



**Drivers of irregular expenditure and role of the ‘internal control unit’ within  
the Department of Social Development in the Western Cape Province**

**By  
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## DECLARATION

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*Tmamve*

14-11-2023

**Signed**

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## **ABSTRACT**

Every year in South Africa, the office of the Auditor General (AG) reveals shocking numbers of irregular expenditures committed by government departments, State owned enterprises (SOEs) and municipalities. This is despite the controls that are in place to prevent the occurrence of irregularities within the financial management processes. Government departments and entities established internal control unit (an internal Auditing Unit) which attempts to identify weaknesses in the controls and advise possible solutions. The continuous increasing numbers of irregular expenditures year in and year out leaves many with questions about the impact and the role of the internal control unit within the departments. This study examined the drivers of irregular expenditures and the role of internal control units within the Department of Social Development in the Western Cape with an intention to provide a suitable approach to strengthening the role of the internal control unit. The issue of irregular expenditures in the public sector today is topical; government departments and government entities are implementing consequence management policy in a bid to control and minimise irregularities. However, if such policy is to yield any positive results, we first need to identify the drivers of irregularities and subsequently evaluate the role of the institutions and internal control units that were established to evaluate controls and identify possible risk to better advise senior managers on best controls. Previous researchers focused primarily on irregular expenditures and the impact on service delivery, but less has been said about the drivers of irregular expenditures and the role of internal control units.

This study followed a qualitative research approach to understand the drivers of irregular expenditures and the role of internal control units by giving participants an opportunity to share their day-to-day experiences. Interview guide was used as data collection instrument using semi-structured interviews through Microsoft Teams medium. Participants of the study were selected based on working experiences and availability. For data analysis the researcher used thematic analysis together with Atlas.Ti data analysis software. The study established that there is a relationship between working under pressure and chances of making errors. The study also revealed a lack of training and workshops on policies and issues of irregular expenditures. It is also confirmed that the departments have controls in place to minimise possibilities of irregular expenditures but some of the controls are not effective because they are not properly designed nor

properly implemented. It is recommended that the department review the effectiveness of its controls and provide courses that will enable officials to perform their duties to the best of their ability. Data collected suggest that the policy unit need to provide training and workshops on new policy development to ensure that staff members are always up to date with new developments. The research indicates a communication gap on how the information is being disseminated and how the internal control unit gives feedback on findings. The study findings support literature on the contribution made by centralisation of a procurement process in reducing the number of irregular expenditure in the department. Lastly, the findings suggest that each department has its unique challenges that must be further investigated to add to the development of new knowledge.

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## **DEDICATION**

I humbly and respectfully dedicate this thesis to the following individuals:

My parents, Nokhawulezile and Vuyisile Mamve, who instilled resilience and respect in me.

This thesis is dedicated to you – you made me believe that I am not here to compete with anyone but myself. Life is a race of decision-making.

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## ACRONYMS

SA	South Africa
PFM	Public Finance Management Act
AGSA	Auditor General of South Africa
CFO	Chief Financial Officer
DSD	Department of Social Development
IIA	Institute of Internal Auditors
SCM	Supply Chain Management
TA	Thematic analyses
CPUT	Cape Peninsula University of Technology
AG	Auditor General
IE	Irregular Expenditure
SOE	State Owned Enterprises
IAF	Internal Audit Function
SST	Stewardship Theory
PAT	Principal Agent Theory
FSCM	Framework for Supply Chain Management
RSA	Republic of South Africa
PPPFA	Procurement Policy Framework Act
BBBEEA	Broad Base Black Economic Empowerment Act
NT	National Treasury
PP	Public Protector
PACCA	Prevention and Combating of Corrupt Activities
PDA	Protected Disclosure Act
SCOPA	Standing Committee on Public Accounts
AOS	Accounting Officer's System
SLA	Service Level Agreement
CMF	Contract Management Framework
CMG	Contract Management Guide
IC	Internal Control
SoD	Segregation of Duties
COSO	Committee of Sponsoring Organizations
IRM	Institute of Risk Management

## **CHAPTER 1**

### **INTRODUCTION AND PROBLEM IDENTIFICATION**

#### **1.1 INTRODUCTION OF THE RESEARCH STUDY**

Western Cape is a South African province with coasts bordering the Indian and Atlantic oceans. Marback (2004:10), Western Cape is known for the beautiful port city, Cape Town, set beneath Table Mountain. In Table Bay, Robben Island is the notorious prison that once held Nelson Mandela and is now a living museum (Marback, 2004:7). According Davies (2020:4) in 2020, the Western Cape was estimated to have a population of about 7 million. Despite its beauty, like all other provinces in South Africa, the Western Cape is not immune to challenges of poverty, unemployment and increasing amounts of crime and gangsters (Bayat *et al.*, 2014:194). To fight these social ills, a consolidated effort and proactive approach between communities, public sector and private sector is needed. That being said, the Western Cape Provincial government committed itself through its policies and values to ensuring that it positively impacts lives of ordinary citizens using the limited resources available. In doing so, the Western Cape government realised that it was necessary to establish policies and regulations to assist the province achieve its objectives of better life for all. The Provincial government drafted policies and regulations in line with the Public Finance Management Act of 1999.

In 1994, the Public Finance Management Act (PFMA) was established to provide a basis for government institutions and direction for safeguarding public funds (Auditor General of South Africa: 2017-2018). The PFMA instils a sense of responsibility and accountability to individuals with this power to manage and protect public funds (Public Finance Management Act, 1999). In provincial government departments, the responsibilities of ensuring effective, efficient, and transparent systems of financials, risk management and internal control are with the accounting officers (Chakabva, Tengeh & Dubihlela, 2021). According to the Provincial Treasury, it is within the scope of the accounting officer to take effective and appropriate steps to prevent unauthorised, irregular, fruitless and wasteful expenditure. All provincial government departments enjoy powers

to arrange and manage their own procurement process of goods and services, of which the procurement section had been identified as the most critical area to which government departments need to pay more attention when putting measures in place to manage risk that can negatively impact the financial statements. Accounting authorities must ensure that an appropriate procurement and provisioning system – which is fair, equitable, transparent, competitive and cost-effective – is in place and safeguarded for irregular expenditures. In the 2017-2018 financial year, the Auditor General, Mr Kimi Makwetu, reported that irregular expenditure continued to remain high at R51 billion (Auditor General of South Africa, 2017/2018). South Africa as a country cannot afford a situation where public funds are used without properly following rules and regulations (Tickle, 2018:252). It is against this backdrop that the study investigates the drivers of irregular expenditure and the role of internal control units in the Department of Social Development in Western Cape provincial government.

The National Treasury (2014:2) and the Public Finance Management Act (1999:9) define *irregular expenditure* as expenditure other than unauthorised expenditure, which is incurred in contravention of or not in accordance with a requirement of any applicable legislation. It is, therefore, incumbent upon the accounting officer to put measures in place to prevent such violations. To determine whether irregular expenditure has been incurred, there must be a transgression of any of the following:

- Public Finance Management Act (PFMA); Treasury Regulations;
- National Treasury Instructions issued in terms of section 76 of the PFMA;
- Provincial Treasury Instructions issued in terms of section 18(2)(a) of the PFMA;
- Internal policies of a department, constitutional institution, or public entity, as approved by the accounting officer or accounting authority, whichever applicable; or
- Any applicable legislation.

The researcher finds it necessary to point out that when irregular expenditure is recorded, this does not necessarily mean that money had been wasted or that fraud had been committed. It is an indicator of non-compliance in the process that needs to be investigated by management to determine whether it was an unintended error, negligence or done with the intention to work against the requirements of legislation. The legislation requires that procurement processes be fair, equitable, transparent, competitive and cost-effective. Do we always comply with this



requirement? This is a question the researcher seeks to answer. In trying to deal with the increasing numbers of irregular expenditure, the Western Cape Social Development government established a unit called Internal Control. The unit operates as an integral part of the financial management activities in the department. As part of its role, Internal Control reports to the department's Chief Financial Officer. The responsibility of Internal Control includes identify, mitigate and managing risks which may hamper achievement of the Department's objective of effectively, efficiently, and economically managing its financial and related resources. Internal Control is part of the organisational structure of the Office of the Chief Financial Officer. Reporting directing to the CFO, it is required to exercise independent judgement about its operations, which permit it to determine its own work programme and express control risk opinions free from direct intervention by line management.

## **1.2 Background**

The Public Finance Management Act, approved by South African government in March 1999, became effective on 1 April 2000 with its priority to manage the use of public resources (Siswana, 2007). It regulates financial management in the national and provincial governments to ensure the following: that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those governments; and to provide for matters connected therewith (PFMA: 1999). The PFMA is a key instrument for facilitating the reform of financial management in the public sector in South Africa, giving effect to various sections of the Constitution and adopting an approach to financial management which focuses on outputs and responsibilities rather than the input approach previously employed (Van Dooren, Bouckaert & Halligan, 2010). The Act promotes the objective of good financial management in order to maximise delivery through the efficient and effective use of limited resources. According to Ambe (2009), PFMA was directed at the promotion of principles of good governance and the introduction of a preference system to address socioeconomic objectives (Enow, Kasse & Dubihlela, 2022). Section 38(1)(c)(ii) of the PFMA requires an accounting officer to take effective and appropriate steps to, amongst others, prevent irregular expenditure. In terms of sections 38(1)(h)(iii) and 51(1)(e)(iii) of the PFMA, the accounting officer or authority must take effective and appropriate disciplinary steps against any

official in the service of their respective establishments who makes or permits irregular expenditure. It is clear that accounting officers and authorities are responsible for preventing irregular expenditure. According to the General report on the national and provincial audit outcomes 2016-2017, the high occurrence of irregular expenditure usually correlates with poor SCM practices. The following were the main areas of SCM non-compliance as disclosed by the auditees in their financial statements:

- Procurement without a competitive bidding or quotation process;
- Non-compliance with procurement process requirements; and
- Non-compliance with legislation relating to contract management.

### **1.2.1 Framework for supply chain management**

This policy strategy is intended to guide the uniform implementation of government's procurement reform initiatives and issuing of regulations in terms of section 76 (4)(c) of the PFMA in respect of the Framework for Supply Chain Management. According to Ambe and Badenhorst-Weiss (2012), public procurement is increasingly recognised as a profession that plays a key role in the successful management of public resources, and a number of countries have become increasingly aware of the significance of procurement as an area vulnerable to mismanagement and corruption and have thus made an effort to integrate procurement into a more strategic view of government efforts. Procuring entities are allowed to implement procurement policies that provide for categories of preference in the allocation of contracts and the protection or advancement of persons or categories of persons disadvantaged by unfair discrimination (Bolton, 2016).

### **1.3 Research problem statement**

The research problem stemmed from the continuous increase of irregular expenditure every year, where almost no provincial government departments seem to keep up with the provisions of the Public Finance Management Act. In the 2017-18 Auditor General report, Makwetu indicated that over the past four years since 2014-15, there has been a similar pattern with more audit outcomes regressing than improving. This can be attributed to those in charge with governance being slow to implement, or totally disregarding, audit recommendations made by his office. Even though

weaknesses in internal controls and risks that need attention of the provincial government were pointed out and recommendations to remedy these underlying causes were made, they seem to be not yielding results. This picture does not only show the poor management of public funds, but also confirms why there is a slow pace of service delivery to communities.

Section 38 (1) (c) (ii) of the PFMA clearly stipulates that the accounting officer or accounting authority must take effective and appropriate steps to prevent irregular expenditures in the department. The continuous increase of irregular expenditures over the years in audit outcomes and governance in general is an indication that accountability mechanisms are not working as they should. Government officials have a responsibility to ensure that departments, trading entities or constitutional institutions have and maintain effective, efficient and transparent systems of financial, risk management and internal control. Internal control quality is significantly and positively associated with the involvement of senior management (Ahmed & Neila, 2018). Provincial government departments have controls in place to keep irregular expenditure below alarming levels, but these interventions fail to achieve the intended results looking at numbers by AG. In the 2017-18 Auditor General report, irregular expenditure was at R51 billion and 28 auditees received qualified opinion as the amounts they disclosed were incomplete. Furthermore, the AGSA could not audit R6.5 billion worth of contracts due to missing or incomplete information. Makwetu noted that 17% of the irregular expenditure was expenditure in previous years only uncovered and disclosed in 2017-18, while the remaining 83% (R37,9 billion) involved expenses in 2017-18 financial year, representing 4% of the total expenditure budget. The numbers are a confirmation that Western Cape provincial government departments and other provinces need to do more in ensuring compliance with the Public Finance Management Act. According to Chakabva, Tengeh and Dubihlela (2021), achieving a mission of an effective, efficient and transparent system of financial risk management and internal control will need a consolidated effort between the role players and those in power.

The problem that this study intends to investigate is the prevalence of irregular expenditures and continuous trend of contracts within the government departments that are concluded without complying with legal requirements. This appears to prevail despite an existing established internal

control unit within the department. There is a temptation to believe that internal controls are failing to prevent this non-compliance from taking place.

#### **1.4 Rationale and significance of the study**

The outcome of this research is to produce a report that offers a different perspective on the irregular expenditure and the possible drivers. South Africa is known of its reputation of having good policies on paper but fail to implement. The public finance management act of 1999 serve as a guide on how government institutions, departments and state own enterprises should deal with the spending of public funds. Being said that, while there are efforts to ensure that what is said on paper is translated to our daily practice, non-compliance with legislation remains high, resulting in unfair and uncompetitive procurement and payment for goods and services not received (Tsakani, 2022). She continued indicating that it is necessary for a culture of compliance and respect for law to be re-enforced.

Most of government departments introduced internal control unit as an extra layer of controls to help identify control weakness in policy implementation, but this initiative does not seem to be making a big different. The unit is strategic positioned to help departments with identification of drivers of irregular expenditures and implementation of policies, but in my engagement with officials in the financial management section, it appears that the roles of the internal control unit still need to be clarified.

#### **1.5 Aim and objectives of the study**

To find answers for the research problem, the primary objective of this study is to ascertain the drivers of irregular expenditure and the role of the Internal Control unit within the Department of Social Development in the Western Cape provincial government. Based on the primary research objective, the research objectives were formulated as follows:

1. To identify the level of understanding of internal control units on matters of irregular expenditure within the context of provincial governments;

2. To determine the role of the Internal Control unit with regard to irregular expenditure in the Western Cape provincial government;
3. To identify and explore the common drivers of irregular expenditure at the Western Cape provincial government;
4. To determine whether there exists any controls in the Western Cape provincial government to mitigate irregular expenditure.

## **1.6 Research questions/hypotheses**

The main question of the study reads as follows: *What is the role of the Internal Controls unit in minimising irregular expenditures within the Western Cape Department of Social Development?*

Based on the research objective, the project attempt to answer the following questions:

1. To what extent do internal control staff at the Western Cape provincial government understand implications of irregular expenditure?
2. What role does the Internal Control unit play with regard to irregular expenditures at the Western Cape provincial government?
3. What are the common drivers of irregular expenditure at the Western Cape provincial government?
4. Do internal control units in the Western Cape provincial government have a control system in place to mitigate irregular expenditure?

## **1.7 Definition of KEY concepts**

*Irregular expenditure:* This means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation (Auditor-General Report, 2016-17).

*Unauthorised expenditure:* The procurement of goods or services that are not in accordance with the purpose of the main division/vote or which results in the overspending of the main division/vote, such expenditure also meets the definition of unauthorised expenditure (Office of the Accountant-General, 2014).

*Procurement:* This refers to the purchase of goods and services by a public entity in making sure that it meets its mandate (Wesseling & Edquist, 2018).

*Fruitless and wasteful expenditure:* This means expenditure which was made in vain and could have been avoided had reasonable care been exercised (PFMA 1999:29).

*Internal audit function:* A department, division, team of consultants, or other practitioners that provide independent, objective assurance and consulting services designed to add value and improve an organisation's operations (IIA 2009[a]:41).

*Internal auditing:* An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes (Enow, Kasse & Dubihlela, 2022).

*Public sector:* The public sector is part of the economy which is owned and controlled by the government (Luk & Ching, 2012).

*Department:* This refers to a national or provincial department or a national or provincial government component (PFM 1999:29).

## **1.8 Research paradigm, methods and methodologies**

According to Shannon-Baker (2016), a *research paradigm* is a guide used by researchers to ground their study. The conscious use of paradigm can offer a framework for a researcher to guide decisions during an inquiry process. The researcher followed the interpretivism paradigm also known as constructivism. As opposed to positivist, an interpretivism paradigm is underpinned by observation and interpretation; thus, to observe is to collect information about events while to interpret is to make meaning of that information (Antwi & Hamza, 2015). Furthermore, Creswell and Creswell (2017) believe that researchers under this paradigm recognise that their own background shapes their interpretation and so they position themselves in the research to acknowledge how their interpretation flows from their own personal, cultural and historical experiences.

## **1.9 Research method**

A qualitative research approach was employed in the study. Qualitative research is characterised by its aims, which relate to understanding some aspect of social life and its methods, which in general, generate words rather than numbers as data for analysis (McCusker & Gunaydin, 2015). Unlike quantitative research, qualitative methods take the researcher's communication with the field and its members as an explicit part of knowledge instead of deeming it an intervening variable (Flick, 2018). Based on Creswell and Poth's (2017) analyses, qualitative researchers tend to collect data in the field at the site where participants experience the issue or problem under study.

## **1.10 Research design**

The researcher followed a case study research design to suit the chosen qualitative method. Creswell and Poth (2017) define *case study* research as a qualitative approach in which the investigator explores a bounded system or multiple bounded systems over time, through detailed, in-depth data collection involving multiple sources of information like observations, interviews, audio-visual material, documents and reports.

## **1.11 Demarcation/delimitation of study**

*Delimitations* are boundaries set by the researcher to manage the range of a study. This study is limited only to Western Cape province in the Social Development government department, only to those officials working within the internal control environment and supply chain management. The research focuses primarily into the Social Development department, but validity of the findings can be extended to other provinces and other departments facing the similar situation.

## **1.12 Sampling processes/procedures**

According to Arora and Shah (2016), authors must describe the population from which they have chosen the participants of the study and describe how participants were selected, including the type

of sampling technique used. For the purpose of this study, workers of the Western Cape Department of Social Development comprise the population from which the sample will be drawn.

### **1.13 Sample method/technique and sample size**

*Sampling* means the selection of a portion from a population for the purpose of determining a conclusive statement about the population. The targeted population comprised employees from within Social Development. Interviews were conducted with nine employees of the Western Cape provincial government working within the internal control unit and supply chain. The purposive sampling technique, also called *judgment sampling*, is the deliberate choice of a participant due to the qualities the participant possesses (Etikan, Musa & Alkassim, 2016). A non-random technique does not need underlying theories or a set number of participants. The purposive sampling technique proposes that a sample be selected from a section of the population that is readily accessible to the researcher. In this research, the technique used was to schedule interviews with respondents who could readily available and willing to participate in the study. The respondents had to meet the researcher's criteria of being employees of the Western Cape government working in the internal control unit and supply chain management.

### **1.14 Data collection instruments**

An interview method is chosen because it helps to overcome the constraint of limited resources in terms of time, finances and availability of fieldworkers. his survey instrument is advantageous because, if carefully planned, interviews yield high quality usable data, achieve good response rates and provide anonymity; the latter encourage more honest and frank answers (Marshall, 2005). For in-depth information, MS Teams interviews with senior managers and internal auditors were conducted to collect data. This was done with the use of an adaptable standardised interview guide.



### **1.14.1 Data collection techniques/tools**

According to Creswell and Poth (2017), data collection techniques include interviews and observation. Digital audio recorders and tape recordings of interviews were used to complement the conceptual/theoretical tools. A documentary review guide was used to gather necessary information.

### **1.15 Data collection/fieldwork**

Fieldwork included identifying senior managers and internal auditors who participated in the study. The identified respondents were phoned to request participation; the telephonic agreement was reduced into writing by sending an email requesting confirmation in writing. The data was collected through MS Teams interviews. All interviews were digital recorded while manual notes were also taken. The interviews were semi-structured with open-ended questions to allow the interviewee to clarify issues. Appointments were secured with each respondent for a 30 minute interview.

### **1.16 Data coding and analysis**

Thematic analyses (TA) were used to analyses data collected before it was coded. Braun, Clarke, Hayfield, and Terry (2018) describe TA as a method for systematically identifying, organising and offering insight into patterns of meaning across a data set. This method is a way of identifying what is common to the way a topic is talked or written about and of making sense of those commonalities. TA is a flexible method that allows the researcher to focus on the data in numerous different ways. ATLAS.Ti software programme was used to code to ensure that data are organised and sorted. Coding is the process of organising and sorting qualitative data; it is the second step in data analysis (Stuckey, 2015). Codes are usually used to retrieve and categorise data that are similar in meaning so the researcher can quickly find and cluster the segments that relate to one another. Furthermore, Cope (2016) indicates that coding is about breaking data into smaller pieces and then recombining those pieces to identify and explore relationships and discover new connections.

### **1.17 Ethical consideration**

Jansen and Von Glinoe (1985, in Apeageyi, Otieno & Tyler, 2007) define *ethical consideration* as a method that helps establish and maintain the standards that explain the right things to do and the things worth doing, thereby affecting attitudes and standards. Ethical clearance will be secured for the research study. The following ethical principles will be adhered to.

*Informed consent:* Participants were informed that participation was a voluntary exercise and that the respondents can withdraw from the study at any point in time.

*Maintaining confidentiality and anonymity of participants:* Participants were informed that interview research results will not be made public and the interview guide and tape recordings always remain confidential.

*Inform the participants of the benefits of the study:* The participants were informed of the expected benefits and purpose of the study.

*Debriefing:* The researcher will brief the participants about the findings of the study.

### **1.18 Overview of the study**

Chapter two is a literature review, where literature and policies related to the study are discussed. Literature review is the selection of available documents on the topic which contain information, ideas and evidence written from a particular standpoint to fulfil certain aims or express certain views on the nature of the topic and how it is to be investigated and the effective evaluation of these documents in relation to the research being proposed (Hart, 2018). The chapter outlines the role of the Auditor general and Public protector's office. It gives an overview of the procurement processes and highlights the weakness in supply chain management systems. The chapter concludes with the possible drivers of irregular expenditures and risk mitigation measures in the public sector.

Chapter three focuses on design and methodology followed in the study. It provides an understanding of research paradigm and the philosophy. It discusses research approach, research

strategies and a different between qualitative and quantitative research. The chapter gives more information on sampling procedure, target population, sample size, data collection and analyses. Ethical consideration and issues of validity and reliability are addressed in this chapter.

Chapter four deals with data analyses, presentation and discussion of results. It intends to paint a picture of what was found during data collection. Themes and sub-themes are presented and discussed to get to the findings and recommendations of the study.

In chapter five a summary findings for each question is presented and followed conclusions. The researcher offers recommendations for the study and for any future study in line with the topic. The limitations of the study are also highlighted and discussed.

### **1.19 Conclusion**

This chapter outlined the purpose, the objectives and rational of the study. It provided an introduction and background of the study and giving an overview of chapters to follow in the study.

The following chapter review existing literature on the drivers of irregular expenditure and the role of internal auditors. It also discusses policies related to the topic with the intention to identify policy weakness.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

This chapter intent to answer some of the questions posed in the previous chapter and will lay a foundation to better understand the drivers of irregular expenditures and the role of the internal control unit. Policies and regulations will be discussed so to bring meaning to the study and expose weakness and strengths. The researcher will review literature to give meaning to the topic and objectives of the study. Reviewing literature means collecting the already available information regarding a specific topic, as these documents reveal what has been said about the topic under discussion and lay the foundation for how it must be investigated through the evaluation of these documents in relation to proposed research (Hart, 2018). A literature review gives an overview as to how far the topic had been investigated, so as time goes by, literature develops and new ideas and solutions are added.

This chapter synthesises and contextualises information to understand the new body of knowledge that must be added and new solutions that will help remedy problems. According to Webster and Watson (2002), reviewing previous and relevant literature is an important step that must be followed by all researchers to ensure that projects are built on a solid foundation supported by facts. For a literature review to be complete, it must cover all relevant parts of the topic and expose gaps that were left out by previous researchers and give clear indication on the important of persuading the topic. Hart (2018) explains that a literature review helps in narrowing a topic and in the process, the research becomes more interesting and practical. An extensive reviewing of literature was undertaken to make sense of the study and give clarity on reasons behind the selection of the topic. The literature intends to answer two questions: What are the common drivers of irregular expenditure within the Western Cape government? What role does the internal control unit play with regard to irregular expenditures in the Western Cape provincial government?

## **2.2 School of thought governing the study**

In this section, two basic theories and theoretical overviews related to the role of internal auditors are presented. They provide theoretical models on how internal auditing is conducted in the public and private sectors.

### **2.2.1 Corporate governance**

Governance is essential for the sustainability and survival of all organisations. Stakeholders will consider withdrawing capital, support and labour from an organisation that is poorly managed. *Good governance* can refer to ensuring adequate internal controls over business strategy, communication and direction by the board so that operations within the organisation are achieving key strategic objectives (Coetzee *et al.*, 2015:10-11). According to Koutoupis *et al.* (2018:1), corporate governance is the top priority in most of the public and a certain number of non-publicly listed enterprises. It involves many stakeholders such as a board of directors, executives, investors, government and academics. King IV report of 2016 is regarded as the corporate governance framework in South Africa for both public and private sectors (Masegare, & Ngoepe, 2018:581-591). However, poor corporate governance has led to several issues such as loss of credibility, little interest from investors, service delivery protests, maladministration and unexpected change of leadership. Tshipa *et al.* (2018) suggest that significant corporate governance reforms around the world have the view that regulators and policy makers consider corporate governance as a pertinent topic in ensuring credible financial reporting. For corporate governance processes to work in any organisation, certain principles and organisation structures must be adopted.

King IV highlights principles and practices that state owned entities need to comply with in ensuring sound corporate governance within the entity. According to the King IV report of 2016, the accounting authority has the following responsibilities:

- Should lead ethically and effectively, exemplified by integrity, competence, responsibility, fairness and transparency;
- Should govern the ethics of the entity in a way that supports the establishment of an ethical culture;

- Should ensure that SOE and government institutions are responsible corporate citizens; taxpayers need to know how their resources are spent or used;
- Should appreciate that the entity's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are inseparable elements of value creation process, as this will help in avoiding confusion;
- Should ensure that reports issued by the SOE enable stakeholders to make informed assessments of the entity performance and its short-, medium- and long-term prospects;
- Should serve as the focal point and custodian of corporate governance;
- Should comprise the appropriate balance of knowledge, skills, experience, diversity and independence to discharge its governance role and responsibilities objectively and effectively; and
- Should be associated with five theories: agency theory, stewardship theory, stakeholder theory, resource dependency theory and transaction cost economics theory.

### **2.2.2 Agency theory**

*Agency theory* is defined as the relationship where one party acts on behalf of another; the agent is entrusted by the principal with a duty to perform for the principal. Together they are bound in a principal-agent relationship (Shapiro, 2005). Principals appoint agents and delegate some decision-making authority; in so doing, the principal puts trust in their agents to act in their best interest. Agency theory helps explain the development of the audit, but this is complicated and auditors are viewed as agents of the principal. The principal incentivises in an effort to align the agent interest with theirs; they compensate not for agreement to do the work or for the time spent on the project, but for actual delivery, an outcome-oriented contract. According to Shapiro (2005) and Nicholson and Kiel (2007), managers possess superior knowledge and expertise about a company which makes it difficult for the principal to monitor whether or not their interests are being served by the agents. According to Sarens and Abdolmohammadi (2011), principals and agents typically act rationally and use contracting to increase their wealth, which normally means agents are acting against the interest of the principal. Due to the separation of interest between principal and agent, the latter may not always act in the best interest of the principal (Raimo *et al.*, 2021). According to Mio *et al.* (2020), the principal and agent seek to maximise their own interests

which are not aligned. Because managers possess superior knowledge and expertise about the company, principals require adequate monitoring mechanisms to protect shareholders from management conflict of interest (Nicholson & Kiel, 2007). As a result of these challenges, managers invest in internal audit functions (IAF) to ensure principals that they have the company under control. IAF, as a middleman between the principal and agent, reduces information asymmetries that exist between the principals and agents. “Agency theory provides a unique, realistic, and empirically testable perspective on problems of cooperative effort” (Eisenhardt, 1989:72). Sarens and Abdolmohammadi (2011) suggest that the more information asymmetries, the greater the need of IAF. In some cases where managers also have shares in the company, they become motivated to invest in IAF to signal to the board of directors that, despite their stake in earning, they are convinced that an appropriate use of resources has to be assessed. As Nicholson and Kiel (2007) put it, the low levels of outsiders in the board are associated with low monitoring of management and lead to high agency costs and low corporate performance. Agency theory, therefore, is used often in relation to corporate governance issues. It is a theory to explain and conceptualise the role and behaviour of agents, including managers and directors within the companies (Keay, 2017).

Audits serve an important economic purpose in ensuring that public interest is served, strengthen accountability and reinforce trust and confidence in financial reporting. The audit function has evolved over the years, apparently in response to agency issues. The appointment of expert auditors generates a further agency relationship that in turn impacts trust and creates new issues. Auditors act as agents to principals; therefore, this bring with it similar concerns with regard to trust and confidence as the directors-shareholder relationship, asking a question as to who is auditing the auditor.

### **2.2.3 Stewardship theory**

According to *stewardship theory*, directors and managers are collectivist and support the organisation. Stewardship theory is of the view that managers who are left on their own will act responsibly and act in the best interest of the company. According to Sauls (2020:23),

“Stewardship theory does not recognise that a divergence between company shareholders and directors exist”. There is a relationship built upon trust between the shareholder and management which leads to less emphasis on monitoring and controlling of management (Madhani, 2017). Managers aim to do their work effectively and efficiently and to be great steward of the assets that are at their disposal. Stewardship theory believes that managers, when left alone, will do everything to the best of their ability to benefit the company (Abid *et al.*, 2015). Managers are to be given clear and unambiguous roles; organisational structure must create a conducive environment and allow managers to add value to the organisation. With resources in their disposal, stewards may act on behalf of individuals with whom there is no direct contractual relationship considering that they act behalf of all stakeholders. According to Pirie and McCuddy (2007), a company’s success cannot be achieved by focusing only on financial or stewardship, but rather upon both financial and stewardship considerations. Board accountability is a necessary part of board life even if the role of the director is detailed and conceptualised in terms of stewardship theory (Keay, 2017). Like agency theory, stewardship theory recognises that a form of agency exists in the corporate setting but differs in that it importantly holds that agents who act as stewards will not be concerned with advancing their own economic interests but will always act in the best interest of the company and act in a way that leads to organisational benefit rather than self-serving benefits. When the company wins, their personal needs are fulfilled. According to Obermann *et al.* (2020), below is illustration of the different between agent theory and stewardship theory.

**Table 2.1: Agency and stewardship theory**

Assumption	Principal-Agent Theory (PAT)	Stewardship Theory (SST)
Management motivation	Extrinsic	Intrinsic
Management objectives	Material	Idealistic
Interests of management and shareholders	Conflict of interest	Interest alignment
Cooperation between executive and non-executive directors within the board	Individualist	Collectivist
Function of the non-executive directors in the board	Primarily monitoring	Primarily consultation
Corporate governance instruments	Monitoring and incentives	Advisory and support

**Source: Obermann *et al.* (2022)**

According to the stewardship theory of corporate governance, managers are motivated to work. Their interests are aligned with those of the corporates. When managers are good stewards of the



corporate there, will be no agency problems (Kaur *et al.*, 2021). During COVID-19, many companies were forced to adopt a stewardship theory approach simply because, if board effectiveness and corporate stewards are aligned together, they can combat the boardroom challenges the organisations are facing. According to Torfing and Bentzen (2020), stewardship theory is developing and challenging the notion of an inherent conflict of interest between principal and agents and replacing it with the idea of a high degree of goal congruence. There has been growing interest in how to motivate public employees to do good and produce value for the users of public services.

After exploring both agent theory and stewardship theory, I concluded that currently the South African public sector is employing an agent theory approach. This is mainly because of the monitoring mechanisms that are established to ensure that agents in government are performing their duties to the best interest of the principal. Not surprisingly, the country is experiencing increasing numbers of irregular expenditures and corruption, identified in both private and public institutions.

### **2.3 Policy documents to be discussed to make sense of the study**

For any business organisation or government department to operate properly, it needs policies, procedures and processes. According to Jabal *et al.* (2019:2), *policies* can be defined as instructions given by a managing party to one or more managed parties so to guide their behaviour. A policy document serves as a pillar of the organisation as it gives a direction while simultaneously protecting the organisation against irregularities. Organisations with weak policies are exposed to many risks including maladministration, corruption, money laundering and instances of irregular expenditures and looting. It must be noted that good policies cannot implement themselves, business and government departments will need trustworthy and dedicated individuals to implement these policies. South Africa is well known for good policy documents but for failing to translate these documents to impact the lives of the people. Policy issues are complex, dynamic and require long-term strategies and sustained commitments, which in turn require a clear vision and determination for how they will be dealt with (Cameron *et al.*, 2021:6). Policymakers and those implementing policies are faced with external factors that include unavailability of funds and

a difficult political context for maintaining reliable policy systems. This requires a policy environment that has effective political leadership and capacity efficiencies (Mbanda & Fourie, 2020:5; Cameron *et al.*, 2021:9). The next paragraph lists the policy documents the researcher will discuss.

The researcher will discuss policy documents that are related to the study so to better understand how these policies can be used as a tool to minimise irregular expenditures within government departments. Policy documents to be discussed include the following: Public Finance Management Act; Supply Chain Management framework,; Preferential Procurement Policy Framework Act; Prevention and Combating of Corrupt Activities Act; the role of the Chapter 9 institutions related to the study; Code of Conduct for Public Servants; and The Protected Disclosures Act.

### **2.3.1 Public Finance Management Act on irregular expenditures**

The PFMA was approved by South African government in March 1999 and came into effect on 1 April 2000 with its priority to manage the use of public resources (Siswana, 2007). It regulates the management of government resources like assets and finances to ensure that national and provincial government revenues, expenditures and liabilities are managed effectively. This Act was formulated so that it can clarify individuals' responsibilities and keep them accountable when things go wrong. In a country like South Africa, this document can be an instrument of financial management within the public sector. The Act gives powers to individuals and allows them space to practice their responsibilities as long they do not abuse their powers. The document was drafted in a way that gives effect to different sections of the constitution. In Chapter 1 of the Act, *irregular expenditure* is defined as an expenditure other than unauthorised expenditure incurred in contravention of or that is not in accordance with a requirement of any applicable legislation. One practical example is when one does not solicit three quotes during the procurement process although the law requires one to do so. It is for this reason and others that Van Dooren *et al.* (2010) see this Act as a vehicle for financial management in the public sector.

If not managed properly, irregular expenditures can lead to devastating results in service delivery. Section 38 (1) (c)(ii) of the Act makes clear that it is the responsibility of the accounting officer to

ensure that the department have measures in place to prevent irregular expenditures. It is because of this responsibility that the internal control unit was established to help accounting officers in identifying risk and opportunities that can lead to irregular expenditures. According to Ambe (2009), PFMA is meant to raise the bar and instil the principles of good governance. One cannot speak of irregular expenditures and not include procurement, as this is the section wherein most irregularities take place. Section 38(1) (a) (iii) of the Act states that it is the accounting officer's responsibility to establish appropriate procurement and provisioning systems which are fair, equitable, transparent, competitive and cost-effective.

### **(i) National Treasury and its role for financial management**

Section 216 (1) of the constitution demands that the national legislation must establish a national treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government. The National Treasury must enforce compliance and stop the transfer of funds to an organ of state if that organ of state commits a serious or persistent material breach of established measures. Based on section 5(1) of the PFMA, the National Treasury is established, consisting of the minister who is a head of the Treasury and the national department or departments responsible for financials and fiscal matters. The main task of this office is to promote the national government's fiscal policy framework and the co-ordination of macro-economic policy. The office must manage the budget preparation process and exercise control over the implementation of the annual national budget, including any adjustments. Mostly, the National Treasury promotes and enforces transparency and effective management in respect of revenue, expenditure, assets and liabilities of departments, public entities and constitutional institutions. In a democratic South Africa, this institution plays a critical role in enforcing the PFMA and any prescribed norms and standards, including any prescribe standards of generally recognised accounting practices and uniform classification systems in the national departments.

## **(ii) Procurement and risk of irregular expenditures**

*Supply chain management* (SCM) is a unit within the department, established by the accounting officer for the purpose of procurement of goods and services. Staff members working under the supply chain management unit must exhibit high levels of honesty, trust and integrity. This section deals with tenders of the department so officials working in this section are faced with the risk of temptation by opportunities of working close with service providers. According to Ambe and Badenhorst-Weiss (2012), procurement is a section within the public sector that plays a key role in successful management of public resources. In South Africa, if properly managed, the SCM can serve as a vehicle to address the imbalances of the past regarding economy and business opportunities. The state needs to promote the importance of supply chain management in service delivery; focus must be mainly on SCM staff and the public, as irregular expenditures that are caused by not following the correct process are costing the country taxpayers money and undermining the gains of our democratic government.

As required in the framework for supply chain management (FSCM), and accounting officer or accounting authority of an institution, must develop and implement an effective and efficient supply chain management system that must be fair, equitable, transparent, competitive and cost effective. The framework further gives the accounting officer the authority to establish a separate supply chain management unit within the office of the chief financial officer to implement the institution's supply chain management system (FSCM, 2003). Government departments, accounting authorities and institutions have a duty to ensure that officials implementing the institution's supply chain management system are trained and deployed in accordance with the requirements of the Framework for Minimum Training and Deployment issued by the National Treasury. It is a requirement that all officials and role players in a supply chain management environment must comply with the highest ethical standards to promote mutual trust and respect. The framework seeks to simplify supply chain processes and give guidance for applying policies.

### **2.3.2 The Preferential Procurement Policy Framework Act, 2000**

Chapter 13 in the Constitution of South Africa makes clear that when an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contract for goods or service, it must do so in accordance with a system that is fair, equitable, transparent, competitive and cost-effective (The Constitution of South Africa, 1996). This does not prevent the organs of state or institutions from implementing a procurement policy providing for categories of preference in the allocation of contracts, and the protection or advancement of person, or categories of persons who were disadvantaged by unfair discrimination (The Constitution of South Africa, 1996).

The Preferential Procurement Policy Framework (PPPFA) was designed as a policy framework to protect or advance persons or categories of persons who were previously disadvantaged by unfair discrimination. PPPFA illustrates a framework in which preferential procurement policies are to be implemented. The Broad-Based Black Economic Empowerment Act (BBBEEA) is aligned with preferential as it regulates black economic empowerment. Rules and regulations in public procurement process in South Africa are crafted based on the country's historical, political and socio-economic interests (Makiva, 2021:228). Before 1994, the procurement system in South Africa was not fair, equitable or transparent as there was only one race that benefitted. According to Anthony (2019:116), it is known to many that public procurement can be used for certain government objectives other than obtaining goods, works or services at the best value. The implementation guide for the Preferential Procurement Policy Framework Act, Act No 5 of 2000, stipulates an 80/20 preference point system applicable to bids with the Rand value equal to, or above, R30 000 and up to a Rand value of R1 million. The 90/10 preference point system is applicable to bids with a Rand value above R1 million. With that said, in some cases in the procurement process of government, these policies are either not applied or are applied incorrectly, leading to instances of irregular expenditures

**Table 2.2: Examples of irregular expenditures**

**Examples of possible irregular expenditures on Preferential Procurement Policy Framework Act**

Legal Provision	Principles	Rules	Compliance deviation	Impact of finding	Relevant authority
PPPF Act section 2(a)			The preference point system was not applied in the procurement of goods and services above R30 000 (Vat included)	Irregular expenditure	National Treasury
PPPPA Sec 2(1)(e); PPPR 4 (3) Para 3.3 of NT Instruction Note September 2010	All evaluation criteria for functionality, price and/or preference points must be stipulated in the request for quotations/bids.	Before a bid is advertised ensure that the evaluation criteria for functionality, price/preference points are stipulated in the request for bids/quotations. If not stipulated, the institution must cancel and re-invite bids clearly stipulating the correct preference points system to be applied	Evaluation criteria applied in evaluating quotations/ bids for functionality, price and/or preference points were not stipulated in the request for quotations.	Irregular expenditure	National Treasury
PPPF Act and its Regulations PPPR 3 (a) and (b); 5 and 6	Prior to inviting bids, the institution must determine and stipulate the appropriate preference point system to be used in the evaluation and adjudication of bids	Prior to a bid being advertised, the bid specification committee must verify that the correct preference points are allocated and approve it accordingly. Before an award is made, the bid evaluation committee must verify that the preference points were calculated correctly. A record of such verification must be maintained for audit purposes	The calculation and allocation of preference points were not correctly performed in accordance with the requirements of the PPPF Act, 2000 and its subordinate PPPR. The non-compliance has resulted in the award of a bid to the incorrect bidder.	Irregular expenditure if the bid was awarded to the incorrect bidder	National Treasury
PPPPA Sec 2(1)(f) PPPR 7 (1)	Circumstances may exist for instances when bids are not awarded to bidders with the highest points.	Awards may be made to bidders who did not score the highest points provided that objective criteria was used to justify the award of the bid to another bidder. Reasons for	Awards was made to the quotation/ bids not scoring the highest points. Objective criteria was NOT used to justify that reasonable grounds existed not to select the	Irregular expenditure if it can be proven with evidence that objective criteria were not used in the award of the bid	National Treasury

		awarding a bid to a bidder who did not score the highest points must be documented and maintained for audit purposes	quotation with the highest points.		
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Source: (National Treasury, 2014)

By putting in place these policies and regulations, the South African government intends to bridge a gap between those who were previously disadvantaged with no access to government business opportunities and those who were favoured by the system.

The incorrect application of the policies may result from officials lacking knowledge or training on the application of the policy or an intentional intent to breach the system. For these policies to be properly implemented, independent institutions like those mentioned in Chapter 9 of the constitution are needed as state institutions that support constitutional democracy. These institutions are independent and subject only to the constitution and the law. They must be impartial and must exercise their powers to perform their functions without fear, favour or prejudice. It is the responsibility of other organs of state to assist and protect these institutions to ensure independence, impartiality, dignity and effectiveness. There is no person or organ of state that may interfere with the functioning of these institutions, as they are accountable to the National Assembly. Below are the six institutions that strengthen the constitutional democracy in the Republic:

- The Public Protector;
- The South African Human Right Commission;
- The Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities;
- The Commission for Gender Equality;
- The Auditor-General; and
- The Electoral Commission.

Of these, six the researcher will discuss two institutions particularly relevant to the study, the Public Protector’s Office and the Auditor-General.

### 2.3.3 The Public Protector

Recognising that traditional institutions alone cannot guarantee the task of ensuring adherence to the constitution and good governance, the constitution created a multiplicity of institutions to protect and promote the right of specific constituencies in South Africa. Section 182(1) of the constitution empowers the Public Protector (PP) to investigate any conduct in state affairs, or in the public administration in any sphere of government, which is alleged or suspected to be improper or to result in any impropriety or prejudice, to report on that conduct, and take appropriate remedial action. The PP provides a sense of hope as accessible to all persons and communities. Even though the Public Protector has powers to investigate, the office may not investigate court decisions. The office's role is to protect the rights of ordinary people by ensuring that government is accountable in respect of its responsibilities, investigating and rooting out improper conduct or maladministration in the management of state affairs (Madonsela, 2012). The key mandate areas of PP office include the following:

- Anti-corruption mandate as conferred by the Prevention and Combating of corruption Activities Act 12 of 2004;
- Whistle-blower protection mandate as conferred by Protected Disclosure Act 26 of 2000; and
- Executive ethics enforcement mandate as conferred by the Executive Members Ethics Act 82 of 1998 and the Executive Ethics Code.

The powers and functions of the PP are expanded in section 6(4) of the Public Protector's Act 23 of 1994, by determining that the Public Protector is competent to investigate on its own initiative or on receipt of complaint on alleged maladministration in connection with the affairs of government at any level. This includes any abuse or unjustifiable exercise of power or unfair, capricious, discourteous or other improper conduct as well as any improper or dishonest act or omission which may relate to an infringement of prevention and combating of Corruption Activities Act, 12 of 2004. According to Thornhill (2011), the office of the PP can investigate matters related to no-compliance with Section 217 of the constitution, regarding the procurement of goods and or services by an organ of state where there is a suspect of abuse of power. The



scope of the work of the PP has a broader and more general mandate so that the sphere of investigation becomes wider (Pienaar, 2000).

The intention of the establishment of the Public Protector's office was to put controls in place to address irregularities by those in public power and to create additional pathways for ordinary citizens to hold the government, which they have entrusted with power, accountable for the use of that power (Yakoob, 2016). It is the most direct and effective way, outside court action, that any citizen can participate in governance and have their concerns heard and acknowledged.

### **2.3.4 The Auditor-General**

The Auditor-General (AG) is a Chapter 9 institution in the constitution of South Africa (SA), established to ensure that those resources and funds allocated to government entities are accounted for. Section 188 (1) (a) (b) and (c) of the constitution give authority to the Auditor-General to audit and report on the accounts, financial statements and financial management of all national and provincial state departments and administrations, all municipalities, and any other institution or accounting entity.

The SA constitution established the office of Auditor-General as external auditors of all national and provincial state departments and municipalities and any other institutions or accounting entities required by national or provincial legislation to be audited by the Auditor-General. Section 3 of the Audit Act 25 of 2004 viewed the office of AG as the supreme audit institution of the republic with full legal capacity, independent and subjected only to the constitution and law. The office has additional duties of providing audit-related services to the auditee on condition that no services may be provided in respect of any matter that may subsequently have to be audited by AG; such services must not directly result in formulation of policy and there must be full and proper disclosure of such services. According to section 5(1b) of the Public Audit Act, the AG has the power to take any appropriate remedial action and issue a certificate of debt, as prescribed, where an accounting officer or accounting authority has failed to comply with remedial action. However, despite all these legislative efforts, recent audit outcomes reflect poor financial management and pervasive trends of irregular expenditures. These regressions are due to a lack

of public financial accountability, policy incoherencies in the current regulatory framework. The AG is viewed by many as a ‘toothless dog’ as it could not enforce compliance with its recommendations against irresponsible accounting officers. Promulgation of the Public Audit Amendment Act, 2018 (Act 5 of 2018) gives hope for public financial accountability: it expands the powers of AG to compel implementation of its recommendations. In her report in June 2021, Auditor-General Maluleke indicated that inadequate monitoring of preventative controls has led to stagnation of outcomes and increasing levels of unauthorised, irregular, fruitless and wasteful expenditure.

The AG has been long undermined by most auditee institutions, usually with its recommendations being disregarded. To achieve the objective of spending public funds effectively and efficiently, there is a need for the AG to work in collaboration with the National Treasury, which was established in terms of section 5 of the Act, to monitor the implementation of provincial budgets and assist other public institutions in building their capacity for financial management (Mathiba & Lefenya, 2019). Most public institutions are not implementing AG recommendations which, according to Matlala and Uwizeyimana (2020), include failure to comply to availability of resources and time, lack of audit action monitoring processes, absence of authority, staffing problems and sometimes the poor quality of audit recommendation.

### **2.3.5 Prevention and Combating of Corrupt Activities Act 12 of 2004 (PACCA)**

The Prevention and Combating of Corrupt Activity Act (PACCA) seeks to give meaning to corruption and measures that can be established to prevent and combat corruption and corruption activities. The Act provides for the establishment of a register to place restrictions on persons and enterprises convicted of corruption activities related to tenders and contracts. This is one of the ways that government institutions detect and prevent corruption and corrupt activities. The examples of corrupt offences include, but are not limited to, the following:

*Offences involving contracts:* It is a crime for anyone to accept any form of gratification to influence who will receive a contract in the place of work. Anyone who gives or agrees or offers to give any gratification to any other person to obtain a contract is guilty of corruption offence.

*Offences involving procuring and withdrawal of tenders:* It is a crime to accept or agree or offer to accept any gratification from any other person as an inducement to award a tender to a particular company or person.

*Offences involving auctions:* It is an offence to accept, agree or offer to accept any gratification from anyone to influence the bidding process at an auction to favour or prejudice specific individuals.

*Offences involving public officers:* It is an offence for any public officer to accept or agree or offer to accept any gratification or any person to give or agree or offer to give any gratification to a public officer to act illegal.

*Offences involving acquisition of private interest in contract:* It is crime for any public officer to be part of decision making or to influence a decision where the public officers have a private interest in the matter.

### **2.3.6 The Code of Conduct for Public Servants (1997)**

This Code of Conduct is meant for all public servants: anyone who violates it will be guilty of misconduct. Its intent is to encourage public servants to act in the best interest of the public and remain loyal when dealing with public funds. Public servants are to be honest and to refuse any gifts or benefits when offered as these may be seen as a bribe.

### **2.3.7 The Protected Disclosures Act (PDA) (2000)**

The Act, often called the ‘Whistleblowers Act’, was passed to encourage employees in both the private and public sector to disclose information on unlawful and irregular behaviour in the workplace. The main objective of the Act is to protect employees from being subjected to an occupational detriment after disclosing information. Section 2(1)(b) emphasises that the Act provides remedies in cases of occupational detriment suffered by having made a protected disclosure.

South Africa is perceived as a country with good policies on paper but which struggles to enforce these policies to impact positively on the lives of those who are marginalised. Employees and the public at large are encouraged to raise concerns of wrongdoing but their protection is not guaranteed. To encourage people to speak up about perceived wrongdoing, legislation should guarantee confidentiality and protection for whistleblowers (Lewis, 2017:1136). Lewis emphasises that policies should explain the importance of whistleblowing and must expressly encourage people to report through designated channels. According to Sarikhani and Ebrahimi (2021:17), improving the perceived ease of reporting will need managers and audit committees to focus on promoting strong ethical environment, enhance reporting channels, develop incentive programmes, establish appropriate reporting policies and procedures, and reduce retaliation concerns for reporting. There is a need for education and development of individuals, employees and new crop of corruption-free leadership. These programmes should develop educated professionals with high moral awareness, competence and the character to stand the test of time.

### **2.3.8 Standing Committee on Public Accounts**

The parliament of South Africa established SCOPA to act as Parliament's watchdog over the way taxpayer's money is spent by executives. Every year the Auditor-General tables reports on the accounts and fiscal management of the various government departments and state institutions. Heads of government departments and institutions are regularly called by the committee to report and account for irregular expenditures or any matters that need to be clarified by these institutions. The committee has 10 members and four alternate members. Currently in 2022, Mr Mkhuleko Hlengwa, a member of Inkatha Freedom Party, is the chairperson of the committee. As Parliament committee, SCOPA may do the following:

- report to the Assembly any concerns identified from the reports and financial statements submitted by AG;
- Initiate any investigation in its area of competence; and
- Perform any other functions, tasks or duties assigned to it in terms of the Constitution, legislation, Rules of the National Assemble, the Joint Rules or Resolutions of the Assembly, including functions, tasks and duties concerning parliamentary financial

oversight or supervision of executive organs of state, constitutional institutions, or other public bodies.

Since 1994, the Parliamentary Public Accounts Committee has been chaired by a member of an opposition party. SCOPA's engagement with the arms deal enquiry became an important litmus test for it. What was of particular importance was the tenacity of the questioning by committee members. The line of questioning illustrated the serious and non-partisan approach adopted by SCOPA. At the time, the committee concluded that given the evidence before it, the seriousness of the issues under investigation, the range and nature of the questions left unanswered, it recommended the establishment of an independent and expert forensic investigation on arms deal (Stapenhurst *et al.*, 2006:234; Hughes, 2005). In the process, ministers accused the committee of not understanding the complexity of the arms procurement process and arriving at false and erroneous assumptions. Ironically, the attack on SCOPA came not from the executive, but from the parliament itself. According to Hughes (2005:242), the speaker of the National Assembly at the time, Frene Ginwala, adjudicated that SCOPA had gone beyond its mandated powers in subcontracting outside units to conduct work on its behalf. These developments at the time cast grave doubts about the government commitment to the cardinal principles of openness, accountability and transparency. The committee lacks independence and clear enforcement mechanisms; however, the Finance and Budget Joint Committees are more assertive (House, 2012:557). Poor performance by government departments are the results of political interference in the in-year management of budget and ignorance departments that do not engage fully and consistently with SCOPA and the AG, and with no meaningful and enduring contact with citizens (Wildeman & Jogo, 2012). SCOPA is regarded as the first line of oversight and protection for the South African taxpayer.

## **2.4 Dealing with corruption in South Africa**

Both the private and public sector in South Africa are battling to find ways to contain high levels of corruption. The prevalence of corruption is an indication of missing ethical leadership and the total breakdown in the institutions that are supposed to enforce good governance practice (Skenjana, *et al.*, 2019:36). One cannot talk about irregular expenditures and not include

corruption, as these are in-separable twins. In most cases, when irregular expenditures are identified, after investigation there is always a confirmation of corruption. That being said, corruption can be defined as the worst enemy of the most vulnerable in our society. Corruption involves the abuse of public power and use of public resources by public officials for private gains, disregarding the desperation of those waiting for service delivery in their communities (Camerer, 1997:364; Krsteski, 2017:49; Munyai, 2020:18; Pillay & Mantzaris, 2020:4).

Corruption threatens economic growth and national moral and development. It leaves societies with no other option but to go to the streets and protest for what they are being deprived of. Camerer (1997:364) believes that corruption creates an environment of potential instability by destroying trust and confidence. When administration loses its credibility, a climate for instability, violent and general lawlessness is created. As Camerer explains, corruption negatively impacts productivity as well as efforts to bring about recovery and development. In this crime of corruption, individuals enrich themselves through corrupting the awarding of government tenders (Krsteski, 2017:49). It has become the common enemy amongst those who are honest, just and ethical, a social ill that remains a crime against humanity, an invisible monster among human beings. It is a daily practice, a way of life and means to an end (Katts, 2020:49; Munyai, 2020:1; Sebake, 2020:183). From 1994, government has done much to prevent corruption and to ensure that those found guilty are punished. According to Skenjana *et al.* (2019:46), factors that contribute to the increasing amount of corruption and unbecoming practices include the following:

- Lack of political will to deal with corruption;
- Ineffective criminal justice system for dealing decisively with cases involving corruption;
- Lack of management expertise and skills resulting in poor management systems;
- Lack of financial resources resulting in inadequate resources allocation; and
- Weak civil society, resulting in limited institutional mechanisms to deal with corruption.

## **2.5 Irregular expenditure**

Irregular expenditure is an expenditure incurred without complying with regulation as stated in the Public Finance Management Act 1 of 1999 (PFMA) and the constitution. This expenditure needs to be investigated and reported to the relevant treasury. There are those irregulars who are

intentional and those who act out of mistake or error. According to Rispel, de Jager and Fonn, (2015), there is a gray line between corruption and irregular expenditure; it is only after investigation that one can clearly say there was intention to break the law, or if it was a human error. If the investigation confirms that the irregularity is a result of fraudulent, corrupt or criminal act, an accounting officer must within seven working days lay criminal charges at the police station (National Treasury, 2018). According to Fourie (2018), irregular expenditures are not only highlighting resources that were not properly managed or criminal acts that were perpetrated, but also refer to possibilities of lacking understanding of policies and regulations by staff members. There is a belief that expenditures that are not in compliance with law have the capacity to cripple the nation as they lead to fruitless and wasteful expenditures; these are clear indicatives of insufficient financial oversight (Maramura *et al.*, 2019). It is alleged that most irregular expenditures occur because there are no strong systems in place to manage the procurement of goods and services. This sentiment is associated with the fact that supply chain management (SCM) processes are decentralised to provinces that lack both ability and capacity.

In the public sector, procurement is regarded as the strategic approach used by government to address business discrimination policies that were reneging on black South Africans citizens' equal opportunities to participate in the economy. When correctly implemented, this strategic approach can bridge the gap between those who were favoured by the system and those previously disadvantaged. Rispel *et al.* (2015) believe that capacity constraints could conceivably result from a lack of awareness of the law and regulations that govern public expenditure and lead to an increase in irregular expenditure. The 2019-2020 Auditor General media report mentioned that even though the Western Cape continued to produce the best results with 70% clean audits, the rise in irregular expenditure is still of concern. According to the report, nationwide irregular expenditures decreased to R54,34 billion from the R66.901 billion in the previous year; however, the amount could be higher, as 31% of the auditees were disqualified because the amount disclosed was incomplete.

**Table 2.3: AG report 2019-2020 and 2018-2019 Financial year**

<b>Auditor General's report on Unauthorised, irregular, and fruitless and wasteful expenditure 2019-2020</b>		
<b>Types of Expenditures</b>	<b>2019-2020</b>	<b>2018-2019</b>
Irregular expenditure	R54,34 billion	R66,90 billion
Unauthorised expenditure	R18, 12 billion	R1,65 billion
Fruitless and wasteful expenditure	R2,39 billion	R2,36 billion

As illustrated in the table above, irregular expenditure is a leading expenditure with the value of R54,34 billion; that is why the researcher sees the need to investigate the matter and generate possible solutions. The Western Cape province contributed R0.28 billion, which is 1% of the total irregular expenditures for the year 2019-2020.

### **2.5.1 Irregular expenditures within the Department of Social Development**

The study intends to identify the drivers of irregular expenditures and the role of internal control unit within the Department of Social Development in the Western Cape. To make sense of it all, the researcher will zoom into six financial statements of the Department of Social Development, from 2015-2016 to 2020-2021.

**Table 2.4: DSD report on irregular expenditure 2015/16****Details of irregular expenditure – current year (2015/16)**

<b>Incident</b>	<b>Disciplinary steps taken/criminal proceedings</b>	<b>2015/16 R'000</b>
Declarations for local production content in designated sectors not submitted	Under investigation	1998
Contract not awarded to supplier with the lowest quoted price		337
<b>Total</b>		<b>2335</b>

**Table 2.5: DSD irregular expenditures 2016/17****Details of irregular expenditure – current year (2016-17)**

<b>Incident</b>	<b>Disciplinary steps taken/criminal proceedings</b>	<b>2016/17 R'000</b>
Incorrect bidding process followed < R500 000	To be confirmed by the relevant Manager	16
Incorrect delegatee making award	To be confirmed by the relevant Manager	16



Contract extended without approval	To be confirmed by the relevant Manager	929
Used invalid contract	To be confirmed by the relevant Manager	10
Quotation incorrectly awarded	To be confirmed by the relevant Manager	223
Incorrect specifications used	To be confirmed by the relevant Manager	74
Insufficient proof for following the emergency process	To be confirmed by the relevant Manager	20
Local content not applied	To be confirmed by the relevant Manager	230
Passovers not properly documented	To be confirmed by the relevant Manager	442
<b>Total</b>		<b>1960</b>

**Table 2.6: DSD irregular expenditure 2017/18**

**Details of irregular expenditures – Current year (2017/18)**

<b>Incident</b>	<b>Disciplinary steps taken/criminal proceedings</b>	<b>2017/18 R'000</b>
Local Content not applied	To be confirmed by relevant manager	2894
Contract extended without approval: Contract not awarded to the supplier with lowest quoted price	To be confirmed by relevant manager	970
Passovers not properly documented	To be confirmed by relevant manager	47
Quotation incorrectly awarded	To be confirmed by relevant manager	414
Incorrect specifications used	To be confirmed by relevant manager	93
Emergency procurement not approved	To be confirmed by relevant manager	19
Incorrect bidding process followed < R500 000	To be confirmed by relevant manager	211
Incorrect delegate making award	To be confirmed by relevant manager	16
<b>Total</b>		<b>4664</b>

**Table 2.7: DSD irregular expenditures 2018/19**

**Details of irregular expenditures – Current year (2018/19)**

<b>Incident</b>	<b>Disciplinary steps taken/criminal proceedings</b>	<b>2018/19 R'000</b>
Brand names used	To be confirmed by relevant manager	5
Non-compliance with laws and regulations	To be confirmed by relevant manager	16
Deviation from National Treasury Regulations	To be confirmed by relevant manager	27
Incorrect service provider utilised	To be confirmed by relevant manager	3
Non-adherence to SCM delegations	To be confirmed by relevant manager	4
<b>Total</b>		<b>55</b>

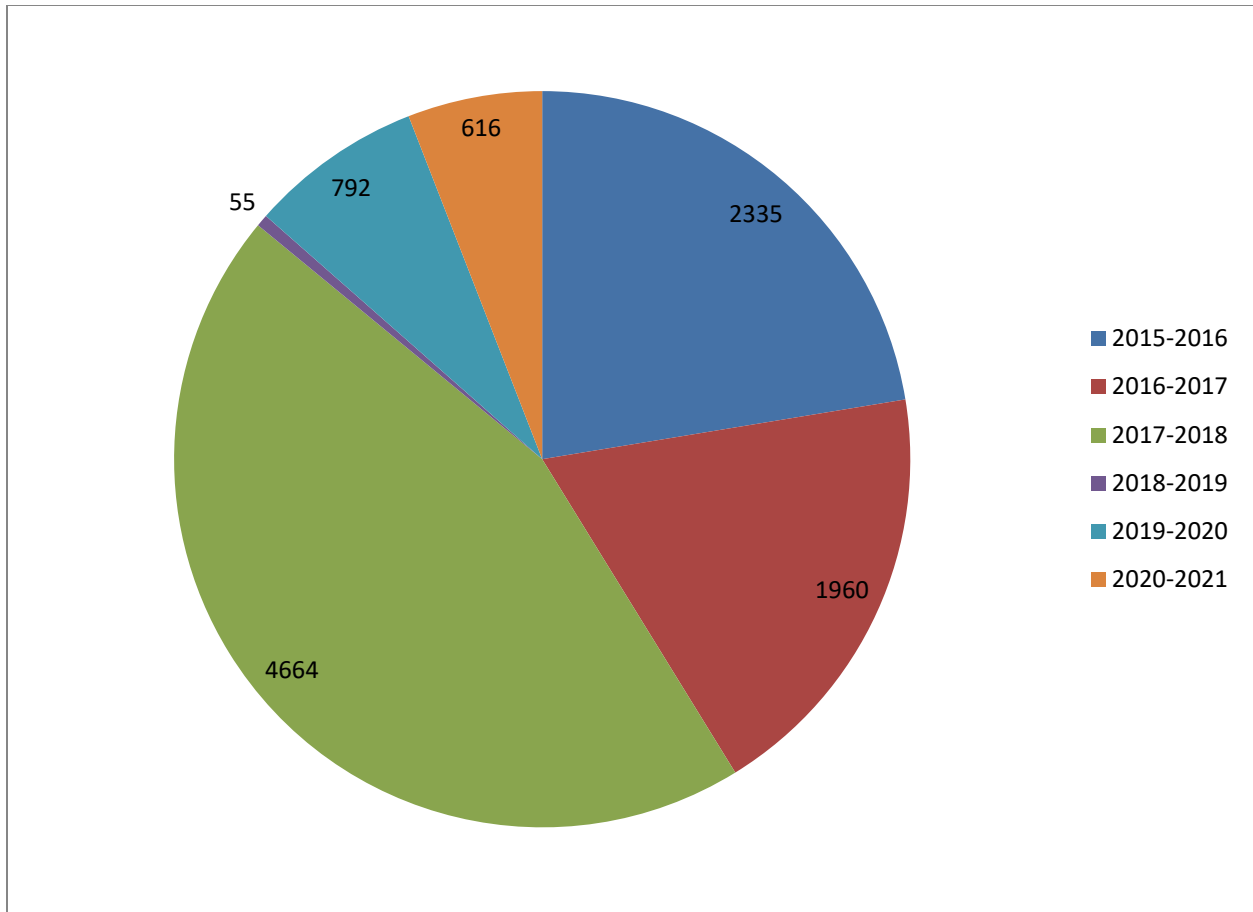
**Table 2.8: DSD irregular expenditures 2019/20****Details of irregular expenditures – current year (related to current year and prior years)**

<b>Incident</b>	<b>Disciplinary steps taken/criminal proceedings</b>	<b>2019/20 R'000</b>
Non-adherence to SCM delegations	Formal Disciplinary action instituted against official	48
Non-compliance with laws and regulations	Formal Disciplinary action instituted against official	50
Local Content not applied	No disciplinary action required. Removal approved by the HOD	57
Incorrect service provider utilised	No disciplinary action required. SCM processes revised.	22
Procurement not equal or lower than the stipulated prices as per National Instructions	Under investigation	140
Invalid deviation with National Instructions	Under investigation	70
Invalid deviation with National Instructions	Under investigation	32
Invalid deviation with National Instructions	Under investigation	373
<b>Total</b>		<b>792</b>

**Table 2.9: DSD irregular expenditure 2020/21****Details of irregular expenditures – current year (related to current year and prior years)**

<b>Incident</b>	<b>Disciplinary steps taken/criminal proceedings</b>	<b>2020/21 R'000</b>
Invalid deviation with National Instructions	No disciplinary action taken	362
Invalid deviation with National Instructions	No disciplinary action taken	196
Invalid deviation with National Instructions	No disciplinary action taken	49
Non-Compliance with laws and regulations	Formal disciplinary action instituted against official	9
<b>Total</b>		<b>616</b>

To summaries these figures, below is a pie chart picturing the six different years.



**Figure 2.1: Summary of DSD irregular expenditures from 2015-2021**  
**Source: Researcher (2022)**

Looking at the pie chart, it is clear that the Department experienced a high number of irregular expenditures in the 2017-2018 financial year. It is clear that procurement process face a significant number of risks and the manifestation of unethical procurement practices impedes the gains made and leads one want to understand the possible drivers (Mazibuko & Fourie, 2017:109).

## **2.6 Possible drivers of irregular expenditures**

The researcher views possible drivers of irregular expenditures as elements within the control environment that gives opportunity for irregularities to take place. Below are the few elements to be discussed to validate the researcher’s viewpoint.

### 2.6.1 Inadequate controls

Controls within the business environment are the policies, rules and processes that are established to guide against irregularities. When properly monitored and managed, controls can save the government department from irregular expenditures and corruption. Previous experiences and global financial crises have taught us the importance of internal control and risk management systems (Rubino *et al.*, 2017:19-41). Today, most companies and government departments are prioritising internal controls and risk management systems. A strong control environment is identified through integrity and ethical values, the attitude of top management, the management philosophy, competence and professionalism of those working in the department. Controls are designed to prevent or detect errors and activities that may compromise the achievement of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations (Dubihlela & Nqala, 2017). If members of the team consider that the control is not a major concern for management, it is almost certain that objectives of management control will not be effectively pursued. Adequate controls cannot be achieved where there are no characteristics of people with skill, knowledge and capability to perform the task at hand. According to Rubino *et al.* (2017:21-41), an internal control environment has a pervasive influence on the organisation's decisions and activities and lays a foundation for the overall internal control system. When the foundation is not strong enough and the control environment is not positive either, the overall system of internal control will not be as effective as it should be. Koutoupis *et al.* (2018) insist that focus should be driven to develop more rigorous processes to identify, assess and document risk and controls. More emphasis by the internal auditors should be directed into consulting rather than compliance roles.

On the other hand, pervasive deficiencies can give the impression that top management does not consider internal controls and that the audit committee does not play the oversight role over internal controls (Gramling & Schneider, 2018). According to Oussii and Taktak (2018), internal control quality is significantly and positively associated with internal audit function competence, internal audit quality control assurance level, follow-up process and audit committee involvement in the reviewing of the internal audit programme and results. The quality of financial reporting is decreased by internal control weakness (Lari Dashtbayaz *et al.*, 2019). Inefficient internal controls

lead to lower financial reporting quality (Dubihlela & Nqala, 2017). In other words, for any business or government department to produce credible and reliable financial reports, it needs to ensure that internal controls are strong. Where controls are not designed properly or not controlled in an appropriate manner, the government department may be at risk of fraud (Abbaszadeh *et al.*, 2019). Internal control consists of five integrated elements including control environment, risk assessment, control activities, information and communication and monitoring activities.

A control environment is a set of standards, processes and structures that provide the basis for the implementation of internal controls.

### **2.6.2 Inadequate contract management and irregular expenditures**

When there is a contract between government department and service provider, it is necessary for the government institution to have a designated unit to manage contracts. A contract management unit was born within the supply chain environment to manage contracts for the departments and enforce conditions of the contract between the two parties. Contracts between a government department and contractor reflect principal-agent relationship, where government department contracts with the agent to perform or deliver goods or services. Many things can go wrong when the contracts of the departments are not properly managed, for example, service providers not delivering as per specification, inferior products or services, breach of contract conditions and incomplete work by service providers.

The Western Cape Department of Health Accounting Officer System (AOS) 16A (2021) defines *contract* as a legally binding agreement for the supply of goods or services which exist between the department and contractor, regardless of the value of the contract. In the AOS, contract management is regarded as a process that enables the parties to a contract to meet their obligations to deliver the objectives required from the contract. A contract management process is broken down into two parts: contract management activities and contract management elements.

### 2.6.2.1 Contract management activities

Contract management activities may broadly be grouped into three areas:

- *Service delivery management:* To ensure that service or goods are being delivered as per specification and conditions of the contract, which may be further defined in a Service Level Agreement (SLA) and/or required level of performance and quality.
- *Relationship management:* Maintaining good relationships between the service provider and the end-user help two parties identify problems at an early stage and put mechanisms in place to alleviate tensions.
- *Contract administration:* Includes managing contracts and changes to contract documentation, commencement and expiry dates, price amendments, product substitutions, extension and expansion of a contract.

### 2.6.2.2 Elements of contract management

The elements of contract management include the following:

- Ensuring that all relevant documentation sets out the rights and obligations of both parties and is signed;
- Ensuring change control, i.e., managing changes to any part of the original agreement;
- Measuring performance against contract requirements or service level agreements;
- Implementing corrective action whenever significant/unacceptable deviations against the original agreement occurs; and
- Managing the payment process (Department of Health AOS, 2021).

According to Sah and Bhattarai (2021), there are significant inefficiencies in managing contracts, primarily due to a lack of qualifications, knowledge, skills and experience, lack of cooperation and proper communication and lack of monitoring and evaluation. To overcome all these, people with qualification, knowledge, skills and experience in contract management need to be appointed. The complexities of a mysterious and tangled government contracting process have created a perfect storm, an environment in which complying with policies and adopting contract management best practices is not always feasible (Rendon, 2015). Failure to apply appropriate contract management

processes is linked to the gap between stakeholder knowledge and actual practice, like contractor engagement of unqualified supervisory staff, lack of project monitoring, and evaluation contribute to the poor quality of work (Coleman *et al.*, 2020:41). In many cases, government departments expand and extend contracts without applying the correct process, which normally lead to irregular expenditures, and taxpayer money re-directed to what was not budgeted for.

Managing contractor performance is something that needs to be undertaken throughout the life of the contract, to ensure that areas of concern are identified early and addressed. This can be done when governments departments have personnel, capacity and expertise at their disposal to execute the duties of contract management. While dispute in a project is often unavoidable, it can be minimised by applying a proper contract management process (Hayati *et al.*, 2019). The aim of contract management must be to optimise the efficiency and effectiveness, balancing costs against risks and actively managing the relationship between procurement parties (Kingoto & Ismail, 2021:188). Procurement is at the centre of any government as it significantly impacts how taxpayers' money is spent and it is an area within government that remains most vulnerable to corruption. According to Mwangi (2020:59), government has lost hundreds of millions of taxpayer monies through cancelled contracts, unfinished projects, poor service delivery, corruption and unreasonable extension of contracts. It is all because someone somewhere did not do his or her work properly which created an opportunity for corrupt activities to invade procurement process space. Through contract management, quality service delivery, value for money and procurement systema that are free from corruption are possible. Government departments are paying millions of rand penalties due to late payments to service providers; this not only affects negatively on government departments but also on contractors and small businesses that have to wait long to receive payments. Contract formation and quality control are significant attributes that enhance value for money (Matto *et al.*, 2021). Recent audit findings on public procurement in South Africa show serious non-compliance issues related to contract management.

In August 2010, National Treasury issued a contract management framework (CMF), a high-level document that sets out the requirements for government institutions regarding the management of, and accounting for contract agreements. The focus of the CMF was to set out requirements for adoption of appropriate management policies, procedures, techniques and disclosures. The

framework enables departments and entities to approve their own policies and procedures related to contract management. To give meaning to the CMF, National Treasury issued a contract management guide (CMG) to assist managers and practitioners in national and provincial government and public entities with a model and tools for contract management which in turn, should translate into better use of resources and improved delivery of services. Both CMF and CMG are intended to move government institutions in South Africa towards an enterprise-wide contract management approach.

According to Myeza *et al.* (2021), the tone that is set at political and executive level plays an important role in determining compliance with controls by lower-level staff. In many cases, intense levels of political influence at government departments are the main reasons behind the undermining of risk management systems. Measures need to be established to ensure evaluation and monitoring of the effectiveness and efficiency of contract management process.

**Table 2.10: Examples of irregular expenditure related to contract management**

**Examples of irregular expenditures that are related to contract management**

Legal Provision	Principles	Rules	Compliance deviation	Impact of finding	Relevant authority
NTR 8.2 Instruction Note 31 dated 31 May 2012	Public money may only be spent if approved by the proper delegated official.	Contracts may not be amended or extended without the approval of the accounting officer or accounting authority or by an appropriately delegated employee	A contract was amended or extended by an employee who did not possess the appropriate authority.	Irregular expenditure	Accounting Officer or Accounting Authority
NTR 8.2	Effective control measures must be in place to ensure correct payments are made for the supply of goods and/or services (i.e. payments to correct suppliers and payment of correct amounts).	An institution's internal control system must ensure that it is able to detect when incorrect amounts are being paid and/ or when payments are being made to a incorrect service provider.	Payments were made to the suppliers in excess of the approved contract or quoted amount.	Irregular expenditure	Accounting Officer or Accounting Authority National Treasury - in instances where the accounting officer approved such payments
Sec 38 of the PFMA (internal controls) and Para 1.2 and 2.3 of PN 1 of 2003	Payments may only be made to service providers after the conclusion of a valid contract, except in cases of emergency procurement in terms of TR 16A6.4	An institution's internal control system must ensure that it is able to detect when payments are being made to service providers in advance of concluding a valid contract	Goods and services were supplied by the supplier and paid for without a valid written signed contract	Non-compliance with laws and regulations	Not Applicable
PPPFR 13 (1) (b)GCC Clause 22 & 23	Suppliers have a responsibility to ensure that their BEEE credentials are correct and that such was not	Institutions must ensure that appropriate action is taken against suppliers who claim or who obtain BEEE levels	No action was taken against the suppliers who failed to perform in accordance with	Non-Compliance with laws and regulations	Not applicable



	obtained fraudulently. Suppliers also have an obligation to ensure that conditions in a contract are adhered to. Institutions must have mechanisms to detect whether suppliers BEEE credentials are correct and that the possibility of obtaining contracts	fraudulently or who don't fulfil the conditions of their contracts	standards agreed upon in the contract		
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(Source: National Treasury 2014)

**2.6.3 Weak internal controls and irregular expenditures (segregation of duties)**

Internal control (IC) is system established by business, organisations and government departments and entities to minimise a risk of something happening and having negative impact to the operations of the business. Vu and Nga (2022:1) see IC as an integration of activities, measures and control mechanisms within an enterprise to minimise or prevent risks. Consequently, as fraud and corruption increase, many business and government entities have started to focus on their internal controls and entity management. Previous studies show that internal controls reduce violations of the law and the prevalence of bribery. Organisations put together a structure which is directed by the board of directors, managers and employees, which aims to ensure effectiveness and efficiency of operations, reliability of the financial reporting system, and compliance with laws, and is designed to provide reasonable assurance (Turedi & Celavir, 2018). Officials at every level have responsibilities to ensure effective and efficient execution of the internal control structure in the organisation. By the nature of their work, auditors must study the internal control structure of the organisation and provide reliable information and it all depends on how well-organised an internal control structure in the organisation is and how constantly its operation is supervised. A reliable internal control structure has a direct impact on the quantity and quality of audit evidence to be collected (Turedi & Celavir, 2018). The strength of the system of internal control depends on people’s attitude toward internal control (Thabit *et al.*, 2017). For example, if individuals responsible for control activities are not committed to their duties, the system of internal control will not be effective. For this to work, a collaboration approach is essential between all who are involved in the control system.

Recent studies show that there is a significant negative relationship between internal control weakness and quality of financial reporting, opportunity for fraud and corruption (Zakaria *et al.*, 2016; Dashtbayaz *et al.*, 2019). Accordingly, poor supervision and improper documentation processes can also be contributing factors in the misappropriating of assets; other individuals will deliberately cooperate to conduct illegal malpractice, taking advantage of weak controls. Zakaria *et al.* (2016) contend that the purpose of internal controls stem from the idea of supporting the entity in managing their risk to achieve established objectives and sustain their performance. Ethical culture within government departments is positively associated with sound internal controls over financial reporting (Nalukenge *et al.*, 2018). Previous studies perceive that internal controls can mediate the relationship between corporate governance and compliance. However, it must be noted that inherent limitations in internal controls are inevitable; entities and organisations must be willing to accept some of the risk as they come naturally with the nature of the business. Every employee within government departments, therefore, has a critical role to play in ensuring a functional internal control system. Having said that, the effect of weak internal control system cannot be overemphasised as it distorts the plan of the government department and paves a way for financial indiscipline, fraud, errors, irregularities and mismanagement of resources (Akinleye & Kolawole, 2020). Good internal controls represent good corporate quality in front of the investors, public and other competitors in the business arena. One cannot talk internal controls without mentioning segregation of duties (SoD) as is the famous internal control used by organisations and government departments to manage instances of fraud and corruption.

SoD seeks to prevent employee fraud by reducing possibility of collusion between employees or employees and stakeholders (Kim *et al.*, 2020:166). The Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines *segregation of duties* as dividing or allocating tasks between individuals in order to reduce the risk of error and fraud. SoD rules specify how tasks in the workflow are to be divided and the roles that should be assigned to persons to maintain segregation of duties. Those assignments must adhere to the constraints imposed by the skill set requirements for the performance of tasks and skills possessed by the persons. Segregation of duties mean that more than one person must be involved in the execution of critical accounting procedures to avoid possibilities of fraud (Carnes, 2019). Carnes confirms that employees can still collude to commit fraud and corruption, which is why it is important for government departments

to regularly evaluate the effectiveness of the controls. Where possible, government institutions must rotate employees to ensure that they are not comfortable in doing one thing every day. According to Rentor *et al.* (2017), segregation of duties is a control procedure undertaken to ensure that every employee within a company does not bear excessive responsibilities that may affect the overall performance quality, but it is also done to reduce the possibility of fraud committed by unscrupulous employees. As we all know, the personality of a person can basically change along with age and the increase of life experiences that can turn a trustworthy employee into a corrupt individual. Human characters in the organisation are an important factor as they are the main drivers of corporate activities in achieving its goals.

When correctly applied, segregation of duties can be used to minimise errors within the process and possibilities of corrupt activities. There is a need to continuously monitoring and evaluation of controls for efficient and effectiveness.

## **2.7 The role of internal auditing in minimising the impact of irregular expenditures**

*Internal auditing* is defined as an independent, impartial assurance and consulting activity aimed at adding value and bringing improvement to the operations of the organisations. Organisations achieve their goals through strategic and disciplined approaches in the evaluation of risk and controls (IIA, 2016:73). Internal auditors use their skills, knowledge and expertise to evaluate risk management, controls and governance processes. It has been argued that there is a difference between public sector and private sector internal auditing in terms of how they operate and the scope of work (Goodwin, 2004). There can be a difference in how the two operate, but in principle there is no difference: internal auditors must evaluate risk management, controls and governance processes and make a recommendation where is mostly needed. Internal auditing has developed from what it was in the past, moving away from financial and compliant audit to a broader value-adding role. Leung *et al.* (2006) have the view that internal auditors are moving from confrontation approaches to collaborating with management and from control approaches to risk-based approaches. The close-working relationship between internal auditors and managers has been a long-standing problem that is receiving more attention. By the nature of their work, internal auditors must from time to time consult management; yet this always leads to a question on their

objectivity when performing their duties. According to Koutoupis *et al.* (2018), internal auditors limit their role in verifying compliance with relevant laws and regulations rather than adopting consulting role. Internal auditors are expected to be objective with their judgment when it comes to audit matters (Cooper *et al.*, 2009). Many organisations are realising that internal auditors can offer better services to management through increasing their involvement in business practice. According to Brody and Lowe (2000), the increase in consulting activities between management and internal auditors give rise to questions and concerns regarding the internal auditor ability to function independently and objectively. Internal auditors find themselves operating under an environment where they are not only working on problems but also working with management to suggest solutions. Corporate scandals and worldwide financial crises have escalated debates on whether internal auditing is performed appropriately (Sawan, 2013). The function of internal auditing has become a valuable management tool to assist in achieving effective control within organisations. Businesses recognise this section as a provider of comfort as it is often the first line of defence in correcting deficiencies before they become uncontrollable or are exposed in the external audit report. Strong control of environment in the organisation gives assurance that assets of the business are in good hands of efficient management (Vijayakumar & Nagaraja, 2012). According to Yee *et al.* (2017), competent internal audit service contributes to maximising profit, thereby helping organisations achieve some of the socially desirable objectives like poverty and corruption.

## **2.8 Risk mitigation measures in the public sector**

Government departments and public institutions risk possible irregular expenditures in their public procurement process within supply chain management (SCM). Public procurement is a process of acquiring of goods and services by public sector from service providers registered on government database. The prevalent irregular expenditure risks in the process of government departments are a threat to goals that are set, including those of service delivery to the people. The public sector faces with three major risks: compliance risk, control risk and hazard risk. Compliance risk occurs when government departments fail to comply with policies that are established for their process, whereas control risk looks at the failure of government departments and public entities to put controls in place to guard against any form of irregularity. A good example of a hazard risk faced

by many organisations is that of theft. Hazard risks are perceived as those risks with a potential to harm or undermine objectives in a negative way (Hopkin, 2018:18). The Institute of Internal Auditors defines *risk* as an event occurring that could have an impact on the achievement of the objectives, whereas Hopkin (2018:16) views a risk as anything that can impact the fulfilment of corporate objectives. It is for this reason that government departments and public institutions need to put measures in place to manage risks.

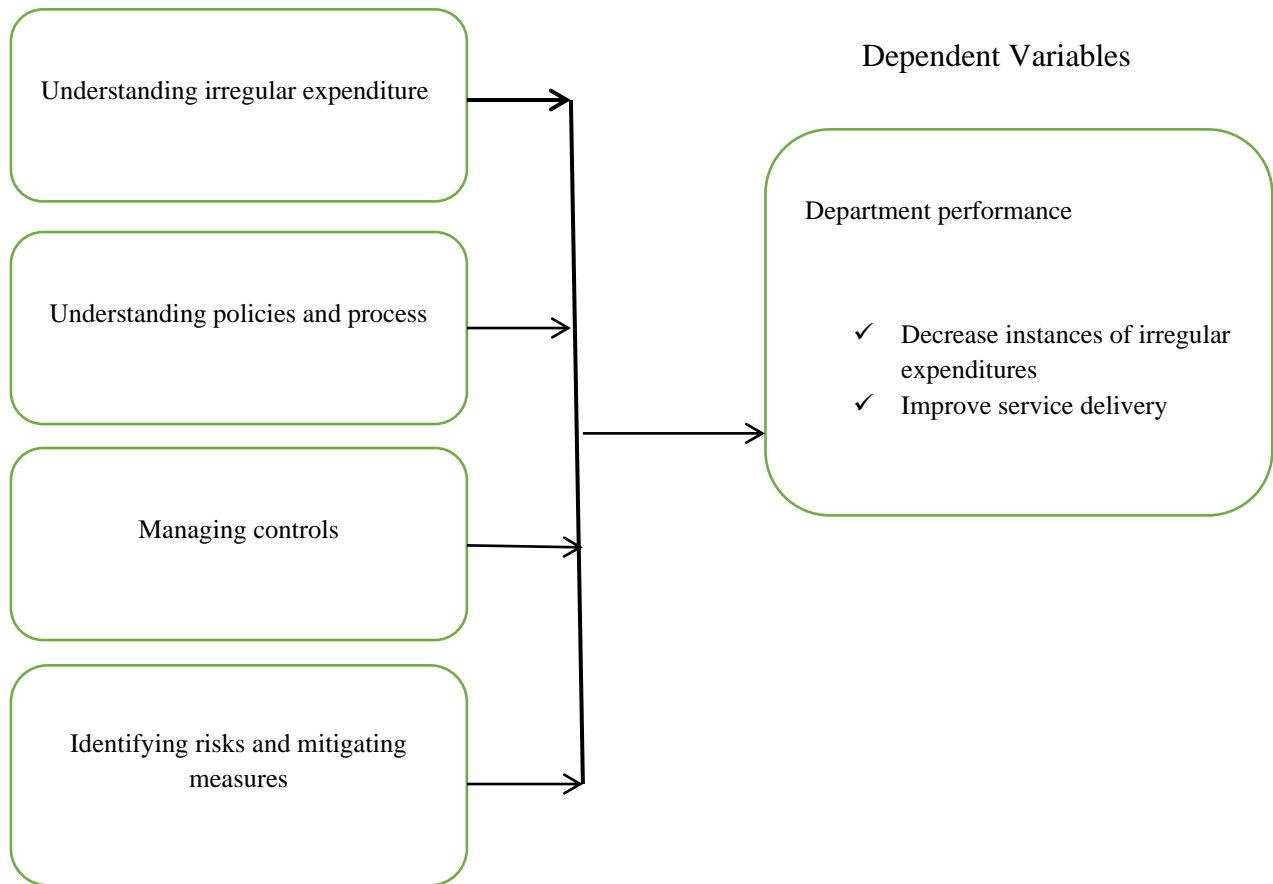
The Institute of Risk Management (IRM) defines *risk management* as a process to help organisations understand, evaluate and take action on all their risks with a view to increase the probability of success and reduce the likelihood of failure. Procurement risk management can play a pivotal role in minimising the impact of irregular expenditure within the government department and government institutions. As such, procurement is exposed to many risks that, should they occur, will influence the achievement of objectives of the department, including maladministration, corruption, lack of accountability, lack of knowledge and insufficient capacity (Hong *et al.*, 2018:28; Ziqubu *et al.*, 2018:3082; AI-Zubaidi 2019:1). It is important now more than ever for organisations and government institutions to put measures in place to curb irregularities in their processes. Effective procurement risk management encourages government departments to identify risk at the start of the process to avoid any abnormalities that can hinder achieving the set goals (AI-Zubaidi, 2019). According to Aloyce (2020)m most developing countries are struggling to contain the prevalence of procurement risks. For any business to achieve benefits from risk management, this requires careful planning and smart strategy in the implementation of the risk management process (Hopkin, 2018). Risk management activities must be designed in a way that ensures that an organisation complies with legal and regulatory obligations.

## **2.9 Conceptual framework**

A *conceptual framework* is a logical orientation that forms the underlying thinking, a logical conceptualisation of the entire research project, an umbrella term that relate to all the concepts and ideas that occupy one's mind (Kivunja, 2018:47). As a product of a researcher's own thinking, this can be referred to as a house, whereas theoretical framework is a room that serves a particular

purpose. The conceptual frame of the study was designed bearing in mind the topic of the study, objectives, questionnaire, data collection, data analyses and intended results. The diagram below depicts the researcher's conceptual frame.

### Independent Variables



**Figure 2. 2: Conceptual framework**  
**Source: Researcher (2022)**

According to Kivunja (2018), a *conceptual framework* is a logical master plan for the entire research project as it gives direction and meaning. A conceptual framework is a broad concept that incorporates almost all parts of the research, representing all the thinking that goes into the cognitive processing about the research topic (Kivunja, 2018:52). Independent variables are categorised as follows: understanding irregular expenditures, understanding policies and process, managing controls and risk management.

*Understanding irregular expenditures:* Understanding irregular expenditures and their negative impact to service delivery can help in minimising the occurrence.

*Policies and process:* These are controls and guidelines established by the department of how things should be done to avoid possibilities of something going wrong. When processes and policies are correctly applied, they benefit both the organisation and stakeholders.

*Controls management:* This includes an evaluation of the effectiveness of controls to determine if they still serve the purpose. In this process, weak controls are identified, and measures are established to strengthen the controls.

*Risk management:* Risks must be assessed, and their impact evaluated, mitigating measures to be applied properly.

*Dependent variables in the study:* These include decreasing instances of irregular expenditures and improved service delivery. The researcher believes that when irregular expenditures are better understood by staff, policies and process are correctly applied. This can contribute to decreasing instances of irregular expenditures within the department.

## **2.10 Chapter summary**

The study investigated the drivers of irregular expenditure and the role of the internal control unit in the South African supply chain management environment, using the Department of Social Development in the Western Cape as a case study. A literature review on various sources and policies show indications of a need to ensure tightening of internal controls in the South African public finance space. Various research and scholars point out the importance of adhering to existing legislation and policies to ensure an effective and efficient control environment in managing the occurrences of irregular expenditures. Literature proves that South Africa has clear and sound policies and legislative framework for preventing and detecting instances of irregular expenditures. To add another layer of control, the Constitution established the National Treasury to further enforce measures for expenditure control and fiscal management. The National Treasury issues regulations for how government funds are to be managed as per the Public Finance Management Act. The literature review reveals a high number of irregular expenditures, which is an indicative of non-compliance with policies and regulations. The high levels of non-compliance with policies and regulation demonstrate the weaknesses in controls to ostensibly protect the state

from the mismanagement of resources. An internal control unit was established to assist government institutions and entities with the identification of risks and weak controls. A literature review raised concerns about the close working relationship between managers and internal auditors, reminding that this relationship compromises independent and objectivity of internal auditors. South Africa has adopted various strategies and mechanisms to ensure compliance and proper management of taxpayer money. These include PFMA, Chapter 9 institutions, SCOPA, Auditor General, Protected Disclosures Act, Code of Conduct for Public Servants and Prevention and Combating of Corrupt Activities Act. These legal frameworks are presented to guide public servants for best use and management of public funds. Even so, literature validates that there has been little or no action taken against those who contravene these legal frameworks. This may be the reason why the public sector is experiencing a high number of irregular expenditures every year.



## CHAPTER 3

### RESEARCH METHODOLOGY & DESIGN

#### 3.1 INTRODUCTION

As stated in Chapter 1, the study examines the drivers of irregular expenditures and the role of internal control unit in the Western Cape provincial government, using the department of Social Development as a case study. The previous chapter provided a background and literature review in relation to irregular expenditures and its negative impact to service delivery. Research is a scientific process of gathering information for the purpose of answering questions, resolving problems and adding to the existing body of knowledge (Mugobo, 2021). Information must be gathered through reliable and efficient procedures to maximise validity. This chapter will describe in detail the strategy used by the researcher when conducting the study. Research design and methodology dictate how research questions are to be answered, how data will be collected and how data will be analysed. Beliefs and assumptions about things shaped the decision of the researcher in selecting the correct design and methodology for the study. According to Mugobo (2021), the major assumptions and beliefs that helped the researcher in choosing a suitable design and methodology for the study include ontological assumptions, epistemological assumptions and axiological assumptions. Research can be used for description, explanation and prediction while simultaneously making important and valuable contributions to the expansion of what we know (Marczyk *et al.*, 2010:16). This is a process that requires honesty, ethical maturity and high level of emotional control.

#### 3.2. Research paradigm

A *research paradigm* is a set of common beliefs and agreements shared between scientists about how problems should be understood and addressed. The paradigm adopted directs a researcher's investigation which includes data collection and analysis procedures (Kamal, 2019:1389). Research paradigms guide scientific discoveries through their assumptions and principles, understanding paradigm specific assumptions helps in explaining the quality of findings that

support scientific studies and identify gaps in generating sound evidence (Park *et al.*, 2020:02). The researcher must understand and articulate beliefs about the nature of reality, what can be known about it and how we go about attaining this knowledge. According to Majeed (2019:118), paradigms are therefore important as they give the views and dictates that affect what is to be studied, how it is to be studied and how the research findings are to be interpreted by scholars in a specific discipline. There are three important paradigms: the positivist, interpretivist and pragmatist. These three research paradigms are made up of five elements – methods, methodology, theoretical perspective, ontology, and epistemology.

### **3.2.1. Positivist**

According to Ryan (2018:3), one must observe and measure the world in an objective and unbiased way to establish the nature of reality, trying by all means to minimise researcher intervention and eliminate the damaging effect of individual values and beliefs on the credibility of the study. Positivists prefer experimental designs as a data collection method and regard qualitative data as a handmaiden or second best to quantitative data. This approach can direct one away from learning about context; it seeks to identify those details with propositions that can be tested or identified in other cases and also follow the existence of causal relationships that are present in the data (Lin, 1998:163). Sharifani (2019:23) contends that a positivist gives much value to science, follows sense perception and logical notions of reason. The approach provides an epistemic system based on experience and materialism and denial of revelation and broad intellect which can serve as measures for universal planning for man and his individual and social destiny (Sharifani, 2019:01). Even though positivism is a prominent term in human science because of its cherished claim of objective knowledge, the continuous scrutiny of our knowledge claims has shaken the very foundation on which positivism stands (Jaja *et al.*, 2022:224).

### **3.2.2. Pragmatism**

According to Mitchell and Education (2018:103), *pragmatism* is an attractive philosophical partner for mixed methods; its flexibility allows the use of different research methods. A continuous cycle of inductive, deductive and when appropriate, abductive reasoning, produces useful knowledge

and serves as foundation for rigorous research. A pragmatic approach allows for the possibility of choosing the suitable research methods from a wide range of qualitative and/or quantitative approaches, and this pluralism is the strength of pragmatism (Kaushik & Walsh, 2019:12)

### **3.2.3. Interpretivism**

*Interpretivism* stands in opposition to positivism, as it argues that truth and knowledge are subjective as well as culturally and historically situated, based on people's experiences and understanding (Ryan, 2018:8). Researchers can never be completely separated from their own values and beliefs; human beings are different from physical phenomenon as they create further depth in meanings. An interpretivist enters the social world of the research participants and comprehends that world from their point of view. This reflects the proposition that there are multiple realities depending on an individual's experiences and understanding. Philosophers are of the view that interpretivism is a research paradigm that is associated with qualitative research; it continues to be a popular way to explain human behaviour and social phenomenon today. According to Pulla and Carter (2018:1), the difference between the natural sciences and social sciences is that of the researcher observing and interpreting natural processes, while in the social sciences, the researcher observes a phenomenon and understands the interpretations already made by individuals.

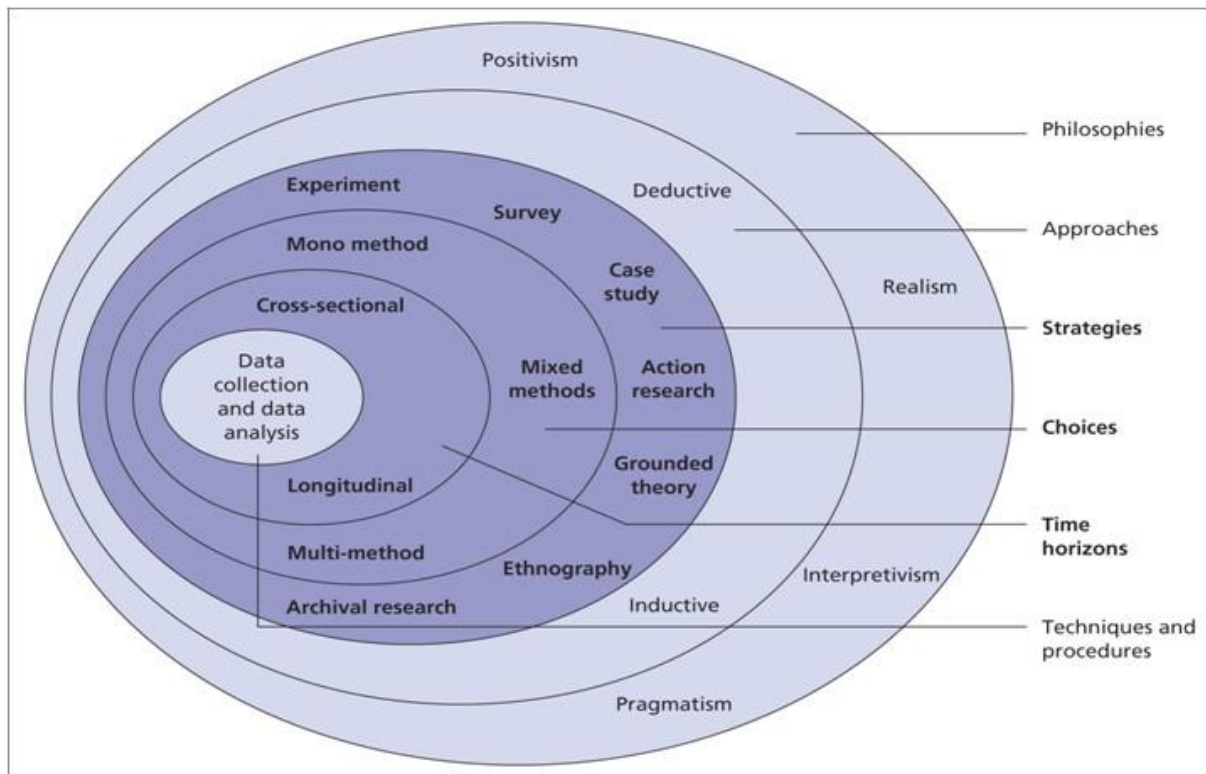
Considering the ontological and epistemological stance aforementioned, this study adopted an interpretivism position. This choice was deemed appropriate because the study aims at gaining rich insight and knowledge on the drivers of irregular expenditures and the role of the internal control unit. This selection enables researchers to gain further depth through seeking experiences and perceptions of a particular social context (Alharahsheh & Pius, 2020:42). The difference between interpretivism and positivism are characterised by subjective meanings of a study subject, while positivism focuses on statistical results and the generalisation of universals.

The rationale for selecting the interpretive paradigm is because the researcher can get sense of information and knowledge by assessing issues under investigation and rendering conclusions from actual context, grounded from subjective and shared meaning from the research participants.

This study is not aimed at proving hypothesis or rendering quantifications or identifying significance or causality; however, it views connections between contexts. An interpretivist view invites the researcher to investigate meaning behind the understanding of human behaviour, interactions and society, intent to develop an in-depth knowledge and understanding (Pulla & Carter, 2018). This study intends to get in-depth knowledge and understanding of the drivers of irregular expenditures and the role of internal auditors within the department of Social Development Western Cape.

### 3.3 Research design and methodology

The researcher used Saunders’s research onion model as a guide to select the research design and methodology suitable for study.



**Figure 3. 1: Saunders’s onion model (Saunders, Lewis & Thornhill, 2016)**

The research onion model, developed by Saunders, Lewis and Thornhill (2016) for business studies, creates a firm basis for the development of coherent and justifiable research design (Muranganwa, 2016:14). It provides a clear guide on how to undertake research while highlighting the realities of undertaking research. According to Melnikovas (2018:41), the research onion enables the researcher to choose suitable theories to answer the research questions as it provides a heuristic approach for building up methodology and developing research design. The research onion helps researchers to put together a puzzle and make informed decisions about research approaches, strategies, techniques and procedures that are most suitable for the study. In this study, the research onion was used as a guide to the research process. Different layers of the onion are discussed and selected options for the study are justified to show understanding.

### **3.3.1 Philosophy of the study**

Research philosophy is a system of beliefs and assumptions about the development of knowledge; these include assumptions about human knowledge, realities and the extent of one's own values (Saunders et al., 2015:124). These assumptions shape how a researcher structures data collection tools and the procedure for how the entire research process is being carried out. It is a well-thought-out and consistent set of assumptions that will constitute a credible research philosophy. A thorough research philosophy must have a logical flow in the selection of methodological choice, research strategy, data collection techniques and analysis procedures. Understanding research philosophy helps the researcher to produce a coherent research project in which all elements of the research fit together. According to Holden and Lynch (2004:2), methodological choice should be consequential to a researcher's philosophical stance and the social science phenomenon to be investigated.

Being said, conducting research today is made difficult by the incoherent classification of research philosophies such as epistemology, ontology and doxology (Mkansi & Acheampong, 2012:1). These philosophical assumptions are rooted from the nature of reality (ontology), how the researcher knows what she/he knows (epistemology), the roles of values in the research (axiology) and what is believed to be true (doxology). The decision to choose a philosophical outlook to investigate a phenomenon should be guided by the necessities and requirements of the

research study rather than the inflexible insistence of adhering to one particular philosophical outlook to the exclusion of others (Rehman & Alharthi, 2016:01). Research philosophy must entail what a researcher perceives to be truth, reality and knowledge as these outline the beliefs and values that guide the design and the collection and analysis of data in a research study (Ryan, 2018). It is important for the researcher to first understand his or her philosophy before embarking on the research journey as this will lay the foundation for the entire study. When this part of the study is not well understood, the researcher runs the risk of using the wrong tool to collect the wrong data which in turn will lead to wrong findings and incorrect recommendations.

Philosophies include but are not limited to positivism and interpretivism. According to Park *et al.* (2020:690), studies aligned with positivism focus mainly on identifying explanatory associations or causal relationships through quantitative approaches, favouring large sample sizes. The primary position of a positivist researcher is to generate explanatory links or causal relationships that eventually lead to prediction and control of the occurrence in question. A positivist paradigm assumes that a single reality exists, and knowledge can and must be developed objectively without researcher or participant influence (Ryan, 2018:7; Park *et al.*, 2020:691). These researchers rely heavily on objectivity, statistic and generalisations that lead to development of universal laws and findings but leave out the importance of individuals' subjective experiences (Alharahsheh & Pius, 2020:43; Park *et al.*, 2020:692). According to Al-Ababneh (2020:79), positivism provides the assurance of unambiguous and accurate knowledge as it happens under a controlled environment with minimal interference of a researcher and participants. The positivism research approach is contrary to that of the interpretivism researcher. Similar to positivism, interpretivism has roots: it argues that truth and knowledge are subjective based on people's experiences and their understanding (Ryan, 2018:8). It is of the view that researchers can never be completely separated from their own values and beliefs. Ryan (2018:9) reveals that interpretivism adopts a relativist ontological perspective, where reality is only knowable through socially constructed meanings. This philosophy considers humans as different from physical phenomena which cannot be explored in a similar way. Al-Ababneh (2020:80) and Alharahsheh and Pius (2020:41) are able to treat the context of the research and its situation as unique considering given circumstances as well as participants involved. Based on the qualities it possesses, interpretivism enables researchers to use qualitative methods to gain deep insight. It looks at the social world of business and

management science as too complex to be treated as physical science (Al-Ababneh, 2020:80). The supporters of ontology and epistemology of positivism advocate objectiveness, whereas those of interpretivism advocate non-objectiveness (Stacey, 2019).

The researcher adopted an interpretivist philosophy to explore the topic and get an in-depth understanding of the drivers of irregular expenditures and the role of the internal control unit, with a belief that there is no single reality. People experience things differently based on their values, culture, history and life experiences. This approach helped the researcher gather the views of the participants regarding the topic.

### **3.3.2 Research approach**

Research approach and theory development originate from field of logical reasoning and can be classified as deductive, inductive and adductive reasoning. A deductive approach is informed by the assumption that there is only one reality. In this approach, the researcher predicts what causes problems or changes and conducts research to confirm the prediction. Kunene and Mthethwa (2020:150) conclude that while both deductive and inductive approaches are generally effective but do not suit all situations, the effectiveness of deductive or inductive approaches should not overshadow the other. Woiceshyn and Daellenbach (2018:6) claim that induction and deduction are complementary but developments in the philosophy of science created a divide. However, there are still philosophers who believe that an inductive research approach is inferior or an invalid means of advancing knowledge. Many researchers (Machila *et al.*, 2018:135; Woiceshyn & Daellenbach, 2018:18; Stacey, 2019:70; Kunene & Mthethwa, 2020:142; Nur, 2020:17; Varpio *et al.*, 2020:17; Wardani & Kusuma, 2020:70) are of the view that both approaches are effective when used for the correct study for the correct purpose.

This study followed a subjectivist inductive approach to understand and explain the drivers of irregular expenditures and the role of the internal control unit. An inductive approach allows participants to express themselves and share their individual experiences regarding the matter under discussion. As opposed to a deductive approach, an inductive approach allows for qualitative data to better explain the situation and give different angles of the story.

### 3.3.3 Research strategies

Academic writing requires a strategy that enables the researcher to use correct tools to obtain correct information to answer or resolve the correct problem. Research strategies include but are not limited to survey, experiment and case study. A survey tends to describe incidents with the goal of predicting outcomes (Schell, 1992:4). A survey should have clear research questions that will interest the target population, ultimately resulting to a report that is reliable and valid. A good, clear survey has advantages: it is simple and can be completed quickly with a high response rate. According to Story and Tait (2019:193), a survey research strategy is normally used to measure knowledge, constructs, practices or behaviours. Surveys that lack relevant focus, interest, or ease of reading or completing suffer from poor responses and decreases reliability (Story & Tait, 2019:193). Unlike a case study research strategy, a survey is more likely to follow a quantitative research approach.

Case studies arise out of curiosity to understand complex social phenomena as they allow the investigator to retain holistic and meaningful individualities of real-life events. According to Kohlbacher (2006:6), case studies are preferred when the *how* or *why* questions are posed, as researchers have little control over events and participants are sharing personal experiences. This strategy is viewed as the study of one single case and in the eyes of some quantitative social science researchers, its results are of a poor quality as it is impossible to generalise results to other similar populations (Verschuren, 2003:1). The advantage of the case study is that it provides an in-depth and holistic view of a phenomenon of interest in their natural setting and is used to discover and examine bounded, complex situations (Nilmanat & Kurniawan, 2021:1). A case study allows for a combination of data collection techniques such as interviews, observation, questionnaires, and document and text analysis (Darke *et al.*, 1998). This strategy is the most flexible research design, allowing investigators to retain the holistic characteristics of real-life events. This current study followed a case study research strategy with the aim to understanding the drivers of irregular expenditures using the Department of Social Development as the case study.



### 3.3.4 Qualitative and quantitative research approach

Quantitative methods are likely to rely on an ability to anticipate what must be measured but the complexity of other problems cannot be fully predicted in advance. This method emphasises quantification in the collection and analysing of data. According to Rahman (2020:102), quantitative methods take snapshots of the problem with no depth and overlook test-takers and tester experiences. The advantage of quantitative research is that findings are likely to be generalised to a whole population because the sample is large and does not require a longer time for data collection (Rahman, 2020:102). While qualitative studies generate and value new theory, on the other side quantitative approaches confirm existing theory (Kang & Evans, 2020:930).

Qualitative research involves the use of text in the formulation of a conclusion on the matter that is being investigated, while quantitative research enjoys the use of figures. Qualitative research methods such as case studies can play a role in the development of new theory in the research field (Valtakoski, 2020:8). The aim of qualitative research methods are to identify causes of selected phenomena, as qualitative researchers assume that objects can be constructed and interpreted. Steinerová (2019:89) suggests that qualitative methods have limitations of subjectivity interpretation, selection of participants and research ethics. Likewise, Steinerová (2019:94) believes that qualitative research can be an important source of developing new knowledge. Benefits of qualitative methods include holistic views, understanding deep contexts and new perspectives from individuals who are taking part in the process. Furthermore, the quality and success of qualitative research depends on the topic being investigated and the types of questions asked. The emphasis is that selected method should encourage a better understanding of the problem being investigated (Dzwigol, 2020:132). Other scientists consider a combination of both quantitative and qualitative research approaches to help in understanding the complex interventions in specific contexts and systems within which they are implemented (Noyes *et al.*, 2019:12).

The researcher followed a qualitative research method to better understand why there are occurrences of irregular expenditure in the Department of Social Development in the Western Cape and how the internal control unit can minimise these incidents. In the process, different

perspectives and experiences were explored for the purpose of understanding the drivers of irregular expenditures.

### **3.3.5 Sampling procedures**

The procedure for identifying suitable respondents was as follows: the researcher used a purposeful sampling procedure to identify participants who will be able to provide important and reliable information for the study. The focus was on those officials who are working in the financial management section, finance, supply chain management, internal control and line monitoring. The financial management section deals with different duties like tendering processes, payments and evaluation of procurement process. Emails requests were sent to 15 senior managers, middle managers and practitioners requesting them to participate in the study. Nine officials accepted the request and six did not respond.

#### **3.3.5.1 Targeted population**

The *research population* is a group of individuals with one or more characteristics of interest with the potential to influence the credibility of the research (Asiamah *et al.*, 2017:1607). Researchers need to sufficiently understand their study population and clearly define it. The population of the study included all officials who are working under financial management in all government departments in South Africa. According to Asiamah *et al.* (2017:1608), a qualitative exploratory study, by its nature, focuses on a few participants who have the ability to describe their experiences and knowledge pertaining to a research question. The researcher's target population were individuals working at the Western Cape Department of Social Development financial management section. The focus was primarily on senior management, middle management and practitioners. The sample group of the study consists of nine individuals with expert knowledge of procurement processes and irregular expenditures. These individuals are at the heart of management and budget spending of the department; they are in the position to share their experience and knowledge regarding the main drivers of irregular expenditures and the role of the internal control unit.

### **3.3.5.2 Sampling frame**

According to Ishak and Abu Bakar (2014:29), the elimination of inferential statistical analysis in qualitative research allows researchers to be more creative with sampling issues. Although a qualitative study cannot be generalised to bigger population, researchers should not take sampling procedures lightly as this can have negative end results. The primary drive of sampling for qualitative research is to collect specific cases, events or actions that can clarify the researcher's understanding of the phenomenon under study (Ishak & Abu Bakar 2014:29). Individuals were selected as participants not because they represent their population but because of their expertise in helping the researcher better understand the drivers of irregular expenditures. Purposive sampling was used by the researcher to identify individuals with knowledge and expertise regarding the topic. During interviews, the number of participants for interviews were not limited until the data reached saturation point. Saturation point is reached when no new information is awarded to the researcher by any new participants. Purposive or judgmental sampling frame was used as participants were selected based on the ability to provide information on the said issue using their experiences and knowledge as managers and supervisors in financial management and supply chain management sections in the department of Social Development Western Cape.

### **3.3.5.3 Sampling technique/method**

According to Taherdoost (2016:19), the entire set of individuals from which a researcher's sample is drawn is called a *population* and because researchers have neither time nor resources to analysis the entire population, a sampling technique is applied. The study followed non-probability sampling; this sampling is often associated with a case study research design and qualitative research. Case studies focus on small samples and intend to examine real life phenomenon (Taherdoost, 2016:22). The researcher used purposive or judgmental sampling in ensuring that selected participants have expertise and knowledge about the case under discussion and that they warrant inclusion. The sample group consists of nine officials working in the financial management section with in-depth knowledge and experience about procurement processes, policies and irregular expenditures.

#### **3.3.5.4 Sample size**

Sample size is an important feature of any study to yield the required results (Taherdoost, 2017:1). The researcher adopted an exploratory study with a sample size fewer than 30 participants. The size of the sample was influenced by experience, knowledge and characteristics of participants. The researcher took into consideration the nature and the purpose of the study, time and resources available were also taken into consideration in deciding the number of participants to be interviewed. Being said that, Sim *et al.* (2018:24), argued that the decision over what constitute an adequate sample size to meet a study's aim is one that is necessarily a process of ongoing interpretation by the researcher. While Malterud *et al.* (2016:1), suggest that the more information the sample holds relevant for the actual study, the lower amount of participants is needed. As the study was confined only to the Department of Social Development, the sample group consisted of nine (knowledgeable) participants with expert knowledge in financial management and procurement process.

#### **3.3.6 Data collection instruments**

During a research process, it is important to design a data collection instrument to ensure that the data is accurately collected (Thomas *et al.*, 2018). When deciding on the instrument, the researcher must take to account the type of the study, targeted population and the objectives. Because data was collected during the hard lock down in 2021, the researcher prepared an interview guide, listing questions to be asked during interviews. Microsoft Teams was used for one-on-one semi-structured interviews. During the interviews, additional questions were asked to seek clarity or to encourage participants to give more information. Semi-structured interviews are an instrument for eliciting information that will help in achieving a holistic understanding of interviewees' point of view; it can also be used to explore interesting areas of research (Berry, 1999:1; McGrath *et al.*, 2019:1; Monday, 2020:15).

Interviews give the researcher an opportunity to uncover information that is likely not accessible using other techniques such as questionnaires (Monday, 2020:24). Appointments were arranged by sending emails to individual participants to confirm an appropriate time and date. Participants

were informed that their participation was voluntary and that they could withdraw at any time. As for written documents, the researcher went to the department website to get policies and financial statements.

### **3.4 Data collection**

Request to participate was communicated to 15 officials using email, WhatsApp and Microsoft Teams calls. Nine participants accepted the request to participate, while other officials did not respond. Of the nine participants, six were managers and three were practitioners. To arrange for an interview, participants were sent an email to confirm time and date suitable for interview. Once the time and date are confirmed, Microsoft Teams was used to set appointments for individual interviews. WhatsApp was used to remind participants about the date and time of the interview. During the interview, before starting with questions, participants were informed that information gathered will be treated as confidential and only used for the purpose of the study. They were also informed that participation was voluntary and that they could withdraw at any time. Participants were requested to switch on their video cameras during the interview if they are comfortable with that: some did and some did not. All participants were asked questions from the same loose set but with no defined order of the questions. Participants were encouraged to talk about their experiences through open-ended questions; depending on how questions were answered, additional questions not on the original list were asked to seek clarity and in-depth knowledge.

### **3.5 Data preparation**

Data preparation includes cleaning up of existing data sets into a form that is suitable for analysis and interpretation (Paton, 2019:2). This process is crucial as the researcher gets the opportunity to identify information relevant and of the quality necessary to answer the research questions. The duty of data preparation needs to be handled with care as improper data preparation can distort and dilute the views of participants. Data quality had to be guaranteed by eliminating various errors that appear in data (Koumarelas *et al.* 2020:1).

In the process of preparing the data, the researcher listened to each recording and wrote down everything discussed during interview. While drafting what was discussed, grammar was corrected, duplications were eliminated and sentences were re-structured. The researcher also took out those discussions that were irrelevant to the study and ensured the names of individuals were excluded from the data. The researcher ensured that only quality data remained that will help in answering research questions of the study.

### **3.6 Data analysis**

*Data analysis* is simply the process of converting the collected data into meaningful information (Taherdoost, 2022:2). Qualitative research is notable and yet depends upon researcher ability to conduct grounded, rigorous analyses and understand what it means to do qualitative analysis (Lester *et al.*, 2020:95). The data obtained were processed and analysed. According to Bailey (2008:125), the process of bringing sanity, structure and meaning to the vast data is called qualitative data analysis; hence, common factors such as reduction, organisation, interpretation, and substantiation of data are considered significantly. Interviews were audio-recorded and transcribed verbatim. Furthermore, the list of irregular expenditures of the department were verified through notes of the financial statements submitted to the Auditor General of South Africa and supported by the theories introduced in the literature review. Data was analysed using thematic content analysis, that is, analysis according to themes and perspectives by using Atlas.ti. Thematic analysis, sorting and sifting through a data set to identify similar phrases or relationships, is a method for identifying, organising and offering patterns of meaning across a data set (Clarke *et al.*, 2015:57). It assists the researcher makes sense of collective meaning and experiences. This phase involved creating categories of information using emerging and predetermined codes and linking these categories to position them within the context informed by the literature review (Lester *et al.* 2020:98). The researcher familiarised himself with the data by means of thorough reading and re-reading, summarised the data and categorised it into emerging themes; thus, data interpretation occurred. Recorded interviews were transcribed to enable content analysis of the statements of individual responses and to arrive at key messages after compressing the data according to the major themes emerging from the respondents.

### 3.7 Validity and reliability

According to Lester *et al.* (2020:102), the diversity of qualitative research is reflected in the different arguments that exist about how to establish quality and claim rigor. Unlike quantitative researchers who apply statistical methods for determining validity and reliability of research findings, qualitative researchers aim to design and incorporate methodological strategies to ensure the trustworthiness of the findings (Noble & Smith, 2015:2). The data used by the researcher involved academic and professional literature and hence the analysis of data contained evidence from various sources in a way that indicated the inter-connection of enhancement and evidence of validity. Department of Social development financial statements notes in table 2.4 to table 2.9 as shown in the literature review chapter confirm some of the drivers of irregular expenditures as per respondents' answers to interview questions. Document analyses also add a source of data and thereby increase validity. To increase reliability in this study, a clear research design and research methodology were adopted, respectively, by the researcher. Documentary evidence was also used by the researcher to give support to information from interviews and strengthen the reliability interview data.

Literature reveal that authors of qualitative articles talk about generalizability as a limitation or a weakness of qualitative research but one have a different view. According to Smith (2018:140) qualitative research lack generalizability only when is understood through particular type of generalizability, that is statistical probabilistic generalizability. There are deferent types of generalizability to consider for qualitative researcher including naturalistic generalizability and transferability. Transferability is defined as occurring whenever a group in one setting considers adopting something from another that the researcher has identified, this occur when the reader believe that research overlaps with their own situation and can intuitively transfer the findings to their own action, then the research can be said to generalise through transferability (Smith, 2018:141). The researcher believes that participants' responses of the study are captured clear to increase transferability and the findings can be generalised through transferability.

### **3.8 Ethical considerations**

Appropriate ethical principles are important in all research studies including qualitative research where ethical considerations have a particular resonance due to the in-depth nature of the study process (Arifin, 2018:30). One of the ethical issues researchers encountered during COVID-19 was that the health and wellbeing of participants should take priority over research timelines (Jowett, 2020:2). According to Sobočan *et al.* (2019:1), ethical issues are inherent throughout the research process, from choosing what to study and how to study it, through analysis and dissemination of findings.

In this study, participation was voluntary and informed consent was sought from all participants. Confidentiality and anonymity of participants in the final report was assured by the researcher. The researcher obtained an ethics clearance certificate from the Cape Peninsula University of Technology (CPUT) to carry out research. The researcher also obtained a permission letter from the research ethics committee of the Department of Social Development giving permission for data collection.

The following ethical considerations were upheld in this study: 1) keeping confidentiality and anonymity of participants, that is, no information or documents for public consumption and that confidential is of cardinal importance; 2) informing participants about the important of the study and that it will benefit management in making informed decisions about controls to be established to minimise the impact of irregular expenditures; 3) informed consent: senior managers and participants were informed that participation in the study is voluntary and that they are under no obligation to be part of the study if uncomfortable. An email was sent to individual participants requesting their permission to participate and consent letter. Participants were assured that there will be no harm associate with them participating in the study.



### **3.9. Conclusion**

This chapter described the comprehensive research methodology used in the study. It answers the question of *why* the philosophical assumptions, research paradigm of interpretivism and qualitative approach were adopted. It has also looked at the population, research design (case study), sample frame, sample, sampling techniques, data collection methods and techniques. Furthermore, to comprehend the nature of the data, data analysis was discussed in terms of the procedures employed. Thematic content analysis using Atlas.ti. was used for analysing qualitative data by the researcher. The focus of next chapter is primarily on the results of data analysis and findings.

## **CHAPTER 4**

### **DATA ANALYSIS, PRESENTATION & DISCUSSION OF RESULTS**

#### **4.1 Introduction**

Chapter 3 painted a picture on the methodology used to collect data and software used for data analysis. The chapter also provided an overview of the purpose of the study, objectives, data collection tools, population, the process of collecting and processing data collected. It also provided justifications for the selected designs and methods.

Chapter 4 presents data analysis, interpretation and discussion of the results from interviews and documentary reviews. This chapter gives attention to data analysis so that it can be determined that objectives of the study were achieved and that the study contributed to the new body of knowledge.

The primary objective of this study is to ascertain the drivers of irregular expenditure and the role of an internal control unit within the department of Social Development in the Western Cape provincial government department.

#### **4.2 Interpretive paradigm**

An interpretive paradigm guided the analysis of the data; the aim was to solicit truth and knowledge subjectively from participant experiences and understanding. Participants' work experiences are influenced by their cultural and historical backgrounds, education, working environment and understanding of the world around them. The interpretive view invites the researcher to investigate meaning behind the understanding of human behaviour, interactions and society, with an intent to develop an in-depth knowledge and understanding (Pulla & Carter, 2018). The interpretive approach afforded the researcher in this study with the flexibility and freedom in analysing to arrive at the views of the participants while still being aware of personal cultural biases. In analysing the text, I had to put myself in to the shoes of the participant so that I get the meaning of what they said. As human beings we are able to communicate with one another and in

interpretive research, such forms of communication are given priority; this help us to understand that the social world is complex and cannot be reduced to the relationship between small number of variables (Phothongsunan, 2010). This is the reason why after each analysis session, the researcher had to reflect and revisit to ensure that all views and opinions of the participants were captured. As reality is subjective and different from person to person, the research participants cannot be expected to arrive at exactly the same interpretation as researchers (Rolfe, 2006:305 in Scotland, 2012:12). Through interpreting and analysing data, participant viewpoints will be uncovered (Denzin, 1989).

### **4.3 Data analysis process**

Data was collected from nine officials who are working for the Department of Social Development based in the head office. Participants include four SCM practitioners and five managers. All participants are working in the financial management environment, acquisition, demand management, logistic management, contract management, internal control and compliance monitoring. Based on their expertise in their fields of work I was able to get necessary information for analysis.

Data analysis is a process of bringing sanity, structure and meaning to the vast data and hence common factors such as reduction, organisation, interpretation substantiation of data are significant. Repeated reading and re-reading of interview transcripts contextual data and listening to recordings of the interviews was my first step of data analysis process. The four key steps of data analysis include immersion in the data, coding, creating categories, and the identification of themes. During data analysis process, I identified patterns and links between participants' approaches and ways of answering or passing messages. Data analysis is the most complex phase of a study as it covers a broad range of approaches (Wan, 2018:1). Wan continues, that data analysis involves creating analytic categories that reflect the experiences of participants and highlight the significance of cultural events. In particular, thematic analysis of data is conducted to examine systematically the content of data to identify recurrent patterns in participants' responses and their understanding of their social world. Making analysis in the words of the participants allows for exploration of meaning as experienced by the participants themselves. In

other words, the data analysis process is a route by which study conclusions are reached. According to Green *et al.* (2007:1), a clear and detailed data analysis process is necessary if we are to judge the contribution of qualitative study. Researchers are to produce their narratives that convince the reader that a careful, rigorous, analytic process has been undertaken; this can only occur by connecting analysis with the evidence produced (Green *et al.*, 2007). To achieve this, the researcher generated themes to help manage and make sense of the data.

#### **4.4 Generating themes**

Identifying themes is the most fundamental task in qualitative research while also one of the most mysterious tasks (Ryan, & Bernard, 2003:85). But dealing with the data and generating themes is not a straightforward process; it involves a lot of reading and interpretation (Wan, 2018:5). While reading the transcripts, I identified patterns of loose categories emerging from the data that offered analytic insights of what participants think. Being able to draw on understanding of the interview context brings depth to data immersion and help identify recurring ideas or language. The generation of themes requires one to go beyond identifying categories; it involves moving to explanation and interpretation of the matter under investigation (Green *et al.*, 2007). I grouped together the loose categories and commonalities to form themes, linking the categories with social theory until overriding explanation that makes sense of the various patterns is arrived at. According to Ryan and Bernard (2003), themes are constructs that link expressions found in texts, images, sounds and objects. I realised that repetition was the easiest way to identify themes; for example, participants were repeatedly mentioning that the main reason for possible irregular expenditures is that officials do not have time to read policies for understand. Boyatzis (in Frereday & Muir-Cochrane) defines *themes* as pattern in the information that at minimum describes and organises the possible observations and maximum interprets aspects of the phenomenon.

It is from the diverse and detail-rich experiences of participants providing recurrent and unifying ideas regarding the subject matter that themes emerge (Bradley *et al.*, 2007:1766). I had to find commonalities to the views raised by participant and compare to assess relationships among concepts. Finding a balance between preserving and representing each participant is crucial as this ensure that themes are applicable and accommodate the general view of all participants. In the

process, I realised that understanding one participant point of view enhanced another to understand another participant.

#### **4.4.1 Coding themes**

*Coding*, a process of examining and organising information collected during interview, is where the researcher starts making judgments. Coding in qualitative research encompasses processes that enable collected data to be constructed, categorised and thematically sorted, affording an organised platform for the formation of meaning (Williams & Moser, 2019:45). This process requires a clear sense of the context in which statements in interview data are made. I started labelling single words, phrases and sometimes the entire paragraphs. According to Green *et al.*, (2007:548), it is this process of coding that researchers need to be clear about what they are asking of the data. As I was discovering more information about the topic, I added codes and refined some of the meanings. The initial coding frame requires a skill to pinpoint recurring themes and concept; this can only be possible after the researcher read and re-read data for understanding. At the heart of the coding process lies the responsibility of ensuring that coding procedures are defined, rigorous and consistently applied to conform with validity and reliability standards associated with qualitative research. Encoding information organises the data to identify and develop themes (Fereday & Muir-Cochrane, 2006). While I was combing through the data, I recognised important moments and encoded them.

Importantly, open, axial and selective coding strategies enable a recurring and developing data circle in which the researcher interacts, constantly comparing data and applying data reduction, and consolidating techniques (Williams & Moser, 2019:45).

#### **4.4.2 Open coding**

According to Williams and Moser (2019), *open coding* is the first level of coding where the researcher is identifying distinct concepts and themes for categorisation, where the first level of data is organised by creating initial broad thematic domains for data assemblage.

As a researcher, it is important that we give names to our ideas and concepts to define, analyse and share with others, begin to examine them comparatively, ask questions to systematically specify the states and to imply possible relations with others (Khandkar, 2009:1). I listed all catching and interesting words used by participants when answering questions and tried to identify the relationships and commonalities. Open coding helped because I was able to see the direction which I wanted to take and ensure that I am selective and focused conceptually on a particular social problem.

#### **4.4.3 Axial coding**

In contrast to open coding, which focuses on identifying emergent themes, *axial coding* further refines, aligns and categorises the themes, sometimes through combining concepts from open coding (Williams & Moser, 2019:50). With the completion of open coding and transition to axial coding, collected data can be sifted, refined and categorised with the goal of creating distinct thematic categories in preparation for selective coding. A process of identifying relationships between open codes was started, with an idea of developing core codes. The role of axial coding is critical to achieving the research goals of a study, as it provides opportunities for researchers to narrow down views and ideas of participants.

#### **4.4.4 Selective coding**

*Selective coding* is the third level of coding that enables a researcher to select and integrate categories of organised data from axial coding in cohesive and meaning-full expressions. Williams and Moser (2019:52) are of the view that central to enabling the story or case to emerge from the data categories is the process of enabling further refinement of the data, selecting the main thematic category, and then in a systematic manner, aligning the main theme to other categories that have been selectively coded. This method of data outlining enables the researcher to work repeatedly toward thematic specificity and, in turn, theory creation. In selective coding, degrees of causality or predictability can emerge from the thematic refining process, allowing the researcher to identify sets of circumstances in which certain responses will elicit responses that suggest certain circumstances receive unique and differentiated responses.

## 4.5 Analysis and discussion of themes

The study followed a qualitative research approach as well as case study design. According to Valtakoski (2020), qualitative research methods such as case studies can play a role in the development of new theory in the research field. The initial sample size was 25 participants but because data were collected during hard lockdown due to COVID-19, sample size was revised to 15 participants. A response rate of 60% was achieved, as other officials were unable to participate due to other commitments. Participant includes six managers, and three practitioners all are within supply chain, finance and internal control unit. Taherdoost (2016:22) explains that case studies focus on small samples and intend to examine real life phenomenon of individuals. The participant rate of 60% was sufficient to carry out a case study. The researcher not only relied on interviews for data collection, but financial reports and policies of the department were reviewed.

**Table 4.1: Themes and sub-themes**

Number	Themes	Sub-themes
1	Irregular expenditure	1.1 Current form of irregular expenditure. 1.2 Participants understanding the concept of irregular expenditure. 1.3 Volume of irregular expenditure.
2	Identified challenges	2.1 Training 2.2 Lack of knowledge 2.3 Misunderstanding between staff and management 2.4 Control irregularity and fraudulent activities 2.5 Human factors
3	Possible reasons of irregular expenditures in the department	3.1 Emotional factors (under pressure) 3.2 Working experiences and qualifications 3.3 Professionalism and culture 3.4 Mentorship 3.5 Communication
4	Current system of checking	4.1 External auditors 4.2 Internal auditors 4.3 Line monitoring 4.4 Control unit and department checking 4.5 Pre and post 4.6 Role of internal control unit.
5	Tools for preventing irregular expenditure	5.1 Policy and implementation unit 5.2 Monitoring the performance 5.3 Segregation of duties 5.4 Other committees 5.5 Knowing the tool 5.6 Checklist 5.7 Action plan 5.8 Workshops 5.9 Segregation of duties 5.11 Centralised procurement process

6	Financial management and internal control	
7	Recommendation for improvement	

**4.5.1 Theme 1: Irregular expenditure**

Irregular expenditure is an expenditure incurred without complying with regulation as stated in the Public Finance Management Act 1 of 1999 (PFMA) and the constitution. According to Fourie (2018), irregular expenditures not only highlight resources that were not properly managed or criminal acts that were perpetrated, but also possibilities of lack of understanding of policies and regulations by staff members.

**4.5.1.1 Sub-Theme 1.1 Current forms of irregular expenditures**

All participants pointed to the fact that most irregular expenditures are as results of not complying with regulations.

*Yes, in the supply chain environment itself, it could be irregular, exceed your threshold outside the scope of the delegation. Delegation C4 before it was now changed in June, say that the ASD could sign up to thirty thousand but now the ASD might have signed for above thirty thousand, that would constitute an irregular. That might have also been due to pressures because we are currently still within the COVID environment. So reading properly, have time to digest information but it is also merely to get the awards out so that the service can be rendered due to the nature of the business. Also the budget holder might not have approved the final expenditure to be awarded to that supplier, but the order was already generated. So that can also lead to an irregular, also where the order was not signed off by the appropriate delegated official, the order was signed off by a level five instead of by a level eight also constitutes an irregular. (Participant 7)*

*I actually think it is mostly when they do not adhere to legislation. (Participant 4)*

*I think it is local content. I, the local content is the major one and we have been fighting with AG with when it comes to local content because even the DTI, is not as much as helping and to give too much responsibilities to the department, to check for certain things, you must go and advertise, you must go look for quotations, you must analyse the quotations, you must calculate the preference point and now they want to, they want us to go and check whether this company is really, what is it stating on this annexures of local content? it is too much responsibility and it is the local content and when it comes to local content, I think that is where the most of irregular expenditure and the other mistake that I think, it will be within the divisions but for me, Local Content and Contract Management and it comes around there. Incorrect calculations of price in adjustment, price increase, and it goes around there between Local Content and Contract Management, but at least we are still surviving. (Participant 6)*

*It is all because of the late communication of those new developments. You get them in the finance, with the incorrect disclosure versus the new standards, which is the MCS and the Treasury developments. I will do an example now. MCS is giving the standard, but now because of COVID, the reporting was changed because of COVID and the department was not aware of that. To disclose those things either as a transfer payment or goods and services and those things contributes to irregularity as well. (Participant 5)*



The responses from participants affirm that most irregular expenditures are because of non-compliance policies and regulations. This finding is in line with Rispel *et al.* (2015) who believe that lack of awareness of the law and regulations that governs public expenditure can lead to an increase of irregular expenditures.

#### **4.5.1.2 Sub-Theme 1.2 Participants understanding the concept of irregular expenditure**

In general, all participants showed an understanding of the concept of irregular expenditure.

*So irregular expenditure is an expenditure that has been incurred by department of which a transaction that was done in terms of the expenditure that was in contravention of a particular legislation, prescript regulation, instruction, something that comes from, that stems from legislation. (Participant 1)*

*Irregular to me is firstly when it is not budgeted for, the scope of the budget. And thereafter it still continues with the process of procurement. That for me is one thing that is irregular, but during the process of procurement the delegated authority, have possibly not signed off on the request that could also constitute to irregular. Approval was not given by the budget holder or the custodian of that budget. (Participant 7)*

*My understanding of expenditure, irregular expenditure is when you make payment that is not in line with PFMA or NTR or circulars or instructions. So it is like in contravention with legislation. For example, I am now going to use one of our procurement for example, when the budget holder did not approve something that the office wants to procure, that is also seen as irregular expenditure because they were in contravention and especially with the COVID also there were a lot of issues concerning about that the department was not in line with the national treasury regulations and the world health organisation's criteria when it comes to COVID procurement. So basically that is my understanding of irregular expenditure. (Participant 4)*

This finding was confirmed by aligning participant responses to the definition of irregular expenditure as defined in the PFMA: irregular expenditure is an expenditure incurred without complying with regulation as stated in the Public Finance Management Act 1 of 1999 (PFMA).

#### **4.5.1.3 Sub-Theme 1.3 Volume of irregular expenditures**

All participants unanimously agreed that the department is currently not experiencing high volume of irregular expenditures as compared to previous years.

*I would say at the current moment we are still in a good stead with the AG in that regard. So I would say there is not a high number of things, because there have not been any urgency in bringing that point to the training or the workshops across to the staff. (Participant 7)*

*I am not sure. I do not think we have a high number. I think a number would be maybe average, but not a high number, because I do think we have like things in place although we are not always adhering to it and if we, I mean I am coming from an internal control side now, if for example, I pose a question to someone and saying that and that and that or that is not in line with that legislation, they will give me now a different explanation as to why it was done a certain way, but I do not think we have a high number of irregular expenditure. Currently, currently, but I know previously I think there was. (Participant 4)*

*I do not think we are experiencing a high volume of irregular expenditure; I think there might be some. As far as I know we have always had a good audit. I have basically, in my time at the department I have really only experienced it maybe once or twice in the five years, but no not of my knowledge I do not think we have a high number of irregular, I do not deal with it too often it only comes past me when I might be, when something might have been in my section or I might have been part of something in somewhere in the process, so I do not know of a lot of times that has happened. (Participant 3)*

*I would say previously yes, but currently like I said, we have found a way. Like I said, the cause of these irregularities, the root cause what we have identified, was the lapse between the National Treasury and the Provincial Treasury. Now what we have done is a mitigating factor. We have decided to download those policies directly from the National Treasurer website, before Treasury can tell us, now we are telling Treasury. (Participant 5)*

This finding is in line with literature review in Chapter 2 from the financial statements of the department, showing a significant decline in instances of irregular expenditures in 2020-2021 financial year when compared to previous financial years.

#### **4.5.2 Theme 2: Identified challenges**

The 2019-2020 Auditor General media report mentions that even though Western Cape continued to produce the best results with 70% clean audits but the rise in irregular expenditure is of concern. It is clear that procurement processes face a number of risk and the manifestation of unethical procurement practices impedes the gains made and makes one want to understand the possible drivers (Mazibuko & Fourie, 2017:109).

##### **4.5.2.1 Sub-Theme 2.1: Training**

Participants believe that the department is not prioritising training on irregular expenditures.

*A lack of training interventions, awareness sessions, and also you know what as well, I have not said it to you but now that I think about it, it is this constant, constant change in policy within government, because you tend to do something a certain way because of a policy that was approved by whether it is the president or the DDG or whomever and a month or two down the line they feel they want to review the policy and they want to change. So, it is this constant change in policies that is also causing it. Changing of like now again they want to change thresholds on the IPS system from the tender process, change in the way we report to the DTI, change in, it is just a never-ending change in policies, I understand why, but sometimes it does not even, yes it also serves to me sometimes not all the time serves to me as just, yes, let me not say further to that. (Participant 1)*

*My understanding currently I have not received any training within the department and I would think that policy unit should drive the irregular expenditure understanding and process as well as in conjunction with post audit function. So at the moment there is a gap in that, my understanding. I can only go currently on what is available, the segments of provincial treasury related information that is available by national treasury to equip our staff who has no formal training or workshops that I have attended that speaks particular, directly to irregular expenditure and how it can be prevented. (Participant 7)*

*You know what, personally, I did not really go on any training or workshops and I do not even know if there was offered like training or workshops regards to that and I actually I would suggest that there should be workshops and training on this particular irregular expenditure. (Participant 4)*

*I think like I do not say each and everything a workshop must be done on each and every circular instruction or whatever that is. I mean people need to be on the same page and I also told you know the supply chain delegation, the amendments to it. (Participant 4)*

*I have been working for the department for over five years now and I can honestly tell you I have never been any on such training. I basically came to learn about it through my work that I do, so no I never heard of a training on irregular expenditure and I have never been on one or anything like that. (Participant 3)*

This finding agrees with Sah and Bhattarai (2021) in that there are significant inefficiencies in managing procurement processes due to lack of training, lack of qualifications, knowledge, skills and experience, lack of cooperation and proper communication and lack of monitoring and evaluation.

#### **4.5.2.2 Sub-Theme 2.2: Lack of knowledge**

Participants highlight lack of knowledge as one of the challenges in the department.

*Yes, like I said one of the contributing factors is a lack of knowledge, a lack of knowledge from staff or management also for that matter. (Participant 1)*

*When officials also understand the implications of the accountability factor, because then they will apply their due diligence, to read the documents, interpret the documents, understand it and ask further points of clarity to then not be too familiar with a certain process. (Participant 7)*

*Those are all the building blocks and it is a continuous progress because the NT instructions or the PT instructions change over time, interpretation also changes over time. So we need some custodians at a higher level to bring that information down to the officials that are, the process. And it must be regular. Awareness sessions, training workshops, flyers of information not a whole document of twenty pages, but one page document that is a flyer that grabs your attention, certain words jump to you, colours and so on so that it is easy to read and to understand the information that is being said. (Participant 7)*

*It could be just lack of knowledge, it could be lack of interest. I have come across different types of employees over the years, you get people that are not experienced in their work, you get people that have no interest in their work they just come because they need to be there and they want to get the salary at the end. So, they do not really worry what they come and do there, so they do the minimum, they do not care about doing the right thing. That is my opinion on that. The biggest thing would probably be lack of knowledge, lack of training. (Participant 3)*

*Like we are not the experts on everything. We do not know everything. (Participant 4)*

*My understanding or the way I see it, the imbalance or the understanding of irregular expenditure is not in the level that is supposed to be between the staff and the management because we find out that, I can say even in the management perspective the level of understanding is not to the level that they are supposed to know because they are the ones that design the delegations and some form of prescripts that we are supposed to follow, but we found out, when you go through those delegations and, we find out somewhere somehow*

*the [inaudible 0:11:59] for an example, you cannot be the verifier and the authoriser and the approver at the same time, there is no such thing. (Participant 9)*

Participants' views are supported by complementary statements that say that failure to apply appropriate procurement processes is linked to the gap between stakeholder knowledge and actual practice, like departments that do not prioritise information sharing and training of staff, lack of projects monitoring, and evaluation all contributing to the poor quality of work (Coleman *et al.*, 2020:41).

#### **4.5.2.3 Sub-Theme 2.3: Misunderstanding between staff and management**

Participants indicated the following.

*The view from the staff and the view from management is quite different, because staff they are the ones that is working on the ground that needs to ensure the procurement is done, that needs to ensure that payments are done, that needs to ensure service delivery is done, but management is looking at it from a perspective of an auditor. (Participant 1)*

*You know it is very interesting because I was thinking of that now. I just want you to give me clarity on that clear engagement model because I was thinking of that how you explained it now. As you know especially we were told not to directly be in contact, or contact the supply chain officials, the supply chain practitioners and with finance we engage with the state accountants there which is okay, but you know sometimes when we want to approach supply chain officials it is just like to get clarity on something, I also found, especially in our chief director's supply chain, internal control, finance there is always like a, when internal control comes, that resistance. It is almost like we cannot get information. (Participant 4)*

*The senior management obviously, middle and up management obviously see irregular expenditure as a huge problem because you would expect that your staff would know and would follow procedure. You, it is actually something that is very worrisome when it comes to management when something like that comes to their knowledge that irregular expenditure, and they start what I have experienced, they start thinking all kind of things. Why, why did this happen, why did not the person know that this and that process had to be followed. The questions are being asked but I do not see much being done. (Participant 3)*

*No. I think the users do not have the same understanding as the management because when we get AG queries the users do not respond to the AG queries. It is only the management because even now, we just received an Audit Management Report. It does not filter down to the users, for them to read what was on the report and what should be done because it they do not perceive the same way and it will be us people internal control, line monitoring, policy and government and the stakeholders, the one in the Deputy Directors in SCM or that region because we only enquire when AG comes to Head Office. (Participant 6)*

According to Rubino *et al.* (2017:21-41), an internal control environment has a pervasive influence on an organisation's decisions and activities and lays a foundation for the overall internal control system. A misunderstanding between staff and management creates confusion and weakens the effectiveness of controls that are already in place.

#### 4.5.2.4 Sub-Theme 2.4: Control irregularity and fraudulent activities

None of the participants were aware of fraudulent activities in the department.

*Yes, because of the perception that there is a lot of fraud and corruption happening in South Africa that maybe staff does not realise that if a department is found wanting of millions of rands of irregular expenditure it could come across that we are doing fraudulent or corrupt things. (Participant 1)*

*There is obviously fraud and stuff, but you know some of the stuff that I am not even aware of because those stuff they do not provide us with that information. (Participant 4)*

*I have never experienced a fraudulent irregular expenditure. That is something that would be, it would have to be investigated and need to be proved that it was fraudulent. (Participant 3)*

*Look I am not aware of any fraudulent activity, but to my understanding it is more human error that is made. (Participant 2)*

Fourie (2018) confirms that not all irregular expenditures highlight fraud, resources that were not properly managed or criminal acts that were perpetrated, but also refer to possibilities of lacking understanding of policies and regulations by staff members.

#### 4.5.2.5 Sub-Theme 2.5 Human factor

Participants are of the view that some of irregular expenditures are due to human factors.

*I would refer you here back to your question eleven because they speak to one another, that human error that I spoke of. (Participant 7)*

*Is further exacerbated by the under pressure working and that could be the lead cause why we make errors and mistakes because we are under pressure to perform, to put out production we also have few staff on hand, because within the department when the concept of centralisation was developed they did not equate the number of staff that is needed to ensure that centralisation is working very effectively. So we are currently still within that space of centralisation, but there was no way an increase of the staff compliment. To ensure that the pressure of the human error can be resolved or minimised. (Participant 7)*

*Where I am currently working, it is not my first job. So, I have been in other positions as well, where I know if you are under pressure, if you have deadlines and you have loads of work piling up and still more coming you are definitely going to make mistakes because you now rushing to get through things. You hardly have any assistance because there is only X, Y, Z in that unit, there is only those amounts of people there and everybody else has their job already set out for them. So, you have very little to no help sometimes and you have nobody checking your work at all times. At some times their segregation of duties are lacking as well so you are definitely going to make mistakes. So yes, that is my opinion on that one. (Participant 3)*

*I can say there is one because when you are working under pressure you are highly, you are bound to make a mistake in any case because you are working under pressure. The department is expecting specific services or goods at a specific date and you are under pressure, and there is so much on your shoulders and then you do not pay careful attention to what you are currently doing, you do pay careful attention, but not to the highest level that is expected from you. That is where the mistakes are getting in there, and then you are bound to do a mistake which raise a risk of irregular expenditures. (Participant 9)*

*That is also another contributing factor and due to limitation or insufficient filling of positions now and officials found to be doing more than two people's work, that creates the pressure and that pressure creates the mistakes and those mistakes can lead to irregularity as well. It is possible, I agree, I fully agree. (Participant 5)*

*There is too much [sic] policies and standard operating procedures that people do not even understand because we design our own styles of doing things, although there is a written document to follow a process, but you are so comfortable with the way that you understand and forgetting to consult that whenever. (Participant 6)*

### **4.5.3 Theme 3 Possible reasons of irregular expenditures in the department**

Previous experiences and global financial crises have taught us the importance of the internal control and risk management system (Rubino *et al.*, 2017:19-41). A strong control environment is identified through integrity and ethical values, attitude of top management, management philosophy, competence, and professionalism of those working in the department. When the foundation is not strong enough and control environment is not positive enough, the overall system of internal control will not be as effective as it should be.

#### **4.5.3.1 Sub-Theme 3.1: Emotional factors (working under pressure)**

All participants agree that supply chain management is working under pressure and the ever-changing policies are adding salt to the wound.

*Okay I am only going to speak for my current department, I do not know if other departments are in the same position. So yes, definitely, definitely in our department our supply chain and specifically our acquisitions unit are under extreme pressure and other departments do not have a centralisation processes like we do. We have to service the entire department from as far as Outeniqua, George to as far as our office here Cape Town. So yes, definitely staff members are severely under pressure and that will, will definitely cause room for error which could lead to irregular expenditure. (Participant 1)*

*Working under pressure, the volume of work is a contributing factor in terms of processing payments, like the finance section, that they have need to get payments out, because you need to pay a service provider within the thirty-day time frame. (Participant 4)*

*Yes, I think there is. I have, this is I must be honest this is mostly hearsay, so what I have heard from my colleagues, so this is not my experience. I do not work in, I do not want to say I do not work in a pressurised unit, I definitely do have pressure but I have learnt how to deal with my pressure. (Participant 3)*

*I can say there is one because when you are working under pressure you are highly, you are bound to make a mistake in any case because you are working under pressure. The department is expecting specific services or goods at a specific date and you are under pressure, and there is so much on your shoulders and then you do not pay careful attention to what you are currently doing, you do pay careful attention, but not to the highest level that is expected from you. That is where the mistakes are getting in there, and then you are bound to do a mistake which raise a risk of irregular expenditures. (Participant 9)*

*That is also another contributing factor and due to limitation or insufficient filling of positions now and officials found to be doing more than two people's work, that creates the pressure and that pressure creates the mistakes and those mistakes can lead to irregularity as well. It is possible, I agree, I fully agree. (Participant 5)*

*There is definitely, like I said just now, when you are working under pressure, you are rushed, and you do things, you overlook things and also maybe you do not have time to look at it, maybe the delegations change within a week or change you know. So that is where that happens. You think you know the delegations, but maybe there was an amendment, you did not see your email come through, because of rush you just forward to the next person to sign, and maybe this persons not delegated anymore to sign so yes, most definitely. (Participant 2)*

This finding is in line with the view of Rispel, de Jager and Fonn (2015) who believe that capacity constraints could conceivably result from lacking awareness of the law and regulations that governs public expenditure and lead to increase in irregular expenditure.

#### **4.5.3.2 Sub-Theme 3.2: Working experiences and qualification**

Participants have different views on the issue of working experience and qualifications but the majority agree that getting the right person in the right position can reduce occurrences of irregular expenditure.

*You need people that has the correct skill set number one for the job that can deliver on the outputs that is required of the job, and that also can contribute to the personality of the job. Those criteria to deliver are all contributing to the positive result. (Participant 7)*

*It could be that we are employing people that are not properly experienced for the work, it could be that we are employing people that are not even properly qualified to do the work. (Participant 3)*

*Yes, I definitely think so. I definitely think so. You cannot employ a person in a management level especially who has got little to no knowledge and experience of the work that they are doing. Number one that person is expected to manage people and to know what those people are busy doing and why they are doing it and how they are doing it. Now you are putting a person in a position that has no clue what he or she is working with or working towards or supposed to be doing then how does that person lead the rest of the group? (Participant 3)*

*So, I cannot say employing or appointing the right person to the right position have positive results, but I can say in that one. You can employ a person, but if you equip a person by work-shopping a person and giving that person a regular training then definitely we will get the positive results. (Participant 9)*

*So, if you have trained, remember experience, now I am taking someone from the City of Cape Town, coming from local government to provincial government. The method of working are different. Now you need to train this person, to understand the provincial systems. So at times you get the best suitable person. At times you get someone that is eager to learn. (Participant 8)*

*If we have right and the competent people, that can eradicate or reduce your number of irregularities because remember the right people, will ensure that staff is aware of the new development, will ensure that the staff is trained of the new development, will ensure that staff is not put under pressure and he will ensure that*

*staff, ensure that the unit is fully capacitated. That is the right and competent people in those positions. So I, my answer is, yes. (Participant 5)*

The majority of views share the thought of Munzhedzi (2016) who indicates that the admirable policy frameworks we have are often grossly undermined by incidents of lack of accountability, political interference, appointment of inexperienced and unqualified officials and contractors, lack of technical expertise in the respective bid committees, lack of understanding of relevant regulatory frameworks and non-compliance with policy frameworks.

#### **4.5.3.3 Sub-Theme 3.3: Professionalism and culture**

Gauging from participant views, there are challenges of professionalism and culture.

*Everybody has a different sort of culture of work and I say that because I have been at various, I have been all over and that is how I know how different people work. (Participant 1)*

*It could be just lack of knowledge, it could be lack of interest. I have come across different types of employees over the years, you get people that are not experienced in their work, you get people that have no interest in their work they just come because they need to be there and they want to get the salary at the end. So, they do not really worry what they come and do there, so they do the minimum, they do not care about doing the right thing. (Participant 3)*

*Lack of commitment to read, to read your own policies. To understand your own policies and neglecting your responsibility. (Participant 6)*

*Like I mentioned earlier on officials not being clear on the delegations, you not knowing also just opening your ears and knowing of contracts that is coming to an end and not just actioning. Ask first the questions if you know and also that where officials do not ask questions, if you are unsure of something then do not just do something you know. Have an open communication with your supervisor or the person that, if you do not know something ask. (Participant 2)*

*You must have the people that can understand and identify when an error has been made so that the error does not occur again, to take ownership of the error, accountability factor, very important. (Participant 7)*

Based on the above comments, it is evident that there are no open communication channels and unifying work culture. Vu and Nga (2022:1) see culture and professionalism as the glue that bonds staff and management in translating integration of activities, measures and control mechanisms within an enterprise to minimise or prevent risks.

#### **4.5.3.4 Sub-Theme 3.4: Mentorship**

Participants believes that sharing of information and experiences can make a difference.

*Sharing best practices from other departments, how they curb irregular practices, what is happening on the other side, so that we are all in uniformity as a department can then project and receive what is necessary.*



*See what national puts in place and make sure that information is then filtered down officials that are actually doing the work. (Participant 7)*

*So, we need some custodians at a higher level to bring that information down to the officials that are in the process. And it must be regular. Awareness sessions, training workshops, flyers of information not a whole document of twenty pages, but one page document that is a flyer that grabs your attention, certain words jump to you, colours and so on so that it is easy to read and to understand the information that is being said. (Participant 7)*

*Even when people exit the department, have exit interviews with the staff, if they retire, if they move location, to understand what they would do better if they were given the opportunity to do so. Get an understanding to improve the practices going forward in the department. (Participant 7)*

*You can employ a person, but if you equip a person by work-shopping a person and giving that person a regular training then definitely we will get the positive results. The only thing that is needed is the training and the workshop and supporting the person, then you can definitely get the positive results. (Participant 9)*

*That is not about the knowledge of knowing the information, it is about do you know how to apply what you know? Can you do it without guidance? Do you still need guidance to do certain things? Your level of understanding, is it a 1, or between 1 and 5? Can you do it without supervision? (Participant 6)*

*So, if you have trained, remember experience, now I am taking someone from the City of Cape Town, coming from local government to provincial government. The method of working are different. Now you need to train this person, to understand the provincial systems. (Participant 8)*

#### **4.5.3.5 Sub-Theme 3.5: Communication**

One participant was concerned that the communication is limited and does not get to all the stakeholders.

*I can say in my opinion their communication is limited. Their communication is not enough. It does not get to where or to all the stakeholders that is supposed to get to, that is in my opinion. (Participant 9)*

*In my opinion I can say the engagement model between these two units, financial management and internal control unit, is not really clear in a sense that whatever the internal control detects on their assurance service, when they are doing assurance services, it is not really communicated to all the stakeholders in a financial management, as it is supposed to be. They only report or communicate to certain stakeholders. That is where the gap is. (Participant 9)*

This finding indicates a lack of effective communication and to address the issue, Sah and Bhattarai (2021) suggest that people with qualifications, knowledge, skills and experience must be appointed.

#### **4.5.4 Theme 4: Current system of checking**

The prevalent irregular expenditure risks in the process of government departments are a threat to goals that are sets, including those of service delivery to the people. That being said, procurement is exposed to many risks that, should they occur, will influence the achievement of objectives of

department, including maladministration, corruption, lack of accountability, lack of knowledge and insufficient capacity (Hong *et al.*, 2018:28; Ziqubu *et al.*, 2018:3082; AI-Zubaidi 2019:1). It is important now more than ever for organisations and government institutions to put measures in place to curb irregularities in their process.

Below are the checks that the department established.

#### **4.5.4.1 Sub-Theme 4.1: External auditor**

One senior manager confirmed that the department has external auditors.

*It firstly there is the external auditors which is the independent auditor, the AGSA, they do checks once a year. (Participant 1)*

#### **4.5.4.2 Sub-Theme 4.2: Internal Auditors**

*Then we also have our internal audit, we situated at the department of the premier. They would do audits where they would see that there are risks. So, they work together with our enterprise risk management. If the enterprise risk manager reflects there is a risk, internal audit will come in, that is an ad hoc audit they will do. Then you have got your internal control, so what they do is, they do checks on a daily basis, it is their operational work, so this is being done from Monday to Friday. So, they do their checks for any irregular expenditure. (Participant 1)*

#### **4.5.4.3 Sub-Theme 4.3: Line monitoring**

Another participant mentioned additional control the department has, which is line monitoring.

*I do not think, no, I do not think, like said internal control does post-audits. The monitoring unit goes out and they assist and try and assist and try and help before you know get things in place. I almost want to say and forgive me for saying it but internal control is almost like the unit that hits you over the fingers when you have already done something wrong, where the monitoring unit tries to assist you before you go wrong. So, there is definitely a difference in what the two of them do. The one tries to correct before a wrong is done and the other one tells you, you have already gone wrong, you have done wrong, you need to get a hiding now. So yes, that is my opinion on the two. (Participant 3)*

*And then also we got our own line monitoring which also performs checks for us on our systems. (Participant 1)*

#### **4.5.4.4 Sub-Theme 4.4: Internal control unit & department checking**

The internal control unit is preventative control within the department.

*Well, the things is this, they do their, like I say they do their daily checks, their post auditing checks on the transactions, but I must say that there is never a , there is never consequences or follow-ups. Yes, they ask for information that is missing, but there is not a report that I see, you know, where in the report it would say these are the findings that we have raised, these are the measures which was not in place, these are, these are our conclusions and these are our recommendations. I do not see such a report coming through from our internal control. (Participant 1)*

*Like I said, they do more post-audit, we need something pre, we need something before. (Participant 3)*

*I almost want to say and forgive me for saying it but internal control is almost like the unit that hits you over the fingers when you have already done something wrong, where the monitoring unit tries to assist you before you go wrong. (Participant 3)*

This finding can be addressed if internal auditing focus on delivering results and implementing preventive actions, rather than uncovering problems after the fact (IIA). It is also expected that internal auditors must assess and make recommendations on the effectiveness of the controls that are established to minimise risk. Internal Auditing Standard 2400 requires internal auditors to communicate results of engagements; the communication must include conclusions, action plans and recommendations. It important that internal auditors possess the knowledge, skills and other competencies necessary to perform their individual responsibilities (Audit Standard 1200 proficiency and due professional care).

#### **4.5.4.5 Sub-Theme 4.5: Pre- and Post-Audit**

This is what participants said about pre- and post-audit.

*Post-auditing is each and every day because remember we get every month, for example if a region is allocated to you, you are responsible for the post-auditing of that region. So each and every months payments of that specific region you must post-audit and if you pick up irregularities you must report it because in our section is if you pick up irregular expenditure you need to report that to your supervisor and you must also state why you think it is irregular expenditure because always put as possible irregular expenditures because we can also maybe be wrong and it must first go through supervisor for assessment to see whether indeed it is irregular expenditure before a proper investigation can be done. (Participant 4)*

*We need, we need more pre, you know before something is final, we need to have more checks, I would not say, we actually have a lot of checks in place, but we need. (Participant 3)*

*So I would say it is not working until we have changed from post-auditing to pre-audit. Meaning, before a payment can be paid, somebody puts his neck on the block that these payment is fully compliant 100%. The following policies have been adhered to and for me that tool, will be the working tool. Until we implement pre-audit, we will... until we are we implement that, we still have irregular irregularities flying in between our processes. (Participant 5)*

Many sentiments from interviewees suggest that it will be fruitful to put more effort into pre-auditing than post-auditing.

#### **4.5.4.6 Sub-Theme 4.6: The role of Internal control Unit**

Two participants explained the role of the internal control unit as follows.

*Finding key risk areas where we have got areas of concern, where AG and PT because in PT, on a quarterly basis and they provide us their reports on our systems, so they give us their reports to notify, to give us the red flags, so we use those reports, even on a basis, even when there was still impact but I am not part of that*

*process, where they give us our risk areas, where we need to check our controls, whether they are working. (Participant 6)*

*Internal Control for Supply Chain, where every time, after the audit, we update those risks that are listed there and we change our controls that needs to be changed, to be strengthened and then we do a monitoring of that, when we write new policies, so the most important thing, it is work-shopping. it is monitoring and on a quarterly basis and communication, monthly reporting. (Participant 6)*

Current systems of checking: The findings are an indication that while the department has in place systems of checking, there is a general feeling from the participants that more effort is needed in pre-auditing than post-auditing and that the internal control unit must give feedback in conjunction with recommendations. It has been argued that there is a difference between public sector and private sector internal auditing in terms of how they operate and the scope of work (Goodwin, 2004). There can be a difference in how the two operate, but in principle there is no difference: internal auditors must evaluate risk management, controls and governance processes and make recommendations where needed. Internal auditing has developed from what it was in the past, moving away from financial and compliant audit to a broader value-adding role. Leung *et al.* (2006) confirm that internal auditors are moving from a confrontation approach to collaborating with management and from a control approach to a risk-based approach.

#### **4.5.5 Theme 5: Tools for preventing irregular expenditures**

Controls within the business environment are the policies, rules and processes that are established to guide against irregularities. When properly monitored and managed, controls can save the government department from irregular expenditures and corruption. Previous experiences and global financial crises have taught us the importance of the internal control and risk management system (Rubino *et al.*, 2017:19-41).

##### **4.5.5.1 Sub-Theme 5.1: Policy and implementation**

It is evident from participants' responses that the department has plans in place to prevent irregular expenditures.

*Another contributing factor for me being uninformed about regulations as prescripts, they are not truly work-shopped or distributed amongst officials that needs to apply those regulations and interpretations of this regulations and prescripts, another contributing factor. (Participant 7)*

*For us we are in Supply Chain. We focus on Supply Chain issues and so when we do find something that is within Supply Chain, our policy section in Governance, they would update their policy. They would update and write and get it approved, or before even approval, they request inputs from the stakeholders, the regions, so that when they do the policy, they have got everybody's input to address that gap. (Participant 6)*

*Firstly, there is a starting point of because we have a governance unit, a policy and implementation unit within the supply chain governance unit. So that is our starting point. So, the aim of this unit is to ensure that they are kept up to date with any new policies that come out, that they make the staff and the department aware of it, that they should educate everybody on it so that staff knows this is new prescripts, new circulars instructions that are out, so that staff are aware on their daily processes on how to abide or be compliant to it, that is one of the things that we have. (Participant 1)*

*It is the policies, your PFMA, your NTR, your PTI's, your AOS, your delegations, there is too much policies and standard operating procedures that people do not even understand because we design our own styles of doing things, although there is a written document to follow a process, but you so comfortable with the way that you understand and forgetting to consult that whenever, I think for me, I started as an intern in Government and as a contract work? and I got so fortunate because I had managers that were mentors. (Participant 6)*

#### **4.5.5.2 Sub-Theme 5.2: Monitoring the performance**

The second tool mentioned by participants is monitoring of performance.

*Another thing is that we also have a monitoring unit within supply chain whereby they are supposed to be monitoring the performance of the staff that is doing the actual functional, operational, transactional work which we can say is being doing here at acquisitions, logistics, contract management, asset management, so then there is the line monitoring. (Participant 1)*

*So it is still things like that, that needs to be addressed but it happens man with or various reporting. If it is various reporting, there is no one central point of reporting, it causes chaos because now you think another person has reported it, but in actual fact, it is on their emails, or they never sent the information, so if you create a reporting, where there is going to be an oversight monitoring, when they do information, somebody must do an oversight. (Participant 6)*

#### **4.5.5.3 Sub-Theme Segregation of duties**

Participants seems to understand the important of segregation of duties, although participants 7 and 9 are concerned about how sometimes the department implements a segregation of duties.

*Also, we ensure because we have got segregation of duties, so we have got a buyer that has a certain function, then the buyer has a supervisor, that supervisor has another supervisor, that supervisor has another supervisor, and so there is varies levels of supervision which is there also to ensure that things are done in accordance and surely this is a level of control that we put in, because somebody else can pick up an error before it actually gets approved, if I can put it that way. (Participant 1)*

*So the segregation of duties also allows that those tools are effectively in curbing any irregulars and being awarded. There is an element of risk when we look at our delegations, the authority is given to the supply chain practitioner or the ASD acquisitions to sign off on certain thresholds. So there is an element of risk because who is doing the quality assurance on those events before they go out. That is where the risk is for the department, but at present moment due to the lack of sufficient hand on deck there will be one or two that might just go through because there is no quality assurance, final quality assurance before an event is done. (Participant 7)*

*But however even though it is done on a regular basis like I said, there is that key line or that gap of segregation of duties which the department that is failing, in my opinion. That segregation of duties is not really implemented in this department. (Participant 9)*

*There is a segregation of duties that is also very important because, imagine now, you are giving a person to be the buyer, to be the authoriser, to be the approver, so if there is no segregation of duties, they would never see their own mistakes. So that is why a segregation of duties, it is very important in that process, so that if you omit something, somebody else might pick it up. (Participant 6)*

*If the department can make it clear those segregation of duties, that could eliminate irregular expenditures. (Participant 9)*

These findings are confirmed by Rentor *et al.* (2017) who contend that segregation of duties is a control procedure undertaken to ensure that every employee within a company does not bear excessive responsibilities that may affect the overall performance quality; it is also done to reduce the possibility of fraud committed by unscrupulous employees. As we all know, a personality of a person can change as someone ages and the increase of life experiences can flip a trustworthy employee into a corrupt individual.

#### **4.5.5.4 Sub-Theme 5.4: Other committees**

Participant 5 and Participant 1 mentioned committees that manage procurements processes.

*Another prevention that we have is through quotation committee, to have extra hands, extra eyes, extra minds, prevention tool that we have is this through the committees, the Specification Committee, the BAC, the BEC. Those are all preventative measures, not to put the work on one person but to have extra eyes, but I am still saying until we adopt a pre-auditing, those tools are nullified. (Participant 5)*

*We also got various committees in place and especially when it comes to our transactions above thirty thousand, when it comes to our tenders above five hundred thousand, we have got then evaluation committee then there is another committee above that which is your adjudication committee which also ensures that things are done in compliance, that there is no irregularities, no fraudulent activities, yes. (Participant 1)*

#### **4.5.5.5 Sub-Theme 5.5: Knowing the tool**

One middle manager contended that tools cannot implement themselves.

*Look, we have seen there is various tools, but a tool will only work if you know how to utilise the tool. And if you actually use that tool on a daily basis. (Participant 2)*

*So, those type of tools, but like I said if you do not give attention to those tools and have the willingness to actually utilise it on a regular basis you could come into irregular, you could be faced with an irregular. (Participant 2)*

#### **4.5.5.6 Sub-Theme 5.6: Tool to monitor our contracts**

This was a view of participant 6 regarding contract management.

*There are systems in place, the department has design system. We even designed a central emails where suppliers can send their invoices there, so that we can track and monitor, that in Supply Chain, an invoice must stay, must stay for a certain days, if an invoice is received, it must be stamped and the period of payment must happen. (Participant 6)*

#### **4.5.5.7 Sub-Theme 5.7: Detect: post-audit**

The department use post-auditing to detect irregularities.

*My current understanding is that there is a post award process that takes place. So that means already the award has been committed, the order has been generated and the payment has been concluded, so it is a post award. If internal control does pick up any errors then it is already too late, already too late because the expenditure has been committed and has been paid out. (Participant 7)*

*You know that one I cannot actually answer because what I can just say coming from my side, when I do my post-auditing, when I pick something up I will report it, but I cannot say how often, I do not think, I do not know. (Participant 4)*

*In our department I know they do post-audits. Post-audits to me is something that is done too late because it is done after the fact. We need, we need more pre, you know before something is final, we need to have more checks, I would not say, we actually have a lot of checks in place, but we need. (Participant 3)*

*The tool to detect, we have ongoing monitoring, we have post-auditing, we have inspections and those aspects they go through the payments but now, the problem that we have, all the detecting factors that we have, it is after effect.” (Participant 5)*

#### **4.5.5.8 Sub-Theme 5.8: Checklist**

According to an interviewee, a checklist was designed as a control.

*I do not see the realisation of that checklist, the length of that checklist also where the checklist is applicable to every segment of the supply chain process, because it is a fourteen-page document on its own, to complete that document throughout the process will be challenging but I look forward to seeing how they will introduce it and manage that checklist. (Participant 7)*

*You know, I know the checklist was introduced as a tool to prevent irregularities from happening and the SOPs that we also have in place. Even though we have this in place there is still irregular expenditure that occurs but I do not say if tools is going to be established that there will be no irregular expenditure, there will be but obviously there must be a like a reduction in irregular expenditure. So I will say some of the people with the checklist do not actually take or note of the checklist or see the seriousness of or the importance thereof you know to do that checks because I also feel like they leave that up to internal control to check. (Participant 4)*

*I can say that the department, at the moment, they are using the checklist to detect or to prevent occurrence of irregularities, but however in my opinion, this checklist, they are just checklists to be ticked, they are not being done properly let me put it that way, they are not done properly, they are just tick, tick, tick, tick checklist. They are not being followed. (Participant 9)*

This finding agrees with the idea that says where controls are not designed properly or not controlled in an appropriate manner, the government department may be at risk of irregularities (Abbaszadeh *et al.*, 2019).

#### **4.5.5.9 Sub-Theme 5.9 Action plan**

The monitoring and evaluation team have this process in place.

*Prevent the occurrence of the irregularities, what happens once these things have been detected, we have what we call an action plan. You put the action plan and that action plan has time lines for, to prevent it from happening again. (Participant 5)*

*We omitted to say it, but we identified our own error, through our monitoring processes and we, this is what we have done to correct it for that part, so that is why you would find that our irregularities do not really become irregular expenditure. (Participant 6)*

#### **4.5.5.10 Sub-Theme 5.10 Workshops**

Participants emphasise the importance of workshops and training.

*So, we need some custodians at a higher level to bring that information down to the officials that are, the process. And it must be regular. Awareness sessions, training workshops, flyers of information not a whole document of twenty pages, but one page document that is a flyer that grabs your attention, certain words jump to you, colours and so on so that it is easy to read and to understand the information that is being said. (Participant 7)*

*So, I cannot say employing or appointing the right person to the right position have positive results, but I can say in that one. You can employ a person, but if you equip a person by work-shopping a person and giving that person a regular training then definitely we will get the positive results. The only thing that is needed is the training and the workshop and supporting the person, then you can definitely get the positive results. (Participant 9)*

*So the method that we use for prevention, it is through workshops, it is through awareness, that is another prevention that we do. We put it out on communication as well, so that all officials are aware of irregularities. We put it on DS communication, out there so everybody can see, we do workshops, we do trainings. (Participant 5)*

*We do have in-house training Thandisile and then also our provincial treasury offers this trainings but I am starting this from scratch that we start from having the internal trainings like toolkits but we assist you. (Participant 8)*

*So, they do eWorkshops, over a certain, it will not be a full length workshop but it will be to present, that now there is a new policy and if you go on the sections and everything, but the onus is still on the user because after the workshop has been done, there, it will be a brief discussion of the workshop but the user must actually take it down to read because the onus is on the user, so I am not sure about the Internal Control side. So I am not going to answer for them. (Participant 6)*

*Yes, we do accept that the in-house training is happening, more especially now during the COVID times but if you put more workshops because we have got the luxury of having resources, having internet, having data and WIFI, where you can actually get people to workshop and you must emphasise one thing that, as much*



*as you have work-shopped and you have presented certain key areas, that are significant, that could be material in an audit report. (Participant 6)*

#### **4.5.5.11 Sub-Theme 5.11 Centralised procurement process**

The department opted to centralise procurement processes to strengthen controls.

*Centralised procurement process. That is one that is used so that the procurement in a certain environment. Also the process of the QC have been given tasks to review all documents of compliance, review all templates, see that we fulfil the obligation to prevent that irregular expenditure. (Participant 7)*

#### **4.5.6 Theme 6: Financial management and internal control**

There was a general concern about clear lines of communication and effectiveness of reporting from internal control.

*Yes, so there is. So, basically there is a type of management, on a, twice a month, finance, supply chain, internal control we have a meeting with the CFO. So, it is basically just reporting being done in the sense of, so this month, let us say he says, this month we did a thousand payments and out of the thousand payments we found that there were twenty-two findings on the thousand payments. And that is where it stops, yes, there is reporting, but I do not think that the reporting is effective, the reporting has no value to it, yes. It is just merely I give you stats and it just stays there, because you know reporting to me, if I report to you there should be something done after the reporting. (Participant 1)*

*You would obviously want something in place so that internal control can communicate to supply chain what has gone wrong, how to do it better next time, things like that, but as far as I know there might be communication, but no model or no-how can I put it, no, no, I am now thinking of the right word to use. There is not a defined process in place on how we do or how we communicate to them or how they communicate to us as far as I am concerned. (Participant 3)*

*Not that I am aware of. The rules of engagement are not refined, tell you that way, the process flows for channelling information is not clearly defined as well. So there is a lot of correspondence going through from person A to person B, that person C request information, there is a lot of overlap as well. The same information requested by various individuals from across different unit. (Participant 7)*

*Because then reporting just becomes mere a compliant thing, I must do it because it is on my KPA, but reporting must have another step towards it, it must enable the next person or the person that receives the report, to make some informed decisions, to make some changes, to make some improvements or amendments and that is the whole purpose of reporting. Reporting is not just I report to you stats and there it stops. Yes, reporting should add value. (Participant 1)*

#### **4.5.7 Theme 7: Recommendation for improvement**

Two participants made recommendations about how the department can improve going forward.

*However my recommendation strongly believe that in the line the checks should be done, the process before the award is actually signed off and the order is committed and even again before the payment is processed, because if the order is already generated you can still retract the order. (Participant 7)*

*So, meaning that whenever there is new prescripts or instructions and circulars from national treasury or provincial treasury whenever it comes out, there should be sufficient awareness training be done so that staff can be kept abreast on new developments or amendments to regulation. (Participant 1)*

*Tools are working, but it can always be improved. Standardisation of the interpretation of the tools especially in the QC environment that can be refined and sharpened, further improve the tools. (Participant 7)*

*Yes, they need to look and see how each transaction was done and then determine if they feel that the irregular expenditure could have been prevented, if irregular expenditure could have been condoned, especially when it came to the emergency procurement, we were in a hurry to save lives and at that stage yes, it was difficult to keep up to date with all the new legislation. (Participant 1)*

## **4.6 Summary**

This chapter presented data analysis, presentation and discussion of the results focusing on qualitative data analysis. Data were collected using Microsoft Teams for interviews and analysed by listening to the recordings, transcribing recordings into Word documents, reading and re-reading of transcriptions. To ensure validity and reliability of the findings, Atlas-ti statistical package was used for data analyses, with the assistance of an independent expert. Themes and categories were discussed in line with participants' responses and linked to the literature review of the study. Chapter 5 presents conclusion, recommendations, and the limitation of the study.

## **CHAPTER 5**

### **SUMMARY OF FINDINGS, RECOMMENDATION & CONCLUSIONS**

#### **5.1 Introduction**

In the previous chapter, focus was on data analysis, presentation and discussing results based on how participants responded to study questions. This chapter presents a summary of the findings, recommendations, conclusions and the limitations of the study. Findings were made based on how participants responded to the questions and financial documentation of the department as obtained from the department database.

#### **5.2 Overview of the research**

*Chapter 1* provided a background of the study by defining irregular expenditure and acknowledging the PFMA as the source document. A problem statement was provided which linked to the aims and objective of the study. The chapter discussed main questions designed to help the researcher in achieving the objective of adding to the body of knowledge. Policy documents related to the study were briefly discussed to lay a foundation for the next chapter.

*Chapter 2* focused on the literature review relevant to the study, including policy and Act documents like PFMA, PDA, Code of Conduct for Public Servants, SCOPA, National Treasury regulations on irregular expenditures and a framework for supply chain management. The chapter also provided list of examples of possible irregular expenditure and a discussion of Chapter 9 institutions that are designed to assist government on issues of crime and corruption. The researchers also broadened the definition of irregular expenditure and discussed the possible drivers. In the chapter, five financial statements of the department were analysed to determine levels of irregular expenditures and the causes.

*Chapter 3* presented research methodology and design for this study. The researcher adopted an interpretivist philosophy to explore the topic and gain an in-depth understanding of the drivers of

irregular expenditures and the role of the internal control unit. The study followed a subjectivist inductive approach to complement the case study research strategy. Qualitative data were collected through interviews on Microsoft Teams. The chapter also provided for the sampling instrument, sample size discussion and ethical considerations.

*Chapter 4* presented data analysis and a presentation and discussion of the results focusing on qualitative data analysis. Atlas.ti was used as a data analysis tool with the assistance of an independent expert. Themes and sub-themes were presented and discussed to get to the findings and recommendations of the study.

*Chapter 5* gives an overview of all the chapters of the study with an intention to summarise what is contained in each chapter. The summary of the findings for each question is presented following conclusions. The researcher offers recommendations for the study and for any future study in line with the topic.

### **5.3 Summary of the research findings**

The study covered 60% of the targeted sample of population who were senior management, middle management and practitioners from the Western Cape Department of Social Development. The aim of the study was to investigate the drivers of irregular expenditures and the role of the internal control unit using the Department of Social Development as a case study. Based on the research objective, the project attempt to answer the following questions:

- 1. To what extent do internal control staff at the Western Cape provincial government understand implications of irregular expenditure?*
- 2. What role does the internal control unit play with regard to irregular at the Western Cape provincial government?*
- 3. What are the common drivers of irregular expenditure at the Western Cape provincial government?*

From the responses received, the below major findings were evident.

### **5.3.1 Understanding of the concept of irregular expenditures**

Most officials showed a good understanding of irregular expenditures within the environment in which they work; this is confirmed by how they define irregular expenditures. All the definitions received talk about the procurement process where policies and standard operation procedures were not followed.

### **5.3.2 Drivers of irregular expenditures within the department**

It is evident from the responses received from participants that the issue of not constantly giving training and workshops to operational staff on the matter of irregular expenditures is a contributing factor. The lack of training and workshops for staff lead to the incorrect applications of the policies as different individual interpret the policy differently. Policies are constantly changing and operational staff do not get time to read and understand the policies before implementation. Officials are always under pressure to deliver within a short space of time, leading to them prioritising service delivery at the expense of making errors and not complying with policies. It was also found that the issues of not having correct skills and knowledge in the right positions contribute to poor decision-making.

### **5.3.3 Volume of irregular expenditures**

All participants were of the view that currently the department is not experiencing a high number of irregular expenditures as compared to previous years; this view was based on the decision taken by senior management to centralised procurement processes. Irregular expenditures experienced by the participants were all due to human errors and non-compliance with policies.

### **5.3.4 The role of internal control unit (internal auditing)**

The participants' responses reveal that the internal control unit evaluates the effectiveness of the controls daily. The concern from the participants is that the feedback from the internal control unit does not filter down to the operational staff and there are no clear communication channels to pass the message. When areas of concerns are identified during controls assessment, the internal control unit does not call for awareness sessions, workshops or training so that the operational staff members are aware of the risk and know the best way to minimise them. Participants are of the view that the unit is working in isolation and only point out what is going wrong without giving advisory services which are part of the unit's responsibilities. Even though the internal control unit is doing daily checks, there is no formal report back or recommendations shared with end users so that they can improve the process. Sometimes the unit shows lack of knowledge and understanding of supply chain management processes.

### **5.3.5 Control environment within the department**

The study finds that the senior management of the department takes irregular expenditures very seriously. However, an unclear line of dissemination of information and lack of training capacity leave operational staff vulnerable, as they have to figure out by themselves the application of the policies. It is evident that the department has many controls in place but there is a need to ensure that they are efficient and effective. There is a general belief that controls in place in a form of checklist are not serving the purpose as officials just tick without verifying.

## **5.4 Conclusion**

From the analysis of the data collected from the officials of the department it can be concluded that lack of training and work-shopping for staff on policies and issues of irregular expenditures is the major contributing factor in instances of irregular expenditures experienced by the department. The study concludes that working under pressure can open a space for irregular expenditures as officials decide to prioritise service delivery at the expense of ignoring policies. Furthermore, it should be noted that internal control unit staff members should possess skills and knowledge about

supply chain to execute their duties more efficiently. The study established that there is no clear process for how the internal control unit gives feedback and recommendations when areas of concern are identified. The study further reveals that operational staff do not receive feedback and recommendations on risks identified during controls assessment. It is concluded that most irregular expenditures experienced by the department emanate from human errors and incorrect applications of policies.

### **5.5 Limitations of the study**

Qualitative research involves gathering of data by means of interviews with the purpose of explaining or understand the case being researched. Qualitative methods have limitations like all research methods. Schonfeld and Mazzola (2013:285) maintained that while qualitative do not establish general cause-effect relations but can help a researcher develop a theory of causality and derive hypotheses related to the theory and thus, motivate quantitative research designed to test the hypotheses. One of the examples of qualitative research is case study, it provides mean to investigate complex situation with multiple variables under analysis. While case studies can offer opportunity for innovation and challenge current theoretical assumptions but at the same time it can be time consuming and hard to generalize (Queirós et al., 2017:377).

Due to COVID-19 lockdown and working from home, the researcher could not reach 100% of the selected sample, so only a 60% response rate was achieved. The researcher had to change data collection instruments from the initial plan of conducting face-to-face interviews and replaced it by MS Teams interviews. Occasionally, participants were not easy to get hold of or sometimes difficult to have interviews as everyone was at home due to lock down.

## **5.6 Recommendations**

### **5.6.1 Drivers of irregular expenditures**

The study reveals that in the financial management section there is a constant changing of policies and regulation to ensure proper controls. When these new policies and regulations are not clearly communicated and interpreted, they lead to incorrect implementation.

It is recommended that constant training and workshops are to be provided to ensure better understanding and correct application of policies. When there is a new policy or changes on existing policies, officials are to be given an opportunity to ready and understand the policy before implementation. Oenga et al., (2022:119), encourage government departments to put in place procurement plan since it impacts positively on the effectiveness of the procurement by reducing costs, lead times and increases quality of goods and services. There is therefore a need for a reasonable procurement plan to avoid putting officials under pressure to deliver with in short space of time and prioritising service delivery at the expense of making errors. Being said that, according to Sharma and Nagendra (2016:7) skill development is the most important aspect for the development of the country and need a coordinated effort from all the agencies, stakeholders, and employees to make it a successful program. To ensure that quality is maintained, and the model is sustained, it becomes extremely important to strengthen the tie-ups with the training institutes. Skills development plan need to be in place for all SCM Practitioners as they are the backbone of the procurement process.

### **5.6.2 The role of internal control unit (internal Auditing)**

The Institute for Internal Auditors (IIA) define internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operation. It further state that it helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk manage, control, and governance processes. For the internal control unit of the department to add value and improve an organisation's operation the following is recommended:



It is advisable that Internal control unit to consider having clear channels of communication and make sure that feedback filter down to operational staff. When areas of concerns are identified by the internal control unit, it is recommended that awareness sessions, workshop or trainings are to be provided. The internal control unit need to be equipped with knowledge and skills to better understand SCM process. The recommendation is supported by Internal Auditing standard 1210 – Proficiency, the standard state that internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities.

### **5.6.3 Control environment within the department**

The findings of the study confirmed that senior management of the department take irregular expenditures very serious but there is a need to clear lines of dissemination of information and provide policy training capacity to staff. When checklists are used as a form of a control, it is recommended that constantly, officials are to be reminded of their important in the process.

### **5.7 Recommendation for future study**

Based on the findings of the study and the fact that these findings relate to the Department of Social Development in the Western Cape and that other departments face similar challenges, the researcher recommends that similar study be conducted in other departments.

The literature review conducted revealed little research on irregular expenditures in South Africa. There is a need for further research on this issue as it is currently one of the government main concerns. This research study investigated drivers of irregular expenditure and the role of internal control unit, there is a need for research in the impact of irregular expenditures on service delivery. Currently the country is experiencing an increase in protests that are related to failure by government to deliver services.

This study has also revealed a gap in the procurement planning; it will be interesting to find out how poor procurement planning contributes to the increasing numbers of irregular expenditures.

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## **APPENDIX A:**

### **INTERVIEW GUIDE**

THE DRIVERS OF IRREGULAR EXPENDITURE AND THE ROLE OF INTERNAL CONTROL UNIT WITHIN DEPARTMENT OF SOCIAL DEVELOPMENT, IN THE WESTERN CAPE PROVINCIAL GOVERNMENT.

1. What is your understanding of irregular expenditure? Please explain..
2. Does your department offer training and workshops to employees on irregular expenditure? How often.
3. Do you believe that currently the department is experiencing a high number of irregularities? And why do you think so?
4. What form of irregular expenditures does your department normally experience and why?
5. In general, how does staff and management perceive (understanding) irregular expenditures? Please explain.
6. What tools are used to detect and prevent the occurrence of irregularities? And in your opinion are these tools working?
7. How often do you conduct irregular expenditure spot checks within the department?
8. When areas of concerns are identified, does the internal control unit workshop staff members? How often.
9. How often does the internal control unit assess the effectiveness of the controls within the department financial processes?

10. Is there a clear engagement model between financial management and internal control unit? Please explain.
11. In your opinion, what are the contributing factors in the increasing numbers of irregular expenditures?
12. Which unit within the financial management department record high number of irregular expenditures and why?
13. What are the common irregular expenditures within the department? In your opinion, what can be done to prevent the occurrence of irregular expenditures?
14. In your opinion, is there a relationship between working under pressure and the levels of mistakes in the financial management department?
15. Do you think by appointing right people to right positions can have positive results in the financial management unit?

## APPENDIX B

### *Certificate of Authenticity*

**CERTIFICATE: COA071222TM**

14 December 2022

To Whom It May Concern

This is to certify that “**DRIVERS OF IRREGULAR EXPENDITURES AND THE ROLE OF THE INTERNAL CONTROL UNIT WITHIN THE DEPARTMENT OF SOCIAL DEVELOPMENT IN THE WESTERN CAPE PROVINCE**” by **Thandisile Mamve**, for the Faculty of Business and Management Sciences at the Cape Peninsula University of Technology (CPUT), under the supervision of Prof. J. Dubihlela, has been professionally edited by Dr. Laura Budler Kleinhans of ChickPea Proofreading and Editing Services for Students and Professionals.

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## APPENDIX C

### Drivers of irregular expenditures and the role of the internal control unit within the Dept of Social Dev in the Western Cape Province

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