Quite, 5= A lot). Each statement was phrased in the following manner: *ICU role is effective to prevent…* The summary of the results is shown in Table 4.6.

Table 4.6: A Summary for the Prevention of Financial Mismanagement

ICU role is effective prevents:	Valid						Median value	Mean value	Standard Deviation
	1	2	3	4	5	Moderate to a lot			
unauthorized expenditures	7,3%	2,7%	11,8%	30,9%	47,3%	90%	4	4.08	1.166
irregular expenditures	3,6%	3,6%	12,7%	35,5%	44,5%	92,7%	4	4.14	1.018
wasteful and fruitless expenditures	5,5%	5,5%	10,9%	32,7%	45,5%	89,1%	4	4.07	1.131

All financial mismanagement expenditures with a median value of 3 and above indicate the level of agreement that the ICU's role prevents them. Supported by calculated mean values, the ICU's role is effective in preventing unauthorised expenditures (with a mean value of 4.04), irregular expenditure (with a mean value of 4.14), and wasteful and fruitless expenditures (4.07). Although the are other forms of financial mismanagement, only the above were covered in this study since these are mostly reported in government departments. Considering the above, however, inference can be made that the role of the ICU provide reasonable assurance that internal controls are complied with. This is also because the above forms of financial mismanagement are mostly caused by non-compliance with internal financial controls.

4.6.4   ICU assurance services

The literature consulted in chapter stated that the ICU provides reasonable assurance to stakeholders on matters of risk exposure and service delivery in government departments. To understand the effectiveness of the ICU's role in providing such assurance to the stakeholders, sampled respondents were asked to indicate the level of assurance provided by ICU on its role. This was achieved with a five-point Likert scale (1 = Very Little, 2 = Little, 3 = moderate, 4 = Quite, 5= A lot). Each statement was phrased in the following manner: *ICU's role provides reasonable assurances that…* The summary of the results is shown in Table 4.7.

Table 4.7: A summary of internal control unit assurance services

ICU role provides reasonable assurances that:	valid						Median value	Mean value	Standard Deviation
	1	2	3	4	5	Moderate to a lot			
departmental funds are safeguarded	4,5%	2,7%	16,4%	29,1%	47,3%	92,7%	4,00	4.12	1.073
Financial fraud is prevented		2,7%	10,9%	27,3%	59,1%	97,3%	5,00	4.40	.890
Operations efficiency is improved		1,8%	12,7%	26,4%	59,1%	98,2%	5,00	4.43	.784
Financial reliability and integrity are increase		1,8%	12,7%	31,8%	53,6%	98,2%	5,00	4.37	.776
Monitoring procedures are established		5,5%	10%	34,5%	50%	94,5%	4,50	4.29	.860
Correct accounting data is provided	1,8%	0,9%	12,7%	34,5%	50%	97,3%	4,50	4.30	.863
Solid financial management of operations is attained	0,9%	3,6%	11,8%	30,9%	52,7%	95,5%	5,00	4.31	.886
Accurate information is provided to support strategic managerial decision	1,8%	9,1%	10,9%	30,9%	47,3%	89,1%	4,00	4.13	1.050
Effective role on departmental activates is provided	0,9%	1,8%	12,7%	27,3%	57,3%	97,3%	5,00	4.38	.846
Better service delivery is attained	0,9%	2,7%	10%	33,6%	52,7%	96,4%	5,00	4.35	.840

In Table 4.7, all assurance activities that have a median value 3 and above indicates the level of agreement that ICU provides reasonable assurances on them. Supported by calculated mean values, ICU is effective in providing reasonable assurance that department funds are safeguarded (with a mean of 4.12). ICU is effective in providing reasonable assurance that financial fraud is prevented (with a mean of 4.40). ICU is effective in providing reasonable assurance that operational efficiency is improved (with a mean of 4.43). ICU is effective in providing reasonable assurance that financial reliability and integrity is increased (with a mean of 4.37). ICU is effective in providing reasonable assurance that monitoring procedures are established (with a mean of 4.29). ICU is effective in providing reasonable assurance that correct accounting data is provided (with a mean of4.30). ICU is effective in providing reasonable assurance that solid financial management of operations is attained (with a mean

of 4.31). ICU is effective in providing reasonable assurance that accurate financial information is provided to support strategic managerial decision-making (with a mean of 4.13). ICU is effective in providing reasonable assurance that an effective role on departmental activities is provided (with a mean of 4.38). ICU is effective in providing reasonable assurance that better service delivery is attained (with a mean of 4.35).

4.6.5 Operational challenges experienced by internal control unit

The literature review consulted in Chapter 2 highlighted that even though government departments have internal financial controls in place and ICU to ensure compliance with such controls, continue to report on financial mismanagement (Misconduct). To understand the barriers of compliance with internal controls, sampled respondents were presented with a selected number of the contributors of non-compliance and asked to indicate the occurrence of such contributors. This was achieved using a five-point Likert scale (1 = Never, 2 = Rarely, 3 = sometimes, 4 = most of the time, 5= Always). Each statement was phrased in the following manner: *In my department…* The summary of the results is shown in Table 4.8.

Table 4.8: A summary of non-compliance contributors

In my department:	Valid						Median value	Mean value	Standard Deviation
	1	2	3	4	5	Total occurrence			
I have felt a pressure to process non-complying transactions	18,2%	12,7%	45,5%	12,7%	10,9%	69,1%	3	2.85	1.187
I process documents/ transactions that are non-complying with controls	35,5%	19,1%	20%	13,6%	11,8%	45,5%	2	2.47	1.399
Action(s) are taken if employees processed transaction that is non-compliance with internal controls	50,9%	10%	19,1%	8,2%	11,8%	39,1%	1	2.20	1.439

All contributors of non-compliance with internal financial controls with a median value of 3 and more, indicates a level of agreement whereas median values less than 3 represent a level of disagreement. Based on the results presented in Table 4.8, it is evident that most (69.1%) of the respondents are under pressure to process transactions that are not compliant with internal financial controls. The statement is supported by a calculated mean value of 2.85 that is close to the point of agreement. Inference, however, can be made that sampled respondents are not processing non-complying transaction because of a calculated mean value is 2.47 with a calculated median value of 2. Otherwise stated, respondents leaned slightly towards disagreeing with the statement (54.60% of time) that they process non-complying transactions. Nonetheless, the practice of not processing non-complying transactions by the

sampled ECDRDAR respondents was not good either. A probable reason for the ECDRDAR to achieve just slightly above average for complying transactions processed could be attributed to how the management deals with financial misconduct in the department (see section 2.6.9).

It became apparent that most (60.9%) of the respondents perceive the management to be taking no action when employees have committed financial misconduct. Their view is also justified by a calculated mean value 2.20 and median value of 1 that indicate a strong level of disagreement. This confirms with what was stated by Dmitrieva, (2014:10) that effectiveness of internal controls systems will not be achieved if management does not "frown at any type of malpractice or misconduct". Considering the emerged results above, the lack of management to take action against non-compliance with internal financial controls seemed to be the main contributor of non-compliance activities to occur.

Furthermore, sampled ECDRDAR respondents were also presented with operational challenges experienced by ICU and asked to indicate their level of agreement with such barriers. This was achieved using a five-point Likert scale (1 = Strongly disagree, 2 = Disagree, 3 = neutral, 4 = agree, 5= Strongly agree). Each statement was phrased in the following manner: *Internal control unit…* The summary of the results is shown in Table 4.9.

Table 4.9: Operational Challenges Experienced by ICU

Internal control unit (ICU):	Valid						Median value	Mean value	Standard Deviation
	1	2	3	4	5	Total agree			
Has incompetent employees	20%	30,9%	24,5%	13,6%	10,9%	24,5%	2	2.65	1.253
Is not supported by the Management	12,7%	21,8%	15,5%	34,5%	15,5%	50%	3.50	3.18	1.293
Role is not clearly communicated to all departmental employees	9,1%	19,1%	13,6%	35,5%	22,7%	58,2%	4	3.44	1.282
Employees lack adequate training	5,5 %	10%	32,7%	42,7%	9,1%	51,8%	4	3.40	0.979
Independence and objectivity are impaired	6,4%	13,6%	18,2%	40%	21,8%	61,3%	4	3.57	1.161

On average, all operational challenges experienced by ICU with a median value of 3 and more were perceived by respondents to be affecting the effectiveness of the ICU's role within the ECDRDAR. Supported by calculated mean values, most of the predominant challenges were that ICU lacks management support (mean of 3.18). Its role is not clearly communicated to all

employees (mean of 3.44) and ICU employees lacks adequate training (mean of 3.40). ICU employees' independence and objectivity are impaired (mean of 3.57). On the other hand, it is also important to note ICU's operational challenge with a median value of 2 and less, as ICU has incompetent employees with a calculated mean of 2.65. Considering the emerged results above. The lack of management support towards the role of ICU, the lack of clearly communicating the role of ICU to all departmental employees, the lack of adequate training on ICU employees and its impaired independence and objectivity, seemed to be the main challenges preventing the unit from performing its role within the department effectively.

4.7   Reliability and Validity of the Results

In the world of research, it is essential that the data collected are credible. Data should be collected using a reliable data collection tool. According to Morgan and Waring (2004:2), reliability of data involves adequate, comprehensive, and correct data collection, which aims at measuring the relevant concept under investigation. For this study, Cronbach's Alpha test was used to test the reliability and consistency of the Likert scale questions and statements that were posed to the participants of the study. Other variables could not be used since they are categorical, not ordinal in nature.

Furthermore, Cronbach's Alpha test was also used to determine internal consistency, thus determining the extent to which various variables in a questionnaire measures the matching general concept. The Institute for Digital Research and Education (2017) stated that when a value of Cronbach's Alpha for internal consistency testing is at 0.700 and above, it indicates reliability. Kerlinger and Lee (2000:44), however, differed by highlighting that in some cases, internal consistency values less than .70 are also adequate, thus 0.60 and 0.50 values are accepted. The survey instrument for this study have attained 0.90 internal consistency reliability, thus 90% of reliability. Such a high value of Cronbach's Alpha test indicates the reliability of survey results, and it indicates that overall, the items in the survey can hypothetically measure ICU.

Table 4.10: Cronbach's Alpha Values for the Reliability Test

Constructs	Cronbach's Alpha	Cronbach's alpha based on standardized items
OICU	.862	.863
CPPP	.796	.816
ICUEPFM	.929	.932
ICUAC	.935	.939
CEICU	.633	.629

NOTE: ICUOF= ICU Objectives; CPPP= compliance with procurement and payment processes; ICUEPFM= ICU effectiveness to prevent financial mismanagement; ICUASA= ICU assurance service activities; CEICU= Challenges experienced by ICU**.**

Table 4.10 clearly demonstrates the constructs and their Cronbach's Alpha values. The Cronbach's alpha for ICU Objectives (OICU) was .863, meaning that the measure indicates 86% reliability for all statements represented by that construct. While the measure on compliance with the procurement and payment processes (APPP) was 0.816, shows nearly 82% reliability. ICU's effectiveness to prevent financial mismanagement (ICUEPFM) measure indicated .932, which means 93% reliability. Concerning ICU's assurance activities (ICUAA), the measure was .939 that means 94% reliability. Lastly, for the operational challenges experienced by ICU (CEICU), Cronbach's alpha value was .629, which means 63% reliability.

The efforts to improve Cronbach's alpha values were also done, these involved a process of eliminating items with lower reliability. As such, items such as PDC, PNCD, and ATN were deleted. Before these items were deleted, the smallest overall alpha was .63 for CEICU construct and the highest was .93 for ICUEPFM and ICUAC constructs. The lowest Alpha value remained the same as .63 for CEICU construct, and the highest values remained the same at .93 for ICUEPFM and ICUAC constructs. All other constructs remained the same, except for APICU construct that increased its Alpha to .82. Based on this level of alpha values, a conclusion was made that the data deem reliable and subjected to analysis.

4.8   Correlation Analysis

Inter-item correlations analysis was also conducted for each construct as a way of establishing their relationship.

Table 4.11: Inter-item correlation table for internal control unit objectives

	Means	SDV	ICUICG	ICUIFIC	ICUMFR	ICUPCC	ICPCAC
Correlations							
ICUICG	4.21	.802	1				
ICUIFIC	4.29	.86	.708**	1			
ICUMFR	4.34	.707	.586**	.441**	1		
ICUPCC	4.37	.788	.615**	.420**	.563**	1	
ICPCAC	4.35	.795	.533**	.549**	.526**	.627**	1

**. Correlation is significant at the 0.01 level (2-tailed)

NOTE: ICUICG = ICU require management support to improve governance; ICUIFIC = ICU require management support to improve the functioning of controls; ICUMFR = ICU require management support mitigate financial risk; ICUPCC = ICU require management support to improve compliance with financial controls; ICPCAC= ICU require management support to provide assurance of compliance with controls.

The statistical tool Pearson correlation "*r*" was employed to study and ascertained the leaner relationship in the data, as well as testing the statistical significance of the relationship between each of the variable. Table 4.5 indicates the results of ICU objectives, represented as ICUICG- ICPCAC. These variables have demonstrated a moderate to a strong correlation to each other at 95% significant level (*p* = 0.01). The moderate correlation demonstrated across variables ICUPCC and ICUIFIC, ICUIFIC and ICUPCC, ICUIFIC and ICUMFR, ICUMFR and ICUIFIC, with *r* = .42**, *r* = .42**, *r* = .44**, and *r* = .44**, respectively.

All the remaining variables have indicated a strong correlation: ICUICG and ICUIFIC, ICUICG and ICUMFR, ICUICG and ICUPCC, ICUICG and ICPCAC with *r* =.71**, *r* =.59**, *r* = .62**, and *r* = .53** respectively. ICUIFIC and ICUICG, ICUIFIC and ICPCAC with *r* = .71** and *r* =.55** respectively. ICUMFR and ICUICG, ICUMFR and ICUPCC, ICUMFR and ICPCAC with *r* = .59**, *r* =.56** and *r* = .53**, respectively. ICUPCC and ICUICG, ICUPCC and ICUMFR, ICUPCC and ICPCAC with *r* =.62**, *r* =.56**, and *r* = .63**, respectively. The last variables with strong correlation are between ICPCAC and ICUICG, ICPCAC and ICUIFIC, ICPCAC and ICUMFR, ICPCAC and ICUPCC with *r* = .53**, *r* = .55**, *r* = .53**, and *r* = .63**, respectively. The above variables have indicated a positive moderate to a strong correlation.

Table 4.12: Inter-item Correlation for Compliance with Procurement and Payment Processes

	Means	SDV	COC	CVPB		CSTA	PVPRC	HRP	BPP	RMR
COC	4.62	.649	1							
CVPB	4.63	.715	.758**	1						
CSTA	4.55	.819	.557**	.748**	1					
PVPRC	4.47	.821	.342**	.475**	.548**	1				
HRP	3.94	1.086	.251**	.217*	.298**	.384**	1			
BPP	4.02	1.1	.305**	.207*	.192*	.315**	.730**	1		
RMR	3.45	1.352	.105	.129	.168	.276**	532**	.611**	1	

Correlations

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

NOTE: COC = ICU require management support to ensure compliance of commitment; CVPB = ICU require management support to ensure all payments made are valid; CSTA = ICU require management support to ensure the valid payments of subsistence and travel allowance; PVPRC = ICU require management support to ensure the validity and correctness of personnel-related claims; HRP = ICU require management support to ensure the correctness of bonuses paid over to employees; BPP= ICU require management support to ensure the department spend within its budget; RMR= ICU require management support to ensure revenue management requirements are adhered to.

Table 4.12 indicates statistical relationship across ICU activities that ranges between COC-

RMR, which produced small to strong correlations at significant level $p = 0.01$ and $p = 0.05$. The variable that produced smaller correlations are CSTA and BPP, CVPB and BPP, HRP and CVPB, COC and HRP, RMR and PVPRC, with $r = .19^*$, $r = .21^*$, $r = .22^*$, $r = .25^{**}$ and $r = .28^{**}$, respectively. Variables that have indicated moderate correlations are CSTA and HRP, COC and BPP, PVPRC and BPP, PVPRC and COC, PVPRC and HRP, PVPRC and CVPB with $r = .30^{**}$, $r = .31^{**}$, $r = .32^{**}$, $r = .34^{**}$, $r = .38^{**}$ and $r = .48^{**}$, respectively. Lastly, variables that have demonstrated strong correlations are RMR and HRP, CSTA and PVPRC, COC and CSTA, RMR and BPP, HRP and BPP, CVPB and CSTA, CVPB and COC with $r = .53^{**}$, $r = .55^{**}$, $r = .56^{**}$, $r = .61^{**}$, $r = .73^{**}$, $r = .75^{**}$ and $r = .76^{**}$, respectively.

Table 4.13: Inter-item Correlation Analysis – ICU Effectiveness

	Means	SDV	ICUEPU	ICUEPI	ICUEPWF
			Correlations		
ICUEPU	4.08	1.166	1		
ICUEPI	4.14	1.018	.794**	1	
ICUEPWF	4.07	1.131	.788**	.876**	1

**. Correlation is significant at the 0.01 level (2-tailed).

NOTE: ICUEPU = ICU is effective in preventing unauthorized expenditures; ICUEPI = ICU is effective in preventing irregular expenditures; ICUEPWF = ICU is effective in preventing wasteful and fruitless expenditures.

Table 4.13 shows the results of ICU effectiveness to prevent financial mismanagement variables that range from ICUEPU to ICUEPWF. All variables have demonstrated a strong correlation to each other at a significant level ($p = 0.01$). The strong correlation produced across variables ICUEPU and ICUEPI, ICUEPI and ICUEPWF, ICUEPU and ICUEPWF with $r = .79^{**}$, $r = .79^{**}$ and $r = .88^{**}$, respectively. Thus, the variables with moderately high correlations are considered the most significant when measuring independence and objectivity.

Table 4.14: Inter-item correlation analysis - ICU assurance services

	Means	SDV	AGFP	AFFP	AOEI	AFRII	AMPE	ACAA	ASFMO	AERDA	AFI	ABSD
						Correlations						
AGFP	4.12	1.073	1									
AFFP	4.4	.89	.555**	1								
AOEI	4.43	.784	.540**	.739**	1							
AFRII	4.37	.776	.398**	.632**	.656**	1						
AMPE	4.29	.86	.370**	.458**	.603**	.605**	1					
ACAA	4.3	.863	.447**	.690**	.637**	.544**	.648**	1				
ASFMO	4.31	.886	.531**	.633**	.667**	.471**	.603**	.754**	1			
AERDA	4.13	1.05	.410**	.563**	.613**	.436**	.608**	.677**	.815**	1		
AFI	4.38	.846	.445**	.697**	.735**	.633**	.527**	.734**	.711**	.709**	1	
ABSD	4.35	.84	.423**	.623**	.652**	.589**	.672**	.679**	.731**	.667**	.717**	1

NOTE: AGFP = ICU provides reasonable assurance that departmental funds are safeguarded; AFFP = ICU provides reasonable assurance that financial fraud is prevented; AOEI = ICU provides reasonable assurance that operations efficiency is improved; AFRII = ICU provides reasonable assurance that financial reliability and integrity is increased; AMPE= ICU provides reasonable assurance that monitoring procedures are established; ACAA= ICU provides reasonable assurance that correct accounting data is availed; ASFMO = ICU provides reasonable that solid financial management of operations is attained; AERDA= ICU provides reasonable assurance that accurate financial information is provided to support strategic managerial decisions; AFI= ICU provides reasonable assurance that effective role in departmental activities is established; ABSD= ICU provides reasonable assurance that better service delivery is attained.

Table 4.14 illustrates the results of ICU assurance activities' variables ranging from AGFP to ABSD. These variables have demonstrated a moderate to a strong correlation at the significant level p = 0.01. The variables that yielded moderate correlations are as follows: AGFP and AMPE, AFRII and AGFP, AGFP and AERDA, AGFP and ABSD, AERDA and AFRII, AGFP and AFI, ACAA and AGFP, AFFP and AMPE, AFRII and ASFMO with r = .37**, r = .40**, r = .41**, r = .42**, r = .44**, r = .45**, r = .45**, r = .46** and r = .47**, respectively.

The first variables that have indicated strong correlations are as follows: AFI and AMPE, ASFMO and AGFP, AGFP and AOEI, AGFP and AFFP, AFFP and AERDA, AFRII and ABSD with r = .53**, r = .53**, r =.54**, r = .56**, r =.56** and r = .59**, respectively. Second variables that indicated a strong correlation are AMPE and AOEI, AMPE and ASFMO, AOEI and AERDA, AMPE and AFRII, AMPE and AERDA, AFFP and ABSD, AFFP and AFRII, AFFP and ASFMO, AOEI and ACAA, ACAA and AMPE, AOEI and ABSD, AFRII and AOEI, ASFMO and AOEI, ABSD and AMPE, ACAA and AERDA, ACAA and ABSD, AFFP and ACAA, with r = .60**, r = .60**, r = .61**, r = .61**, r = .61**, r = .62**, r = .63**, r = .63**, r = .64**, r = .65**, r = .65**, r = .66**, r = .67**, r = .67**, r = .68**, r = .68** and r = .69**, respectively.

The last variables with a strong correlation are AFFP and AFI, AFI and AERDA, AFI and ASFMO, ABSD and AFI, AFI and ACAA, ABSD and ASFMO, AFI and AOEI, AFFP and AOEI, ACAA and ASFMO, ASFMO and AERDA with r = .70**, r = .71**, r = .71**, r = .72*, r = .73**, r = .73**, r = .74**, r = .74**, r = .75** and r = .82**, respectively.

Table 4.15: Inter-item Correlation for the Operational Challenges Experienced by ICU

	Means	SDV	ICUIS	ICUS	ICUCF	ICUAT	ICUIO
				Correlations			
ICUIS	2.65	1.253	1				
ICUSM	3.18	1.293	.148	1			
ICUCF	3.44	1.282	.211*	.715**	1		
ICUAT	3.40	.979	.064	.239*	.276**	1	

ICUIO	**3.57**	**1.161**	.248**	.119	.219*	.289**	1

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

NOTE: ICUIS = ICU has incompetent staff; ICUSM = ICU is not supported by the Management; ICUCF = ICU role is not clearly communicated among the finance staff; ICUAT = ICU staff lacks adequate training; ICUIO= ICU staff independence and objectivity is impaired

Table 4.15 demonstrates the results of operational challenges experienced by ICU ranging from AGFP to ABSD. These variables have demonstrated a small to strong correlation at two significant levels, thus ($p= 0.05$) and ($p= 0.01$). These variables have produced the following correlations ICUIS and ICUCF, ICUS, ICUAT and ICUCF, ICUAT and ICUS, ICUSM and ICUAT, ICUIS and ICUIO, ICUAT and ICUIO, ICUCF and ICUS with $r = .21^*$, $r = .22^*$, $r = .24^*$, $r = .24^*$, $r = .25^{**}$, $r = .28^{**}$, $r = .29^{**}$ and $r = .72^{**}$, respectively.

4.9   Factor Analysis

According to Matsunaga (2010:98), factor analysis is a wider term that encompasses a diversity of statistical techniques that permits the estimation of unobserved fundamental structures of variation for observed variables as well as their interrelationships. Yong and Pearce (2013:80) stated that factor analysis functions based on the perception that measurable and observable variables can be minimised to a smaller number of factors, which share a mutual but unobservable variance. Based on the light shed above, a summary can be made that factor analysis permits the reduction of large records, which consists of several items by assembling them into a descriptive category. This study has followed a principal component analysis (PCA) with orthogonal Varimax with Kaiser Normalisation rotation method when conducting factor analysis in line with Dubihlela and Chauke (2016). The PAC was used to extract the key factors that met the minimum criteria (≥1) (see Table 4.16: Total variance explained). Varimax with Kaiser Normalisation (Rotation method) was used to extract the factors that met the cut-off criterion of .40 (extraction method).

Table 4.16: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	9.384	31.280	31.280	9.384	31.280	31.280	6.895	22.982	22.982
2	4.017	13.391	44.671	4.017	13.391	44.671	3.563	11.878	34.860
3	2.203	7.345	52.016	2.203	7.345	52.016	3.002	10.007	44.867
4	2.032	6.774	58.790	2.032	6.774	58.790	2.838	9.459	54.326
5	1.642	5.474	64.264	1.642	5.474	64.264	2.030	6.766	61.092
6	1.334	4.446	68.710	1.334	4.446	68.710	1.931	6.438	67.530
7	1.091	3.637	72.347	1.091	3.637	72.347	1.445	4.817	72.347

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 10 iterations

From the above, there were 7 factors with eigenvalues ≥1 (Table 4.16). The "% of variance" column has shown how much of a total variability is accounted for by each of the summary components. For instance, component 1 accounts for 23% of the variability in all the 7 variables, and all the components cumulatively explained 72% of the variance in the data, which was credibly significant.

4.9.1 Factor loading and extraction

Yong and Pearce (2013:83-84) stated that factor extraction is a factor analytical component that is based on the theoretical model that assumes that observed measures are affected by underlying mutual and irreplaceable factors, and the correlation patterns need to be determined. Further said factor loading is another factor analysis tool that helps to test how strong the relationship of factors is. Accordingly, Table 4.16 demonstrates the number of significant factors that were established, extracted and only those rotated values that were meaningful for interpretation. While the extractions in this study are based on commonalities, all eigenvalues values that were less than 1 were eliminated. The extraction of rotation for the sums of squared loadings that demonstrated eigenvalues and variance was done after rotation. The PCA was used in providing interpretation, whereas the matrix of loadings was rotated to obtain Varimax rotation that was used to suppress small coefficients where eigenvalues values below 1 were

eliminated. After all the above techniques were done, only 7 items were subjected for further analysis, as displayed in Table 4.16 above. The primary goal for conducting such analysis was to identify item loadings >0.40 that are meaningful for interpretations.

Furthermore, the components with items two and less have been eliminated since such components indicate a lack of correlation pattern. After the elimination of the mentioned components, the analysis has produced a seven-component factor solution with a simple structure (factor loadings >.40) as shown in Table 4.17. The following section details the content of questions/statements that had loaded into one factor. This was an attempt to find all the factors that loaded most strongly to each variable as common themes, which consequently, assist in establishing what the construct might be.

Table 4.17: Rotated Component Matrix[a]

Factor	Component						
	1	2	3	4	5	6	7
Assurance of financial reliability and integrity	.863						
Assurance of operations efficiency	.852						
Assurance of effective role in departmental activities	.829						
Assurance of correct accounting data	.827						
Assurance that financial fraud is prevented	.800						
Assurance of accurate financial information provided to support strategic managerial decisions	.799						
Assurance that better service delivery is attained	.769						
Assurance that departmental funds are safeguarded	.671						
Assurance that monitoring procedures are established	.653						
Improvement of governance		.838					
Mitigation of financial risk		.769					
Improvement in the functioning of controls		.768					
Compliance with controls.		.700					
Prevention irregular expenditures			.891				
Prevention wasteful and fruitless expenditures			.877				
Prevention unauthorized expenditures			.860				
Validity of payments made				.888			
Validity of subsistence and travel allowance payment claims				.836			
Compliance of commitment (orders)				.797			
Validity and correctness of personnel-related claims				.506			

Revenue management					.706		
Correctness of bonuses paid over to employees					.667		
Management of department budget					.610		
ICU is not supported by the Management						.902	
The role of the ICU is not clearly communicated among the finance staff						.832	
ICU staff independence and objectivity are impaired							.776
ICU has incompetent staff							.586

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 10 iterations.

4.9.2 Interpretation of factors

The rotated component matrix converged in 10 iterations resulting in a pattern of factor loadings as shown in Table 4.9. The factor loadings display a seven-item solution. The results on this table indicate that nine items loaded onto component 1 associated with assurance activities performed by ICU, hence labelled *"provision of assurance services"*. These were ICU provides reasonable assurance that financial reliability and integrity is increased = .86, ICU provides reasonable assurance that operations efficiency is improved = .85, ICU provides reasonable assurance that an effective role in departmental activities is established = .83, ICU provides reasonable assurance that correct accounting data is availed = .83, ICU provides reasonable assurance that financial fraud is prevented= .80, ICU provides reasonable assurance that accurate financial information is provided to support strategic managerial decisions = .80, ICU provides reasonable assurance that better service delivery is attained = .77, ICU provides reasonable assurance that departmental funds are safeguarded = .67, ICU provides reasonable assurance that monitoring procedures are established = .65.

Four items have loaded into component 2 (ICU require management support to improve governance = .84, ICU require management support to mitigate financial risk = .77, ICU require management support to improve the functioning of controls = .77, ICU require management support to provide reasonable assurance of compliance with controls = .70). This relates to the role of ICU with the department, hence, labelled *"need for managerial support"*.

Three items have loaded into component 3 (internal control unit is effective in preventing irregular expenditures = .89, internal control unit is effective in preventing wasteful and fruitless expenditures = .88 and internal control unit is effective in preventing

unauthorized expenditures = .86). This is associated with activities performed by ICU to prevent financial mismanagement, hence, labelled *"preventative measures for financial mismanagement"*.

Four items have loaded into component 4 (ICU require management support to ensure all payments made are valid = .89, ICU require management support ensure the valid payments of subsistence and travel allowance = .84, ICU requires management support to compliance of commitment (orders) = .80 and ICU require management support to ensure the validity and correctness of personnel-related claims = .51). This relates to the daily duties performed by ICU as a means of evaluating financial management activities, hence, labelled *"weak monitoring and evaluating control activities"*.

Three items have loaded into component 5 (ICU require management support to ensure revenue management requirements adhere to = .71, ICU require management support to ensure the correctness of bonuses paid over to employees = .67 and ICU require management support to ensure the department spend within its budget = .61). This relates to the measures of preventing overspending, also labelled *"budgetary constraints within ICU"*.

Two items loaded into component 6 (ICU is not supported by the Management = .90 and ICU role is not clearly communicated among the finance employees = .83) related to the barriers on the nature and performance of ICU, hence, labelled *"lack of operational support"*.

The last two items have loaded into component 7 (ICU employees' independence and objectivity are impaired = .78 and ICU has incompetent employees = .59). These relate to the characteristics of ICU activities and individuals who performed them, hence, labelled *"lack of independence"*.

The following subsection explored a one-way ANOVA with the aim of concluding the inferences concerning the existing samples and to establish the similarity in the groups of data assembled.

4.10   Analysis of Variance

ANOVA is viewed as the most used statistical tool by researchers to determine whether the samples they have been drawn from a population with similar means. The statistical tool ANOVA is usually used to identify statistical significance between different groups of data to ascertain their homogeneity (Page et al., 2003:20).

Table 4.18: ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Work Position	Between Groups	24.432	4	6.108	13.692	.000
	Within Groups	46.840	105	.446		
	Total	71.273	109			
Years of experience	Between Groups	47.554	2	23.777	16.141	.000
	Within Groups	157.619	107	1.473		
	Total	205.173	109			

This study has used the one-way ANOVA to test the significance of differences in the results. The output provided the descriptive statistics detailing the mean and standard deviation at 95% confidence intervals for the dependent variables work position and work experience as the only demographic variables in consideration. Other categorical variables did not produce statistical significance, consequently, they were eliminated. The data provides statistically significant results that the mean for work positions is not the same for all ranks (One-way ANOVA, F = 13.692, df = 4,105, P <0.001). Accordingly, statistically significant results indicated that the mean for years of experience is not the same for all years (One-way ANOVA, F = 16.141, df = 2,107, P <0.001). Tukey pos-hoc analysis was also conducted to further test the differences in the actual groups. As such, there was a statistical difference between the entry-level and state accountant, entry-level and senior state accountant, entry-level and Assistant Manager, entry-level and Manager or above with *p*-value = .001, *p*-value = .001, *p*-value = .001, *p*-value = .002 and *p*-value = .001, respectively.

Table 4.19: Tukey HSD Working Position

(I) What is your designation (working position)?	(J) What is your designation (working position)?	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval Lower Bound	Upper Bound
Entry level	State accountant	-.893[*]	.174	.000	-1.38	-.41
	Senior state accountant	-1.041[*]	.182	.000	-1.55	-.54
	Assistant Manager	-1.118[*]	.204	.000	-1.68	-.55
	Manager or above	-.851[*]	.221	.002	-1.46	-.24
State accountant	Entry level	.893[*]	.174	.000	.41	1.38

	Senior state accountant	-.149	.200	.945	-.70	.41
	Assistant Manager	-.225	.220	.844	-.84	.39
	Manager or above	.042	.236	1.000	-.61	.70
Senior state accountant	Entry level	1.041*	.182	.000	.54	1.55
	State accountant	.149	.200	.945	-.41	.70
	Assistant Manager	-.076	.226	.997	-.70	.55
	Manager or above	.190	.242	.934	-.48	.86
Assistant Manager	Entry level	1.118*	.204	.000	.55	1.68
	State accountant	.225	.220	.844	-.39	.84
	Senior state accountant	.076	.226	.997	-.55	.70
	Manager or above	.267	.259	.841	-.45	.98
Manager or above	Entry level	.851*	.221	.002	.24	1.46
	State accountant	-.042	.236	1.000	-.70	.61
	Senior state accountant	-.190	.242	.934	-.86	.48
	Assistant Manager	-.267	.259	.841	-.98	.45

*. The mean difference is significant at the 0.05 level.

Regarding the years of experience, the Tukey pos-hoc analysis was also conducted to further test the differences in the actual groups. The dependent variable years of experience displayed statistical difference between 0–1 year and 2–5 years, 0–1 year and more than 5 years with p-value = .001, p-value = .001 and p-value = .001, respectively. Other variables did not indicate the statistical difference and as such, they were eliminated from the analysis.

4.11   Chapter Summary

This chapter presented the data analysis and subsequent interpretations to effectively address the research questions (see Section 1.2). The issues pertaining to the validity and reliability of data were discussed before the data was analysed and the results were presented. Data manipulation procedures, screening, validation and conversions using statistical analyses such as descriptive statistics, test for reliability (Cronbach's alpha), correlation analysis, factor analysis and One-way ANOVA. With the aid of SPSS, the results were reported and discussed. The study has attained on overall 0.90 Cronbach's alpha value, which means 90%

of the study has demonstrated a reliability that indicates a great internal consistency of the tested construct. Furthermore, regarding the correlation analysis conducted, the results of the test inter-item correlation indicated that besides the few variables considered insignificant and eliminated, and they displayed a general positive correlation among all the items associated with the ICU's role. The instrument was a reliable measure of the role of ICU within the ECDRDAR. The survey results indicated that the effectiveness of the ICU's role is hindered by the lack of management support, the lack of clearly communicated role of ICU to all departmental employees, the lack of adequate training on ICU employees, and its impaired independence and objectivity. In the following chapter, the statement of the research problem, related research questions and objectives will be revisited. Applicable conclusions will be drawn, and recommendations will be provided. Moreover, the areas for further research will be highlighted as well.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

The explanation of the critical flow of discourse of the content of Chapter 5, is graphically depicted in Figure 5.1
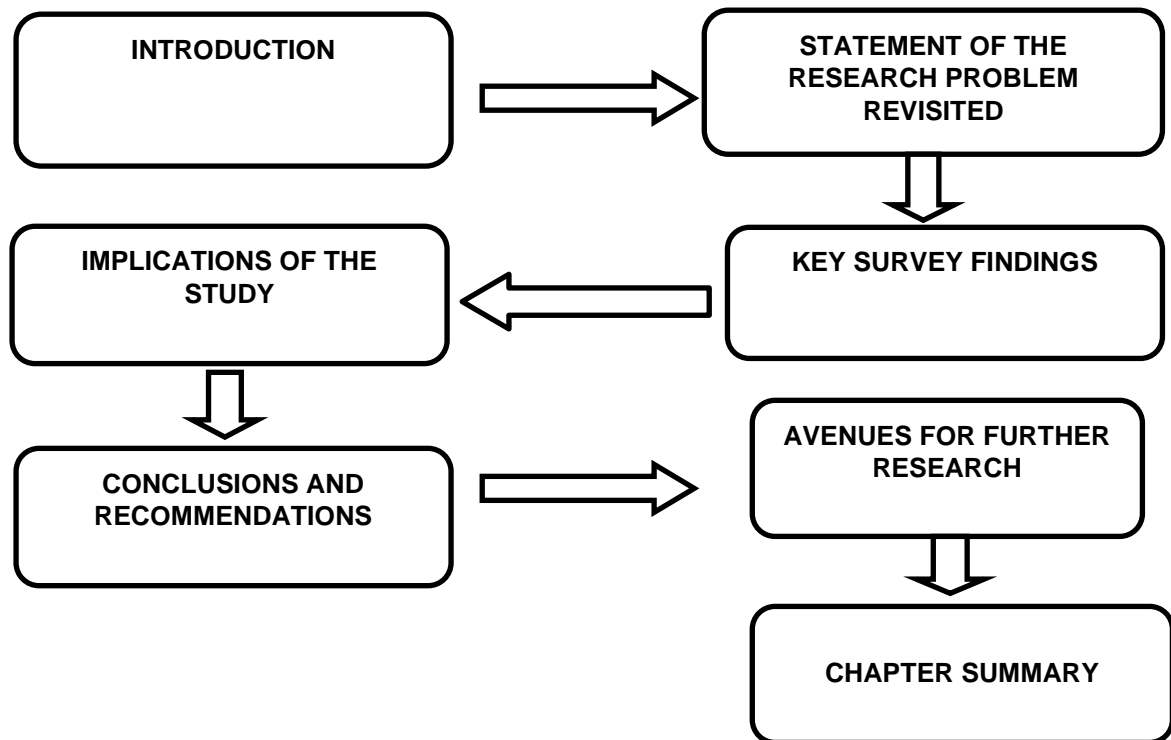
Figure 5.1: Layout of Chapter 5: Scope of the Research (Source: Own)

5.1 Introduction

The previous chapters have explained that the ECDRDAR, in line with the provisions of the PFMA, established the ICU to monitor and ensure compliance with the procurement and payment processes, and that the ICU is an essential custodian of the internal control mechanism. It was also identified that the unit is experiencing operational challenges, which hinder its operational effectiveness. The conclusions availed in this chapter are based on the analysis of the survey results. The recommendations are provided to assist the ECDRDAR to address the operational challenges experienced by ICU. The conclusions that are drawn and the recommendations suggested are supported by the research findings.

In Chapter One, the scope of this research study was articulated. This provided the readers with an overview of this research study, which assist to understand the primary notion of the study.

Chapter Two provided a theoretical understanding of compliance issues and an overview of the ECDRDAR. The operational challenges of compliance with financial legislation and internal financial controls and the importance of compliance in the government department, such as the ECDRDAR.

Chapter Three explained different research methods that underpins this study. The chapter also discussed the research purpose, research approach and research strategies that were used. The chapter further provided the details of adopted sampling methods as well as the details of data collection, and the methods of data analysis to be employed when analysing data.

Chapter Four provided data analyses and findings, establishing the actual challenges affecting the compliance with financial legislations and internal financial controls. The data collected was analysed using IBM® SPSS Statistics® software. The findings were also interpreted to give meaningful information. The main purpose for this research study was to establish whether ICU requires the management support to be effective in ensuring daily compliance with financial legislation and internal financial controls. As such, the statement of the research problem is revisited below.

5.2   Statement of the Research Problem Revisited

From the background of this research study, thus Chapter 1 (see paragraph 1.2), the study provided brief evidence in literary outline that management fails to support the role of the ICU, yet the principal agency theory recognises that the unit is the agent established to ensure overall compliance on procurement and that payment processes are upheld. In doing so, providing reasonable assurance to stakeholders on matters of risk exposures and service delivery within the ECDRDAR. The study also highlighted that management's failure to comply with the prescribed financial management legislation exposes the department to financial risk. Such financial risk affects service delivery and jeopardises the attainment of departmental objectives. This is despite the common goal shared by management and ICU to ensure proper public finance management.

The working relationship between management and ICU was addressed in Chapter 2 (see Section 2.6). Even though there is an agreement in the literature about the importance of overall compliance with financial management legislation and internal controls within the

ECDRDAR, little was understood about the operational challenges the ICU faces concerning compliance issues.

To address non-compliance issues within the ECDRDAR, the following statement of the research problem was established, which read as: The lack of management support for ICU in the ECDRDAR negatively affects overall compliance to policy, regulations and statutes, which exposes the department to high risk that affects service delivery. In the efforts to address the identified research problem above, relevant research question, as well as research objectives, were developed.

5.3 Key Survey Findings

5.3.1 Main research question

To effectively address the established research problem, the following main research question was developed: Does the role of ICU require management support in providing assurance and enhancing operational compliance for government departments such as the ECDRDAR?

The main research objective developed from the above main research question, read:

To ascertain whether the role of internal control unit requires management support in providing assurance and enhancing operational compliance for government departments such as the ECDRDAR.

It was generally agreed (90.9% of time) that the role of ICU require the management support.

Interpretation: Management support towards ICU is an important element that assist the unit to effectively execute its role within the government department such as the ECDRDAR. The management should committee itself towards supporting ICU role, for it to be more effective in performing its role within the ECDRDAR.

The following factor was generally agreed upon, where the mean value is between 4.21 and 4.37 of the survey results analysed on the range of 1–5 (1 being negative and 5 being positive):

- The role of ICU requires management support to improve corporate governance (mean: 4.21)
- The role of UCI requires management support to improve functioning of internal controls (mean: 4.29)
- The role of ICU requires management support to mitigate financial risks (mean: 4.34)
- The role of ICU requires management support to promote compliance with controls (mean: 4.37)

- The role of ICU requires management support to provide assurance services about compliance with internal controls (mean: 4.35)

Interpretation: The ECDRDAR respondents have agreed that the above objectives of the ICU's role require management support. The management should commit itself towards implementing recommendations on financial risk exposure so that the objectives of the unit can be attained.

Another factor that was generally agreed upon had the mean value between 3.45 and 4.63 of the survey results analysed.

- ICU requires management support to ensure the department processes valid commitments (orders) (mean: 4.62)
- ICU requires management support to ensure the validity of all payments to be made (mean: 4.63)
- ICU requires management support to ensure the validity of subsistence and travel allowance claims (mean: 4.55)
- ICU requires management support to ensure the correctness of personnel-related claims (mean: 4.47)
- ICU requires management support to ensure the department spends within its budget (mean: 4.02)
- ICU requires management support to ensure the correctness of bonuses paid to employees (mean: 3.94)
- ICU requires management support to ensure revenue management requirements are adhered to (mean: 3.45)

Interpretation: the respondents have agreed that the ICU requires management support to ensure compliance with the procurement and payment processes. The importance of overall compliance within ECDRDAR should be emphasised.

In trying to comprehensively answer the research problem, the following sub-objectives were developed.

5.3.2 Sub-questions

The first sub-objective developed read: To confirm whether management supports ICU for the attainment of the ECDRDAR objectives.

The majority (50.9%) of the respondents indicated that they do not know whether management supports ICU's role for the attainment of departmental objectives.

The following factors was generally disagreed upon:

Management act against financial misconduct activities (with a mean value of 2.20), clearly showing minimum action being taken by the operational managers in this direction.

Interpretation: Management should consider acting against financial misuse to prevent non-compliance by employees.

The second objective that was developed read: To understand the effectiveness of ICU in providing reasonable assurance to stakeholders on matters of risk exposures and service delivery in the ECDRDAR.

The following assurance activities were generally agreed upon, where the mean value is between 4.12 and 4.38 of the survey results analysed.

- The role of ICU is effective in providing reasonable assurance that department funds are safeguarded (with a mean of 4.12)
- The role of ICU is effective in providing reasonable assurance that financial fraud is prevented (with a mean of 4.40)
- The role of ICU is effective in providing reasonable assurance that operational efficiency is improved (with a mean of 4.43)
- The role of ICU is effective in providing reasonable assurance that financial reliability and integrity is increased (with a mean of 4.37)
- The role of ICU is effective in providing reasonable assurance that monitoring procedures are established (with a mean of 4.29)
- The role of ICU is effective in providing reasonable assurance that correct accounting data is provided (with a mean of4.30)
- The role of ICU is effective in providing reasonable assurance that solid financial management of operations is attained (with a mean of 4.31)
- The role of ICU is effective in providing reasonable assurance that accurate financial information is provided to support strategic managerial decisions (with a mean of 4.13)
- The role of ICU is effective in providing reasonable assurance that an effective role on departmental activities is provided (with a mean of 4.38)
- The role of ICU is effective in providing reasonable assurance that better service delivery is attained (with a mean of 4.35).

Interpretation: The ECDRDAR management must take note of assurance activities attained from the role of ICU and put more emphasis on its importance. Although the respondents have indicated that the ICU's role is effective in providing assurance to stakeholders on matters of

risk exposures and service delivery in the ECDRDAR, there are still prevalent operational challenges experienced by ICU that hinders their role within the departments.

To answer the prevalent operational challenges experienced by ICU, the last objective was developed which read:

To find out the operational challenges that ICU experiences from the support structures within the ECDRDAR

The following operational challenges were identified and agreed upon, with the mean values between 3.18 and 3.57 of the analysed responses.

- ICU lacks management support (mean of 3.18)
- The role of ICU is not clearly communicated to all departmental employees (mean of 3.44)
- ICU employees lack adequate training (mean of 3.40)
- ICU employees' independence and objectivity are impaired (mean of 3.57)

Interpretation: The management should take note of the abovementioned operational challenges and address them.

The following factor was generally disagreed upon:

- ICU has incompetent employees with a calculated mean of 2.65.

Interpretation: The above factor was not a concern to the ICU function. Management, however, might consider conducting compliance self-assessments of departmental employees and monitor the progress.

5.4   Implications of the study

5.4.1   Implications to departmental staff

Compliance processes influencing financial management and departmental operations should not only be the responsibility of ICU staff. All employees must assume the responsibility of observing compliance processes when performing their duties. The department must create a conducive environment that informs all employees about the department compliance processes and the importance of ICU role on compliance processes. This could be achieved through financial management policy trainings, workshops and seminars. The department could also consider conducting compliance self-assessment to establish how much employees understand compliance processes and continue to monitor their progress. If employees from all departmental units understand compliance processes and the importance of ICU role on finance management control activities, compliance to control activities that

safeguard public funds will be enhanced through suggestions and willingness of employees in different unit to uphold compliance process.

5.4.2 Control environment

Government departments such as the ECDRDAR have an obligation to have effectual internal controls system (South Africa, 1999:19), to ensure optimum proper use of public funds when rendering public services (Sebola & Mamabolo, 2016:60). Therefore, the department must create working environment that respect and support compliance processes. This can be achieved by encouraging the management to act against non-compliance of employees and commit itself to implement ICU recommendations on financial risk exposure. Emphasis to all employees the importance of complying with control activities. Thus, emphasis about the importance of upholding compliance processes should include respecting the operations of ICU. All employees should work as a unit to uphold compliance process. This may be achieved by holding accountable all employees for non-compliance with control activities. If all employees from various designations are accountable for compliance processes, improvement to ICU operations will be enhanced through commitment and support of compliance processes by employees. Additionally, the department must create an environment that motivates compliance with control activities and focus on finding solutions to non-compliance issues, as however, opposed to blaming the management and its assistants for non-compliance.

5.4.3 Implications to policy discourse

Understanding the application of implemented departmental financial management policies is crucial for the optimum proper use of public funds. Thus, to ensure all employees understand the application of financial management policies, the department must provide employees with appropriate training, direction, and supervision to enhance their knowledge and skills to apply such policies. To strengthen an understanding of financial management policies, the department should consider having in place the following factors:

- **Simplification**: The written policies must be simplified using simple English to accommodate all employees and the flowcharts may be used to display the flow of operations.

- **Available**: Ensure that these policies are available to all employees so that they can always refer to, when performing their respective duties.

- **Understood**: Application of policies is understood by all employees through policy trainings, workshops and regular team building activities.

- **Relevant**: Revised policies should be timeously communicated to all staff members and training for the new policy should be provided.

- **Implemented**: All employees uphold the policies and procedures as it is required.

5.4.4 Implications on the Principal-agency theory

Several government agents existing within the government departments, namely the management and ICU to name the few. Government should pass clear legislations that governs the working relationship between the management and ICU to minimis agency problems. Such legislations must also allow the ICU to report to the highest authority within the government department, such the level internal audit and risk management unit reports to (head of the department). This is to strengthens the independence of ICU role to ensure it prevent management from overriding compliance processes. Strengthening independence of ICU would mean they would perform their work free from all conditions, which threatens the work to be performed unbiasedly. Having the ICU reporting to the head of the department, will free it from financial managers interferences with their decisions, thereby get the freedom to exact compliance with internal financial controls.

5.5   Conclusions and Recommendations

5.5.1   Overview

Despite the effectiveness of ICU's role to provide reasonable assurance to stakeholders on matters of risk exposures and service delivery, management does not seem to implement the ICU recommendations on the financial matters of the departmental operations. Such neglect has negative effects the overall compliance to the policies, regulations and statutes that exposes the department to the high risk of financial mismanagement, which affects service delivery. As a result, unauthorised, irregular, fruitless, and wasteful expenditures are thriving within the departments. With that said, conclusions and recommendations are presented based on the operational challenges experienced by ICU.

5.5.2   Operational challenges experienced by the internal control unit

- Lack of action taken by management against employees who does not comply with internal financial controls
- The role of ICU lacks management support
- The role of ICU is not clearly communicated to all departmental employees
- ICU employees lack adequate training
- ICU employees' independence and objectivity are impaired

Recommendations

- Management should consider taking appropriate actions against non-compliance to strengthen compliance procedures.

- Provide employees with appropriate training, direction, and supervision to ensure they have the necessary knowledge and skills to carry out their duties; inform employees of the proper channels for reporting suspected improprieties.

- Management should commit itself to implementing recommendations from the ICU on the financial risk exposure that could hinder service delivery. And should not interfere with the operations of the ICU function by giving them a freedom to execute their role without any influence.

- When government develop policies should consult all employees, this helps to achieve effective policies and procedures. It is a greater motivation for employees to follow them.

- The management should provide new employees with adequate information, instructions, supervision and proper training around departmental policies. Policies and procedures should be reiterated and discussed with employees regularly at the team meetings to ensure that employees remain aware of their importance.

5.6 Limitations and Avenues for further research

This study examined internal control systems and compliance support structure of the ECDRDAR, future research could examine the factors that lead to non-compliance with compliance activities to all government institutions. This should include the state owned, entities, and constitutional institutes. The study also used quantitative research approach, further studies can use both qualitative and quantitative research design with a triangulation approach, and this can help to understand if all organisations under the government wing are affected in the same way by these factors. Qualitative method can assist in attaining rich ideas and explanations as to why departmental employees do not uphold compliance process, maybe the outcomes could be more helpful.

5.7 Chapter Summary

This study noted that the lack of compliance with control activities within the ECDRDAR is one of the most significant obstacles to effective optimum proper use of public funds. In turn, the department misuse public funds in the form of unauthorised, irregular, fruitless and wasteful expenditures. Considering the results of data collected and analysed, it was evident that the role of the ICU function requires management's support to achieve its compliance objectives. It however, was established that management does not provide the extent of support required by the operations of the ICU. Although the role of the ICU was cited effective in providing

reasonable assurance on risk exposure, the results also indicated the operational challenges experienced by ICU within the department. Such operational challenges negatively affect the effectiveness of the ICU role to prevent unauthorised, irregular, fruitless, and wasteful expenditures. The relational and predictive factors leading to non-compliance issues were found to be poor communication of compliance procedures among finance employees, inadequate training, lack of independence and objectivity on ICU role, and lack of management support.

It is imperative for the department to address the issues around the ICU role as it relates to compliance procedures and financial management activities within the government departments, particularly a key department such as the ECDRDAR. This could be done through various conscious strategies to bring optimum organisational dynamics and smooth communication within the department. Strategies such as regular workshops, team building exercises and constant monitoring and evaluation could yield positive results. It is also clear that the strategies may need to be policy-driven to yield positive results and assist in moderating stakeholder behaviours.

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ANNEXURE A: RESEARCH QUESTIONNAIRE

Questionnaire: Internal Control and Compliance Measures

May 2018

Dear sir/madam

I, Awonke Geqeza am undertaking a master's degree research project entitled '*analysis into the effectiveness of internal control systems and the compliance support structures of eastern cape department of rural development and agrarian reform'* is intended to establish the effectiveness of internal control and compliance measures as well as the management support structures within Eastern Cape departments of rural development and agrarian reform. The researcher seeks your permission to share approximately 10-15 minutes of your valuable time during the questionnaire-based interviews.

Explanatory notes:
1. Your participation in this study is completely **voluntary**. Please **do not** provide your name or contact details.
2. All information given in this questionnaire will be kept strictly **confidential** and **anonymous**. Under no circumstances will other employees or your department have access to the information provided by you.
3. Your responses will be used in an aggregate form with other responses. At no time will your responses or your name be identified in any reports.
4. Please answer **ALL** questions even if you are not completely certain of your response.

Kindly return the questionnaire (if not using online survey) in the postage paid return envelope on or before **05 July 2018**.Summary result of this research project will be used for producing Master thesis which may appear in the Cape Peninsula University of Technology library and research articles in research journals and at conferences.

Should you have any queries regarding this survey, you are welcome to contact the research team.

Mr A. Geqeza   **Prof J. Dubihlela (PhD)**
Masters Student-FBMS   HOD Internal Auditing & FIS - School of Accounting Sciences
Cape Peninsula University of Technology   Faculty of Business & Management Sciences
Cape Town, 8000   Cape Peninsula University of Technology
South African   Cape Town, 8000
Tel: 076 683 0586/ 087 373 0741   South Africa

SECTION A BIOGRAPHIC DETAILS

In this section, I would like to find out a little more about you. Please place a cross (x) in the appropriate block.

A1. **Please indicate your gender.**   Male ❑1   Female ❑2

A2. **Please indicate your age category.**

Under 30 years	❑1
30-39 years	❑2
40-49 years	❑3
50-59 years	❑4
60 and over	❑5

A3. **Please indicate is your highest level of education?**

No formal education	❑1
High School education (Grade 12)	❑2
Undergraduate or equivalent degree	❑3
Postgraduate or equivalent degree	❑4

SECTION B EMPLOYEMENT HISTORY

In this section I would like to find out a little more about your employment history. Please place a cross (x) in the appropriate block.

B1. **Are you working for the government department?**

Yes   ❑1   No   ❑2

(If yes) are you working in the:

Head office ❑1   District office ❑2

B2. **When did you start working for this department?**

In the past twelve months or less	❑1
Between 2-5 years	❑2
More than 5 years	❑3

B3. **Which section of the department are you working in**?

Finance ❑1   Non finance ❑2

B4. **Which of the finance units are you working in?**

Salaries	❑1
Payments	❑2
Internal control	❑3

Budgeting & Revenue ❏4

Accounting services ❏5

All of the above ❏6

B5. **What is your designation (working position)?**
Entry level ❏1

State accountant ❏2

Senior state accountant ❏3

Assistant Manager ❏4

Manager or above ❏5

B6. **Are all employees aware of internal controls?**

Yes ❏1 No ❏2 I don't know ❏3

B7. **Does the department promote compliance with internal controls?**

Yes ❏1 No ❏2 I don't know ❏3

B8. **Does this department have internal control unit?**

Yes ❏1 No ❏2 I don't know ❏3

B9. **Does the scope of internal control unit require the management support?**

Yes ❏1 No ❏2 I don't know ❏3

B10. **The department uses an ICU as a tool for monitoring and evaluating financial management activities.**

Yes ❏1 No ❏2 I don't know ❏3

SECTION C THE SCOPE OF INTERNAL CONTROL UNIT

C1. What guides the operations of internal control unit?

Public finance management act ❏1

Treasury regulations ❏2

Department circulars ❏3

All of the above ❏4

None of the above ❏5

C2. What does compliance means to the department?

1. Adherence to departmental policies and procedure ❏1

2. Adherence to the department internal processes ❏2

3. Adherence to the internal controls ☐3

4. All of the above ☐4

5. None of the above ☐5

(Only fill in this section if your department have internal control unit)

I would like to find out a little about the scope of internal control unit in the department. Below are a number of descriptors on the benefits of internal control unit. Please indicate the extent to which you agree or disagree with the statements. Strongly agree = 5, agree =4, I don't know =3, disagree =2 and strongly disagree = 1.

CROSS ONLY ONE NUMBER FOR EACH STATEMENT

	Strongly agree				Strongly disagree

The role of ICU requires management support to:

C3. Improves corporate governance	☐5	☐4	☐3	☐2	☐1
C4. Improves the functioning of Internal controls	☐5	☐4	☐3	☐2	☐1
C5. Mitigate the financial risks	☐5	☐4	☐3	☐2	☐1
C6. Promote compliance with controls	☐5	☐4	☐3	☐2	☐1
C7. Provide assurance services about compliance With internal controls	☐5	☐4	☐3	☐2	☐1

Question (8-14) ICU require management support to ensure:

C8. Compliance of commitment (orders)	☐5	☐4	☐3	☐2	☐1
C9. All payments to be made are valid	☐5	☐4	☐3	☐2	☐1
C10. The validity of subsistence and travel allowance claims	☐5	☐4	☐3	☐2	☐1
C11. Correctness of personnel-related claims	☐5	☐4	☐3	☐2	☐1
C12. Correctness of bonuses paid to employees	☐5	☐4	☐3	☐2	☐1
C13. Department spend within its budget	☐5	☐4	☐3	☐2	☐1
C14. Revenue management requirements are adhered	☐5	☐4	☐3	☐2	☐1

I would like to know the pressure that comes with ensuring compliance with the above departmental activities. Please answer each question by indicate the extant of occurrence (1 = Never, 2 =Rarely, 3= Sometimes, 4 =Most of the time, 5 = Always).

C15. Have you ever felt under pressure to process ❑5 ❑4 ❑3 ❑2 ❑1
a document that does not comply with controls?

C16. How many times have you prioritized ❑5 ❑4 ❑3 ❑2 ❑1
processing documents over complying with controls

C17. Is there any action(s) taken if an employee ❑5 ❑4 ❑3 ❑2 ❑1
processed a document that does not comply with the set internal controls

I would like to know the types of internal controls that are existing and their effectiveness in the department. *Please indicate the extent to which you agree or disagree with the statements. Yes = 3, No=3, N/A= 1.*

CROSS ONLY ONE NUMBER FOR EACH STATEMENT

	Yes	No	N/A
Do these types of internal control exist in the department?			
C18. Authorization and approval procedures	❑3	❑2	❑1
C19. Segregation of duties	❑3	❑2	❑1
C20. Controls over access to resources and records	❑3	❑2	❑1
C21. Verification of transactions	❑3	❑2	❑1
C22. Arithmetical and accounting control	❑3	❑2	❑1
C23. Reconciliations	❑3	❑2	❑1
C24. Reviews of operations, processes and activities	❑3	❑2	❑1
C25. Supervision (assigning, reviewing and approving, Guidance and training)	❑3	❑2	❑1

Question (26) the management support the role of ICU to enhance compliance with internal controls?

Yes ❑1 No ❑2 I don't know ❑3

Question (27) effectiveness of internal controls:

C27. Is the internal control unit effective in monitoring and evaluating internal controls?

Yes ❏1 No ❏2 I don't know ❏3

In your opinion, is the internal control unit helpful regarding preventing the following: (1 =Very little, 2 =Little, 3=Moderate, 4 =Quite, 5 = A lot).

Question (28-30) ICU role is effective prevents:

	A lot				Very Little
C28. Unauthorized expenditures	❏5	❏4	❏3	❏2	❏1
C29. Irregular expenditures	❏5	❏4	❏3	❏2	❏1
C30. Wasteful and fruitless expenditures	❏5	❏4	❏3	❏2	❏1

SECTION D ICU ASSURANCE SERVICES

I would like to find out a little about the benefits accumulates from complying with internal controls in the department. Below are a number of descriptors on the benefits of internal controls. In your opinion, internal controls are helpful regarding the following internal control objectives :(1 =Very little, 2 =Little, 3=Moderate, 4 =Quite, 5 = A lot).

CROSS ONLY ONE NUMBER FOR EACH STATEMENT

ICU role provide reasonable assurances that:	A lot				very Little
D1. Departmental funds are safeguarded	❏5	❏4	❏3	❏2	❏1
D2. Financial fraud is prevented	❏5	❏4	❏3	❏2	❏1
D3. Operations efficiency is improves	❏5	❏4	❏3	❏2	❏1
D4. Financial reliability and integrity is increase	❏5	❏4	❏3	❏2	❏1
D5. Monitoring procedures are establishes	❏5	❏4	❏3	❏2	❏1
D6. Correct accounting data is provides	❏5	❏4	❏3	❏2	❏1
D7. Solid financial management of operations is attained	❏5	❏4	❏3	❏2	❏1
D8. Accurate information is provided to support strategic Managerial decisions	❏5	❏4	❏3	❏2	❏1
D9. Effective role on departmental activates is provided	❏5	❏4	❏3	❏2	❏1
D10. Better service delivery is attained	❏5	❏4	❏3	❏2	❏1

SECTION E Operational challenges experienced by internal control unit

I would like to find out a little about the barriers to the implementation of internal control in your department. Below are a number of potential reasons for non-compliance with controls. Please indicate the extent to which you agree or disagree with the statements. Strongly agree = 5, agree= 4, I don't know =3, disagree =2 and strongly disagree = 1.

CROSS ONLY ONE NUMBER FOR EACH STATEMENT

	Strongly agree				Strongly disagree
Internal control unit (ICU):					
E1. Has incompetent staff	❏5	❏4	❏3	❏2	❏1
E2. Is not supported by the Management	❏5	❏4	❏3	❏2	❏1
E3. Role is not clearly communicated to all departmental employees	❏5	❏4	❏3	❏2	❏1
E4. Staff lacks adequate training	❏5	❏4	❏3	❏2	❏1
E5. Independence and objectivity is impaired	❏5	❏4	❏3	❏2	❏1

SECTION F (FUTURE PLANS FOR COMPLIANCE WITH INTERNAL CONTROLS)

I would like to find out more about your views and future plans for the department about the promotion of compliance with internal controls. Please indicate the extent to which you agree or disagree with the statements. Yes=3, No=2, I don't know=1

CROSS ONLY ONE NUMBER FOR EACH STATEMENT

	Yes	No	I don't know
The department:			
F1. Should full implement the internal control unit compliance On policies and procedures	❏3	❏2	❏1
F2. Should issue flyers detailing the importance of internal Controls in the work operations	❏3	❏2	❏1
F3. Should provide internal controls courses/ trainings	❏3	❏2	❏1
F4. Should provide workshops to promote internal controls	❏3	❏2	❏1
F5 Should conduct control self-assessments	❏3	❏2	❏1

I would like to find out more about your assessment of the impact of each of the following on the department. Please indicate the extent to which you agree or disagree with the statements. Strongly agree = 5, agree=4, I don't know = 3, disagree = 2 and strongly disagree = 1.

	Strongly agree				Strongly disagree

The Internal control unit has had a:

F6. Positive contribution to the department ☐5 ☐4 ☐3 ☐2 ☐1

F7. Negative contribution to the department ☐5 ☐4 ☐3 ☐2 ☐1

F8. No contribution to the department ☐5 ☐4 ☐3 ☐2 ☐1

Compliance with controls have had a:

F9. Positive contribution to the department ☐5 ☐4 ☐3 ☐2 ☐1

F10. Negative contribution to the department ☐5 ☐4 ☐3 ☐2 ☐1

F11. No contribution to our business ☐5 ☐4 ☐3 ☐2 ☐1

Thank you for your time and cooperation.
Your views are much appreciated.

ANNEXURE B: EDITING CERTIFICATE

Client: **Awonke Geqeza**

This certificate is to record that I, <u>Yvonne Thiebaut</u>, have completed a copy-edit, layout and reference list check of your consultancy report "**Internal controls and the compliance support-structures of the Eastern Cape Department of Rural Development and Agrarian Reform**".

The edit <u>included</u> the following:

Spelling; Tenses; Vocabulary; Punctuation; Pronoun matches; Word usage; Sentence structure; Table and figure numbers and layout; Content (limited); Reference list check and format
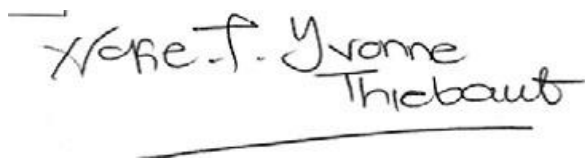
The edit <u>excluded</u> the following:

Correctness or truth of information (unless obvious); Correctness/spelling of specific technical terms and words (unless obvious); Correctness/spelling of unfamiliar names and proper nouns (unless obvious); Correctness of specific formulae or symbols or illustrations

Name of Editor: Yvonne Thiebaut

Qualifications: Bachelor of Arts Honours (Psychology) degree and Bachelor of Arts (Theatre Arts & Drama) degree

Signature:

Date Issued: 21 August 2019

The editor will not be held accountable for any later additions or changes to the document that were not edited by the editor, nor if the client rejects/ignores any of the changes, suggestions or queries, which he/she is free to do. The editor can also not be held responsible for errors in the content of the document or whether or not the client passes or fails. It is the client's responsibility to review the edited document before submitting it for evaluation.

ANNEXURE C: CONSENT LETTER

Province of the

<u>EASTERN CAPE</u>
DEPARTMENT OF RURAL DEVELOPMENT AND AGRARIAN
REFORM

OFFICE OF THE DIRECTOR: INTERNAL CONTROL UNIT:
Office No.

158, Indwe House, Independence Avenue, Private Bag X0040, BHISHO, 5606. REPUBLIC OF SOUTH AFRICA. Tel:

+27 (0)40 602 5163, Website: www.drdar.gov.za

CAPE PENINSULA UNIVERSITY OF TECHNOLOGY

PO BOX 1906

BELLVILLE, 7535

SOUTH AFRICA

Dear sir/Madam

This is to confirm that Mr Awonke Geqeza student number 21706856, who is a student in your institution has approached our department, namely, Department of Rural Development and Agrarian Reform — DRDAR for assistance with his research project. However, the department would like to mention that, Mr Geqeza should set up an appointment with the relevant sections of Pre-audit (including all regions) of the Department before hand and also bring ethical clearance certificate from his institution confirming authenticity and approval of his research project on the said topic by the institution.

Kindly set appointments with the informed individuals prior visiting them.

Kind regards

_____

Director: Internal Control Unit