

**ORGANISATIONAL PERFORMANCE MANAGEMENT AS A MECHANISM TO
IMPROVE SERVICE DELIVERY IN THE SOUTH AFRICAN PUBLIC SECTOR: THE
CONTRIBUTION OF INTERNAL AUDITING AS AN ENABLER**

by

ASOGAN MOODLEY

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SUPERVISOR: PROF B ACKERS

CO-SUPERVISOR: PROF EM ODENDAAL

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Student number: 8265151

DECLARATION

I declare that **ORGANISATIONAL PERFORMANCE MANAGEMENT AS A MECHANISM TO IMPROVE SERVICE DELIVERY IN THE SOUTH AFRICAN PUBLIC SECTOR: THE CONTRIBUTION OF INTERNAL AUDITING AS AN ENABLER** is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

I further declare that I submitted the dissertation to originality checking software and that it falls within the accepted requirements for originality.

I further declare that I have not previously submitted this work, or part of it for examination at UNISA or any other higher education institution.



.....

SIGNATURE

Asogan Moodley

30 January 2019

.....

DATE

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ABSTRACT

The advent of democracy in 1994 prompted the South African government to provide public goods to the entire population as opposed to providing services along racial lines, as was the case during the apartheid era. Consequently, government expenditure increased considerably. However, continuous service delivery protests in recent years indicate that government has not been operating optimally. The Department of Planning, Monitoring and Evaluation and National Treasury introduced Organisational Performance Management (OPM) to improve service delivery. Government also adopted internal auditing as a mechanism to improve OPM because of internal auditing's mandate, role and body of knowledge.

This study explored the implementation of OPM as a management tool to assist national departments in effectively delivering goods and services to the public economically and efficiently. The study also explored the adoption of internal auditing by national departments as a mechanism to improve OPM.

The study followed a sequential mixed methods approach. The chief audit executives of eighteen national departments participated in the quantitative phase. Interviews were held with employees from four national departments as well as two monitoring departments. Departmental officials included five deputy directors-general, three chief directors, four directors, one deputy director and one senior internal auditor. Seven focus group discussions were held with twenty-two internal auditors from the four departments. Sixty-four documents were analysed.

The study found that national departments have implemented systems of OPM and the reporting of quarterly performance information but are at different levels of maturity. However, governance and reporting fatigue and a reluctance to implement effective consequence management for poor performance may be undermining optimal performance. National departments may be also preparing strategic plans, annual performance plans and annual reports simply for compliance rather than for optimal

performance. The study also found that internal auditors may not have a thorough understanding of the department's performance environment and consequently undertake limited assessments of OPM, focusing mainly on quarterly performance information (PI) and documentation rather than on organisational strategy. However, management's expectations from internal auditing go beyond assessing the quarterly PI and require advice and guidance on strategic imperatives. The appropriate skills, knowledge and training of internal auditors therefore require review. Management expects assurance of sustainable future performance of the department. Internal auditing currently stands positioned to make an evolutionary transformation into becoming the most important strategic partner to management. However, under-theorisation and a restricted internal auditing approach inhibit its natural evolution.

Key words

combined assurance; control; governance; internal auditing; internal auditing standards; monitoring and evaluation; organisational performance management; performance information reporting; risk management.

**UKUPHATHWA KOKUSEBENZA KWENHLANGANO KUYINDLELA
YOKUTHUTHUKISA UKWETHULWA KWEZIDINGO ZOMPHAKATHI EMKHAKHENI
WEZOMPHAKATHI ENINGIZIMU AFRIKA: UKUBAMBA IQHAZA
EKUCWANINGWENI KWAMABHUKU KWANGAPHAKATHI NJENGOPHAWU**

ISIFINQO

Ukufika kwentando yeningi ngo-1994 kwabangela ukuba uhulumeni waseNingizimu Afrika ahlinzeke ngempahla yomphakathi kubo bonke abantu okwabe kuphambene nokuhlinzeka ngezinsiza ezihambisana nobandlululo, njengoba kwakunjalo ngesikhathi sobandlululo. Ngenxa yalokho, izindleko zikahulumeni zakhula kakhulu. Noma kunjalo, imibhikisho yokulethwa kwezidingo zomphakathi eyabe iqhubeka kule minyaka edlule ikhombisa ngokusobala ukuthi uhulumeni akenzi izinto ngendlela efanele. UMnyango Wezokuhlela, Ukuqapha Nokuhlola kanye noMgcinimafa Kazwelonke wethule uhlelo lokuPhathwa kokuSebenza kweNhlango ukuze luthuthukise ukulethwa kwezidingo zomphakathi. Uhulumeni wabuye wamukela ukucwaningwa kwangaphakathi kwamabhuku njengendlela yokuthuthukisa ukuPhathwa kokuSebenza kweNhlango ngenxa yokugunyazwa ukucwaningwa kwamabhuku kwangaphakathi, indima kanye nokuqokethwe ulwazi.

Lolu cwaningo lwahlola ukuqaliswa kokuPhathwa kokuSebenza kweNhlango njengethuluzi lokuphatha ukusiza iminyango kazwelonke ekuhambiseni izimpahla nezinsiza emphakathini ngokwezomnotho nangempumelelo. Ucwangingo lubuye lwahlolisisa ukwamukelwa kokucwaningwa kwamabhuku kwangaphakathi yiminyango kazwelonke njengendlela yokuthuthukisa ukuPhathwa kokuSebenza kweNhlango.

Ucwangingo luye lwalandela izindlela ezixutshwe ezihlangene ezilandelanayo. Iziphathimandla ezicwaninga amabhuku eminyangweni eyishumi nesishiyagalolumbili kazwelonke zihlanganyele esigabeni esithile sokubala. Izinhlolokhono zabanjwa nabasebenzi ababesuka eminyangweni emine kazwelonke kanye neminyango emibili yokuqapha. Izikhulu zeminyango zazibandakanya osekelo mqondisi jikelele abahlanu, abaqondisi abakhulu abathathu, abaqondisi abane, usekelo mqondisi oyedwa kanye nomcwangingo mabhuku omkhulu wangaphakathi oyedwa. Izingxoxo zeqembu eziyisikhombisa zabanjwa nabacwaningi mabhuku bangaphakathi abangamashumi amabili eminyangweni kahulumeni emine. Kuye kwahlaziywa imiqulu yamabhuku engamashumi ayisithupha nane.

Ucwaningo lwathola ukuthi nakuba iminyango kahulumeni yazwelonke isebenzise izinhlelo zokuPhathwa kokuSebenza kweNhlango kanye nokubika ngolwazi lokusebenza njalo ngekota, asemazingeni ahlukeno okuthuthuka. Noma kunjalo, ukuphatha nokukhathala ngokubika futhi nokungathandi ukusebenzisa ukuphathwa okuphumelelayo kokulawulwa ukusebenza okungalungile kungahle kwehlise isithunzi somsebenzi omuhke. Iminyango kazwelonke ingase izilungiselele izinhlelo zamasu akhethekile, izinhlelo zokusebenza zonyaka kanye nemibiko yonyaka nje ukuthobela imithetho esikhundleni sokwenza okufanelekile. Ucwaningo lubuye lwathola ukuthi abacwaningi mabhuku bangaphakathi kungase kwenzeka ukuthi abaqondi ngokugcwele ukuthi umnyango osebenza kanjani bese benza ukuhlolwa okulinganiselwe kokuPhathwa kokuSebenza kweNhlango, ngokugxila ikakhulukazi kolwazi lokusebenza ngekota nemiqulu yamabhuku esikhundleni sokusebenzisa isu lenhlango. Kodwa-ke, okulindelwe abaphathi kubacwaningi mabhuku bangaphakathi kuhamba kuze kufike lapho kwenziwa ukuhlolwa kolwazi lokusebenza njalo ngekota bese befuna iseluleko nokuhlolwa mayelana nemigomo ebalulekile. Ngakho-ke amakhono afanele, ulwazi nokuqeqeshwa kwabacwaningi mabhuku bangaphakathi kudinga ukubuyekezwa. Abaphathi balindele isiqinisekiso sokusebenza sekusasa elisimeme lomnyango. Ucwaningo lwangaphakathi lwamabhuku okwamanje kumele lwenze uguquko lwemvelo lube ngolunye lwamasu abalulekile kubaphathi. Kodwa-ke, ngaphansi kwemibono ethile kanye nenqubo yokucwaninga kwamabhuku yangaphakathi ekalelwe ivimbela ukuziphendukela kwemvelo.

Amagama abalulekile

isiqinisekiso esixutshiwe, ukulawula; ukubusa; ukucwaningwa kwamabhuku kwangaphakathi; amazinga okucwaningwa kwamabhuka kwangaphakathi; ukuqapha nokuhlola, ukuphathwa kokusebenza kwenhlango; ukubikwa kolwazi lokusebenza; ukulawulwa kwezinhlekelele.

ORGANISATORIESE PRESTASIEBESTUUR AS 'N MEGANISME OM DIENSLEWERING IN DIE SUID-AFRIKAANSE OPENBARE SEKTOR TE VERBETER: DIE BYDRAE VAN INTERNE OUDIT AS 'N INSTAATSTELLER

ABSTRAK

Die koms van demokrasie in 1994 het die Suid-Afrikaanse regering aangemoedig om openbare goedere aan die hele bevolking te voorsien in teenstelling met die apartheids-era toe dienste volgens rasselyne voorsien is. Gevolglik, het regeringsbesteding drasties toegeneem. Volgehoue diensleweringssprotes die afgelope paar jaar dui daarop dat die regering nog nie optimaal funksioneer nie. Die Departement van Beplanning, Monitering en Evaluering en die Nasionale Tesourie het organisatoriese prestasiebestuur (OPB) bekendgestel om dienslewering te verbeter. Die regering het ook interne oudit aanvaar as 'n meganisme om OPB te verbeter as gevolg van interne oudit se mandaat, rol en kennisgeheel.

Die studie het ook die implementering van OPB verken as 'n bestuursinstrument om nasionale departemente by te staan om goedere en dienste ekonomies en doeltreffend aan die publiek te lewer. Die studie het ook die aanvaarding van interne oudit deur nasionale departemente verken as 'n meganisme om OPB te verbeter.

Die studie het 'n opeenvolgende gemengdemetodebenadering gevolg. Die hoofouditbeamptes van agtien nasionale departemente het deelgeneem aan die kwantitatiewe fase. Onderhoude is met werknemers van vier nasionale departemente asook twee moniteringsdepartemente gehou. Departementele beamptes het vyf direkteure-generaal, drie hoofdirekteure, vier direkteure, een adjunkdirekteur en een senior interne ouditeur ingesluit. Sewe fokusgroepbesprekings is met twee-en-twintig interne ouditeurs uit die vier departemente gehou. Vier-en-sestig dokumente is ontleed.

Die studie het bevind dat alhoewel nasionale departemente OPB-stelsels en die verslagdoening van kwartaallikse prestasie-inligting geïmplementeer het, dit teen verskeie volwassenheidsvlakke plaasvind. Beheer- en verslagdoeningvermoedheid en 'n huiwering om die effektiewe bestuur van gevolge vir swak prestasie te implementeer, kan optimale prestasie ondermyn. Nasionale departemente kan moontlik ook strategiese planne, jaarlikse prestasieplanne en jaarverslae bloot vir voldoening, eerder as vir

optimale prestasie voorberei. Die studie het ook bevind dat interne ouditeurs moontlik nie 'n deeglike begrip van die departement se prestasie-omgewing het nie en gevolglik beperkte assesserings van OPB onderneem wat hoofsaaklik op kwartaallikse prestasieinligting (PI) en dokumentasie fokus eerder as op organisatoriese strategie. Die bestuur verwag egter meer van interne oudit as net assessering van kwartaallikse PI, en vereis advies oor en leiding met strategiese noodsaaklikhede. Die toepaslike vaardighede, kennis en opleiding van interne ouditeurs moet dus hersien word. Die bestuur verwag gerusstelling van die volhoubare toekomstige prestasie van die departement. Interne oudit is tans geïmplementeer om 'n evolusionêre transformasie te maak om die heel belangrikste strategiese vennoot tot die bestuur te word. Onderteoretisering en 'n beperkte interneouditbenadering inhibeer egter hierdie natuurlike evolusie.

Sleutelwoorde

gekombineerde gerusstelling; beheer (*control*); beheer (*governance*); interne oudit; interneouditstandaarde; monitering en evaluering; organisatoriese prestasiebestuur; prestasieinligting-verslagdoening; risikobestuur.

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LIST OF ABBREVIATIONS

| | |
|----------|---|
| AC | Audit Committee |
| AGSA | Auditor General of South Africa |
| APP | Annual Performance Plan |
| AO | Accounting Officer |
| AR | Annual Report |
| CAE | Chief Audit Executive / Head of Internal Audit |
| CAQDAS | Computer Assisted Qualitative Data Analysis Software |
| CIPD | Chartered Institute of Personnel and Development |
| CQI | Chartered Quality Institute |
| DDG | Deputy Director-General |
| DG | Director General |
| DPME | Department of Planning, Monitoring and Evaluation |
| EMT | Executive Management Team |
| FI | Financial Information |
| FPPI | Framework for Managing Programme Performance Information |
| FSPAPP | Framework for Strategic Plans and Annual Performance Plans |
| GC | Generally Conforms to the IASs |
| GDP | Gross Domestic product |
| GWMES | Policy Framework for the Government-wide Monitoring and Evaluation System |
| IAA | Internal Audit Activity |
| IAS | Internal Auditing Standard |
| ICU | Internal Control Unit |
| IIA | Institute of Internal Auditors |
| IT | Information Technology |
| M&E | Monitoring and evaluation |
| MIS | Management Information Systems |
| MPAT | Management Performance Assessment Tool |
| NT | National Treasury |
| NYSE | New York Stock Exchange |
| OPM | Organisational Performance Management |
| PC | Partially Conforms to the IASs |
| PFMA | Public Finance Management Act, No.1 of 1999 |
| PI | Performance Information |
| PIH | Performance Information Handbook |
| PMDS | Performance Management and Development System |
| POE | Portfolio of Evidence |
| RMC | Risk Management Committee |
| RMU | Risk Management Unit |
| SCM | Supply Chain Management |
| SP | Strategic Plan |
| SPU | Strategic Planning Unit |
| TR | Treasury Regulations |
| UK | United Kingdom |
| UN | United Nations |
| UNECOSOC | United Nations Economic and Social Committee |
| Unit | Branch, Chief Directorate or Directorate within a national department |
| USA | United States of America |

LIST OF DEFINITIONS

| | |
|--|---|
| Controls | Controls refer to the measures implemented by the management of an organisation to ensure the orderly conduct of operations (Jahmani, Ansari & Dowling, 2014; Mihaela & Marian, 2013; Radu, 2012). |
| Governance | Governance refers to the manner in which an organisation is led and managed (Fernandes & Da Silva, 2015). |
| Internal auditing | Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations and assist the organisation accomplish its objectives by conducting systematic and disciplined evaluations of the effectiveness of the organisation's risk management, control and governance processes with a view to improving the effectiveness of these processes (IIA, 2017a; Mihret & Grant, 2017). |
| Organisational performance management | Organisational performance management refers to the manner in which organisational goals, objectives and targets are established and achieved (Chowdhury & Shil, 2017; CQI, 2013). |
| Public goods and services | Goods and services that are not provided by the normal economy of a country but are provided by the government (Biernat-Jarka, 2017; Niggol Seo, 2016; Le Roux, Pretorius, Serfontein & Zorenda, 2007). |
| Risk | A risk is the probability of an event occurring or not occurring that may hinder an organisation from achieving its objectives. A risk also refers to the probability of an organisation failing to recognise and benefit from opportunities that present themselves (Krstić & Dordević, 2012). |
| Risk management | Risk management refers to the measures implemented by the management of an organisation to identify, prioritise and respond to risks (Johnsen, 2015). |
| Veracious | Information that complies with requirements of integrity, accuracy, completeness, validity and truthfulness (<i>Cambridge Dictionaries Online</i> , 2018). |

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

Countries throughout the world have some form of government – a governance structure that regulates and governs the affairs of the country and creates the necessary environment for the greater good of society. Governments also provide goods and services, called ‘public goods and services’, which the normal participants in an economy are unable or unwilling to provide (Biernat-Jarka, 2017; Niggol Seo, 2016; Le Roux, Pretorius, Serfontein & Zorenda, 2007). In order to perform its duties and provide these public goods and services, governments require funding (Niggol Seo, 2016; Le Roux *et al.*, 2007). Government obtains its funding from the public in the form of taxes, customs and excise duties, fines, penalties, property rates and other charges levied (Hoffman & Howard, 2017; Propheter, Levine & Fudge, 2017; Niggol Seo, 2016; Mohr, Fourie & Associates, 2004). Consequently, governments act as the agents for the public insofar as they use such monies obtained for the benefit of the public, thus institutionalising government functioning within the principles of the agency theory (Coupet & McWilliams, 2017).

In South Africa, public goods and services include *inter alia*, education, health care, affordable housing, safety and security, roads, rail and other transport services as well as judicial and defence services (South Africa, 2016; South Africa, 2012b; South Africa, 2012c). At the national level, government has created a number of departments (national departments) whose mandates are to implement government’s priorities (South Africa, 2016; South Africa, 2012d). National parliament allocates funds to national departments from the National Revenue Fund to enable these departments to execute their mandates (South Africa, 2012b). Government prescripts require that funds be used for the purposes for which they were allocated, although the Public Finance Management Act, No. 1 of 1999 (PFMA) allows for the movement of funds to other departmental priorities by complying with prescribed conditions (South Africa, 1999). Departments must be governed in such a manner that funds are utilised so that government priorities and departmental mandates are achieved in an optimal manner, i.e., economically, efficiently

and effectively. Accountability is rendered by departmental management to parliament and other stakeholders on the use of the funds allocated to departments thus further entrenching government performance within the accountability theory (South Africa, 1999). An assumption is made that national departments have embraced organisational performance management (OPM) in order to achieve optimal performance and to improve service delivery to the public. OPM assumes that national departments are managed and governed such that funds will be used economically, efficiently and effectively in accordance with government priorities and for the intended purposes (South Africa, 1999).

However, internationally, Chambers and Odar (2015) argued that organisational governance, and by extension OPM, have failed in their efforts to optimally provide services to the public over the past 20 years. According to Chambers and Odar (2015:34), “corporate governance is widely perceived as having failed. It certainly failed to prevent the crises”. Chambers and Odar (2015) argue that organisational governance has failed to prevent the global economic crises experienced during 2008, the consequences of which were devastating to the world economy. A further argument is presented by authors that, with the sole exception of natural disasters, government failures represent the biggest catastrophes in the history of mankind (Nenovski, Jolevska & Trpovska, 2017; Keech & Munger, 2015). The argument is founded on the assumption that governments are responsible for creating the regulatory environment in which markets succeed or fail and therefore governments must bear accountability when markets fail (Nenovski *et al.*, 2017; Keech & Munger, 2015). According to Nenovski *et al.* (2017) and Keech and Munger (2015), market failures have occurred consistently throughout the economic history of the world.

The performance challenge of government is summed-up in the title of Payne’s (2016) article, *Government Fails, Long Live Government: The Rise of Failurism*. Payne (2016) argues that proponents of government adopted a Marxist approach, with the State being regarded as the solver of all problems. Payne (2016) contends, however, that this approach has led to government programmes failing and therefore being incapable of solving public problems.

Internal Audit Activities (IAAs) are established within national departments in accordance with Section 38 of the PFMA and are required to comply with the International

Professional Practices Framework (IPPF) which includes the Internal Auditing Standards (IASs) (South Africa, 2005; South Africa, 1999). Internal auditing has been implemented as a mechanism to assist national departments in achieving their objectives (IIA, 2017b; South Africa, 2005). The role of the IAAs in terms of the IASs is to assess, evaluate and make recommendations on the systems of governance, risk management and control processes followed by national departments (IIA, 2017a; Mihret & Grant, 2017; South Africa, 2005).

However, internal auditing has come under the spotlight recently by authors who suggest that it may have failed their organisations. Chambers and Odar (2015) caption their section on internal auditing as *Internal audit: A gatekeeper who failed*. Additionally, the House of Commons in the United Kingdom (UK) noted the failure of auditing to detect the global economic crises and the recent problems in the banking sector. The House of Commons questioned the value of current auditing and expressed concern at the narrow focus of auditors (Chambers & Odar, 2015). In a House of Lords inquiry in the UK in 2009, the committee noted that internal auditing and audit committees (ACs) overly focus on organisational processes and ignored the bigger organisational picture of strategy and performance (Chambers & Odar, 2015). Price (2004) argues that internal auditing shared responsibility for business failures experienced and will continue to do so because of its unclear role in the organisation.

Consequently, the academic writings on the suggested failings of government and of internal auditing in organisations justify the need for a study on the implementation of OPM and the contribution of internal auditing to OPM in the public sector. This study focuses on OPM being implemented by national departments to improve service delivery to the public and the adoption of internal auditing as a mechanism to improve the OPM of national departments in South Africa.

1.2 ORGANISATIONAL PERFORMANCE MANAGEMENT

The conceptual basis for OPM, positioned within the broader theory of managerialism, posits that good organisational governance promotes enhanced performance (Pollitt, 2016). The King IV Report on Corporate Governance for South Africa (King IV) (IoDSA, 2016) indicates that good OPM, resulting in optimal organisational performance, is an outcome of good governance. The PFMA provides that good governance includes

elements such as transparency, accountability and sound management in the use of public funds (South Africa, 1999). These elements, discussed below (Section 1.3), form the bedrock of good governance in the public sector and create the backdrop to this study.

In 1994, the new democratic government of South Africa projected that the demand for public goods would increase progressively whilst the funding and resources available to provide these goods and services would be limited (South Africa, 1994). Because of these financial constraints, satisfying the increasing demands of the public required that government departments and institutions implement measures and mechanisms to enable optimal organisational performance (Chowdhury & Shil, 2017; Raam & Morgan, 2009; South Africa, 1999; Swedish National Audit Office, 1999).

In South Africa, the National Treasury (NT) published the *Framework for Managing Programme Performance Information* (FPPI) in May 2007 in an effort to stimulate the optimal performance of national departments. The FPPI (South Africa, 2007b) provides information on the importance of OPM as a management tool and the role of performance management in the strategic functioning of national departments. The FPPI also provides guidance on the criteria to develop good performance indicators and measures (South Africa, 2007b). The FPPI additionally requires national departments to produce performance information (PI). The PI should provide details on the extent to which each department achieved its planned objectives in order to measure departmental performance. The FPPI concludes that it is important to provide accountability by reporting on performance because “*what gets measured gets done*” (South Africa, 2007b:1). Rupšys (2007) notes that this expression is traceable to existing literature on management studies.

OPM is about national departments setting achievable objectives that satisfy the needs of the public and creating the competence and capacity to achieve these objectives. OPM is also about managing relationships and monitoring performance to determine the extent to which objectives are accomplished (Chowdhury & Shil, 2017; CQI, 2013). The Chartered Quality Institute (CQI) (2013) suggests that OPM is also about enabling ordinary people to achieve extraordinary results. The United States of America (USA) Office of Personnel Management (USA, 2018) argues that performance management translates goals into results by establishing a healthy, effective, results-oriented organisational culture.

The introduction of formal OPM in the public sector has its origins in the ideology of New Public Management (NPM) which itself is traceable to the broad theory of managerialism (Chowdhury & Shil, 2017). The theoretical basis for OPM is located within managerialism, NPM, the agency theory and the accountability theory, all of which are explored in detail in Chapter 4. According to Chowdhury and Shil (2017), NPM, which emerges as the predominant theory supporting OPM in the public sector, seeks to introduce private sector managerial practices into the public sector with a view to promoting economical, efficient and effective organisational performance. However, an assumption exists within these theories (managerialism, NPM, agency theory and accountability theory) that people are rational and rule-following beings (Cohen, 2016). Consequently, people follow the directions that organisational leadership communicates to them through plans, policies and operating procedures (Cohen, 2016). Resultantly, there is also an assumption that failure to effectively implement plans is located in error or mismanagement, or inadequate planning. However, argues Cohen (2016), sometimes the issues that result in performance failures relate to broader structural issues, human complexity or inadequate decision-making. Cohen (2016) consequently suggests that managerialism, and by extension NPM, are limited in enabling optimal organisational performance.

Notwithstanding these contradictory dimensions, governments are required to work based on state architectures that operate within rational frameworks. To put it differently, from a national department perspective, OPM is about defining the mandate, setting a vision for the department, establishing strategic objectives that must be accomplished within a specified timeframe and acquiring the financial and human resources as well as the capacity to achieve these objectives (South Africa, 2010a; Evans, Ashworth, Gooch & Davies, 1996). Strategic objectives refer to high-level, strategic achievements which national departments work towards over a medium-term period of five years called the medium-term strategic framework (MTSF) (South Africa, 2010a). Strategic objectives must comply with the specific, measurable, achievable, realistic and time-bound (SMART) criteria (South Africa, 2010a; South Africa, 2007b; Doran, 1981). According to the FPPI (South Africa, 2007b), OPM requires managing and monitoring performance on a continual basis and implementing corrective measures where there are indicators that strategic objectives may not be accomplished as planned. OPM also requires regular reporting on the extent to which strategic objectives have been achieved, to stakeholders, namely, parliament, the Auditor General of South Africa (AGSA), NT, Department of

Planning, Monitoring and Evaluation (DPME) and other relevant stakeholders including the public (South Africa, 2007b).

Rupšys (2007) propounds that historically, annual financial statements (AFS) were used as the main measure of performance. Rupšys (2007) identified shortcomings in using only financial information to gauge organisational performance insofar as financial information assumed only a particular kind of rationality, namely, financial performance. These shortcomings are: (i) a focus on accounting measures forces managers to concentrate on short-term performance, which may negatively influence the organisation in the long-term, (ii) less attention is accorded to macro organisational performance in favour of performance at individual unit level, (iii) not linking financial measures sufficiently, or at all, to the strategic focus of the organisation and (iv) financial information represents the past and therefore does not include comprehensive measures that project the future performance of the organisation (Rupšys, 2007).

The FPPI clarifies that PI reporting (South Africa, 2007b) has not replaced the need for AFS but is regarded as a complementary accountability and monitoring tool. AFS provide information on the financial performance of the department and the use of funds in accordance with the PFMA and the Treasury Regulations (TRs) (South Africa, 2005). PI, on the other hand, provides accountability on the strategic and operational performance of national departments in the pursuit of achieving the departmental mandate (South Africa, 2007b). The *Framework for Strategic Plans and Annual Performance Plans* (FSPAPP) contends that budgets that are not linked to planning tend to focus on the short-term while strategic planning of predetermined (strategic) objectives takes a longer-term view (South Africa, 2010a). However, there is an assumption that national departments develop predetermined objectives and indicators mainly to comply with the PFMA and other prescripts rather than for the purposes of utilising these as performance management and monitoring tools – compliance planning (South Africa, 2011c). Thus, the limited use of effective OPM by departments may be linked to insufficient knowledge and the slow responsiveness of government to meet public needs. Consequently, South Africa has witnessed an increase in service delivery protests from the public (News24, 2018; Sebugwawo, 2013) although there are evidently other structural factors that also influence these protests. The results of the audits conducted by the AGSA on PI reported by national departments (South Africa, 2017; South Africa, 2011b; South Africa, 2010a) also show that there is a need for improvement in the OPM of national departments.

Non-optimal service delivery by government prompted the NT to provide further guidance on the adoption of OPM as a management tool by publishing the *Performance Information Handbook* (PIH) in April 2011 (South Africa, 2011c). The PIH emphasises that, at a minimum, departments are required to compile and submit quarterly performance reports to the executive authority, parliament, DPME and NT. These reports must include detailed information on predetermined objectives and annual targets as well as the extent to which these have been achieved (South Africa, 2011c). In the event that departments fail to achieve predetermined objectives and annual targets as planned, corrective measures must be identified and implemented (South Africa, 2011d). The AGSA, parliament, NT and DPME monitor the implementation of the corrective measures through the quarterly reports of national departments that are required to be approved by the executive authority (South Africa, 2011c; South Africa, 1999).

Government performance is dependent on the availability of the necessary resources, which includes adequate funding (Niggol Seo, 2016; Le Roux *et al.*, 2007) that are obtained mainly from the taxpayers of the country (Hoffman & Howard, 2017; Propheter *et al.*, 2017; Niggol Seo, 2016; Mohr *et al.*, 2004). Consequently, governments are required to account to the public on the use of these funds (Chowdhury & Shil, 2017). Le Roux *et al.* (2007) caution that governments that cannot convince the public that they have applied the resources made available to them in an appropriate manner, for the intended purposes and through proper processes, may lose the trust of their people. An erosion of trust may result in the loss of votes at election time and a loss of belief in government systems (Le Roux *et al.*, 2007).

In order to make it compulsory for national departments to account to parliament, and thereby to the public, the PFMA was promulgated as the primary legislation regulating financial management and OPM at the national and provincial government levels in South Africa (South Africa, 1999). The objective of the PFMA is “to secure transparency, accountability and sound management of the revenue, expenditure, assets and liabilities of the institutions to which this Act applies” (South Africa, 1999, S2). The concepts of transparency, accountability and sound management are therefore, explored further in the next section.

1.3 TRANSPARENCY, ACCOUNTABILITY AND SOUND MANAGEMENT

The PFMA stipulates that funds allocated to national departments, for achieving their mandates, must be managed in a transparent and sound manner (South Africa, 1999). Accounting Officers (AOs) of government departments are required to account to the public through parliament and the AGSA on the use of allocated funds (South Africa, 1999).

1.3.1 Transparency

Transparency by the public sector is about providing society with trustworthy, relevant and understandable (useful) information on the manner in which government is managed, and public goods and services are offered (Ingrams, 2017; Mantysälo, 2015; Vaccaro & Fontrodana, 2010). Transparency also implies that accurate, complete and truthful (veracious) information are available to the public (Ingrams, 2017; Mantysälo, 2015; Vaccaro & Fontrodana, 2010). The *Cambridge Dictionary Online* (2017) goes further to say that transparency refers to business and financial activities being conducted openly, without secrets, and that people are able to trust that such business and financial activities are fair and honest. Bushman and Smith (2003) argue that transparency requires the widespread availability of reliable, relevant and understandable information regarding the performance, financial position, governance, risk and value of government departments. In summary, it is submitted that transparency requires that useful and reliable information that is relevant to the mandate of the national department and that is easily understandable by those who use or interact with such information must be made available in the public domain.

Section 2 of the PFMA describes transparency as being accurate and credible financial information (FI) and PI produced by a department explaining the use of public funds and placed in the public domain (South Africa, 1999). Internationally, governments have implemented measures to improve transparency of government operations and conduct. The discussion that follows explores the practices adopted in the USA, Philippines, Australia and Canada.

Rupšys (2007), who conducted a study on performance budgeting in the USA public sector, observes that USA government agencies are required to prepare annual performance plans (APPs), identifying achievable objectives in a measurable and quantifiable manner. Government agencies are also required to identify the strategies necessary for the accomplishment of these objectives. The manner in which the performance of the agency is measured is also disclosed (Rupšys, 2007). Breul (2007) confirms that the USA public sector offers explanations of variances in actual performance, measured against planned performance. It is therefore, submitted that the practice in the USA is closely aligned to the requirements of OPM in the South African public sector (South Africa, 2007b).

In the Republic of the Philippines, regularity audits are conducted on all government institutions, including local authorities. These regularity audits include assessing whether systems for the allocation and use of funds are effective in ensuring that such funds are utilised for the purposes for which they were intended (Republic of Philippines, 2008).

It was also noted by Rose (2001) that in Australia, government regularity auditing promoted accountability for government performance to stakeholders. The auditing conducted included evaluating the criteria followed to measure the integrity, efficiency and effectiveness of governmental performance (Rose, 2001).

The Canadian Office of the Auditor-General conducts various regularity audits on government departments. The Auditor-General of Canada determines whether government programmes are effective in that they actually deliver the intended goods and services to the public (Defoy, 2011). The reports issued by the Canadian Auditor-General assist the Canadian legislature in holding government accountable for its performance in terms of delivering goods and services to the public (Defoy, 2011).

It is submitted therefore, from the various studies discussed above, that an established pattern emerges in the public sector internationally for government to adopt OPM as a measure to improve performance and service delivery, and to report thereon to the relevant authorities such as the national parliaments, constitutional bodies and the general public. Such reporting is aligned to the transparency requirements provided for in the PFMA.

1.3.1.1 New Performance Management in the public sector

NPM is a theoretical postulation located within the broad theory of managerialism (Pollitt, 2016). It seeks to introduce private sector performance concepts into the public sector (Chowdhury & Shil, 2017; Pollitt, 2016). The theoretical postulations of NPM have been introduced in the South African public sector, requiring that national departments adopt elements of managerialism such as developing the vision, mission statements and organisational values and also to achieve objectives effectively, economically and efficiently (Chowdhury & Shil, 2017; South Africa, 2007b).

1.3.1.2 Auditing of performance information

The auditing of PI, which is made mandatory by the PFMA, S40 (3) (South Africa, 1999), is in keeping with international trends of regularity audits of organisational performance (Rupšys, 2007). The AGSA has been appointed, in terms of the Public Audit Act, No. 25 of 2004, as the external auditor for national departments (South Africa, 2004). The AGSA is required to audit and report on, *inter alia*, the PI produced by national departments (South Africa, 2010c; South Africa, 1999). The AGSA is also required to submit audit reports on the results of the audits to the executive authority and management of national departments, the relevant legislature and to any other institution authorised to receive such reports. Reports by the AGSA must be available in the public domain (South Africa, 2004; South Africa, 1999; South Africa, 1996).

1.3.2 Accountability

The PFMA requires AOs to account to parliament and relevant stakeholders on the financial and operational performance of national departments (South Africa, 1999). Accountability is founded on the principle that a person or an institution is required to account for their conduct and performance to another person or institution authorised to receive such accountability (Jacobs, 2016; Sawyer, Mortimer & Scheiner, 1998). Accountability also requires public officials to ensure that the necessary corrective measures are implemented in the case of deviant performance or in the case of commitments not being met (Jacobs, 2016; Transparency & Accountability Initiative, 2013). The PFMA requires national departments to account to parliament and the public

by preparing and obtaining approval for Strategic Plans (SP) and by developing and publishing AFS and PI (South Africa, 2011c; South Africa, 2009b; South Africa, 1999).

However, an assumption exists within the agency theory that management may provide unequal or 'asymmetrical' information to its principals and its stakeholders (Bosse & Phillips, 2016). In order to counteract the probabilities of reporting such asymmetrical information, the APP, the Annual Report (AR) and the AFS are subjected to independent auditing, internally by the IAA who acts as an early warning mechanism to the department, and thereafter by the AGSA as required by the PFMA (South Africa, 2007a; South Africa, 2007b; South Africa, 1999). Information submitted for assessment must be supported with evidence of the performance achieved. The AGSA does not assess the performance of the department but only the quality and usefulness of the PI reported. Thereafter the AO submits the audited AR that includes the AFS and PI as well as the report of the AGSA to the executive authority, parliament and the NT (South Africa, 1999). The AGSA issues reports on the accuracy, completeness and usefulness of the PI as well as whether the predetermined objectives comply with the SMART criteria (South Africa, 2007b; Doran, 1981). This information is also submitted to parliament for consideration and approval (South Africa, 2009a).

1.3.3 Sound management

Sound management assumes that people, usually the employees of an organisation, will effectively accomplish the organisation's goals economically and efficiently under effective leadership, management and guidance (Bowrey, Hui & Smark, 2017; Medlin & Green, 2014; Follet, [s.a.]). The CQI (2013) suggests that management is about getting ordinary people to excel by successfully performing tasks that challenge their abilities. Sound management of an organisation includes (i) strategic management such as developing the vision, mission and strategic priorities, (ii) adopting a system of good governance and organising the activities of the organisation, (iii) correctly staffing the organisation and managing individual performance and (iv) promoting effective organisational performance by providing appropriate leadership. Sound management also includes implementing effective monitoring, evaluating and controlling activities and reporting on performance achieved (Fernandes & Da Silva, 2015; Addams, Fan & Morgan, 2013; Weber, 1999; Cronje, Du Toit, Mol, Van Reenen & Motlatla, 1998).

In order to ensure the sound management of national departments, the PFMA provides for the appointment of an AO, who is normally the Director General (DG) (South Africa, 1999). The DG is responsible for leading and managing the national department in accordance with the relevant prescripts, with specific attention to Section 38 of the PFMA, so that governmental priorities will be accomplished (South Africa, 1999).

Section 38 of the PFMA requires the AO, *inter alia*, to establish a system of internal auditing under the guidance and control of an AC (South Africa, 1999). AOs consequently establish IAAs to provide internal auditing services to national departments. In accordance with TR 3.2.11 (South Africa, 2005), the IAAs in government departments are required to assess the systems, controls, processes and procedures that produce operational and financial information (IIA, 2017b; South Africa, 2011b; South Africa, 2005; South Africa, 2001). The IASs, additionally, requires internal auditing to assess and evaluate whether departmental objectives and strategies will be effectively achieved economically and efficiently. IAAs are thereby mandated to provide assurance on the veracity of reported PI (IIA, 2017b).

In conclusion, it can be argued that sound management assumes that national departments conduct their strategic management and leadership activities in a manner that enable employees to perform optimally in delivering goods and services to the public (Fernandes & Da Silva, 2015; Addams *et al.*, 2013; Weber, 1999; Cronje *et al.*, 1998). Internal auditing is required to provide independent assessments on the achievement of the national departments' objectives and strategies (performance) and on the veracity of PI reported (IIA, 2017a; Mihret & Grant, 2017).

1.4 INTERNAL AUDITING IN THE SOUTH AFRICAN PUBLIC SECTOR

Internal auditing became mandatory in the South African public sector at national and provincial levels with the promulgation of the PFMA (South Africa, 1999). The scope of internal auditing in the public sector is derived from the IIA definition of internal auditing (South Africa, 2005, TR 3.2.5).

The IIA's definition of internal auditing is included in the IPPF and states that:

... internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations and assist the organisation accomplish its objectives by conducting systematic and disciplined evaluations of the effectiveness of the organisation's risk management, control and governance processes with a view to improving the effectiveness of these processes (IIA, 2017a; Mihret & Grant, 2017:699).

The three focus areas of internal auditing that are evident from this definition are the governance, risk management and control processes of an organisation. The definition of internal auditing provides for both a consulting and an assurance role (IIA, 2017a; Mihret & Grant, 2017). In its consulting role, internal auditing may assist management with the execution of specific assignments designed to achieve specific outcomes. The IAA may also assist in the risk management process by facilitating risk assessment workshops, advising management on how to identify, rate and prioritise risks and compile a risk profile and risk register (IIA, 2009). Additionally, the IAA may provide coaching to employees and accept special assignments from management provided that the independence and objectivity of the internal auditing are not impaired (IIA, 2017b; IIA, 2009).

In its assurance role, internal auditing assesses the adequacy and effectiveness of the governance, risk management and control processes implemented by management in the pursuit of strategic objectives (IIA, 2017a; Mihret & Grant, 2017). Internal auditing focuses on the systems and procedures adopted by management to govern the organisation (Asare, 2009). Consequently, the IAA will also evaluate and contribute to the improvement of (i) the ethics, values and governance processes adopted by the department, (ii) the achievement of predetermined objectives, and (iii) communicating risk, control and performance information to relevant structures within the department (IIA, 2017b, 2110). The theoretical assumptions relating to OPM and internal auditing suggest that internal auditing, through the requirement of evaluating the veracity of information reported by an organisation, is located within the agency and accountability theories which are discussed in Chapter 4 (Taga, 2017; Bosse & Phillips, 2016; Attila, 2012).

1.5 INTERNAL AUDITING OF ORGANISATIONAL PERFORMANCE MANAGEMENT

The definition of internal auditing requires internal auditing to focus on three processes of the organisation, namely, risk management, control and governance (IIA, 2017a; Mihret & Grant, 2017). Each of these focus areas is explored below within the contextual framework of internal auditing.

Internal auditing of risk management - Internal auditing is required to assess and evaluate the risk management systems implemented by the national department (IIA, 2017a:2120). Risk management refers to identifying and prioritising risks faced by national departments that may impede the department from achieving its strategic objectives. Risk management also require national departments to design response mechanisms that address and manage identified risks (IIA, 2009). Management is responsible for the implementation of risk management in the department (IIA, 2009). Internal auditing assists in improving OPM through assessing and evaluating national departments' risk management activities.

Internal auditing of internal controls - The IASs prescribe that internal auditing assess and evaluate the system of controls designed and implemented within a national department (IIA, 2017b, 2130). Controls refer to all the policies, processes and procedures implemented by management to ensure the proper and orderly conduct of business, thereby contributing to the economic, efficient and effective achievement of strategic objectives (COSO, 2013). Internal auditing therefore contributes to OPM through its assessment and evaluation of the organisation's system of internal controls.

Internal auditing of organisational governance - IAS 2110 (IIA, 2017b) states that governance is the combination of processes and structures implemented by executive management to inform, direct, manage and monitor the activities of the national department towards the achievement of its objectives. Internal auditing assesses and makes recommendations for the improvement of the department's governance process.

Governance requires that the IAA evaluate and promote a positive tone at the top (IIA, 2010). Tone at the top refers to the ethical principles of honesty, integrity, transparency, competence and performance adopted by management in leading and managing the

organisation (IIA, 2010). The tone at the top is also enhanced by management's adherence to the organisation's system of internal controls and contributes to promoting a strong control environment (IIA, 2010).

In summary, Bou-Raad (2000) argues that internal auditing is moving away from its perceived traditional role of 'bean counting' (compliance), with the IAA becoming involved in all areas of a department, including organisational governance, risk management and control processes. Bou-Raad (2000) further argues that internal auditing's role in the organisation has transformed into providing timely advice to assist management in achieving strategic objectives. Brody and Lowe (2000) and Terblanché (2008) further maintain that the role of internal auditing has evolved from performing traditional compliance internal audits to adding value to the organisation. Tysiac (2012) observes that the IAA's role is increasingly being incorporated into the broader organisational business strategy and that the IAA was already involved in organisational business planning.

1.6 PROBLEM STATEMENT

Since the advent of democracy in 1994, South Africa has witnessed tremendous growth in government spending, from budgeted expenditure of R135,1 billion in the 1994/95 financial year (South Africa, 1995), with the 2012/13 budget exceeding ZAR1 trillion (South Africa, 2012c). Such an increase in government spending meant that more funds had to be allocated to national departments to fulfil their mandates (South Africa, 2012c). Government, however, appears not to have met public expectations, which has resulted in service standards remaining static or, in some instances, deteriorating (News24, 2018; South Africa, 2017; South Africa, 2009c). According to the former South African Minister of Public Service and Administration, Lindiwe Sisulu, inadequate performance management contributes to poor service delivery (Letsoalo, 2013). Consequently, it can be argued that the poor service delivery of government departments has resulted in large sections of the public lacking basic services such as potable water or proper sanitation facilities. This, in turn, has resulted in social unrest and service delivery protests. This dismal state of affairs begs the question of whether national departments are achieving optimal performance.

It is submitted that internal auditing has been adopted by the management of national departments as one of the mechanisms to improve departmental performance (South Africa, 2005; South Africa, 1999). IAAs should consequently, assess and evaluate national departments' OPM and make recommendations for improvements. Importantly, IAAs need to do this within a system grounded in the theoretical body of knowledge on performance management and internal auditing. These theoretical areas include managerialism, NPM, agency theory and accountability theory.

The results of the internal audits are intended to provide recommendations which can be used to improve departmental performance. However, it is unclear as to whether all IAAs in national departments conduct effective evaluations of the OPM and its systems, controls, processes and procedures. No information could be obtained through a literature review, verifying that IAAs had assisted in improving OPM of national departments. Consequently, it could not be ascertained whether IAAs contribute to the achievement of objectives and enhanced service delivery. There are also under-theorised elements in relation to internal auditing of OPM, specifically with regard to managerialism, NPM and the agency and accountability theories. These research gaps therefore point to the need for additional studies to examine the continued applicability of managerialism and NPM in the public sector and the contribution that internal auditing may offer to such continued applicability.

To date, there is scant literature on the role of internal auditing in OPM in the South African public sector apart from those by Roos (2009) and Prinsloo and Roos (2010). These studies do not, however, constitute in-depth, comprehensive research studies, specifically focused on internal auditing as an enabler in improving OPM at the national governmental level in South Africa. A study by Kiabel (2012) focuses on the situation in Nigeria and explores the relationship between internal auditing and financial performance. Kiabel (2012) noted that effective internal auditing and superior organisational performance are correlated. However, the study does not explore the role of the internal auditing any further or the confluence of internal auditing, performance management and the theoretical tenets of managerialism, NPM, the agency and the accountability theories. Consequently, both an applied and theoretical gap exists in the current performance management literature that needs to be addressed through a comprehensive study into OPM at the national departmental level and the adoption of internal auditing as one of the mechanisms to improve OPM.

1.7 AIM OF THE STUDY

The aim of this study is to explore the implementation of OPM as a management tool to assist national departments in effectively delivering goods and services to the public economically and efficiently. This study also sets out to explore the adoption of internal auditing by national departments as a mechanism to improve OPM.

1.8 OBJECTIVES OF THE STUDY

The first objective of this study is to establish whether OPM has been implemented by national departments in an effort to improve service delivery. A second objective is to explore whether internal auditing was adopted as a mechanism to improve OPM.

The following secondary objectives have been formulated:

- To obtain an in-depth understanding of the manner in which OPM is implemented within national departments with a view to enabling service delivery.
- To examine the adoption, involvement and contribution of internal auditing in OPM within national departments.
- To develop a framework of proposed conceptual elements that could be considered for the future of internal auditing.

1.9 THESIS STATEMENT

OPM has been implemented by national departments to achieve optimal performance and improve service delivery. Internal auditing has been adopted as a mechanism that contributes to the improvement of OPM in national departments. The contribution by internal auditing assists national departments to improve performance, achieve their objectives, improve the quality of PI reporting and reduce the adverse findings reported by the AGSA. This, in turn, assists with the delivery of goods to the public in an economical and efficient manner.

1.10 RESEARCH METHODOLOGY

Research involves collecting and analysing data according to a recognised, methodical and organised research methodology (Power & Gendron, 2015; Turner, 2014). The following section outlines the research methodology used in the study, including the research paradigm, approach and design (Crişan & Borza, 2015; Power & Gendron, 2015; Turner, 2014; Rajasekar, Philominathan & Chinnathambi, 2013).

1.10.1 Research paradigm, approach and design

The research methodology of a study includes a research paradigm. Defined as a set of beliefs that guide action, a research paradigm encompasses four aspects, namely, ontology, epistemology, methodology and ethics (Denzin & Lincoln, 2011). Traditionally, research took on one of two forms – either a quantitative approach or a qualitative approach (Venkatesh, Brown & Sullivan, 2016). The quantitative approach deals with quantifiable, definable data that typically includes information that can be presented in the form of graphs, pie charts and other pictorials that present definable data (Barnham, 2015). This type of approach favours deductive data analysis methodology (Barnham, 2015; Bouma & Ling, 2004). The qualitative approach to research, on the other hand, requires the researcher to personally interact with the research environment and gather data by associating directly with the research participants. Qualitative data is presented in the form of narratives or storytelling (Johnson, 2015). This approach privileges an inductive data analysis methodology (Rajasekar *et al.*, 2013; Bouma & Ling, 2004). It also uses other forms of reasoning such as deductive, abductive or inductive reasoning (Johnson, 2015; Singh, 2015).

Researchers, however, found it increasingly difficult to conduct research following either the qualitative or quantitative approach solely, because of not always being able to collect high quality data or collecting only subjective data (Venkatesh *et al.*, 2016; Onwuegbuzie, 2012; Bouma & Ling, 2004). Therefore, the 1970s saw an approach emerging that incorporated both the quantitative and qualitative approaches, known as the 'mixed methods' approach (Venkatesh *et al.*, 2016; Onwuegbuzie, 2012; Bouma & Ling, 2004). This approach is a hybrid of the two traditional approaches (qualitative and quantitative). This study adopted a sequential mixed methods approach. A sequential mixed methods approach allows for the inclusion of both the quantitative and qualitative approaches in

collecting and analysing data. It also allows for triangulation which contributes to credibility and trustworthiness (Onwuegbuzie, 2012). Ontologically and epistemologically, pragmatism following the sequential mixed methods approach, informs understanding and analysing the topic under investigation (Maree, 2008) - in this case, OPM at the national departmental level and the contribution of internal auditing to OPM.

In this study, the sequential mixed methods design commences with a quantitative approach in the first phase, followed by a qualitative approach in the second phase. This design means that a combination of data gathering techniques can be used such as a survey, document analysis, interviews, focus group discussions and observations (Venkatesh *et al.*, 2016; Onwuegbuzie, 2012; Yin, 2009).

The research was conducted at national departmental level in South Africa. In selecting the departments for the qualitative phase, the AGSA reports on departmental performance over the ten-year period ending 31 March 2015 were analysed (South Africa, 2015; South Africa, 2012a; South Africa, 2011b; South Africa, 2010b; South Africa, 2009b; South Africa, 2008; South Africa, 2007a; South Africa, 2006). The AGSA conducts audits of the AFS of all national departments and issues an audit opinion as to whether the AFS fairly present the state of the national department's financial affairs. The AGSA also audits the PI produced by national departments and provides an assessment of whether the PI is veracious. The AGSA also assesses whether national departments developed their objectives in accordance with the SMART criteria (South Africa, 2011b). Consequently, the AGSA's assessments of the PI and the financial statements were considered in selecting the national departments to be included in the qualitative phase of the study.

Obtaining research data from three national departments was considered adequate to conduct a rigorous, credible and trustworthy study. However, a fourth department was added to promote rigour and the trustworthiness of results. The departments listed in Table 1.1 were chosen in order to obtain an in-depth understanding of OPM and the internal auditing of OPM.

Table 1.1 National departments chosen for the study

| Criteria | Departments chosen |
|--|--|
| Departments that received unqualified audit opinions and an improvement in the findings on predetermined objectives | Higher Education and Training Human Settlements |
| Department where the overall audit opinions issued reflect generally consistent positive financial and operational performance over the ten-year period | Trade and Industry |
| Department where the overall audit opinions issued reflect inconsistent financial and operational performance over the ten-year period, with a positive improvement in the latter years. | Public Works |

Information was collected from specifically targeted individuals and groups in the identified departments because it was assumed that these individuals and groups would have specific knowledge of OPM and of the internal auditing of OPM. They would therefore be able to provide rich data and useful suggestions (Morse *et al.*, 2002). This study adopted purposive sampling (Maree, 2008). The following individuals were selected in the national departments as they were able to provide the required data in a comprehensive and complete manner:

- Accounting Officer (where possible) or delegate
- Chief Risk Officer
- Chief Audit Executive
- Head of Planning and Performance Reporting
- Head of Monitoring and Evaluation

Focus group discussions were held with IAA staff members. Separate discussions were held with internal audit managers, internal audit supervisors and internal auditors. Separate discussions enabled free and open participation by focus group participants.

1.10.2 Data collection

The method of data collection initially took the form of a survey, based on a quantitative approach. DGs are responsible for the OPM of national departments and the establishment of IAAs. Permission was obtained from DGs of 18 national departments to

collect data from their departments (Annexure 1). DGs delegated the completion of the survey questionnaire to senior management members. The survey questionnaire (Annexure 2) followed a five-point Likert scale to obtain meaningful responses (Venkatesh *et al.*, 2016; Onwuegbuzie, 2012; Yin, 2009).

Qualitative methods were used to collect subsequent data. Permission was sought from DGs of the selected national departments to collect documentary evidence, interview identified research participants and conduct focus group discussions in order to obtain rich research data (Annexure 1). Semi-structured schedules with guiding questions were forwarded to participants in advance of interviews and focus group discussions (Venkatesh *et al.*, 2016; Onwuegbuzie, 2012; Yin, 2009).

1.11 DATA ANALYSIS

The data collected were analysed comprehensively and methodically in order to understand its meaning and create new knowledge (Thorne, 2000). Themes and patterns emerging from the data were identified and documented (Braun & Clarke, 2006). Relationships between the data, similarities and differences in the methodologies, approaches, processes and procedures adopted for both the implementation of OPM and the internal auditing thereof were analysed and interpreted (Thorne, 2000).

Quantitative data was examined using logical analysis (Singh, 2015). Common themes and ideas emerging from the data were represented diagrammatically (Singh, 2015). Qualitative data was analysed through inductive, deductive and abductive reasoning (Johnson, 2015; Delattre, Ocler, Moulette & Rymeyko, 2009; Bouma & Ling, 2004). Additionally, triangulation was employed to compare and validate the themes and patterns emerging between data sets (Singh, 2015; Ratcliff, 2012; Thorne, 2000). A comprehensive document review, using hermeneutical analysis that enabled the interpretation of documents, was undertaken of documents that became available during the study (Rajasekar *et al.*, 2013; Highfield & Bisman, 2012; Ratcliff, 2012).

A digital recorder was used to record all interviews and focus group discussions to ensure the accuracy and completeness of the data collected. A professional service provider was engaged to transcribe the data from digital to text format for ease of reading and analysing and also to ensure the accuracy and completeness of the data transcribed. The digital

recordings were saved on permanent electronic back-up media. In addition to the digital recordings, comprehensive handwritten notes were taken to compare with the transcribed texts.

MS Excel was used to analyse the data collected during the quantitative phase. Information was recorded in columns and rows, thereby making coding and stratifying of data easier. It was therefore useful when comparing emergent themes and patterns. MS Excel was also used to identify themes and patterns originating from single and multiple sources by using the filtering function.

Data collected during the qualitative phase was analysed through computer-assisted qualitative data analysis (CAQDAS) tools. NVIVO™ had been identified as a suitable CAQDAS tool for the purposes of content searching, linking themes and patterns, mapping and networking various themes and patterns and writing and annotating the results of the analysis (Ratcliff 2012; Saldaña, 2009).

1.12 ETHICAL CONSIDERATIONS

The study involved collecting data from various sources, including human sources, interpreting and analysing the data and then drawing conclusions (Bouma & Ling, 2004). According to Bouma and Ling (2004) ethics in research relates to the approach or attitude adopted by the researcher when data is collected, disclosing the purposes for obtaining the data to participants and allowing the potential participants to choose whether or not to participate in the study. Ethical requirements include truthfulness, consent, confidentiality, respect, dignity, courtesy, honesty, openness and permission. All of these principles were fully complied with during this study (Myers, 2011; Babbie, 2010; Bricki & Green, 2007; Bouma & Ling, 2004).

1.13 SIGNIFICANCE OF THE STUDY

Despite the introduction of elements of NPM into the national government sector in South Africa in 2007, the persisting social unrest and service delivery protests indicate that there is an ongoing need for the overall improvement of government performance. The theoretical basis for performance management as well as internal auditing's role in and contribution to OPM needs exploration in order to ascertain whether these theories

adequately address the introduction of OPM in the public sector and the adoption of internal auditing as an enabler for improving OPM. This study, which critically and comprehensively analysed OPM in national departments as well as the adoption of internal auditing as a mechanism to improve OPM, identified theoretical gaps and challenges, and highlighted best practices. Grounded in the theoretical points of departure of managerialism, the NPM, the agency theory and the accountability theory, the study assumes that NPM seeks to improve the economical, efficient and effective accomplishment of government priorities by adopting private sector approaches. However, studies undertaken in the USA, UK, Europe and Australia on NPM indicate that the extent of its success may be limited (Chowdhury & Shil, 2017).

The role of internal auditing in improving OPM, with due regard to NPM, required critical analysis to establish the theoretical assumptions determining the contribution of internal auditing to improving OPM, particularly at national government level. This study added value to IAAs insofar as it developed a better-to-best practices framework that recommends a procedural approach to internal auditing of OPM. Furthermore, IAAs at all levels of government in South Africa, in foreign governments as well as in the private sector may find the framework useful when conducting internal audits of OPM within their organisations.

1.14 CHAPTER LAYOUT

The chapter layout of this study is summarised in Table 1.2 below.

Table 1.2 Chapter layout

| | |
|------------------|---|
| Chapter 1 | Introduction This chapter provided a brief background to OPM in the public sector with specific focus on national departments. It also provided a brief overview of internal auditing, relevant literature, the research methodology, the problem statement, aim, objectives and significance of the study as well as the ethical considerations. |
| Chapter 2 | Organisational performance management This chapter explores and analyses existing literature on the concept of OPM in general, the implementation of OPM in the public sector as well as the reporting by government on its performance and the accomplishment of service delivery objectives to the legislature and the public. |
| Chapter 3 | Internal auditing of organisational performance management |

| | |
|------------------|--|
| | Chapter 3 explores the nature of internal auditing, its role in OPM in general and its contribution to improved OPM specifically in the context of national government. |
| Chapter 4 | Theories underpinning organisational performance management and internal auditing In Chapter 4, the theoretical assumptions and theories relevant to OPM and internal auditing are examined. |
| Chapter 5 | Research methodology Chapter 5 focuses on the research approach, the research design and the research methods adopted. The chapter also details the data collection and data analysis techniques followed in this study. |
| Chapter 6 | Data collection and analysis The data gathered is critically and comprehensively analysed and interpreted. Themes emerging from the data are explored and assertions emanating from the research data are presented. |
| Chapter 7 | Conclusions and recommendations The results of the analyses and recommendations made are discussed in detail. Areas for further study are also suggested. |

CHAPTER 2

ORGANISATIONAL PERFORMANCE MANAGEMENT

2.1 INTRODUCTION

In Chapter 1 it was noted that the world today is characterised by ever increasing demands for goods and services from the general public. However, resources to satisfy these demands are limited. Organisations in both the public and private sector are therefore forced to explore measures that achieve optimal results with the limited resources available (Bolden, Gosling, Adarves-Yorno & Burgoyne, 2008). It was also noted in Chapter 1 that the public sector plays an important role in providing goods and services such as health care and education to the public (Jääskeläinen & Lönnqvist, 2011; Hoque, 2008). Authors have argued that government failures resulted in poor service delivery with negative consequences for society (Nenovski *et al.*, 2017; Payne 2016; Chambers & Odar, 2015; Keech & Munger, 2015).

Against this backdrop of growing demand for public goods and services, government should continuously seek to become more efficient by finding new and innovative ways of improving its performance. One such measure that government has begun to utilise as a tool to enhance service delivery is OPM (Blackman, Buick, O'Donnell, O'Flynn & West, 2012).

This chapter analyses the concept of OPM as well as the elements of a performance management system. The challenges of performance management in the public sector are also explored. The chapter concludes on the OPM system implemented within the South African public sector, specifically at the national departmental level.

2.2 EXPLANATION OF ORGANISATIONAL PERFORMANCE MANAGEMENT

The concept of performance management is traceable to 1990 when the theory of managerialism was first put forward by Pollitt (Pollitt, 2016; Field, 2015). Pollitt explains managerialism as being a general ideology as well as specific practices that promote optimal organisational performance through the adoption of a managerial approach

(Pollitt, 2016). Pollitt contends that better management, and by extension, compliance with management principles, will result in successful organisations (Pollitt, 2016).

Medlin and Green (2014) note that management principles, which are the drivers of OPM, have been explored for more than a century and can be traced back to the writings of Fayol in 1916. Subsequently, management principles and practices placed OPM in a theoretical space of its own. Scholars such as Pollitt (2016) and Bolden *et al.* (2008) suggest that OPM refers to the measures, systems and activities implemented by an organisation to increase the probability of effectively achieving the organisational mandate economically and efficiently. Accordingly, OPM is about managing an organisation so that it achieves a planned level of performance through rational decision-making (Bowrey *et al.*, 2017), in other words, managing for performance as opposed to simply managing for existence (Pollitt, 2016).

It has been argued that the public sector also desires optimal performance and service delivery (Chowdury & Shil, 2017; Kuna, 2017; Cohen, 2016; Pollitt, 2016; Field, 2015; Nickson, 2014). This argument further suggests that private sector management practices such as efficiency and cost containment have been adopted by the public sector through the concept known as NPM (Chowdury & Shil, 2017; Kuna, 2017; Cohen, 2016; Pollitt, 2016; Field, 2015; Nickson, 2014). The adoption of private sector management practices into the public sector, as opposed to the previous public administration approach, was largely driven by a seminal article written by Christopher Hood in 1991 that first introduced New Public Management or NPM, a notion which has now received widespread recognition and usage (Pollitt, 2016). NPM itself is located within the theory of managerialism and serves, in its own right, as a theoretical basis for organisational performance in the public sector (Bowrey *et al.*, 2017; Cohen, 2016; Pollitt, 2016). The key feature of flexibility is automatically built into both managerialism and NPM. Thus, where there is a deviation from planned performance, both managerialism and NPM require explanations to be provided and corrective action be taken (Pollitt, 2016).

There are, however, divergent views on the success of NPM. Pollitt (2016), who coined the term 'managerialism' in his book, *Managerialism and the Public Services* in the 1990s, argues that whilst many academics and writers claim that NPM is no longer relevant, NPM is, on the contrary, still very much alive. The views of Pollitt are echoed by other authors such as Chowdury and Shil (2017) and Cohen (2016). Cohen (2016) argues that NPM

has had mixed success whilst Bowrey *et al.* (2017) suggest that the NPM reforms of the 1980s and 1990s have now become entrenched within government. Field (2015), however, believes that the public sector has confused performance appraisal with performance management and that NPM ignores values such as transparency, collegiality and flexibility to which professionals ascribe.

The argument of Field (2015) may be contested. It is submitted that managerialism and NPM, by their very nature, are designed to improve transparency insofar as (i) the organisation is required to plan, manage and account for performance to its stakeholders and (ii) all employees within the organisation are required to account for their planned performance. With regard to collegiality, it is submitted that organisational performance is primarily about achieving the mandate and planned performance of an organisation rather than promoting collegiality. It is further submitted that collegiality may lead to supporting inefficiency, bad decision-making and poor-service delivery.

In South Africa, the public sector has adopted the aspects of NPM in its approach to OPM (South Africa, 2007b). The requirements of the FPPI (South Africa, 2007b) pre-suppose that elements of NPM are still relevant in government today, as can be ascertained from the 2016 ARs submitted to parliament by national departments. It can therefore be argued that, in South Africa, the concepts of NPM will continue to influence national departments' management practices, including OPM, for the foreseeable future. Additionally, no information became available to suggest that comprehensive studies have been conducted to test and evaluate the continued relevance of NPM in the South African public sector or to disprove its applicability.

OPM may be viewed through multiple lenses such as the managerial and the institutional lens (Pascuci, Júnior & Crubellate, 2017). Viewed through the rational, managerial lens, OPM includes elements such as strategic management, governance, risk management, resource and human resource management, operations management and monitoring and evaluation (M&E) (Pascuci *et al.*, 2017, Pollitt, 2016). According to Medlin and Green (2014), positive organisational performance is dependent on good organisational management which includes both strategic and operational management.

Strategic management is founded on the assumptions of leaders developing the vision, mission, values and strategies for the organisation. Developing strategies involves both

long-term and short-term planning (Habib & Yazdanifard, 2017; Mackie, 2008; Demmke, 2006). Long-term planning culminates in the development of the goals, objectives, targets and strategies of the organisation (Habib & Yazdanifard, 2017; Demmke, 2006). Planning includes identifying the strategic measures and actions to be implemented, as well as the human and other resources that an organisation requires to drive the organisation towards accomplishing its planned performance (Addams *et al.*, 2013; Mackie, 2008; Demmke, 2006; UN-ECOSOC, 2003).

The CQI (2013) supports the arguments that OPM includes a two-dimensional approach. According to Fernandes and Da Silva (2015), these two dimensions include the strategic planning dimension and the tactical dimension. Strategic planning is concerned with setting achievable goals and objectives for the organisation in the medium-to-long term whilst the tactical dimension includes identifying targets to be achieved in the short-term and making available the human and other resources required to achieve these targets (Fernandes & Da Silva, 2015; CQI, 2013).

The USA Office of Personnel Management argues, however, that performance management is about translating goals into results, focusing on the performance of individuals and teams and also focusing on programmes, processes and indeed, the organisation as a whole (USA, 2018). Implementing a system of OPM also means that actual performance achieved must be measured regularly to determine whether planned performance was achieved as intended. The criteria of quality, quantity, timeliness and cost are generally accepted as being suitable to measure organisational performance (Pollitt, 2016; Hoque, 2008).

The argument put forward by the USA Office of Personnel Management (USA, 2018) adopts, largely, the theoretical assumptions of managerialism and NPM (Pollitt, 2016). The USA Office of Personnel Management argument also aligns with the suggestions of Bowrey *et al.* (2017) that adopting the private sector practice of OPM by the public sector is founded on economic rationalism and managerialism and not on public administration, as was previously the case.

Whilst there has not been unanimous agreement on the effectiveness of NPM in improving government performance, Pollitt (2016) argues that NPM continues to be relevant in the public sector. This argument is strengthened by the fact that the South

African public sector continues to implement elements of NPM in OPM, as directed by the FPPI, the policy framework for the Government-wide Monitoring and Evaluation System (GWMES) and the PIH (South Africa, 2011c; South Africa, 2007b; South Africa, 2007c). Furthermore, an assessment on the success or otherwise of NPM in South Africa has not yet, according to available literature, been conducted. Therefore, it cannot be decisively concluded that NPM has failed or is no longer relevant. Further studies are necessary to evaluate the success or otherwise of NPM both in South Africa and internationally.

Pollitt (2016) and the CQI (2013) maintain that OPM is about getting ordinary people to accomplish results that exceed expectations. It is, however, acknowledged that these results, whilst relevant to the NPM way of thinking, may be considered inappropriate in other social theories such as the neo-liberal labour theories and the quality management theory (Pollitt, 2016). In order to enable people to achieve these extraordinary results, the organisation must develop comprehensive organisational plans with clear, well-defined objectives, targets and strategies and also create the required performance environment with the necessary facilities (CQI, 2013). Sonnentag and Frese (2002) suggest that the reason that an organisation employs a person is so that the person can contribute positively toward the accomplishment of the objectives and targets. In other words, an organisation employs a person for the employee's ability to deliver high levels of performance.

Armstrong and Baron (2004) suggest that OPM is a strategic and integrated approach designed to increase organisational effectiveness by improving employee performance. Improved employee performance is achieved by increasing the skills and capabilities of both teams and individuals (Armstrong & Baron 2004). Performance management consequently includes a holistic process of managing people where the main objective is to create a culture that encourages individuals and groups to achieve high levels of performance by enhancing their own skills, behaviour and contributions and aligning these with organisational goals (CQI, 2013; Armstrong & Baron, 2004; Sonnentag & Frese, 2002). The arguments of several scholars and literature (CQI, 2013; Armstrong & Baron, 2004; Sonnentag & Frese, 2002) reflect the approaches of economic rationalism and rational managerialism in OPM and specifically align with the theoretical assumptions of NPM.

According to the United Nations Economic and Social Council (UN-ECOSOC) (2003), promoting an organisation's mission and values in a planned, comprehensive and integrated manner is an important requirement of good OPM. Promoting and communicating the organisation's mission and values creates awareness and understanding within the entire organisation (Mackie, 2008). This in turn develops a sense of belonging and creates buy-in from employees for the strategic direction of the organisation (UN-ECOSOC, 2003). In addition to employee performance, OPM is also about utilising other resources such as money, plant, equipment and property to achieve outcomes, meet objectives and optimally deliver quality services to the public (South Africa, 2009c).

The Chartered Institute of Personnel and Development (CIPD) (2009), based in the UK, maintain that effective organisational performance is dependent on employees understanding the objectives of the organisation. Employees must grasp how the tasks that they perform contribute to the achievement of company goals and the bigger organisational picture. Therefore, performance management is used as a managerial tool for obtaining the best efforts from employees (CIPD, 2009). In addition, employees must also (i) possess the required qualifications and skills and be afforded development opportunities to continuously further their qualifications and skills, (ii) be given feedback regularly on their performance and be allowed opportunities for improvement and (iii) have the opportunity to discuss and provide input into individual and team goals during feedback sessions and other discussions. Feedback sessions and other discussions should enable employees to perform better, which in turn increases the likelihood of effectively achieving organisational objectives economically and efficiently (CIPD, 2009).

Mackie (2008) argues that monitoring, measuring and adjusting both individual and organisational performance through controls put in place by management enhances OPM. In addition, OPM has a dual purpose in firstly ensuring that internal controls exist to manage and monitor effective achievement of planned organisational performance and secondly to communicate performance to relevant stakeholders such as shareholders, legislatures and creditors. In the public sector in Scotland, communication and reporting of organisational performance to stakeholders such as parliament is required by law (Mackie, 2008). Such laws also require public sector institutions to adhere to governance and accountability standards (Mackie, 2008). In South Africa as well, it is mandatory for the public sector to introduce OPM systems, conduct both organisational and employee

performance assessments on a regular basis and to report on organisational performance achieved (South Africa, 2010a; South Africa, 2009a; South Africa, 2007b; South Africa, 2007c).

Maluleke (2012) sums up OPM, stating that performance management seeks to deliver successful organisational results which can only be achieved by developing successful individuals and teams. Armstrong (2006) argues that performance management may also be used to focus on the aspirations of individuals, such as career planning, talent management and learning and development. McNamara (2011) proposes that corrective action must be taken where necessary in order to successfully achieve planned organisational performance.

In this section, OPM was explored and it was found that organisational leadership, together with the measures, systems and activities implemented, influence the likelihood of an organisation accomplishing its goals, objectives and targets (planned objectives). Optimal OPM requires that planned objectives be effectively achieved economically and efficiently. Effective OPM also suggests that management will create an enabling environment that allows employees to perform optimally.

2.3 ELEMENTS OF A PERFORMANCE MANAGEMENT SYSTEM

In the preceding section, OPM was explored through the rational, managerial lens. In this section, the elements required to effectively manage performance in an organisation are further explored through a similar lens.

OPM refers to the manner in which an organisation goes about accomplishing its mandate and planned objectives (Pollitt, 2016; Bolden *et al.*, 2008). Effective performance is based on the assumption that strategic management, governance, risk management, resource and human resource management, operations management and monitoring, evaluation and control activities have been implemented by management and are working as intended (Addams *et al.*, 2013; CQI, 2013; Maluleke, 2012; Kagaari, 2011; UN-ECOSOC, 2003). Traditionally, performance management was aligned to the four generally accepted management principles of (i) planning, (ii) leading, (iii) organising and (iv) controlling (Fernandes & Da Silva, 2015; Medlin & Green, 2014; Addams *et al.*, 2013; Mirchevski, 2012; Shenhar & Renier, 1996). However, recent studies suggest that

performance management also incorporates the strategic dimensions of strategic leadership, strategic management, strategy implementation and M&E (Habib & Yazdanifard, 2017; Fernandes & Da Silva, 2015; Medlin & Green, 2014). Fernandes and Da Silva (2015) claim that optimal OPM is dependent on the existence of strategic management, leadership practices, leadership as a strategy and strategic leadership.

It is submitted, therefore, that traditional managerial principles created the platform for the grounding of the current theories postulated on OPM. This is premised on the arguments of scholars and authors, as discussed in this section, for the inclusion of elements of all four traditional management principles within the more modern theoretical approaches to managing organisational performance. The modern theoretical approach to OPM, as derived from literature is depicted in Figure 2.1.



Figure 2.1 Elements of OPM

(Source: Own compilation)

A discussion of the elements of performance management extracted from the broader theory of managerialism and included in Figure 2.1 is provided in the following section.

2.3.1 Strategic dimensioning and management

Strategic dimensioning and management allow the organisation to develop and define its vision, mission and aim and also to formulate its planned objectives (Habib & Yazdanifard, 2017; Fernandes & Da Silva, 2015; Olusula, 2012; Kagaari, 2011; Demmke, 2006). Additionally, strategic management enables the organisation to formulate its critical success factors, conduct stakeholder consultations and analysis, and regularly undertake an assessment of its performance results (Fernandes & Da Silva, 2015). The strategies for the accomplishment of such planned objectives are an important part of the strategic management and planning process. During this process, the performance indicators, activities and measures used to monitor progress are developed (Medlin & Green, 2014; Olusula, 2012; Kagaari, 2011).

Planning refers to the processes that enable decisions to be made by management on the proposed direction and destination of the organisation (Habib & Yazdanifard, 2017; Pollitt, 2017; Fernandes & Da Silva, 2015; Medlin & Green, 2014; Mirchevski, 2012). Planning also includes deciding what the organisation will focus on in the long-term over a period of between 5 to 15 years, in the medium term between 3 to 5 years and in the short term, in less than 3 years (Fernandes & Da Silva, 2015; Olusula, 2012).

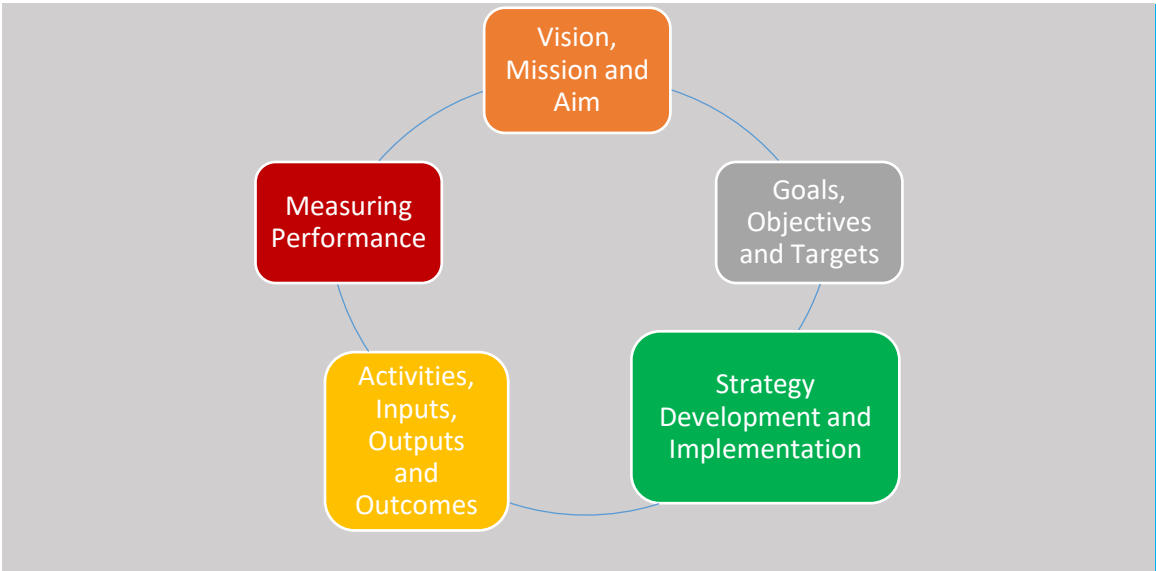


Figure 2.2 The strategic management cycle
(Source: Own compilation)

Figure 2.2 depicts the components of the strategic management cycle that are derived from the literature survey and are discussed hereunder.

In the case of the public sector in South Africa, strategic management commences with the government identifying overall national priorities. These inform the mandate of each national department (South Africa, 2007b; Demmke, 2006). The mandate or reason for the establishment of a national department enables management to conceptualise the vision for the department within the overall national priorities (Kagaari, 2011; Demmke, 2006). The vision identifies the ideal future state of the national department (Habib & Yazdanifard, 2017) and forms the basis from which the departmental strategic focus is developed (Habib & Yazdanifard, 2017; South Africa, 2010a; Demmke, 2006). A mission, it is argued, is a concise, specific statement that sets out the purpose and reason for the existence of a department. The mission statement generally reflects the main, high-level goal of the national department (Habib & Yazdanifard, 2017). A mission statement also locates the national department within its target public, identifies the main goods and services that it will deliver and the physical location where these goods and services will be delivered (Habib & Yazdanifard, 2017; *Small Business Encyclopaedia*, 2014; South Africa, 2010a). Based on the mandate, vision and mission, the aim of an organisation defines the overall purpose of the organisation. The aim also identifies the long-term achievement to be accomplished as well as the direction in which the department will proceed to attain the intended long-term achievement (CQI, 2013). In the case of national departments, it is assumed that the aim refers to the mandate of the department.

Strategic management in the public sector requires national departments to formulate their goals, objectives and targets (Chowdury & Shil, 2017). A 'goal' is explained as the destination to which the organisation wants to get to (Pollitt, 2016; CQI, 2013). It is a high-level explanation of the planned achievement of the organisation over a specified timeframe, normally over the long term (Fernandes & Da Silva, 2015; Michigan Government, 2014; CQI, 2013). However, the FSPAPP describes a goal in the public sector context as the intended, high-level accomplishment of a national department that is also SMART (South Africa, 2010a).

An 'objective' refers to the result that a national department plans to achieve within a specified timeframe, normally over a medium term of five years, with available resources (*Business Dictionary Online*, 2014; CQI, 2013; South Africa, 2010a). In the South African

public sector, objectives are referred to as 'predetermined objectives' because such objectives are developed prior to the commencement of the medium-term strategic framework period (South Africa, 2009c). In this study, the term 'planned objectives' will also refer to predetermined objectives, unless the context specifically requires the use of strategic or predetermined objectives.

A 'target' refers to a specific point towards which the national department is progressing. It is small, well-defined and achievable in a very short period of time (*Free Merriam-Webster Dictionary*, 2014; CQI, 2013; Moss, Brookhart & Long, 2011; South Africa, 2007b). Fisher (2014) goes further to suggest that targets are the smaller steps required to achieve the bigger objectives and goals. Furthermore, targets require precise descriptions of what must be achieved (Moss *et al.*, 2011). Targets also identify the level of performance required by the individual, group or organisation as a whole (CQI, 2013). A popular example in children's stories may be used to explain the concept of a target, objective and goal.

William Tell, a famous British children's book character who was an excellent archer, was challenged to shoot an apple placed on the top of his son's head. In this example, the target is very specific, well-defined and clear as being the apple on the head of his son. However, the objective was to save both his and his son's lives and his goal was to return to his village where he could continue to work towards improving the living conditions of the British poor.

The PIH (South Africa, 2011c) requires goals, objectives and targets to comply with the SMART criteria. The PIH (South Africa, 2011c) also refers to performance measures and indicators that must also comply with the SMART criteria. The SMART criteria are explained as below.

Specific: 'Specific' clarifies who will accomplish the planned objectives, exactly what will be accomplished, where the planned objective will be accomplished and the resources required to effectively achieve the planned objective. The risks that will prevent the accomplishment of the planned objective must be identified and strategies developed to respond to risks identified (Oertel, Freddolino & Freddolino, 2014; Chamberlin, 2011; Top Achievement, 2011). The benefits of accomplishing the planned objective must also be clearly defined (Oertel *et al.*, 2014; Chamberlin, 2011; Top Achievement, 2011).

According to the FSPAPP (South Africa, 2010a), 'specific' means that the department must clearly define the quantity and quality of performance necessary for the achievement of planned objectives.

Measurable: Organisations determine the extent of progress (measurement) made towards attaining planned objectives at regular intervals. Such measurement is necessary in order to determine whether planned objectives have been effectively achieved within a defined period. Where deviant performance is noted, corrective action becomes necessary (Oertel *et al.*, 2014; Chamberlin, 2011; Top Achievement, 2011; South Africa, 2010a). At the national department level, results are measured quarterly to determine whether planned objectives have been accomplished as intended and whether corrective action was implemented in cases of deviant performance (South Africa, 2007b).

Achievable: Effective OPM requires organisations to assess the probability of actually and realistically achieving planned objectives with the existing organisational capacity, capability, funding and time (Oertel *et al.*, 2014; Chamberlin, 2011; Top Achievement, 2011; South Africa, 2010a, South Africa, 2007b). At the national department level, management is required to assess whether it will actually and realistically achieve the planned objectives with the available departmental capacity and resources within the predetermined timeframe thus further entrenching the adoption of private sector practices in the public sector (South Africa, 2007b).

Relevant: Effective OPM requires that planned objectives be aligned to the mandate and priority goals of the national department (South Africa, 2010a). Relevant planned objectives should result in the effective accomplishment of the national department's mandate (Oertel *et al.*, 2014; Chamberlin, 2011; Top Achievement, 2011). Effective achievement of planned objectives results in delivery of the required goods and services to the targeted public (South Africa, 2010a; South Africa, 2007b).

Time-bound: Planned objectives must be achievable within clearly specified timeframes (South Africa, 2010a). A specified timeframe creates a sense of performance urgency and gives clear direction to employees (Oertel *et al.*, 2014; Top Achievement, 2011). Timeframes normally span one year, however, in the case of longer term planned objectives, the timeframe may extend to more than one financial year. The timeframe

must be realistic and reasonable to enable effective accomplishment of planned objectives and result in timely service delivery to the public (South Africa, 2010a).

In summary, OPM requires that organisations formulate their high-level goals, the planned objectives linked to such goals and the individual targets that must be accomplished in order to progress towards accomplishing their mandate (Brand, 2010; Scott, 2006). In order to achieve effective performance, an organisation is required to translate the planned objectives into strategies that indicate the manner in which the organisation will accomplish planned objectives (Brand, 2010). At the national department level in South Africa, strategies have been explained as the processes that link inputs and resources to the accomplishment of planned outputs and outcomes (South Africa, 2011c). Mackie (2008) argues that although the translation of planned objectives into strategies may prove difficult and may not result in a complete translation, the process in itself is valuable to the organisation. The translation process enables employees to acquire comprehensive information of the organisation itself, the organisation's priorities and the organisation's expectations from its employees. Mackie (2008) further contends that such awareness positively contributes to the achievement of planned objectives.

Strategy is located within strategic management theory (Fernandes & Da Silva, 2015), which is rooted in the management theoretical space of the 1960s (Johnsen, 2015). Strategy in the public sector enables national departments to clearly identify the direction that they will take in progressing towards planned objectives. Strategy implementation involves the application of significant quantities of human and other resources and therefore requires careful consideration and development (Fernandes & Da Silva, 2015; Johnson, 2015; Brand, 2010; Scott, 2006). However, Johnson (2015) asserts that strategy in the private sector is based on the assumption of competition and rivalry. The discussion of strategy in this study is founded on the public sector approach as opposed to the private sector approach suggested by Johnson (2015).

Strategies have a medium- to longer-term focus (Fernandes & Da Silva, 2015; Mackie, 2008). They are developed to provide direction to an organisation for at least three to five years (Fernandes & Da Silva, 2015; Mackie, 2008). Strategies are about creating value for the organisation by providing the foundation and framework that enable managers to identify opportunities and take full advantage of such opportunities (Fernandes & Da Silva, 2015; Johnsen, 2015; Kaplan & Norton, 1996; Normann & Ramírez, 1993).

Johnsen (2015) and Porter (1991), however, go further to state that strategy is used to bring together the diverse objectives and targets of the different units within an organisation and align such diverse targets and objectives to the mandate of the organisation. Kaplan and Norton (2006) suggest that the concept of strategic themes seeks to bring together different objectives and initiatives into a unified band. A unified band of objectives and initiatives creates convergence of objectives and initiatives, thereby promoting greater effectiveness in accomplishing planned objectives (Kaplan & Norton, 2006).

Olusula (2012) suggests that strategy logically originates from top management and is the product of managerial thinking. Managerial thinking therefore affects strategy, allowing strategy to adapt to changing circumstances. Consequently, managerial thinking enables an organisation to adjust to prevailing conditions in progressing towards planned objectives (Johnsen, 2015).

Brand (2010) argues that strategy should also be understood and 'owned' by every individual in the organisation. Employee ownership and understanding of organisation's strategy instils a sense of direction and clarifies the desired future state of the organisation (Brand, 2010). Consequently, many managers drop seeds of ideas about the preferred organisational direction in the minds of employees. Thereafter employees germinate ideas from these seeds and make suggestions to management, allowing the employees to believe that they had a role in formulating organisational strategies. They thus become co-owners of the strategy (Olusula, 2012). These individuals are then motivated to effectively implement the strategies for the benefit of the entire organisation (Olusula, 2012). In order to effectively implement organisational strategies, employees must be guided by clear and comprehensive plans that identify planned objectives and provide detailed information on the manner in which these objectives will be achieved (Porter, 1991).

Strategy in the public sector refers to the plan that is developed and implemented in order to successfully achieve a national department's planned objectives (Scott, 2006; Porter, 1991). Strategy is developed by the strategists within each national department (Scott, 2006). Such strategists include the executive and senior management of national departments. Additionally, input is obtained from all employees of the department, thus echoing the suggestions of Olusula (2012) and Brand (2010). South African national

departments are required to formulate five-year SPs that explain the department's outcomes-oriented priorities, goals, planned objectives and strategies to be achieved over the MTSF period of five years (South Africa, 2011c; South Africa, 2010a; South Africa, 2007b). Outcomes-oriented goals and planned objectives intend to create a positive change in the target public by improving their living conditions. National departments develop an SP that details the outcomes-oriented goals, planned objectives and strategies that are annually submitted to parliament for approval (South Africa, 2011c; South Africa, 2010a; South Africa, 2007b).

National departments are also required to develop an APP that explains the targets to be achieved during a specified financial year. A financial year at the national level in the public sector runs from 01 April until 31 March (South Africa, 2010a). Annual targets in the APP, linked to pre-determined, high-level goals and the planned objectives identified in the five-year SP, create strategic linkage between the SP and the APP (South Africa, 2010a). The APP also breaks down the annual targets into smaller quarterly targets for M&E and reporting purposes. Objectives and targets linked to measurable performance indicators enable progress made against such planned targets to be measured regularly, at least on a quarterly basis (South Africa, 2010a). Performance indicators are also developed and can be described as those landmarks or signs that enable an organisation to determine whether it is on track towards achieving planned objectives (South Africa, 2010a). Performance indicators can also be regarded as signals that indicate whether planned objectives will be accomplished as intended. Performance indicators must be identified at the beginning of the performance cycle in order to enable organisations to regularly assess performance against such indicators. Indicators therefore must also be very specific in nature and must also be measurable (South Africa, 2010a).

According to the FPPI (South Africa, 2007b), a good performance indicator complies with the following characteristics:

Reliable - the indicator must be accurate and flexible enough to respond to changing circumstances.

Well-defined - the indicator must be clearly crafted, consistent, easy to understand and aligned to the planned objective.

Verifiable - the manner in which the indicator is developed must be valid; should another person follow the same process to develop an indicator, they should arrive at the same or a similar indicator.

Cost-effective - M&E processes implemented to measure progress should require the application of the least amount of resources.

Appropriate - the indicator must relate directly to the target. Additionally, the indicator should also not be developed simply to comply with administrative requirements but should enable optimal performance.

The conceptual basis for indicators is that they should be well-crafted and used as a performance management tool to assist national departments in accomplishing their planned objectives (South Africa, 2011a; South Africa, 2011c; South Africa, 2007b).

The strategic management process also identifies the activities, inputs, outputs and outcomes that are necessary to achieve the organisation's planned objectives. Activities enable the national department to perform the steps that transform or convert inputs into outputs (Mirtorabi, Hedjazi & Hosseini, 2012; Berente & Vandenbosch, 2009; Chen, 2008; Westcott, 2008; Montague, 2000). Activities, it is argued, involve the conversion of raw materials into finished goods and services and are therefore aligned to the business processes of an organisation (Mirtorabi *et al.*, 2012; Berente & Vandenbosch, 2009; Chen, 2008; Westcott, 2008; Montague, 2000).

The processing or transformation activities can be undertaken by both human resources and/or machines. It has been argued that it is the responsibility of management to ensure that the required human resources and processing facilities exist for the conversion of inputs into outputs (Tbaishat, 2010; Chen, 2008). At the national department level, inputs refer to the people, assets and raw materials used to create the public goods and services such as houses, schools, health services and education services (Djara, 2014; Harsini, 2013; Mirtorabi *et al.*, 2012; South Africa, 2007b; Bilodeau *et al.*, 2004; Montague, 2000).

The cumulative efforts of all organisational activities are directed towards producing specified goods or services. The actual goods or services produced by the organisation are its outputs (Bruce, 2011; Montague, 2000). Outputs of national departments are

intended to achieve planned outcomes and create the desired impacts in the target public (South Africa, 2007b). Outputs could be either tangible products such as houses, schools or roads, or intangible products such as international relations, education or health services (Westcott, 2008; South Africa, 2007b). Tangible outputs are more easily measurable since they can be measured in quantitative terms whereas intangible outputs are less easy to measure in terms of quantity but may be determined through estimation or the application of other types of non-quantity measures such as quality, time and cost (Jääskeläinen & Lönnqvist, 2011; Nogeste & Walker, 2005).

National departments produce goods and services to satisfy the needs of the public. The effect on the public from the delivery of these goods and services is referred to as the impact that is created by the national department (South Africa, 2011c; Yi, Kurisu & Hanaki, 2011). Impact refers to the cause and effect relationship between the outputs of departmental processing and the effect that such outputs have on the public. Impact also refers to the influence that the work of the national department has on the target public (Sharabati & Fuqaha, 2014; Duke, 2010). The Policy Framework for the GWMES (South Africa, 2007c) explains impact as achieving specific outcomes, for instance, building houses to improve the living conditions of people or providing suitable roads so that travelling is made easier and safer. Therefore, the argument arises that outcomes and impacts are interrelated insofar as they are both intended to bring about a desired change in, or influence on, the target public (South Africa, 2007a; Montague, 2000).

It follows that OPM, as a broad framework, requires the development of specific performance measures that enable performance M&E. Such measures are developed by national departments based on the planned objectives in their SPs and the quarterly targets in their APPs (Chowdury & Shil, 2017; South Africa, 2007a). In order to ascertain progress towards the accomplishment of its planned objectives, performance measures and indicators are developed to enable the national department to measure its actual performance against planned performance at least on a quarterly basis (Bruce, 2011; South Africa, 2007b). Measuring actual performance against planned performance is a managerial concept within the framework of NPM (Chowdury & Shil, 2017; Johnsen, 2015).

In conclusion, this section explored strategic dimensioning and management, an aspect of broader OPM located within the broader theory of managerialism. Strategic

dimensioning and management within the context of the public sector, with specific reference to the national departments in South Africa, was also explored and was argued to be located within the theoretical framework of NPM. The elements of a performance management system included developing the vision, mission, goals and planned objectives for the organisation. Further strategic management requirements included developing clear processing activities, inputs, outputs and outcomes. OPM also requires that outcomes translate into impacts which create a positive change in the target public. In order to ensure that the mandate of the organisation is accomplished, a performance management system requires the development of performance indicators and measures as well as M&E activities. In addition, planned objectives, indicators and measures must comply with the SMART criteria. Implementing effective OPM is dependent on good organisational governance. A discussion of organisational governance follows hereunder.

2.3.2 Organisational governance

Johnsen (2015) postulates that good organisational governance is an important aspect of optimal OPM. Good organisational governance requires good leadership and effective management (Hapsoro & Fadhillah, 2017; Fernandes & Da Silva, 2015; Keskes, 2013). King IV (IoDSA, 2016) argues that good governance is contingent on effective leadership that complies with ethical prescripts. Müller, Turner, Anderson, Shao and Kvalnes (2016) explain ethics as the philosophical reasoning that is undertaken by an individual on personal morality and principles. Both leading (leadership) and managing are discussed hereunder.

Leading - Leading is derived from the word 'lead' which places leaders at the helm of the organisation (Fernandes & Da Silva, 2015; Keskes, 2013). Leaders envision and set the future point that the organisation sets out to reach and map the direction that the organisation will take to get there (Fernandes & Da Silva, 2015; Keskes, 2013; Bolden *et al.*, 2008). Leaders are also expected to know what will be required to get to the future point and once there, what will happen (Keskes, 2013). Thus, leading, coupled with effective leadership skills, are key determinants of the success or failure of an organisation (Fernandes & Da Silva, 2015; Keskes, 2013; Bolden *et al.*, 2008).

Leadership skills include the drive to get things done and the intellectual capacity to be able to analyse information and make meaningful decisions (Silva, 2014). Leadership

skills also include the tenacity and will to persevere and overcome threats even in the face of formidable challenges. The ability to motivate and direct people towards achieving planned objectives is a key characteristic of effective leadership (Silva, 2014). Thus, it can be argued that leaders must have a purpose for themselves and also a purpose for the organisation. It is argued that such a purpose drives leaders towards accomplishing the organisation's mandate and planned objectives (Chaudhari & Dhar, 2006). In addition, leaders must have the ability to motivate followers (employees) to deliver beyond expectations (CQI, 2013; Chaudhari & Dhar, 2006).

Three distinct types of leaders emerge from organisational leadership practice, namely, (i) the situational leader, (ii) the transformational leader and (iii) the transactional leader (Fernandes & Da Silva, 2015; McCleskey, 2014; Keskes, 2013). These leadership styles are discussed below.

Situational leadership - A situational leader strives, and usually succeeds, in understanding the situation and implements the most appropriate solutions relevant to a situation (Fernandes & Da Silva, 2015; McCleskey, 2014).

Transformational leadership - A transformational leader implements measures and mechanisms in order to transform people to adapt to changing circumstances and to direct their efforts for the benefit of the organisation. Such a leader continuously creates awareness of what the organisation aims to achieve and motivates staff to direct themselves towards achieving these targets and objectives (Zuraik & Kelly, 2019; Fernandes & Da Silva, 2015; McCleskey, 2014).

Transactional leadership - A transactional leader normally 'transacts' with his or her employees by using transactional instruments such as performance agreements to agree to and record the deliverables expected of the employee (Fernandes & Da Silva, 2015; McCleskey, 2014).

The transactional leader uses tangible rewards such as money and status whilst the transformational leader uses intangible rewards such as personal growth, self-esteem and professional values to motivate and lead employees (Zuraik & Kelly, 2019; Keskes, 2013). A situational leader will utilise a combination of both tangible and intangible rewards to motivate employees. Good leaders develop and adopt elements of all three

leadership types and apply the type that works best in each situation. Such an approach aligns closely with the situational leadership style (Keskes, 2013).

In addition to capable leaders, all organisations require good managers to effectively manage the organisation (Fernandes & Da Silva, 2015; Harung, 1996). Managers implement measures so that everything that must be accomplished gets done (Medlin & Green, 2014; Harung, 1996). Managers oversee and control the performance of employees, the execution of work and the delivery of outputs. Managers must also be knowledgeable about the work environment, that is, the specific area of performance for which they are responsible, have the ability to solve complex problems and be skilled in resource management (Medlin & Green, 2014; Shenhar & Renier, 1996). The abilities to lead and manage organisations may reside within the same person and are usually referred to as strategic management (Fernandes & Da Silva, 2015).

This section explored and described leading and managing in the context of OPM. Positioned at the helm of an organisation, leaders provide direction to their followers – the employees of an organisation. Three distinct leadership styles emerged from the literature survey, namely, situational, transformational and transactional. Managing was also explored and found to refer to those activities and tasks performed by persons appointed as managers of the organisation to ensure that organisational policies are implemented as intended.

2.3.3 Risk management

Effective leadership, strategic management and managerial practice drive a national department's performance in achieving its planned objectives (Johnsen, 2015). However, in pursuing objectives, departments face situations known as risks. Risks may impede the department from accomplishing its planned objectives (Krstić & Dordević, 2012). Krstić and Dordević (2012) argue that the national department will be exposed to numerous risks in pursuing its planned objectives. These risks must be identified and prioritised (Krstić & Dordević, 2012). Risk management is a strategic management tool that enables leaders and managers to address identified risks in order to increase the probability of achieving objectives (Johnsen, 2015). Thus, the implementation of a risk management strategy increases the national department's probability of effectively accomplishing planned performance (Krstić & Dordević, 2012). In addition, risk

management also enables the national department to identify and benefit from opportunities that present themselves (IoDSA, 2016).

2.3.4 Resource and operations

Resource and operations are aspects of performance management that refer to the actions taken by management to create the required structures for the effective implementation of the SP of the national department (Mirchevski, 2012; Kaplan & Norton, 2006). Chowdury and Shil (2017) suggest that NPM advocates an alignment between structures and resources to outcomes and outputs for improved performance. Accordingly, resource and operations management seek to create alignment between the goals of the organisation and organisational structures (Mirchevski, 2012). The establishment of organisational structures and the acquisition of the necessary human and other resources such as facilities and equipment, require funding which, in the case of national departments, is obtained from the public (Kirchwehm, 2014; Weber, 1999; Cronje *et al.*, 1998). Structures, which include people and tasks (activities), require effective organisation and coordination to avoid duplication of effort and conflict (Kirchwehm, 2014; Cronje *et al.*, 1998). Consequently, it is submitted that the components of 'organising', namely, creating the most appropriate organisational structure, employing the required human resources, funding the organisation and acquiring the other resources required by an organisation are key requirements of effective OPM.

All national departments are managed and the operating processes carried out by people. Even in departments where the conversion processes are automated by using machines, people are required to operate and monitor these machines and to undertake processing activities (Cunningham, 2002). Therefore, in order for any organisation, including national departments, to be successful, people with the relevant education, skills and training must be employed and available. The education, skills and training must be aligned with the mandate of the organisation and its priorities (Mirchevski, 2012).

In conclusion, in this section it was explained that resource and operations management is a concept of strategic management and, by extension, of OPM and are necessary for achieving planned performance. Resource and operations management requires the creation of an appropriate structure and the efficient allocation of resources that are

aligned with outcomes and outputs. Resource management is contingent on the availability of appropriately trained and skilled people.

2.3.5 Monitoring and evaluation

Effective accomplishment of planned objectives is also dependent on the M&E activities implemented by a national department to regularly measure progress against plans (Chowdury & Shil, 2017; South Africa, 2007b). The concept of M&E received recognition in NPM under the broad category of auditing organisational performance (Chowdury & Shil, 2017). The OPM system adopted by an organisation includes its M&E activities (Medlin & Green, 2014; Najmi, Rigas & Fan, 2005). A robust and effective review process that engages its employees and carefully and regularly evaluates whether the organisation is progressing towards effectively accomplishing its planned objectives enables the organisation to identify any shortcomings and variances early so that corrective measures can be implemented. Consequently, conducting M&E reviews and implementing corrective action is an important requirement of OPM that increases the probability of effectively accomplishing planned objectives (Medlin & Green, 2014; Sia & Neo, 2008; Najmi *et al.*, 2005).

In the public sector, managers carry out M&E of actual performance in order to determine whether planned objectives are being achieved as intended (South Africa, 2011c; South Africa, 2010a). In order to conduct the M&E exercise in an efficient and effective manner, quarterly performance reports detailing actual performance against planned performance must be made available by managers of each unit within the national department to executive management (South Africa, 2010a). These quarterly reports are called PI reports (South Africa, 2011c).

In addition to the quarterly reporting on the department's actual performance, the performance of every departmental employee must also be assessed (South Africa, 2010a). At the national department level, it is required that such individual performance appraisals be conducted on a six-monthly basis (South Africa, 2010a). The individual appraisals are conducted against the individual performance agreements between managers and employees. Where variances are noted in both the PI and employee performance appraisals, corrective measures are agreed to and implemented (South Africa, 2010a). Consequently, it is a requirement in the public sector that both

organisational and employee performance be measured on a regular basis through M&E, in accordance with the theoretical postulations of NPM.

Reporting, an important M&E activity, enables collecting, organising and disseminating useful and usable information to intended recipients – normally the stakeholders of the national department (Mirchevski, 2012). Stakeholders demand accountability from public sector organisations on their activities, the use of the funding obtained and the achievement of their mandates (Rupšys, 2007; Walker, 1996). The modern approach to reporting requires integrated reports to include, *inter alia*, both financial and non-financial information which is used to inform stakeholders of the value created by the organisation (Abeysekara, 2013). King IV (IoDSA, 2016) goes further to suggest that integrated reporting should be holistic in nature and include information on an organisation's financial position, value created by its operations and its sustainability. In a public sector context, taxpayers and public members all over the world demand accurate and useful PI from government and its agencies (Hoque, 2008). The provision of accurate and useful PI by government and its agencies is indicative of the public sector's commitment to complying with their accountability requirements (Hoque, 2008). Accountability is grounded within both the agency and accountability theories which are discussed in Chapter 4 (Coupet & McWilliams, 2017; Ștefănescu, Oprișor & Sîntejudeanu, 2016).

A study conducted by Hoque (2008) revealed that in the Australian public sector, government agencies produce ARs, in accordance with legislation, that detail the performance of the agency - its achievements, challenges, value created and sustainability - during a specified period. This practice in Australia coincides with government policy in South Africa where national departments are required to account to the public, through parliament, in the form of ARs that also require reporting on financial performance, operational performance and the value created by the department (South Africa, 2010a). These ARs include the audited financial statements and PI (South Africa, 2010a). PI provides information to stakeholders on the extent to and manner in which national departments have achieved their planned objectives. By providing such PI to stakeholders, national departments account for their performance (South Africa, 2007b). Stakeholders are thus able to evaluate the PI reported to establish whether the funds of the department have been utilised for the intended purposes. PI also enables parliament to make a recommendation on continued and further funding to national departments (South Africa, 2007b).

In this section the theoretical basis for organisational performance and OPM were explored. The elements of OPM as it applies to the public sector were also described. It was noted that the elements of OPM included strategic management, organisational governance, risk management, resource and operations management and M&E.

2.4 DEVELOPMENT OF PERFORMANCE MANAGEMENT IN THE PUBLIC SECTOR

The public sector in South Africa adopted elements of OPM as located within the NPM with the publication of the FPPI (South Africa, 2007b). Demmke (2006) notes that the concept of OPM has been in existence since the 20th century. Before the 1950s, government services focused mainly on police and military services and tax collection services. The concept of providing social services by governments was introduced during the 1950s, necessitating the introduction of government accountability to the public for the provision of such social services (Demmke, 2006).

In the UK, OPM was introduced as early as 1979 by adopting NPM, a public sector guideline on managing performance (Pollitt, 2016; Mackie, 2008). NPM provides a theoretical framework to improve the performance of the public sector by making the sector more competitive and efficient (Hood, 1991). In addition, the public sector, internationally, witnessed the introduction of OPM into its environment with the formulation of the Management by Objectives (MbO) approach to achieving results, as formulated by Drucker in the 1980s (Mwanji *et al.*, 2011; Demmke, 2006). Drucker argued that public sector institutions set multiple and often conflicting objectives which prevented these institutions from performing effectively, thus justifying the MbO approach (Mwanji *et al.*, 2011; Demmke, 2006). The concept of OPM evolved from MbO to performance reviews of both organisational and individual performance (CIPD, 2009; Armstrong, 2006). OPM, in the public sector, was consequently adapted to manage and monitor progress on performance and provide feedback to both individuals and teams on their as well as their organisations' performance (CQI, 2013; CIPD, 2009; Armstrong, 2006).

In the context of the human resource environment, employee performance management also came under the spotlight in the 1980s (Mwanji *et al.*, 2011; CIPD, 2009). The demands during the 1990s to satisfy more needs of the public with the limited available

resources, and to utilise the increasingly more knowledgeable employees enabled OPM to make great strides in its development (CIPD, 2009). Subsequently, a document titled *National Performance Framework* was developed by the Scottish government in 2007 which introduced OPM into the Scottish public sector (Mackie 2008). By 2008, OPM began to take root in public sector institutions worldwide. In South Africa, the NT introduced OPM in the public sector with the publication of the FPPI in 2007, the FSPAPP in 2010 and the PIH in 2011. Furthermore, the Presidency of South Africa, through the DPME, published the GWMES in 2007 and *Improving Government Performance: Our Approach* in 2009. These publications were all designed to provide the South African public sector with guidance on OPM and the reporting of PI to stakeholders (South Africa, 2011c).

Mackie (2008) observes that governments globally have consistently adopted measures in the public sector that borrow from the entrepreneurial performance attitude of the private sector. However, the introduction of OPM in the public sector has not been without challenges. These challenges are discussed below in Section 2.8.

2.5 NEED FOR PERFORMANCE MANAGEMENT IN THE PUBLIC SECTOR

It was noted that the public sector plays the important role of providing public goods and services. The funding available to government is limited and therefore the public sector must satisfy the needs of the public in an optimal manner (Niggol Seo, 2016). In addition, citizens have been increasing pressure on the public sector, through social unrest and service delivery protests, to force an improvement in government's lacklustre performance in this regard. These protests arose partly in response to the slowness experienced in the delivery of basic services (Sebugwawo, 2013; Jääskeläinen & Lönnqvist, 2011; Hoque, 2008). Consequently, NT and the DPME implemented measures intended to create a performance culture within the public sector and the adoption of OPM with a view to improving public sector performance (South Africa, 2010a; South Africa, 2009c; Hoque, 2008; South Africa, 2007b; South Africa, 2007c).

The focus of public sector interventions consequently moved away from slavish adherence to rules to the attainment of desirable outputs and outcomes (Hoque, 2008). Government's adoption of OPM is intended to convert the limited resources that it utilises into high-quality outputs in accordance with the mandate of each department (South

Africa, 2007b; South Africa, 1999). Furthermore, government also implemented policies to measure its actual performance against planned performance in the form of quarterly M&E assessments and the reporting of quarterly PI (South Africa, 2011a; South Africa, 2007b; South Africa, 1999). Government also chose to promote transparency in the performance of its duties and elected to provide veracious information to the public in the form of ARs that included both audited FI and PI (South Africa, 2011a; South Africa, 2010; South Africa, 1999; Hoque, 2008; South Africa, 2005).

In conclusion, this section explored the need for, and location of, OPM in the public sector. It was noted that the demands for goods and services by the public are increasing whilst the resources available to satisfy these demands are limited. In order to satisfy this rising demand, the public sector has adopted elements of OPM, as located within the theoretical framework of NPM and rooted within managerialism, as a tool to enhance OPM with a view to improving service delivery.

2.6 PERFORMANCE MANAGEMENT IN SOUTH AFRICAN NATIONAL GOVERNMENT DEPARTMENTS

There is general consensus that the South African public sector needs to be more economical, efficient and effective in the delivery of goods and services to the public. Indeed, government itself recognises this need (South Africa, 2009c; South Africa, 2007a). It has been accepted by parliament, the public and executive management within the public sector that whilst the expenditure of government operations has increased considerably since the advent of democracy in 1994, the extent and quality of public goods and services has largely failed to match this increase in expenditure (South Africa, 2009c; South Africa, 2007b). Policy-makers within the public sector therefore identified the need to concentrate on achieving intended outcomes and impacts of public sector activities (South Africa, 2009c; South Africa, 2007b). Policy-makers thus formally introduced OPM, including comprehensive M&E, in the public sector with the publication of the FPPI and the GWMES in 2007 (South Africa, 2007a; South Africa, 2007b). Furthermore, the public sector has shifted to an outcomes-oriented M&E approach to service delivery (South Africa, 2010a). This type of approach focuses on results designed to achieve pre-determined outcomes. These outcomes are intended to create positive changes in the target public (South Africa, 2010a).

The formal introduction of OPM and M&E in the public sector in South Africa is grounded in legislation. OPM was initially introduced into the public sector, specifically at the national and provincial levels, with the promulgation of the PFMA (South Africa, 1999). According to Section 27(4) of the PFMA, national departments are required to submit their planned objectives together with the draft budget to parliament for approval (South Africa, 1999). Furthermore, Section 40(1) (d) of the PFMA requires AOs of national departments, trading entities and constitutional institutions to submit ARs to the executive authority within five months from the end of a financial year. The AR must be audited by the AGSA and the report of the AGSA must be included in the AR submitted to parliament (South Africa, 1999). The PI and the financial statements included in the AR are required to report the department's actual performance against its planned objectives (South Africa, 1999).

In addition, the TRs published in 2005 further entrenched the requirement for OPM in the public sector. Chapter 5 of the TRs requires departments to prepare SPs for the medium-term strategic period as well as APPs that identify specific targets to be achieved in a single financial year (South Africa, 2005). The requirement for SPs and APPs emphasises the public sector's major challenge to become more efficient and effective in the delivery of goods and services to the public. M&E of departmental performance and the reporting on it in the form of PI enable the public to assess government performance (South Africa, 2011c; South Africa, 2007a; South Africa, 2007c).

The FPPI (South Africa, 2007b) notes that the purpose of PI is to show whether national departments are effectively accomplishing planned objectives and to assess whether managerial and operational policies and processes are working as intended. PI also enables stakeholders to determine whether activities are conducted in an economic and efficient manner. PI is increasingly being used by parliament, NT and DPME in determining budgetary allocations to departments and for monitoring service delivery (South Africa, 2007b).

The requirements of the OPM framework developed by NT include policy development, strategic management and planning, operational planning and budgeting, implementation, quarterly reporting and annual reporting (South Africa, 2007b). It is submitted that these requirements support the notion that elements of NPM have been adopted by the public sector in South Africa to improve organisational performance. The adoption of NPM seeks to introduce private sector practices into the public sector, as

argued by a number of authors (Chowdury & Shil, 2017; Pollitt, 2016; Mackie, 2008). Figure 2.3 below is an extract from the policy and framework documents (South Africa, 2010a; South Africa, 2007a; South Africa, 2007c) issued by the NT and the Presidency (DPME). The figure represents the elements of the performance management system adopted by national government.

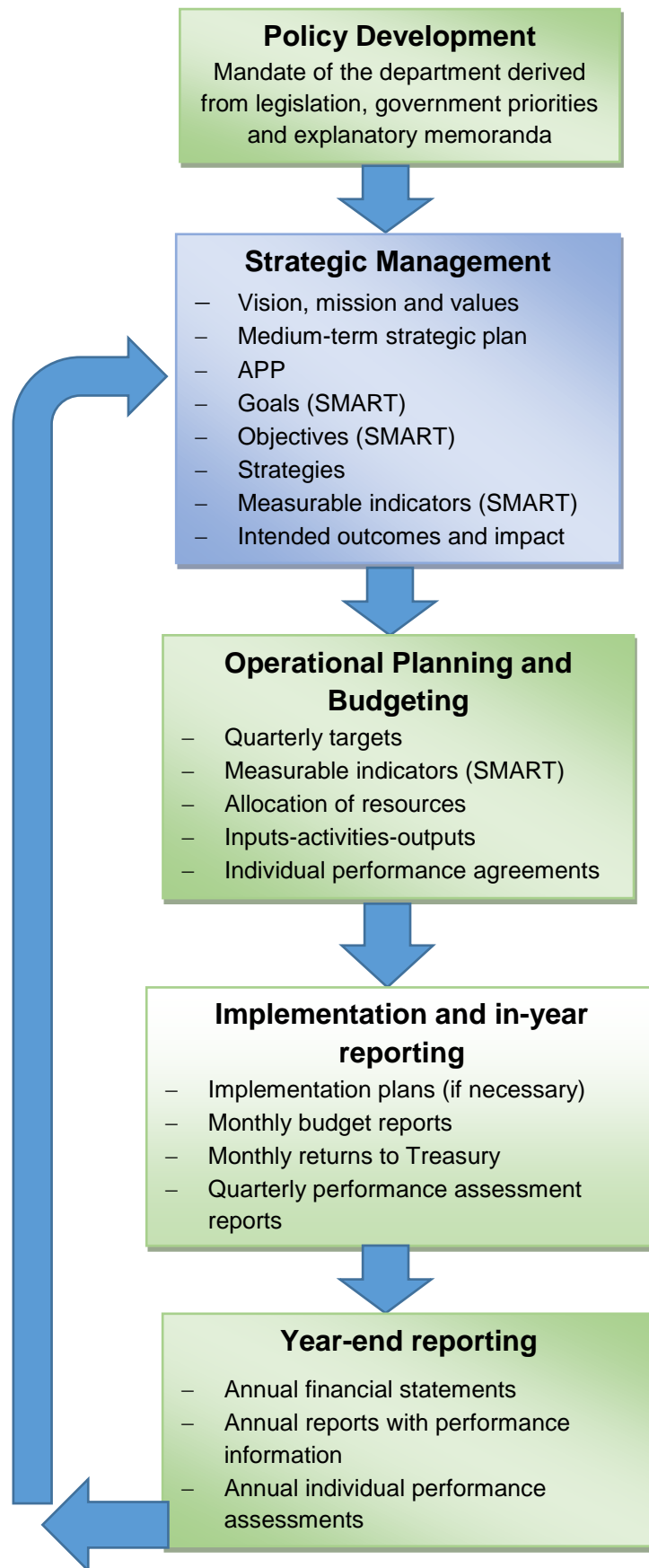


Figure 2.3 National Departments' Performance Management Framework
(Source: South Africa (2010); South Africa (2007b); South Africa (2007b))

The discussion that follows explains the components of the framework shown in Figure 2.3 above.

Policy development includes identifying the mandate, authority and high-level priorities of the department (South Africa, 2007b). The strategic management phase which includes strategic planning, (as depicted in Figure 2.3) requires identifying the long-term goals and medium-term objectives (planned objectives). The planned objectives must comply with the SMART criteria and include measurable indicators (South Africa, 2007b). The third phase, namely, operational planning and budgeting, allows for the development of operational plans. These normally cover a one-year period with clear, measurable targets that must be achieved on a quarterly basis. The budget and resource implications for the accomplishment of the plan are also determined during this phase. Thereafter, during the implementation and in-year reporting phase, plans are implemented and assessment of progress against these plans is conducted on an ongoing basis through formal, quarterly assessments. The year-end reporting phase leads to development of the annual PI and the annual financial statements for reporting and accounting to executive management, the legislature and other stakeholders (South Africa, 2007b).

NT has provided information to departments on the concepts and terms used in performance management in the South African public sector (South Africa, 2007b). In particular, inputs, activities, outputs, outcomes and impacts have been defined. NT also cautions that the delivery of goods and services to the public may result in unintended consequences such as public goods and services being delivered to persons who do not qualify, or fraud and corruption being perpetrated, which must be identified and managed through the OPM system (South Africa, 2007b).

The level of use of inputs, the performance of processing activities and the achievement of outputs, outcomes and impacts must be measured. Performance indicators are used to measure the levels of inputs against the results achieved. Performance indicators are also used to identify the standard and quality of performance required. During the assessment phase, performance indicators are used to determine whether the planned level of performance has effectively been achieved (South Africa, 2011c; South Africa, 2007b).

Furthermore, the terms vision, mission, values, strategic outcomes-oriented goals, budget programmes, strategic objectives and programme performance indicators were also explained (South Africa, 2010a). The explanations provided seek to assist national departments in managing organisational performance and accomplishing their mandates.

2.7 RESPONSIBILITIES FOR PERFORMANCE MANAGEMENT AT NATIONAL GOVERNMENT LEVEL

The FPPI (South Africa, 2007b) provides specific responsibilities for OPM within departments and for preparing the required PI. Cabinet ministers of the national legislature and members of the executive committees (MECs) of provincial legislatures are required to provide full PI on their departments' performance to these legislatures. AOs are required to implement and maintain OPM systems, produce PI in accordance with the prescripts issued by the NT and DPME and to report such PI in the AR (South Africa, 2007b). Line managers are responsible for the implementation, management and maintenance of the OPM system in their areas of responsibility and to report PI in accordance with prescripts. All other officials must also adhere to the requirements of the OPM systems and the reporting of PI. In addition, these officials are involved with capturing, organising and verifying PI and must execute these responsibilities truthfully and honestly (South Africa, 2007b).

AOs are furthermore responsible for ensuring that the OPM systems are integrated within existing departmental management systems and processes (South Africa, 2007b). Systems must also be in place for collecting, organising, verifying and storing performance data. The reporting of PI is the expected output of these systems and therefore the AO must ensure that the required systems and capacity exist for the accurate capturing and timely reporting of PI to the intended recipients (South Africa, 2007b). The intended recipients of PI include the legislature, the presidency, AGSA, NT, the national departments' executive authority comprising of the minister and deputy ministers and, other stakeholders such as employees, creditors, organised labour and members of the public (South Africa, 2007b).

2.8 CHALLENGES WITH ORGANISATIONAL PERFORMANCE MANAGEMENT IN GOVERNMENT

The significant challenges of OPM, especially in the public sector, are the development of multiple objectives and then assigning resources to try and accomplish these multiple objectives (Demmke, 2006). According to Demmke (2006), in the 1950s, Drucker warned against public sector institutions adopting multiple objectives, stating that it becomes challenging to develop performance standards because of too many objectives. In addition, multiple objectives mean that efforts are spread too thinly, to the detriment of priority objectives. Drucker also cautions that multiple objectives can lead to difficulties in centralising PI reporting, resulting in the reporting of inaccurate and incomplete information (Demmke, 2006). Further challenges experienced in the public sector include the lack of decisiveness and political will to implement government priorities, poor leadership and weak management. Institutional designs that do not support the strategies of departments and fail to appropriately delegate decision-making powers to the correct levels are other challenges experienced in the public sector (South Africa, 2009c).

Additionally, government departments produce a large variety of services (Jääskeläinen & Lönnqvist, 2011). These services are often of an intangible nature such as education or foreign relations. Measurement of the outcomes and impact of such services are often difficult or impossible (Jääskeläinen & Lönnqvist, 2011). Frequently the impact of the services, for instance, in the international relations environment, is realised many years after the implementation of initiatives (South Africa, 2011d). Consequently, public servants may resort to 'creative' means such as setting performance targets and measures that are vague and fail to comply with the SMART criteria. Alternatively, public servants may also resort to producing incorrect information to create the impression that targets were achieved, when in fact the opposite may be true (Hapsoro & Fadhilla, 2017; Jääskeläinen & Lönnqvist, 2011).

Government employees concentrate on developing quantity indicators for measuring performance because it is generally easier to develop and report against such indicators (Bruce, 2011). However, ignoring other types of indicators such as quality and impact indicators may have negative consequences on the products and services delivered and the intended outcomes. In addition, organisations sometimes choose to manipulate measures, thereby making both indicators and outputs unreliable. Assurance must

therefore be obtained from an independent body, confirming that the PI is veracious (Bruce, 2011).

Furthermore, implementing OPM systems requires significant time, money and other resources. These resources have to be diverted from the other priorities of national departments, thus impacting on these other priorities (Bruce, 2011). Consequently, it is submitted that the implementation of OPM systems by national departments must, out of necessity - considering the resources utilised - result in significant improvement in performance and service delivery to the public.

The challenges experienced in OPM mean that OPM systems implemented and PI reported need to be independently evaluated. At national department level, the AGSA assesses PI to provide assurance on its accuracy and usefulness. Independent assessments of OPM and PI may also be undertaken by the IAA of the national department, in accordance with the definition of internal auditing and its body of knowledge.

2.9 CONCLUSION

This chapter explored the concept of OPM, its theoretical location and its applicability to the public sector. The key elements of an OPM system were discussed. In addition, the need for and adoption of OPM to improve service delivery by the public sector in South Africa was examined. This was followed by a discussion of the development of OPM in the public sector as well as its challenges.

The chapter presented arguments that effective, ethical leadership is necessary to provide the vision and strategic direction for an organisation. The different types of leadership styles were examined. An effective management structure is also necessary to monitor the implementation of strategies and to monitor and evaluate organisational performance. It was furthermore noted that good human resource management skills are required, in addition to general management skills in order to manage assets and human resources.

An effective organisation requires an appropriate organisational structure that clearly identifies the different tasks and their location in the organisation. Appropriate allocation

of required resources is also an important element of OPM. However, regular M&E of organisational performance and the reporting of PI are necessary for effectively accomplishing planned objectives.

In accordance with the agency theory, an assumption was made that employees of national departments may report asymmetrical and incorrect PI to stakeholders. Therefore, OPM and PI should be subjected to an independent verification process. The IAA of a national department was identified as a structure that may provide assurance to an organisation by conducting an independent verification of OPM and reported PI.

Chapter 3 builds on the contextual literature review approach by exploring the definition of internal auditing and its role in providing independent assurance to national departments. The adoption of internal auditing as a mechanism to improve national departments' OPM, and the contribution of internal auditing to OPM are also explored. Consequently, Chapter 3 examines in detail the concept and nature of internal auditing, its theoretical location and its involvement in OPM.

CHAPTER 3

INTERNAL AUDITING OF ORGANISATIONAL PERFORMANCE MANAGEMENT

3.1 INTRODUCTION

In Chapter 2, the concept of OPM, with focus on national departments in South Africa, was explored. OPM was explained as being the systems of, *inter alia*, strategic management, organisational governance, operations and resource management, and the M&E processes that are implemented by national departments to improve performance, accomplish the departmental mandate and optimise the delivery of public goods and services to the public.

Managing and monitoring of actual performance against planned performance requires the various units in the national department to account to executive management on a regular basis. Accountability is provided in the form of PI reported by line management to executive management (Vasile & Croitoru, 2012; Yildiz, Hotamişli & Eleren, 2011; Pun & White, 2005). In addition, executive management is required to account to their principals, namely the cabinet ministers, parliament and oversight bodies including AGSA, NT and DPME on the performance of the entire department (Vasile & Croitoru, 2012; Yildiz *et al.*, 2011; Pun & White, 2005). Accountability therefore represents a bottom-up process that commences with PI reporting by individual business units and culminating in the comprehensive performance report submitted by the executive authority to parliament (South Africa, 1999).

In addition to accounting for performance by subordinates, executive management also requires confirmation that employees comply with organisational values, formalised policies and the code of conduct of the organisation in the performance of their duties (Vasile & Croitoru, 2012; Yildiz *et al.*, 2011; Pun & White, 2005). Additionally, managerial practices acknowledge that good performance is dependent on planned objectives being effectively accomplished economically and efficiently. Consequently, executive management requires assurance that organisational values, plans and policies are being implemented economically, efficiently and effectively (Pongpanpattana &

Ussahawanitchakit, 2012; Bou-Raad, 2000). The PI reported by line managers seeks to provide confirmation to management on the extent of the effective achievement of planned objectives economically and efficiently.

It was, however, argued that the probability exists that asymmetrical and incorrect PI will be reported by employees of national departments to their principals and stakeholders, in accordance with the agency theory (Coupet & McWilliams, 2017; Hapsoro & Fadhillah, 2017; Bosse & Phillips, 2016; Jääskeläinen & Lönnqvist, 2011). Therefore, for principals and other stakeholders to place reliance on the PI produced, proposed solutions to the agency problem suggest that independent assessments be conducted on the effectiveness of OPM and the veracity of the reported PI (Quelett, 2010). It was argued that internal auditing, because of its independent status and body of knowledge, is one of the mechanisms available to the national department that may be used to assess and provide assurance on OPM effectiveness and the veracity of the PI submitted to executive management. Internal auditing may also assess and provide assurance that managements plans and policies were being implemented as intended so that planned objectives are achieved (IIA, 2017b, 2130; Arena & Sarens, 2015; Asare, 2009). Internal auditing may also, in its consulting role, provide services other than assurance services to the organisation (IIA, 2017a; Mihret & Grant, 2017).

This chapter therefore explores the nature of internal auditing, its role as both an assurance provider and as a provider of consulting services and its focus areas. This chapter also focuses on the nature and key characteristics of internal auditing. The internal auditing processes are also described as well as its involvement in combined assurance and its quality assurance requirements. Focus is accorded to internal auditing's contribution to OPM and as an OPM tool that seeks to improve service delivery.

3.2 NATURE OF INTERNAL AUDITING

To understand the adoption of internal auditing as a mechanism to improve OPM, the nature of internal auditing must first be analysed. The definition of internal auditing identifies the governance, risk management and control processes of the organisation as the focus areas of internal auditing (Mihret & Grant, 2017; Arena & Sarens, 2015; Tušek & Pokrovac, 2012).

Figure 3.1 below shows the key characteristics of internal auditing which, in addition to its services and focus areas, include independence, objectivity, systematic performance and discipline (IIA, 2017a).



Figure 3.1 Services, focus areas and characteristics of internal auditing
(Source: Own compilation)

3.2.1 Assurance services

IAAs are required to provide independent, objective assurance services to the organisation (IIA, 2017a). Assurance, within the framework of internal auditing, is explained as a process designed to give an objective assessment of whether the systems of internal governance, risk management and controls implemented by the organisation will result in the effective accomplishment of planned objectives (IIA, 2017a). It is therefore submitted that internal auditing is required to give management assurance that its strategies and policies will result in the optimal achievement of planned objectives. This represents the primary focus of OPM and results in improved delivery of services to the public. Internal auditing, in its assurance role, is thus adopted as a mechanism that contributes to improving OPM, thereby resulting in enhanced service delivery to the public.

Managers of departmental units provide PI to executive management. Executive management uses the PI reported by line managers to produce a comprehensive departmental PI report. This report, which is approved by the AO, is submitted to the national department’s principals, these being the minister and deputy ministers, for tabling in parliament (South Africa, 1999). Submitting the PI to parliament places the PI in the

public domain and must therefore be veracious. Internal auditing therefore also assesses and evaluates the systems that enable the national department to produce its PI (Dumitrescu-Peculea & Calota, 2014; Protiviti 2013; Kapoor & Brozzetti, 2012; Australia, 2010; Bolden *et al.*, 2008; South Africa, 2007c). The IAA is required to conduct assessments and evaluations to provide assurance to management on the veracity of the PI reported (IIA, 2017b, 2050). Consequently, all PI produced by the national department should have been assessed by the IAA to ensure its veracity (IIA, 2017b, 2050; Vasile & Croitoru, 2012; Yildiz *et al.*, 2011; Quelett, 2010; Pun & White, 2005).

A further argument advanced by Kapoor and Brozzetti (2012) posits that strategic management actions, the decisions taken and the activities implemented to accomplish the organisation's vision, mission and planned objectives are also subject to internal auditing. Consequently, the IAA provides assurance on whether planned objectives and organisational strategies are appropriately developed and approved (Kapoor & Brozzetti, 2012). The IAA also evaluates whether approved strategies are effectively implemented by line managers, supervisors and employees of the department to achieve planned objectives (Arena & Sarens, 2015; Dumitrescu-Peculea & Calota, 2014; Kapoor & Brozzetti, 2012). Dumitrescu-Peculea and Calota (2014) argue, therefore, that internal auditing has a futuristic approach insofar as the IAA must provide assurance that the planned activities of the organisation contribute to sustained future organisational performance.

It is submitted therefore that internal auditing, in its assurance role, in relation to OPM, refers to the independent assessment which the IAA is required to provide to executive management that strategic management activities are correctly formulated and implemented. These assessments seek to provide national departments with reasonable assurance that planned objectives will be achieved as intended, resulting in the delivery of goods and services to the public. Such assurance is provided after firstly considering the executive decisions made, secondly assessing the implementation of these decisions and, thirdly assessing the integrity of the reported PI. In instances where such assurance cannot be provided, the IAA makes recommendations to correct any variances.

It is also submitted that the assurance role of internal auditing in assessing OPM and evaluating PI to provide assurance thereon, addresses the agency problem of asymmetrical information being provided by agents to principals, thus emphasising the

location of internal auditing within the agency theory. Internal auditing's focus on assessing and evaluating PI is also intended to improve accountability by the national department, thus further locating internal auditing within the accountability theory.

3.2.2 Consulting services

IAAs also provide consulting services to the organisation (IIA, 2017a; Mihret & Grant, 2017; Arena & Sarens, 2015; Selim, Woodward & Allegrini, 2009). From an OPM perspective, Florina, Ludovica and Leonica (2013) suggest that, in the context of consulting services, internal auditing assists management by providing solutions on specific projects and problems with a view to effectively accomplishing planned objectives. Selim *et al.* (2009) suggest that consulting services require internal auditing to advise and offer input to the organisation.

Verschoor (2014) adds that consulting services encompass a variety of fields including business reengineering, project management and information technology (IT) development. All of the arguments advanced (IIA, 2017a; Mihret & Grant, 2017; Verschoor, 2014; Selim *et al.*, 2009) emphasise that the consulting role of internal auditing is intended to assist management by performing specific tasks to improve organisational performance by adding value as espoused in the definition of internal auditing, however, without compromising internal auditing independence.

Van Genderen (2014) maintains that a high degree of technical skills is necessary for internal auditors to provide appropriate advice and proposed solutions to the organisation in their role as providers of consulting services. Kipping and Kirkpatrick (2013) point out that the single characteristic that differentiates consulting services from other services is the focus on delivering results according to or exceeding the expected, agreed-to performance standards. Internal auditors therefore require the skill and expertise that culminates in delivering results that exceed expectations (Kipping & Kirkpatrick, 2013). Internal auditing professionals thus require comprehensive, specialised knowledge and skills in order to assist management in solving complex organisational problems whilst not compromising the IAA's independence and objectivity (Van Genderen, 2014; Christensen, Wang & Van Bever, 2013; Kipping & Kirkpatrick, 2013).

Van Genderen (2014) asserts that in order to effectively perform their tasks, internal auditors must also possess high levels of interpersonal and communication skills to be able to effectively listen, understand and communicate – both orally and in writing (Van Genderen, 2014). Internal auditors must also be able to impart knowledge, influence people, build trust and display respect and courtesy to others (Van Genderen, 2014). The arguments proposed by both Van Genderen (2014) and Kipping and Kirkpatrick (2013) are complementary in that they provide an assessment of the skills and qualities required of internal auditors in their role of providers of both assurance and consulting services.

Selim *et al.* (2009) suggest that there may be a downside to the inclusion of consulting in the definition of internal auditing. They caution that the independence of the IAA may become compromised. Conflict of interest situations may arise because of internal auditors providing services that are not assurance services (Selim *et al.*, 2009). The IASs (IIA, 2017b, 1130.C1, 1131.A1), however, address the potential impairment to the IAA's independence and objectivity as well as potential conflict of interest situations. The IASs require that internal auditors refrain from providing assurance services in areas in the organisation for which they were previously responsible. This includes areas where they had previously provided consulting services (IIA, 2017b, 1130.A1). However, this restriction is influenced by time. In instances where an internal auditor has provided consulting services to the organisation, the same internal auditor should not perform assurance activities in the specifically identified area before a reasonable time period has elapsed (IIA, 2017b, 1130.A1). IAS 1130 (IIA, 2017b) suggests that a reasonable time period applicable in such instances is one year. Thus, it can be argued that compliance with the requirements of the IASs will prevent the independence of internal auditors being compromised when providing consulting services to national departments.

Internal auditors are consequently empowered to assist national departments in improving organisational performance and service delivery by providing consulting services. However, in doing so, internal auditors' independence and objectivity should not be compromised. It was noted that internal auditors are also required to acquire high levels of analytical, interpersonal, technical and innovative skills to effectively fulfil their roles as providers of consulting services.

3.3 INTERNAL AUDITING FOCUS

The governance, risk management and control processes of the organisation have been identified as the key focus areas of internal auditing (IIA, 2017a; Mihret & Grant, 2017). Economic, effective and efficient systems of governance, risk management and controls contribute to optimal organisational performance (IIA, 2017b). An exploration of internal auditing's involvement in the governance, risk management and control processes of the organisation and its relevance to OPM follows.

3.3.1 Governance processes

Governance refers to the manner in which an organisation is led, managed and controlled (Simona & Gheorge, 2012; Australia, 2010; Cristina, 2009). King IV, however, describes corporate governance as the type of ethical and effective leadership provided by the governance structure that impacts organisational performance (IoDSA, 2016). For the purposes of this study, the term 'organisational governance' will be used.

Good governance is a driver of good organisational performance. The two concepts are therefore interlinked (Feizizadeh, 2012; Australia, 2010; Carlei & Marra, 2010). A weak governance environment leads to poor organisational performance (Feizizadeh, 2012; Australia, 2010; Carlei & Marra, 2010). Waitzer and Enrione (2005) argue that most organisations that are successful have created a governance environment that exceeds merely complying with laws, regulations and other prescripts but embraces efficiency, effectiveness and long-term sustainability. Consequently, good organisational governance includes effective OPM (Feizizadeh, 2012; Australia, 2010; Carlei & Marra, 2010).

Internal auditing is required to evaluate and assess the organisation's governance processes of the organisation (IIA, 2017a; Mihret & Grant, 2017). Considering that effective OPM requires good governance, internal auditing's assessment of the organisations governance processes therefore includes its OPM processes (IIA, 2017b, 2110). Internal auditing offers recommendations for improvement where required (IIA, 2017b, 2110). Improved governance and by extension, improved OPM enhances the probability of achieving planned objectives and effective service delivery to the public (Mihret & Grant, 2017; Wood, 2016). It is therefore submitted that internal auditing, in its

role in assessing organisational governance, assists the organisation to improve its OPM and service delivery to the public.

Poor organisational governance came under the spotlight in the early 2000s with the collapse of corporates such as Enron in the USA. In the USA, the government responded formally to these corporate failures through legislation by promulgating the Sarbanes Oxley Act that was intended to improve organisational governance (Feizizadeh, 2012; Australia, 2010). Other countries also sought to respond to corporate failures, with South Africa providing guidance through the publication of the King Reports, the latest being the King IV report, published in 2016 (IoDSA, 2016). A significant amount of literature was also published internationally on organisational governance (Feizizadeh, 2012; Australia, 2010). In the case of the public sector, weak governance may result in poor delivery of goods and services to the public, the budget for the department not being approved or the public sector entity being unable to raise required capital for further growth and sustainability (Feizizadeh, 2012; Australia, 2010; Carlei & Marra, 2010).

In analysing organisational governance, an argument emerges that organisational governance includes managing multiple relationships (Molokwu, Barreria & Urban, 2013; Feizizadeh, 2012; Podrug & Račić, 2011). In the corporate environment, for instance, this refers to relationships between the organisation and its shareholders, employees, suppliers, customers and other stakeholders (Molokwu *et al.*, 2013; Feizizadeh, 2012; Podrug & Račić, 2011). In the public sector, multiple relationships exist between the national departments and parliament, the executive committee of the national department, its employees, organised labour institutions, suppliers and other governmental organisations (South Africa, 2007c; South Africa, 1999). From the literature review, it can be concluded that an organisation that embraces good governance will normally comply with the components identified in Figure 3.2 below.



Figure 3.2: Components of good governance

(Source: Own compilation)

The components of good organisational governance, as presented in Figure 3.2 above, are discussed below.

Effective leadership – An argument is proposed that good organisational governance is dependent on effective organisational leadership (Othman & Rahman, 2014; Australia, 2010). The King IV Report goes further to suggest that good organisational governance requires both effective and ethical leadership (IoDSA, 2016). Effective leadership requires leaders to have long-term vision and provide strategic direction to the organisation (IoDSA, 2016; Molokwu *et al.*, 2013). Leaders obtain support from management and employees for the vision, mission, planned objectives and strategies which they formulate for the organisation (Molokwu *et al.*, 2013). Good leaders establish good governance structures such as the AC, the Risk Management Committee (RMC) and the IAA to entrench good organisational governance (IoDSA, 2016; Deiderich, 2011; Australia, 2010). Effective leadership formalises and implements strong organisational policies, business processes, operating procedures and a robust system of internal controls (IoDSA, 2016; Australia, 2010; Carlei & Marra, 2010; Cristina, 2009; Van der Nest, Thornhill & De Jager, 2008).

Good organisational governance requires that ethical leaders themselves comply with organisational policies and controls as well as their fiduciary duties (IoDSA, 2016; Protiviti, 2013). Leadership compliance with policies and controls sets the tone for the rest of the organisation and creates a positive organisational compliance culture (Wilkins & Haun, 2014; Wilson, Wills, Little & Ross, 2014; Protiviti, 2013; Governance, 2012). Setting the correct tone for the organisation is considered to be a critical requirement of ethical leadership and further cements good organisational governance (Wilkins & Haun, 2014; Wilson *et al.*, 2014; Governance, 2012).

Ethical conduct – It is advocated, based on agency theory, that organisational decision-makers must take the lead in performing their tasks with integrity, good faith and in an ethical manner in order to achieve effective organisational performance (IoDSA, 2016; Protiviti, 2013; Maritz, Pretorius & Plant, 2011; Australia, 2010). Leaders, who are also the decision-makers in organisations, are expected to comply with a strong moral code. A moral code refers to the principles and standards that influence a person's beliefs and conduct (IoDSA, 2016; Müller *et al.*, 2016; Othman & Rahman, 2014; Maritz *et al.*, 2011). Decision-makers thereby create the environment for organisational employees and other stakeholders to conduct themselves in an equally ethical manner (Müller *et al.*, 2016; Protiviti, 2013; Maritz *et al.*, 2011; Australia, 2010).

Effective communication – Good governance requires the organisation to communicate effectively with all stakeholders, including the organisation's employees and external stakeholders (IoDSA, 2016; Governance, 2012; Australia, 2010). Communication takes place in different ways. National departments communicate with their principals such as parliament by producing and reporting FI and PI for specified reporting periods, through meetings and by tabling SPs and APPs (Ghosh & Lee, 2013; Mihaela & Marian, 2013; Radu, 2012).

The IASs (IIA, 2017b, 2420) require that veracious information be communicated by an organisation to its stakeholders. Reporting veracious information creates confidence amongst users who place reliance on such information (Gajevszky, 2015; Khurana & Raman, 2004). However, the information communicated requires independent assessment to confirm its veracity. Independent verification enables the detection and rectification of information, thus improving information reliability and usefulness (Dadd, 2014; Khurana & Raman, 2004). Furthermore, information that is useful to the reader is also considered as being veracious (Ismail, Iskander & Rahmat, 2008). Good organisational governance, compliance with accounting and other prescribed standards and the promotion of a positive organisational culture affect the veracity and quality of information produced by the organisation (Gajevszky, 2015).

Stakeholder rights – The rights of all organisational stakeholders must be recognised and respected. Shareholders in the case of the private sector, and stakeholders such as parliament in the public sector, are becoming increasingly knowledgeable and interested

in organisational performance (Governance, 2012; Australia, 2010; Kiel & Nicholson, 2003). In recognising the rights of stakeholders, it becomes necessary for the organisation to communicate regularly (Australia, 2010). In addition, intended recipients of information must be able to receive and understand the information without undue difficulty (Governance, 2012; Australia, 2010).

Information verification – Information, especially the FI and PI communicated to stakeholders, should be verified by independent structures, assuring the veracity of such information (Protiviti, 2013; Australia, 2010). Independent verification of FI and PI may be undertaken by internal auditors who are considered to be independent and able to provide objective assessments (IIA, 2017b; Protiviti, 2013; Australia, 2010).

Regulatory compliance – In the pursuit of planned objectives, an organisation is exposed to several risks, including the risk of litigation for non-compliance with relevant prescripts (Gee, Blanchette & Forsyth, 2015). An organisation is consequently required to comply with all laws, regulations and other relevant prescripts (IIA, 2017b, 2130.A1). Thus, it becomes necessary for organisations to continuously review their business practices and processes to ensure that they are regulatory-compliant (Gee *et al.*, 2015; Elgammal, Turetken & Van den Heuvel, 2012). Elgammal *et al.* (2012) contend that ensuring compliance with the relevant laws, regulations and other prescripts rests with organisational management. Management must consequently, implement measures to ensure that the organisation complies with such laws, regulations and other prescripts (Elgammal *et al.*, 2012).

Risk management – Another condition of good corporate governance is the adoption and implementation of an effective system of risk management (discussed in Sections 2.3.3 and 3.3.2) (Protiviti, 2013; Governance, 2012; Australia, 2010).

Human resource management – Creating increased organisational value and worth are dependent on good organisational performance (Feizizadeh, 2012; Australia, 2010; Carlei & Marra, 2010). Good organisational performance is dependent on the existence of appropriate capacity and skills within the organisation (see Section 2.3.4) (Governance, 2012). Management must ensure that the organisation acquires appropriate and suitably qualified human resources to ensure that planned objectives are effectively achieved (Governance, 2012).

3.3.2 Risk management

Internal auditing is required, in accordance with the IASs (IIA, 2017b, 2120), to assess and evaluate the risk management processes implemented by management to enhance the likelihood of the organisation achieving its planned objectives (IIA, 2017a; IIA, 2017b, 2120; Mihret & Grant, 2017). Literature suggests that internal auditing is becoming increasingly accepted as a key role-player in organisational risk management in an effort by management to improve organisational performance (Mihret & Grant, 2017; Arena & Sarens, 2015).

A risk refers to the probability of an event occurring or not occurring that will negatively impact the organisation's ability to achieve its planned objectives and planned performance (Mihret & Grant, 2017; Wilkins & Haun, 2014; Kapić, 2013). A risk also refers to the likelihood of the organisation failing to identify and benefit from an opportunity that may arise (Wilkins & Haun, 2014; Kapić, 2013). In conducting its business, an organisation faces a multitude of risks daily that could have serious negative consequences, such as the loss of revenue, fraud or theft (D'Aquila & Houmes, 2014; Simona & Gheorge, 2012) or failing to reach organisational goals (Mihret & Grant, 2017). Failure by management to identify and manage risks may result in the organisation not achieving its planned objectives (Mihret & Grant, 2017).

Risk management refers to the policies and strategies designed to respond to organisational risks. Risk management allows an organisation to identify potential risks, rate and prioritise these risks in order of their severity and impact and to determine the manner in which the organisation should respond to those risks (Mihret & Grant, 2017; D'Aquila & Houmes, 2014; Wilkins & Haun, 2014; Kapić, 2013; Simona & Gheorge, 2012). During the identification, rating and prioritisation of risks, management will determine the probability of the risk occurring, that is, the chances of the risk actually materialising (Kapić, 2013). The impact of the risk, that is, the extent of damage that the risk could cause, will then be determined (Kapić, 2013). Management thereafter makes a decision on how to respond to these risks (Kapić, 2013; Simona & Gheorge, 2012).

A number of options are available to management when determining the manner in which to respond to risks. A risk may be transferred to another risk-taking organisation (Ahmad & Helfenstein, 2015). In other instances, management may decide that the risks are too

great to engage in the activity and may decide to abandon the activity (Ahmad & Helfenstein, 2015). In instances where the probability and impact of the risk is low, executive management may decide to accept the risk, that is, decide not to implement any response strategy but to make a decision in the event of the risk actually occurring (Ahmad & Helfenstein, 2015). In the majority of cases, management generally resolves to implement internal controls to manage risks (Mihret & Grant, 2017; Ahmad & Helfenstein, 2015).

It is therefore submitted that risk management is a managerial tool that enables the organisation to identify potential threats to the organisation whilst progressing towards accomplishing planned objectives. Executive management is required to implement risk management strategies to address or respond to risks identified. Internal auditing is utilised by management, in accordance with the IASs, as a mechanism to provide assurance that the risk management processes and systems will result in improved OPM, the achievement of planned objectives and improved service delivery. In the event that such assurance cannot be provided, internal auditing recommendations are offered to correct deficiencies identified.

3.3.3 Control processes

Internal auditing is required to assess the adequacy and effectiveness of the control processes of an organisation (IIA, 2017a; Mihret & Grant, 2017; Arena & Sarens, 2015). The control process refers to the system of internal controls that is implemented by management to provide reasonable assurance that planned objectives will be achieved as intended (Jahmani, Ansari & Dowling, 2014; Mihaela & Marian, 2013; Radu, 2012). The system of internal controls generally confirms the veracity of financial and operating information produced by the organisation, that the organisation complies with all relevant laws, regulations and other prescripts and that the assets of the organisation are properly managed and safeguarded (IIA, 2017b, 2130; Ghosh & Lee, 2013; Mihaela & Marian, 2013; Radu, 2012). Furthermore, internal controls are also designed to provide reasonable assurance that the organisation's resources are acquired in the most economical manner insofar as the required quantity is obtained according to the prescribed specifications, at the lowest possible price and at the correct time and place (IIA, 2017b, 2130; Ghosh & Lee, 2013; Mihaela & Marian, 2013; Radu, 2012). The system of internal controls is furthermore designed to enable the organisation to utilise its

resources in the most efficient manner so that the lowest quantum of inputs is utilised to achieve the desired output or that for a given quantity and/or quality of inputs, the maximum possible results are achieved. Effectiveness of operations in that planned objectives are actually achieved is also an objective of the system of internal controls (IIA, 2017b, 2130; Ghosh & Lee, 2013; Mihaela & Marian, 2013; Radu, 2012).

Radu (2012) thus proposes that the system of internal controls refers to the policies, procedures and structures implemented by the organisation to ensure the orderly conduct of business. Policies, procedures and structures are designed and implemented by people at all levels of the organisation (Ghosh & Lee, 2013; Mihaela & Marian, 2013; Radu, 2012). Therefore, the adequacy of the design of internal controls and the effectiveness with which they are implemented are dependent on the 'control consciousness' of the employees of the organisation (Ghosh & Lee, 2013; Mihaela & Marian, 2013; Radu, 2012). Control consciousness starts with the highest levels of the organisation, this being executive management. This is called the 'tone at the top' (Wilkins & Haun, 2014; Wilson, Wells, Little & Ross, 2014; Sawyer *et al.*, 1998). The tone at the top sets the control culture and consciousness for the rest of the department, thereby creating a strong control environment. Executive management's respect for internal controls and not arbitrarily overriding these controls also contributes to a positive control environment (Wilson *et al.*, 2014; Sawyer *et al.*, 1998). A positive control environment provides greater assurance that planned objectives will be achieved (Wilkins & Haun, 2014; Wilson *et al.*, 2014; Sawyer *et al.*, 1998). Internal auditing thus contributes to improved OPM by assessing the adequacy and effectiveness of the system of internal controls designed and implemented by management and offering recommendations for improvement where necessary.

3.4 CHARACTERISTICS OF INTERNAL AUDITING

The definition of internal auditing requires this function to be independent and objective. Additionally, internal auditing work must be conducted in a systematic, disciplined manner, and comply with high-quality standards (IIA, 2017a; Mihret & Grant, 2017). The discussion that follows seeks to understand these characteristics of internal auditing.

Independence - Divergent organisational (principal) and employee (agent) goals result in poor OPM and performance. Both agency and accountability theories suggest that

monitoring and control mechanisms implemented by the principal limit the agency problem of divergent goals and asymmetrical information between the principal and agents (T̄aga, 2017; Bosse & Phillips, 2016; Attila, 2012). Against the backdrop of monitoring and control, independent assessment and evaluation of (i) the implementation of approved organisational plans and (ii) the PI reported constitute measures that may be implemented by principals to bring about closer alignment between these divergent goals (IIA, 2017b, 2130).

Internal auditing is well positioned to undertake such assessments because of its mandatory independence and objectivity requirements as well as the internal auditing body of knowledge (IIA, 2017b, 2130). IAA independence and internal auditor objectivity are important considerations in internal auditing's role and contribution to OPM (Wright & Capps III, 2012).

Several measures may be adhered to in order to enhance internal auditing independence. The IASs (IIA, 2017b, 1110.A1) and Wright and Capps III (2012) specify that independence requires internal auditors to perform their duties freely and without fear or favour. Independence requires that the internal auditor identify and report all breaches and control deficiencies found during the performance of internal auditing assignments, without exception (Tepalagul & Lin, 2015; Wright & Capps III, 2012). Independence, in addition, requires that an internal auditor stand firm in the face of pressure, undue influence or coercion to not report findings fully and accurately. The internal auditor should also not suppress or be made to suppress any reportable items (Tepalagul & Lin, 2015; Wright & Capps III, 2012; Sawyer *et al.*, 1998).

Independence is promoted when the mandate, scope and authority of the IAA are clearly defined in a formalised internal audit charter (IIA, 2017b, 1000; Florea & Florea, 2013; Tušek & Pokrovac, 2012). Internal auditing work must be performed free from any outside interference or influence such as from the auditee or line management (IIA, 2017b, 1100; Florea & Florea, 2013; Tušek & Pokrovac, 2012). Independence also requires that the IAA occupy a position in the organisational structure that will enable its work and recommendations to be taken seriously by the entire organisation (IIA, 2017b, 1100; Florea & Florea, 2013; Rāvas, 2012; Tušek & Pokrovac, 2012; Schneider, 2010). The chief audit executive (CAE) should, in addition, report to a sufficiently senior level in the organisation, which provides reasonable assurance that internal auditing work, findings

and recommendations will be accorded the requisite attention (IIA, 2017b, 1100; Adel & Maissa, 2013). The CAE should therefore report functionally to the AC and administratively to the head of the organisation such as the chief executive officer (CEO) or the AO (IIA, 2017b, 1100; Rāvas, 2012; Tušek & Pokrovac, 2012; Schneider, 2010).

Objectivity - Internal auditors must be objective in the performance of their duties (IIA, 2017b). Objectivity refers to the characteristics and the conduct of internal auditors in performing internal auditing duties (IIA, 2017b, 1120; Tušek & Pokrovac, 2012). Objectivity requires that an internal auditor approach all tasks with a clear and open mind, without bias or without developing any preconceived ideas or conclusions on the area subjected to internal auditing assessment (IIA, 2017b, 1120; Rāvas, 2012).

Systematic - The IASs (IIA, 2017a) require internal auditing to be conducted in a systematic manner so that proper and coordinated internal auditing assessments are performed (IIA, 2017a). Lemon and Tatum (2003) suggest that by including the word 'systematic' in the definition of internal auditing, the IAA has identified one of the key requirements of the internal auditing process. Conducting an assignment in a systematic manner means that the auditor will approach the assignment methodically (Sheu & Lee, 2011) by executing the required tasks according to predefined steps (Krishnaveni & Sujatha, 2013; Coyne, 2006).

Disciplined - Undertaking internal auditing assessments requires internal auditors to adopt a disciplined manner in identifying and explaining problems, exploring solutions and providing recommendations to these problems (Akdere, 2011). 'Disciplined' is explained by the *Collins English Dictionary* (2015) as employing self-control in the actions and activities that a person undertakes. The *Macmillan Dictionary* (2018), however, includes the aspects of being well-organised and adhering to relevant rules and standards to the requirements of being disciplined. A disciplined approach has also been explained as the performance of multiple steps in a concentrated manner that demands commitment, time and accountability (Barnhouse, 2013; Lee, 2006; Wiley, 2006). Barnhouse (2013) furthermore suggests that a disciplined approach requires an internal auditor to be innovative and focus on the internal auditing assignment. Weick (1989) adds that a disciplined approach requires the formulation of relevant criteria that are applied consistently to the identified problems.

Quality - Internal auditing provides organisational management with information on the probable extent to which planned objectives will be achieved and the consequent impact on service delivery to the public. Consequently, internal auditing advises management on the probable success or otherwise of the organisation's performance. Therefore, the work performed by the IAA is required to adhere to high-quality standards (Lélis & Pinheiro 2012). IAS (IIA, 2017b, 1300) thus states that the CAE must ensure that all internal auditing work is quality-reviewed so that high-quality standards are achieved. Quality assurance reviews include self-assessments, peer reviews and external assessments (Wood, 2016; Lélis & Pinheiro 2012).

3.5 INTERNAL AUDITING APPROACH AND PROCESSES

Performing internal auditing assignments requires internal auditors to adopt and follow an appropriate approach. This approach includes internal auditing processes that are developed and executed.

3.5.1 Internal auditing approach

Internal auditing is driven through the development of an appropriate internal auditing strategy which includes the approach and methodologies to be followed (Tarr, 2002). Whilst various approaches to internal auditing, including the risk-based approach, the business approach and the control approach, may exist in theory, the IASs (IIA, 2017b, 2010) specify that the risk-based approach must be followed by IAAs (IIA, 2017b; Beumer, 2006; Vinze, Karan & Murthy, 1991). From an OPM perspective, the risk-based approach requires the IAA to consider the areas of risk to the organisation and accord attention to those areas that present the highest threat to the organisation achieving its objectives (IIA, 2017b; Ionescu, 2014; Lanz, 2014; OECG, 2014; Adel & Maissa, 2013; Baatwah, Salleh & Ahmad, 2013). The internal auditing plan which considers the high-risk areas of the organisation also identifies the individual internal auditing assignments to be performed (IIA, 2017b; Hegazy, Chong & Hegazy, 2014; Ionescu, 2014). Internal auditing assignments are performed according to a process that requires a number of steps (Krishnaveni & Sujatha, 2013; Coyne, 2006). The suggested process followed in an internal auditing assignment is described hereunder.

3.5.2 Internal auditing processes

The objective of conducting internal audits is to provide reasonable assurance to management that planned objectives will be achieved, whilst in its consulting role, internal auditing may assist management in addressing specific organisational problems (Arena & Sarens, 2015). Consequently, an analysis is undertaken of the processes necessary for the performance of assurance services and consulting services to emphasise points of divergence and similarity.

3.5.2.1 Internal auditing assurance processes

The internal auditing assurance process includes planning and executing the internal auditing assignment, communicating the results to the relevant stakeholders and following up on the implementation of recommendations (Lemon & Tatum, 2003). It is consequently argued that the generic internal auditing assurance process can be classified into four phases, namely, (i) planning (ii) implementation (iii) reporting and (iv) follow-up (Aghili, 2009; Beumer, 2006; Coyne, 2006; Lemon & Tatum, 2003).

Planning requires that the results of risk assessments conducted by the organisation be considered in developing IAA plans (IIA, 2017b, 2120; OECG, 2014; Lélis & Pinheiro 2012; Beumer, 2006). The internal auditing plan should include conducting assessments and evaluations of the OPM system and areas of high-risk to the organisation (IIA, 2017b, 2120; OECG, 2014; McNamee & Selim, 1999). Planning includes both the long-term (Manchanda & Macdonald, 2011; Beumer, 2006) and the short-term (Lélis & Pinheiro, 2012; McCollum, 2010; Sawyer *et al.*, 1998). Planning also includes engagement planning which refers to the plan developed by the CAE, in consultation with senior IAA staff, for each internal auditing assignment (IIA, 2017b, 2200; Aghili, 2009; Coyne, 2006; Paul, 2005).

Performing an internal auditing assignment requires the execution of a number of steps that include (i) the introductory meeting which provides a platform for the internal auditor to explain to auditee management the scope and objectives of the audit assignment and to request cooperation from the auditee (IIA, 2017b, 2201; Salyers, 2015; Sawyer *et al.*, 1998); (ii) conducting the preliminary survey of the auditable environment (Coyne, 2006);

(iii) documenting the work done in working papers and safe-keeping documentation gathered during the internal auditing assignment to serve as evidence for the internal auditing conclusions (IIA, 2017b, 2330; Lélis & Pinheiro, 2012; Paul, 2005; Lemon & Tatum, 2003); (iv) supervising the internal auditing work performed by senior IAA staff members with the requisite knowledge and skill relevant to the area being audited (IIA, 2017b, 2340; Lélis & Pinheiro, 2012); (v) communicating findings to the auditee as and when they arise, throughout the assignment and by means of a formal report at the conclusion of the assignment (Piper, 2015; Salyers, 2015; Aghili, 2009; Coyne, 2006; Paul, 2005); and (6) performing follow-up internal auditing work (IIA, 2017b, 2500.A1; Kapić, 2013; Coyne, 2006; Sawyer *et al.*, 1998).

3.5.2.2 Internal auditing consulting processes

Executive management of an organisation may have specific projects, which may include OPM related projects, that require expertise that may exist in the IAA but may be limited elsewhere in the organisation (Head, Reding & Riddle, 2010; Hayden, 2009; Richards, 2001). Executive management may then request the IAA to undertake such an assignment as a consulting project. The IAA may consider undertaking the specific assignments as requested, should capacity exist to successfully perform the assignment without compromising internal auditing independence (Head *et al.*, 2010; Hayden, 2009; Richards, 2001). The consulting assignment includes the nature, scope, terms of reference, objectives and deliverables determined by executive management, with the involvement and agreement of the CAE, or the relevant internal auditor (Head *et al.*, 2010; Hayden, 2009; Richards, 2001).

The introduction to the IASs provide that the execution of a consulting assignment may follow steps similar to those of an assurance assignment (IIA, 2017b). However, the internal auditor has the flexibility to alter the assignment programme (process), in consultation with the project owner, to successfully execute the assignment (IIA, 2017b). As with assurance assignments, the internal auditor needs to obtain a complete understanding of the nature of the work to be performed (Head *et al.*, 2010; Hayden, 2009; De Stricker & Olesen, 2005; Richards, 2001). A project leader with the necessary competencies and skills must be identified to manage the project (Head *et al.*, 2010; Hayden, 2009; De Stricker & Olesen, 2005; Richards, 2001). The CAE and the project leader should select a project team for successful completion of the assignment. The

project team should, together, possess the necessary skill and expertise to perform the consulting assignment (Head *et al.*, 2010; Hayden, 2009; De Stricker & Olesen, 2005; Richards, 2001). The project team should engage in comprehensive planning and obtain as much preliminary information as possible on the area in which the consulting assignment will be conducted (Head *et al.*, 2010; Hayden, 2009; De Stricker & Olesen, 2005; Richards, 2001). The planning process should result in a project programme being developed (Head *et al.*, 2010; Hayden, 2009; De Stricker & Olesen, 2005; Richards, 2001). Analytical procedures should be employed to critically analyse the information obtained in order to identify problems and develop a range of possible solutions. The range of possible solutions is presented to management with the best possible solution from the options available being recommended (Head *et al.*, 2010; Hayden, 2009; De Stricker & Olesen, 2005; Richards, 2001).

In summing up the steps normally executed in both assurance and consulting internal auditing assignments, Sheu and Lee (2011) suggest that a systematic process include the following:

Ideal defines the perfect conditions necessary to successfully conduct the assignment;

Resources refers to the materials, labour and capital necessary to complete the assignment.

Functionality refers to the aim of undertaking the assignment as well as simplicity in the design to ensure ease in performing the assignment.

Contradiction refers to the competing factors that require innovation or the professional judgement of the internal auditor to choose the most appropriate alternative.

Space/time/interface refers to identifying and evaluating the different approaches to the assignment whilst applying innovation to choose the most effective approach.

It is submitted that the characteristics proposed by Shue and Lee (2011) reflect the generic, systematic steps of an internal auditing assurance assignment as postulated by Head *et al.* (2010), Hayden (2009), De Stricker and Olesen (2005) and Richards (2001),

discussed above. It is also submitted that the process followed in both assurance and consulting assignments is generally similar.

3.6 COMBINED ASSURANCE

The combined assurance model was introduced in September 2009 through the King III Report (IOD, 2009) which was published by the Institute of Directors of South Africa (IoDSA) and was re-emphasised in the King IV Report (IoDSA, 2016; Engelbrecht, 2010). Combined assurance seeks to methodically organise the efforts of all assurance providers, both internal and external to the organisation, so that duplication of effort is limited, the control environment is strengthened, organisational value is created, veracity of information is promoted and the organisation obtains greater audit coverage and focus (IoDSA, 2016; Jackson, 2013; Engelbrecht, 2010).

Assurance providers include, *inter alia*, line management, internal auditing, external auditing and risk management (Baker, 2010; Engelbrecht, 2010). Jackson (2013) argues that internal auditing should play the leading role in the combined assurance approach because of its independent position in an organisation. This notion is reiterated by Baker (2010) who holds that internal auditing should play a pivotal role in the combined assurance approach. Additionally, King IV suggests that internal auditing is an important pillar of good organisational governance and therefore should assume a leadership role in combined assurance. It is submitted that the arguments of the IoDSA (2016), Jackson (2013) and Baker (2010) are sound insofar as internal auditing is well-placed within the organisation by virtue of its independent status and the requirement for the IAA to report functionally to the AC, to lead the combined assurance effort.

3.7 INTERNAL AUDITING'S CONTRIBUTION TO ORGANISATIONAL PERFORMANCE MANAGEMENT

The discussion thus far explored the nature, services, focus and characteristics of internal auditing and has described the internal auditing approach, processes and combined assurance. The rest of the chapter explores internal auditing's involvement in OPM of national departments.

It was noted above that executive management requires confirmation that the plans and strategies of the organisation are implemented as intended. Executive management may be able to obtain such confirmation by assessing the implementation of plans and strategies themselves (Quelett, 2010). However, it is argued that executive management is occupied with strategic organisational matters and overall organisational performance and should not be required to conduct such performance assessments at individual and unit levels (Quelett, 2010). Additionally, executive management may not have the time and sometimes the necessary skills to undertake such assessments (Quelett, 2010). In addition, Sections 3.3.1, 3.3.2 and 3.3.3 noted that internal auditing's focus areas of governance, risk management and control processes requires the assessment of the extent to which organisational objectives are effectively accomplished (IIA, 2017b).

Consequently, line managers are required to provide accountability on the implementation of plans and strategies to executive management who, in turn, provide accountability to the executive authority (Quelett, 2010). Such accountability, in the form of PI developed by line management, must be veracious so that appropriate organisational decisions can be made in achieving planned objectives (Quelett, 2010). The veracity of the PI is enhanced when subjected to an independent verification process (Bosse & Phillips, 2016; Vasile & Croitoru, 2012). Following such a verification process, executive management will obtain reasonable assurance of the veracity of the PI (Vasile & Croitoru, 2012). It was argued that internal auditing is well-placed within the organisation to provide such independent assessments to management because the IAA must be independent (IIA, 2017b). Additionally, internal auditing work allows the IAA to obtain a thorough understanding of the national department which enables internal auditors to perform effective PI assessments (IIA, 2017b; Arena & Sarens, 2015; Vasile & Croitoru, 2012; Gierach, Cascarino & Basile, 2010; Quelett, 2010; Bou-Raad, 2000).

In addition, it is noted that the practice of internal auditing has evolved over time (Arena & Sarens, 2015; Bou-Raad, 2000). During the initial stages of internal auditing as a specific discipline, it focused mainly on compliance and financial transaction checking. However, the evolution of internal auditing over the years since the establishment of the IIA during the 1940s created the environment for internal auditing to evolve to 'adding value' to the organisation (Arena & Sarens, 2015; Bou-Raad, 2000). In order to do so, the scope of internal auditing broadened to include the evaluation and assessment of the non-financial areas of the organisation (Arena & Sarens, 2015; Bou-Raad, 2000). These

areas included assessing and evaluating the veracity of operating information, safeguarding organisational assets, ensuring the organisation's compliance with laws, regulations and other prescripts and economically, efficiently and effectively accomplishing planned objectives (IIA, 2017b, 2130.A1; Arena & Sarens, 2015; Bou-Raad, 2000).

With the current approach of internal auditing becoming risk-based and including focussing on non-financial areas of the organisation, it became necessary for the IAA to consider aspects such as strategic management, organisational governance, risk management, operations and resource management, quality management and M&E activities (Arena & Sarens, 2015; Rupšys & Bogulauskas, 2007). The evolved focus of internal auditing, and its in-depth knowledge of the national department, thus created the environment to enable management to adopt internal auditing as a mechanism for the improving of OPM with the consequent improved service delivery to the public.

Internal auditors, in their role in OPM, also have a responsibility to determine whether organisational strategies are being developed and approved with the involvement of employees at the correct levels in the organisation (Kapoor & Brozzetti, 2012; Gierach *et al.*, 2010). Executive management is required to provide leadership and employees representing the entire organisation should participate in the strategy development process for ownership and commitment (Kapoor & Brozzetti, 2012; Gierach *et al.*, 2010). The IAA is required to assess and determine whether such leadership is indeed provided in an appropriate manner and that the department is adequately represented (Kapoor & Brozzetti, 2012; Gierach *et al.*, 2010). Additionally, in its consulting role, the IAA is able to provide recommendations and advice, also during these strategic sessions, on the manner in which planned objectives may be accomplished economically, efficiently and effectively (Asare, 2009; Coyne, 2006; Bou-Raad, 2000; Morse, 1971).

However, executing their OPM tasks effectively demands that internal auditors obtain a thorough understanding of both the strategic and operational aspects of the organisation (Gierach *et al.*, 2010; Lemon & Tatum, 2003). Gierach *et al.* (2010) state that in order to add effective value to an organisation, internal auditors must, out of necessity, be conversant with the organisation's vision, mission, planned objectives, strategic plan, risk profile, business processes and operating procedures. The contention that internal auditors add enhanced value to an organisation when they understand the strategic

business of the organisation was found in a study conducted by a Joint Working Group (JWG) established by the USA, Canada and the UK in 1999 (Lemon & Tatum, 2003). The JWG coined the term 'business risk approach' to internal auditing which is similar to the risk-based approach to internal auditing (Lemon & Tatum, 2003).

Additionally, from an OPM perspective, the definition of internal auditing (IIA, 2017a) also requires internal auditing to take a futuristic view in assessing the ability of the organisation to achieve sustained, future performance (Pongpanpattana & Ussahawanitchakit, 2012; Mihret & Yismaw, 2007). Clardy (2013) suggests that in order to adopt a futuristic view, OPM systems must be audited by internal auditors for (i) *adequacy* to cover all aspects of performance management of the organisation, (ii) *effectiveness* in that the system must accomplish what is expected, (iii) *efficiency* in that the system must work effectively with the consumption of the least amount of resources and (iv) *economy* in that the required goods and services in the correct specification and quantities are delivered at the right time to the right place at the lowest possible price.

An OPM system also enables organisational management to manage employee performance. Good employee performance contributes positively to overall organisational performance (CQI, 2013; Kwok & Tam, 2010). Consequently, it is necessary to ascertain whether the OPM system is designed such that employee performance is also effectively managed (Clardy 2013; Pun & White, 2005). Therefore, employee performance management must also be audited by internal auditors (Clardy 2013; Kwok & Tam, 2010; Pun & White, 2005). The IAA is able to undertake such an assessment, because of its independent status, body of knowledge and thorough knowledge of the organisation (Clardy 2013; Pun & White, 2005).

It was noted earlier (Section 3.3.2) that effective OPM requires organisations to implement risk management systems. Internal auditing is required to assess and evaluate these risk management systems. A system of internal controls is one of the mechanisms implemented by management to respond to identified risks (Aikens, 2011). The Committee of Sponsoring Organisations (COSO) framework on internal control also suggests that internal controls support the achievement of planned objectives (Aikens, 2011). Internal auditing thus contributes to effective OPM by assessing and evaluating the system of internal controls (see Section 3.3.3). The assurance that it provides confirms the effective functioning of the system of internal controls and hence, the

achievement of planned objectives (IIA, 2017b, 2130.A1; Aikens, 2011; Asare, 2009; Mihret & Yismaw, 2007). Where such assurance cannot be provided, internal auditors make recommendations for the improvement of systems of controls, thereby contributing to improved OPM (Aikens, 2011; Asare, 2009; Mihret & Yismaw, 2007).

Assessing and evaluating the governance processes of an organisation is one of the focus areas of internal auditing (discussed in Section 3.3.1) (IIA, 2017a). Governance processes support the achievement of planned objectives (Simona & Gheorge, 2012; Australia, 2010; Cristina, 2009); by assessing and evaluating governance processes (IIA, 2017b), internal auditing thus makes a contribution to effective OPM.

3.8 INTERNAL AUDITING OF PUBLIC SECTOR ORGANISATIONAL PERFORMANCE MANAGEMENT

In the case of the public sector, at the national department level, Section 38 of the PFMA (South Africa, 1999) requires the AO to implement measures to manage the performance of the national department (Bruce, 2011). This includes the systems implemented to evaluate whether national departments are achieving their planned objectives economically and efficiently (Bruce, 2011). The PFMA also makes it compulsory for AOs of national departments to establish an IAA (South Africa, 1999). The IAA is required to comply with the IASs (South Africa, 2005) and is thus required to ensure OPM and accountability (IIA, 2017b, 2110).

Aikens (2011) contends that the services of the IAA are also frequently utilised to improve accountability in the use of public funds. Internal auditing assists in detecting, preventing and correcting uneconomical, inefficient and ineffective use of public funds, noting its negative impact on reaching planned objectives and service delivery to the public (Aikens, 2011). Internal auditing furthermore detects and reports non-compliance with laws, regulations and other prescripts as well as inaccurate financial and operating information. Such transactions and information have the potential to undermine the achievement of objectives (Aikens, 2011). Internal auditing also audits business processes to determine whether such business processes support optimal organisational performance (Aikens, 2011). Wherever necessary, internal auditing offers recommendations for improvement of these processes to increase the probability of the organisation achieving its planned objectives (Aikens, 2011).

It is therefore submitted that from an OPM perspective, executive management is responsible for establishing the vision, mission, planned objectives, strategies and policies of the organisation. Executive management is also responsible for developing processes and procedures that will enable employees to work towards economically, effectively and effectively achieving planned objectives with the resultant positive impact on service delivery. Executive management, however, requires assurance that the approved plans and strategies are being implemented as intended. Such assurance is obtained from line managers in the form of reported PI. However executive management requires independent verification of (i) the implementation of plans and policies and (ii) the veracity of the reported PI. Internal auditing may be used to assess the effectiveness of the national department's OPM and the veracity of the PI because of internal auditing's independent organisational positioning, the requirement for internal auditing to be performed in accordance with the IASs, its body of knowledge and the requirement that the IAA must add value to the organisation. It is therefore submitted that internal auditing is employed in the public sector to evaluate national departments' OPM and with a view to achieving optimal service delivery to the public.

3.9 CONCLUSION

In this chapter, the nature of internal auditing was explored. It was noted that internal auditing renders both assurance and consulting services to the organisation. It also focuses on the organisation's governance, risk management and control processes. The characteristics of internal auditing were also described, followed by the internal auditing approach, processes and quality control. The chapter concluded with a discussion of combined assurance, internal auditing's contribution to OPM and the internal auditing of public sector OPM.

It was established that the OPM system of national departments is used as a tool to manage and monitor organisational and individual performance in order to improve service delivery to the public. Internal auditing's contribution to the OPM of an organisation was analysed in detail and its involvement in OPM was described. The analysis confirmed that internal auditing makes an important contribution to the OPM system of an organisation. It was further argued that internal auditing is required to provide reasonable assurance to the executive authority on the achievement of planned

objectives. Consequently, the literature review confirmed that internal auditing is used as a mechanism to contribute to improved departmental OPM and thereby to enhanced service delivery. No arguments emerged from the literature review that disagreed with the role of internal auditing and its contribution to OPM. Consequently, the arguments presented in this chapter reflect the generally accepted practice of internal auditing and its role in OPM.

The theoretical bases for both OPM and internal auditing were touched on briefly in Chapters 1, 2 and 3. Chapter 4 discusses in greater detail the various theories within which OPM and the practice of internal auditing are located. The discussion is based on the assumption that the phenomena of both OPM and internal auditing are socially constructed and should be located within robust, comprehensive theoretical spaces.

CHAPTER 4

THEORIES UNDERPINNING ORGANISATIONAL PERFORMANCE MANAGEMENT AND INTERNAL AUDITING

4.1 INTRODUCTION

Chapter 2 explored and discussed OPM in detail. Chapter 3 examined the nature, services, focus areas and characteristics of internal auditing as well as its contribution to OPM. Additionally, the contribution of internal auditing to OPM focuses on the public sector and on national departments in South Africa.

It was noted, in Chapter 3, that OPM includes strategic management, organisational governance, risk management, resource and operations and M&E. It also includes formulating the vision, mission and planned objectives of national departments, developing strategies to achieve the planned objectives and regular M&E of the implementation of strategies. The adoption of strategic management principles in the public sector sought to introduce the NPM ideology of efficiency and effectiveness, borrowed from the private sector (Chowdury & Shil, 2017). NPM itself is located within the broader theory of managerialism (Pollitt, 2016). Whilst NPM and managerialism have been researched to a certain extent in Europe, especially the UK, such studies in South Africa are limited (Pollitt, 2016). Therefore, the theoretical basis for OPM in the public sector in South Africa needs an incisive and comprehensive study.

At the end of the financial year, national departments prepare ARs. These ARs are intended to provide veracious PI to stakeholders on the extent to which planned objectives were accomplished. The AR, it was found in Chapter 2, is an account by the management team of the performance of the national department. It is intended for the department's principals and stakeholders, notably, the executive authority, parliament, NT, DPME, the AGSA and the general public, thus locating OPM within the accountability theory.

According to Ștefănescu *et al.* (2016) and Mansourie and Rowney (2013), accountability is also grounded in the agency theory. One of the assumptions of the agency theory is

the agency problem. The agency problem assumes that there is a divergence in the goals of principals and agents. Agents will consequently provide asymmetrical information to principals because of these divergent interests (Hapsoro & Fadhilla, 2017). Principals may implement governance and monitoring mechanisms to address the agency problem. One of the duties of internal auditing is to assess the veracity of PI and FI reported by an organisation. Consequently, it is argued in the King IV report (IoDSA, 2016) that internal auditing can be regarded as a governance mechanism. Therefore, internal auditing may be used by principals to address the agency problem, thus locating the role of internal auditing within both the agency and the accountability theories. However, the theories relevant to the field of internal auditing are by and large under-researched (Mihret & Grant, 2017; Wood, 2016; Mihret, 2014). Accordingly, the theoretical bases for OPM and internal auditing are discussed in this chapter. The agency theory, accountability theory, managerialism and NPM will be further explored.

4.2 AGENCY THEORY

Both OPM and internal auditing are grounded in the agency theory. The agency theory, which emerges from the principal-agent relationship, based on the writings of Mitnick, a seminal author (Mitnick, 1973) and further developed in later writings (Mitnick, 2006), is discussed in the following section.

4.2.1 Nature of the agency theory

Ontologically, the agency theory is based on the assumption that a party, referred to as a principal, employs another party, referred to as an agent, to perform tasks or services that are intended to create some benefit for the principal (Coupet & McWilliams, 2017; Pouryousefi & Frooman, 2017; Bosse & Phillips, 2016; Dawson, Denford, Williams, Preston & Desouza, 2016; Attila, 2012). The principal using an agent on their behalf creates a contractual arrangement between the two parties (Coupet & McWilliams, 2017; Pouryousefi & Frooman, 2017; Clark, 2016; Dawson *et al.*, 2016; Grizzle & Sloan, 2016; Velotti & Justice, 2016).

Ştefănescu *et al.* (2016) point out that national departments are funded from public funds which are made available through transfers from the National Revenue Fund. The release of funds must go through the formal appropriation processes in government. Funds are

also obtained by national departments through charges levied for services rendered (Ștefănescu *et al.*, 2016). Managers and other employees are appointed by government to utilise these funds to create value for the public in accordance with government priorities (Coupet & McWilliams, 2017; Ștefănescu *et al.*, 2016; Walther 2015). Accordingly, in the public sector, government is considered to be the principal and the managers employed by government are regarded as the agents. A contractual arrangement thus exists between government and its employees (Coupet & McWilliams, 2017; Attila, 2012). Thus, Coupet and McWilliams (2017), Clark (2016), Dawson *et al.* (2016) and Walther (2015) all concur that the agency theory is as relevant to the public sector as it is to the private sector.

Dawson *et al.* (2016) present a further argument: in the public sector, multiple layers of principals and agents exist. This is because there are diverse views on the identity of the principal in the public sector (Ștefănescu *et al.*, 2016; Walther, 2015). Coupet and McWilliams (2017) do not offer any further clarification on the identity of principals in government, nor do they amplify that government is made up of individuals and that relevant officials within government should be identified as the principals. This argument is submitted on the premise that a government department itself cannot sign a contract but requires an official with the required delegation of authority to do so.

A further argument by Walther (2015) suggests that citizens or public service customers make up the principal in government, thereby resulting in the existence of multiple principals. Ștefănescu *et al.* (2016) further point out that public sector organisations such as national departments should be accountable to the public because the resources required by public sector organisations are obtained from the public. They term this responsibility by public sector organisations as 'public accountability'. Ștefănescu *et al.* (2016) go on to say that public accountability is not a unilateral principal-agent relationship but involves multiple stakeholders who have overlapping interests in the work of the public sector organisations. The argument of Ștefănescu *et al.* (2016) appears to be aligned with the earlier argument of Walther (2015) on the existence of multiple principals in the public sector.

In examining the general theory of principal and agent, it is submitted that the agency theory does have applicability to the public sector (Coupet & McWilliams, 2017; Pouryousefi & Frooman, 2017; Bosse & Phillips, 2016; Clark, 2016; Dawson *et al.*, 2016;

Grizzle & Sloan, 2016; Ștefănescu *et al.*, 2016; Attila, 2012). The argument propounded by Dawson *et al.* (2016) has practical application within national departments as presented in Figure 4.1 below.

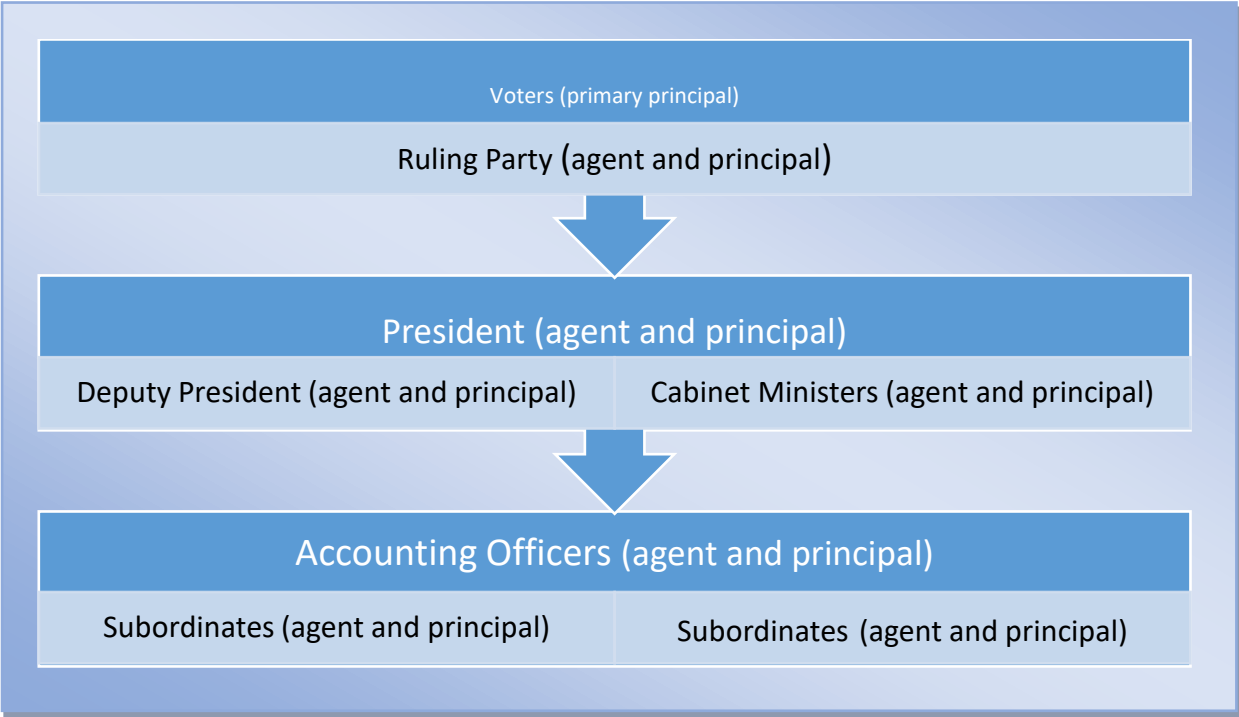


Figure 4.1 Multiple layers of principals and agents
(Source: Own compilation)

Figure 4.1 indicates that at the highest level, the voters are the principals for government. Thereafter, each lower layer serves as both principal and agent. The lowest level in government, in each discipline will, consequently, serve the single role of agent.

4.2.2 The agency problem

The principal-agent relationship leads to the agency problem (Coupet & McWilliams, 2017; Pouryousefi & Frooman, 2017; Bosse & Phillips, 2016; Clark, 2016; Dawson *et al.*, 2016). The agency problem emerges from the assumption that there exists a divergence in the goals of the principal and those of the agent (Coupet & McWilliams, 2017; Mihret, 2014). The agency problem implies that agents, although contracted by principals to create value for the principal, work in their own self-interest (Coupet & McWilliams, 2017; Grizzle & Sloan, 2016; Ștefănescu *et al.*, 2016; Mihret, 2014; Attila, 2012).

In the context of the public sector, the theory presupposes that agents will not produce the goods and services as identified in government priorities in the correct specifications, quality or quantity for the benefit of the target public (Attila, 2012). It is assumed that utility maximisation by employees of national departments (agents) may relate, *inter alia*, to not observing official hours of work, abusing resources for personal benefit, according preferential treatment to associates and family members who will benefit from the resultant transactions and purchasing excessive quantities of supplies that are used for the personal benefit of the employee (Coupet & McWilliams, 2017; Bosse & Phillips, 2016; Attila, 2012).

The agency problem is theoretically constructed from the agency theory and embeds itself in a number of identified assumptions (T̄aga, 2017). The first assumption is that agents are able to act in their own interests because of the imperfect or asymmetrical information that is communicated to principals (Hapsoro & Fadhillah, 2017; Bosse & Phillips, 2016). Agents execute the day-to-day operations of the principal's business and therefore have in-depth, comprehensive information, both strategic and operational. Agents then utilise this information for their own benefit at the expense of the principal (Coupet & McWilliams, 2017; Pouryousefi & Frooman, 2017; Bosse & Phillips, 2016; Clark, 2016; Dawson *et al.*, 2016; Grizzle & Sloan, 2016; Velotti & Justice, 2016). Senior management of national departments manage the affairs of the national department on a day-to-day basis. Accordingly, the agency theory assumes that senior management members have full and perfect information of the affairs and operations of the department (Pouryousefi & Frooman, 2017; Bosse & Phillips, 2016; Clark, 2016; Grizzle & Sloan, 2016; Ştefănescu *et al.*, 2016; Attila, 2012). The agency problem postulates that senior management then decide on the extent, quantity, nature and depth of information that is to be provided to principals, such as cabinet ministers and the relevant portfolio committees (Dawson *et al.*, 2016). The agency theory posits that senior management will not, in the normal course of reporting, provide principals with symmetrical or perfect information (Coupet & McWilliams, 2017; Pouryousefi & Frooman, 2017; Bosse & Phillips, 2016; Clark, 2016; Dawson *et al.*, 2016). This argument is emphasised in the requirement of the FPPI that national departments must formulate clear, planned objectives, prepare an SP and APP and report on actual performance against planned performance annually (South Africa, 2007b). It can be argued that the requirements prescribed in the FPPI (South Africa, 2007b) represent an attempt to bring about symmetry in the information provided by national departments to their principals.

The agency problem postulates further that senior management will consciously and purposefully provide excessive but irrelevant information to principals in order to camouflage the self-serving activities of the agent (Attila, 2012). Hidden within the excessive and irrelevant information will be a small amount of valuable information that is generally obscured, to create a sense of information integrity (Bosse & Phillip, 2016; Attila, 2012). The information so provided is intended to mislead the principal, resulting in the principal being unable to make meaningful, appropriate decisions, thereby enabling the agents to further entrench their own interests to the detriment of the principal (Bosse & Phillip, 2016; Attila, 2012).

The second assumption grounded in the agency theory is that there will be a misalignment between the goals of the national department and those of the employees (Coupet & McWilliams, 2017; Ṫaga, 2017; Dawson *et al.*, 2016; Walther, 2015). Planned objectives that are not clearly defined, concise and implementable allow agents to pursue their own interests (Coupet & McWilliams, 2017; Ṫaga, 2017; Dawson *et al.*, 2016; Walther, 2015). Unclear outputs to be achieved by employees of national departments create loopholes to be exploited, resulting in non-optimal performance (Coupet & McWilliams, 2017; Ṫaga, 2017; Dawson *et al.*, 2016; Walther, 2015).

The agency problem manifests itself in a third assumption, namely, that there is managerial inefficiency within national departments (Coupet & McWilliams, 2017; Bosse & Phillips, 2016). The theory postulates that because of managerial inefficiency, the goals of the principal will not be accomplished. In the case of national governments, the agency problem propounds that the inefficiency at the managerial level within national departments will result in non-optimal service delivery to the public (Coupet & McWilliams, 2017; Bosse & Phillips, 2016).

A fourth assumption of the agency problem is that employees of national departments will utilise resources inefficiently, which will hinder the achievement of planned objectives (Coupet & McWilliams, 2017; Pouryousefi & Frooman, 2017; Bosse & Phillips, 2016). Employees may utilise excessive quantities of high-quality resources to achieve lower levels of output, thereby impacting on the delivery of goods and services to the public (Coupet & McWilliams, 2017; Ṫaga, 2017; Dawson *et al.*, 2016; Walther, 2015).

The agency theory also postulates a fifth assumption. The fifth assumption is that departmental resources will be misappropriated by employees of national departments (Pouryousefi & Frooman, 2017; Bosse & Phillips, 2016). These losses may pass undetected by principals because of the asymmetrical information that is provided by the agents. The misappropriation of resources, whilst unfairly advantaging the employee, will result in a disadvantage to the principal (Pouryousefi & Frooman, 2017; Bosse & Phillips, 2016).

Pouryousefi and Frooman (2017) and Bosse and Phillips (2016) make a sixth assumption – that of passive opposition. This relates to agents not directly opposing the plans of the principal but adopting measures such as ‘go-slows’ which negatively impact the accomplishment of the principals’ planned objectives and strategies (Pouryousefi & Frooman, 2017; Bosse & Phillips, 2016).

Pouryousefi and Frooman (2017) and Bosse & Phillips (2016) put forward a seventh assumption – that of ‘shirking’. Shirking is explained as employees avoiding or neglecting to perform their duties, resulting in significant disadvantage to the principal (Pouryousefi & Frooman, 2017; Bosse & Phillips, 2016). Again, because of the asymmetrical information in the possession of principals, such shirking goes undetected and prevents the implementation of corrective measures (Pouryousefi & Frooman, 2017; Bosse & Phillips, 2016).

Dawson *et al.* (2016) suggests that an additional agency problem exists. He points to the imprudent allocation of scarce resources to multiple, competing priorities arguing that multiple stakeholders have various competing interests (Dawson *et al.*, 2016). The interests of these stakeholders may not align with the interests of principals and may therefore result in the improper allocation of scarce resources (Dawson *et al.*, 2016).

Bosse and Phillips (2016) argue that the agency problems, as discussed above, result in costs being incurred by principals. These costs impact on society as a whole, specifically in the public sector, since more costs are incurred to provide the required services. Bosse and Phillips (2016) argue that whilst the costs are significant, it may be very difficult to accurately measure them.

4.2.3 Measures to address the agency problem

Ṭaga (2017), Bosse and Phillips (2016) and Attila (2012) argue that principals have several measures available to them to address the agency problem. One such measure is the implementation of monitoring and control mechanisms to keep a tighter rein on the activities of agents (Ṭaga, 2017; Bosse & Phillips, 2016; Attila, 2012). These control mechanisms are intended to promote efficiency in the performance of the agents' tasks insofar as the minimum amount of resources should be consumed to produce a planned level of output (Attila, 2012). The argument is founded on the notion that the principal provides the resources to allow the agent to perform given tasks. The principal is therefore in a position to coordinate the agent's activities and implement such control mechanisms (Attila, 2012).

Dawson *et al.* (2016) argue that in the public sector, effective governance is needed to address the agency problem because of the opportunistic practices of employees. They point out that the introduction of a system of controls can limit opportunistic tendencies. The measures implemented by government through the FPPI, the GWMES and the PIH can be viewed as measures which give effect to the suggestion of Dawson *et al.* (2016), calling for effective governance and the implementation of robust control measures.

It was noted earlier that internal auditing is a governance and monitoring mechanism available to principals. Internal auditing is required to assess and evaluate the national departments' governance, risk and control processes as well as the veracity of reported FI and PI (IIA, 2017b). This evaluation is intended to provide principals, including departmental management, independent and objective assessments on the OPM and the veracity of PI reported (IIA, 2017b, 2110, 2120, 2130; Mihret, 2014). Arguably, the role of internal auditing serves to limit the impact of the agency problem and is made compulsory in the IASs (IIA, 2017b). Mihret (2014) argues however, that this assumption of the agency theory is problematic in that internal reports are not accessible to the public, shareholders or potential investors. Mihret (2014) also suggests that the agency theory fails to explain the dual internal auditing role of assurance and consulting.

Whilst the contention of Mihret (2014) provides useful insights into the conceptual basis of internal auditing and is largely capitalistic in nature, several developments have addressed these arguments. The King IV Report (IoDSA, 2016) requires the AC to be a

sub-committee of the board, comprised of independent directors and all internal audit reports must be submitted to the AC. In addition, in the public sector, legislation prescribes that the IAA must function under the guidance and control of an AC, consisting of members from outside the national departments (South Africa, 1999). The IASs (IIA, 2017b) address the phenomena of assurance and consulting and has developed parallel processes to prevent ethical conflicts arising. These developments do not contradict but rather give emphasis to the theoretical assumptions of internal auditing as being socially located within the agency theory.

Bosse and Phillips (2016), Dawson *et al.* (2016) and Attila (2012) suggest further that the use of incentives by principals may assist in addressing the agency problem. However, Attila (2012) observes that determining the level of incentive to counteract negative behaviour can be difficult. The principal needs to find the optimal balance between incentives and positive behaviour to ensure that agents are not over-incentivised to the detriment of the principal (Attila, 2012). Clark (2016) and Dawson *et al.* (2016) found that rewards for creativity and innovation tend to have a positive effect on agents' behaviour in the public sector. Walther (2015), on the other hand, argues that incentives and performance-related remuneration do not work in the public sector. Walther (2015) contends that the existence of multiple principals and unclear performance measures inhibit the effective use of incentives and performance-related remuneration. It is submitted that some elements of the argument of Walther (2015) may be contested. In national departments, the principle of equal pay for equal work applies. The argument that output measures are so unclear that performance incentives are not probable cannot be supported. The implementation of the Performance Management and Development System (PMDS), as well as the requirements of the FPPI and the GWMES create a conducive environment for performance incentives to be implemented in national departments in an objective manner. Thus, the arguments of Bosse and Phillip (2016) and Attila (2012) that incentives may address agency problems to a certain extent can be supported in the PMDS of the public sector in South Africa.

Bosse and Phillips (2016) also suggest that the principal may prepare the contractual agreement with the agent in such a way that it minimises the divergent interests of the two parties. Coupet and McWilliams (2017) contend, however, that principals in national departments are unable to enter into complete contracts with their agents in the sense that important provisions may not be anticipated at the time of concluding the contract

and may therefore be excluded. However, in any contractual relationship, it is not possible to anticipate all contractual terms and conditions at the time of drafting the contract, simply because the social environment is dynamic and circumstances change (Mihret & Grant, 2017). Therefore, at the time of drafting the contract, the parties should give consideration to all available information but, importantly, include provisions for the regular review and renegotiation of contractual terms and conditions in the event of changing circumstances (Mihret & Grant, 2017). Accordingly, the argument proposed by Coupet and McWilliams (2017), that complete contracts are not possible in national departments, is noted but contested. It is submitted that complete contracts are not possible in any situation; however, measures such as review and renegotiation seek to overcome this challenge.

A further argument to address the divergent interests and asymmetrical information between principal and agent is that of perceived fair treatment accorded to employees of national departments and expressing appreciation for their contributions (Bosse & Phillips, 2016; Clark, 2016). Employees who perceive that they are treated fairly and that their contributions are recognised and valued are motivated to work in the best interests of the principal. Such fair treatment and recognition serve to minimise the impact of the agency problem (Bosse & Phillips, 2016; Clark, 2016). Bosse and Phillips (2016) and Clark (2016) argue that an appropriate code of conduct, which includes the ethical values and moral obligations expected of agents, will assist in closing the gap between principals and agents. Furthermore, a national department that has at its helm ethical stewardship instils positive conduct in employees (Bosse & Phillip, 2016; Clark, 2016; Müller *et al.*, 2016).

Pouryousefi and Frooman (2017) argue that a bilateral relationship should exist between the principal and agent. Such a relationship promotes dialogue between the two parties and limits goal divergence and asymmetrical information. It is submitted that national governments have, through its PMDS and the code of conduct for public servants, endorsed the arguments presented in this section.

4.3 ACCOUNTABILITY THEORY

The seminal article by Lerner and Tetlock (1999) argues that accountability refers to the justification of actions that a person or group of persons will provide to others. Accountability theory stems from agency theory and postulates that agents must account for their performance to the principal (Ștefănescu *et al.*, 2016). According to this theory, accountability means conforming to a set of standards that agents must comply with correctly, as directed by the principal (Grizzle & Sloan, 2016). Agents must also provide an account of what has been performed through comprehensive, complete reporting that complies with veracity requirements (Ștefănescu *et al.*, 2016). Ștefănescu *et al.* (2016) argue that where performance is not accomplished as intended, explanations and information on corrective measures must also be provided.

In addition to the agency problem, Ștefănescu *et al.* (2016) suggest that the recent economic problems experienced worldwide have diminished the confidence of the public in the performance and financial reporting of the public sector. In order to regain the trust of the public, information made publicly available should be reliable (Ștefănescu *et al.*, 2016).

The recent worldwide economic crisis also led to calls for better governance mechanisms in the public sector and for improved accountability (Ștefănescu *et al.*, 2016). This demand came notably from institutions such as parliament as well as the media and the general public (Mansourie & Rowney, 2013). The calls for improved governance and greater public accountability were driven by declining government revenues and the related requirement for increased efficiency in the application of the limited government resources to satisfy the multiple needs of the public (Mansourie & Rowney, 2013).

However, despite the economic crisis and the various measures implemented, Ștefănescu *et al.* (2016) maintain that the quality of reporting by public sector organisations has not improved significantly. They suggest that there is insufficient accountability by public sector organisations and that national departments should be required to disclose more qualitative information to stakeholders. Accountability, therefore, should be a central theme in national departments' reporting to principals and stakeholders (Ștefănescu *et al.*, 2016).

Velotti and Justice (2016) propose that the principle of accountability is socially constructed, subjective and susceptible to change. Accountability theory, however, broadens the social construction of the accountability principle to any situation where one party, either an individual or an organisation and not only an agent, is required to account to another party, normally on performance and/or conduct (Amsler & Sherrod, 2017; Velotti & Justice, 2016; Mansourie & Rowney, 2013). Traditionally such accountability took the form of a lower level party accounting to a superior (Grizzle & Sloan, 2016). However, Mansourie and Rowney (2013) argue that accountability is not limited to a vertical trajectory but can occur in any direction – a recursive process. Mansourie and Rowney (2013) also assert that there is no overarching accountability theory explaining the intricacies of this theory and accountability is, in fact, associated most closely with agency theory.

Ştefănescu *et al.* (2016) argue that theoretically, accountability includes the principle of transparency. Mansourie and Rowney (2013) theorise further that responsibility and answerability are also important principles of accountability theory. They also add other concepts such as equity, efficiency, responsiveness and integrity within accountability theory.

Accountability theory therefore suggests that public sector organisations are required to account for both financial and non-financial performance. This is in contrast to traditional reporting, which furnishes purely financial information (Mihret & Grant, 2017; Grizzle & Sloan, 2016; Jacobs, 2016; Ştefănescu *et al.*, 2016). Non-financial information means that national departments are required to provide information on what they had set out to achieve, that is, their planned objectives (Grizzle & Sloan, 2016). National departments are then required to account to principals and stakeholders on their performance, that is, the extent of accomplishment of these objectives (Grizzle & Sloan, 2016; Ştefănescu *et al.*, 2016). This expanded form of accountability enables principals and stakeholders to monitor and assess the performance of national departments (Ştefănescu *et al.*, 2016). Jacobs (2016) claims that by informing stakeholders of planned performance and by accounting on actual performance, national departments adopt a system of public accountability.

Accountability theory has also received considerable emphasis in NPM as an aspect of good governance (Jacobs, 2016). NPM suggests that accountability increases the value,

ethical behaviour and trust between the parties (Amsler & Sherrod, 2017; Jacobs, 2016). NPM suggests, moreover, that accountability legitimises information shared by national departments with their principals and stakeholders (Amsler & Sherrod, 2017).

4.4 MANAGERIALISM

Managerialism, as a theory, was coined by Pollitt in 1990 in light of the management practices that emerged from the UK and the USA in the 1980s (Pollitt, 2016). These practices were based on the assumption that better management was the solution to the social and economic problems existing at the time (Pollitt, 2016). Managerialism encompassed concepts such as efficiency, effectiveness and service delivery in organisational management and performance (Pollitt, 2016; Nickson, 2014). The theoretical assumptions of managerialism postulate that better management stimulates transformation and innovation. Managerialism was seen as directing and channelling professional skills and converting political priorities into measurable outputs and outcomes (Pollitt, 2016; Fernandes & Da Silva, 2015; Nickson, 2014). Efficiency, innovation and the alignment of goals, resources and tasks contribute to successful performance (Pollitt, 2016). Thus management, as propounded by managerialism, was one of the key success factors of an organisation (Pollitt, 2016).

Fernandes and Da Silva (2015) suggest that strategic management, as located within managerialism, is about the leadership practices adopted. They further state that strategic management is the key driver behind an organisation; it determines the organisation's direction and the products that it will effectively deliver economically and efficiently with competitive advantage. Strategic leaders are able to synergistically combine both managerial responsibilities and visionary leadership using strategic control and decision-making (Fernandes & Da Silva, 2015).

Johnsen (2015) posits that strategic management in the public sector, located within the managerialism theory, is based on the assumption that public sector organisations such as national departments can improve their performance by adopting strategic management principles. Johnsen (2015) states that strategy, as used for planning purposes, has been criticised by academics such as Mintzberg (1994), who claim that strategic management places too much emphasis on hard data and programming, thereby ignoring important concepts such as analysis and commitment. Johnsen's (2015)

stance is aligned to that of Pollitt (2016) insofar as strategic management, when used effectively, is a catalyst for improved organisational performance, specifically in the public sector.

Leslie (2015) presents a counterargument, claiming that managerialism has been adopted in the public sector in order to introduce private sector concepts such as efficiency, effectiveness, contracting out, performance monitoring and management through audits. Leslie (2015) maintains that such private sector practices impair the ability of professionals to do their jobs, claiming that post the implementation of management practices, professionals were constrained in applying their professional judgement. Nickson (2014) concurs with Leslie (2015), stating that the introduction of management practices into the public sector, in this case the higher education sector, negatively impacted institutions and hindered the ability of professionals to make decisions.

The arguments proposed by Pollitt (2016), Fernandes and Da Silva (2015) and Johnsen (2015) are based on objective, independent assessments made of the available management information. Furthermore, in a South African context, the elements of managerialism have been adopted through the FPPI. No evidence was obtained of any study conducted in South Africa that has questioned the adoption of the elements of managerialism in the South African public sector. On the other hand, the conclusions arrived at by Leslie (2015) are subjective insofar as they were based on data collected only from a single category of persons and not from a broad spectrum. Therefore, whilst the results of Leslie (2015) are instructive, caution must be exercised in placing excessive reliance on these results. Further research is required, using objective methods and techniques, to build on these existing studies.

4.5 NEW PUBLIC MANAGEMENT

New Public Management refers to an ideology that supports private sector management practices such as efficiency and cost containment being introduced into the public sector (Chowdury & Shil, 2017; Kuna, 2017; Cohen, 2016; Pollitt, 2016; Field, 2015; Nickson, 2014). This approach was largely driven by the 1991 seminal article of Christopher Hood which first used the term 'NPM' (Hood, 1991). The concept has since received widespread recognition (Pollitt, 2016). NPM itself is located within the broader theory of

managerialism and acts as the theoretical basis for organisational performance in the public sector in its own right (Bowrey *et al.*, 2017; Cohen, 2016; Pollitt; 2016).

There are however, divergent views of the success of NPM. Pollitt (2016), who first coined the term 'managerialism' in his book *Managerialism and the Public Services* in the 1990s, suggests that whilst many researchers have argued that NPM is outdated or no longer existent, NPM is, on the contrary, still very much relevant. The views of Pollitt are echoed by other scholars and writers such as Chowdury and Shil (2017) and Cohen (2016). Cohen (2016) indicates that NPM has met with mixed success whereas Bowrey *et al.* (2017) claim that the NPM reforms of the 1980s and 1990s have now become firmly entrenched within government. Field (2015), however, disagrees, contending that the public sector has confused performance appraisal with performance management and that NPM ignores values such as transparency, collegiality and flexibility which professionals hold dear.

The argument of Field (2015), whilst reflecting to a certain extent the results of a study conducted by Leslie (2015), may be contested. Managerialism and NPM, by their very nature, are designed to improve transparency in that (i) the organisation is required to plan, manage and account for its performance to its stakeholders and (ii) all employees within the organisation are also required to plan and account for their individual planned performances. With regard to collegiality, it is submitted that organisational performance is first and foremost about achieving the mandate and planned performance of the organisation and not about supporting collegiality, which may in fact encourage inefficiency, bad decision-making and poor service delivery. Flexibility is automatically built into both managerialism and NPM. If a deviation from planned performance occurs, both managerialism and NPM require explanations and information to be provided on corrective action implemented (Pollitt, 2016; Ştefănescu *et al.*, 2016).

In South Africa, the public sector has adopted aspects of NPM in the OPM approach in the FPPI (South Africa, 2007a). The requirements of the FPPI (South Africa, 2007b) are still relevant in government today as can be ascertained from the 2016 ARs submitted to parliament by national departments. It can therefore be argued that, in South Africa, the concepts of NPM will continue to influence national department managerial practices for the foreseeable future. This study has not identified any studies that may have been

conducted on the continued relevance of NPM in the public sector in South Africa, which represents a gap in the existing literature.

4.6 CONCLUSION

This chapter explored the theories underpinning OPM and internal auditing. It was found that four theories, namely, agency theory, accountability theory, managerialism and NPM, were most relevant to OPM in the public sector in South Africa. These theories also informed the assumptions as to the adoption and contribution of internal auditing to OPM.

For the purposes of this study, internal auditing is grounded within the agency and accountability theories. However, arguments were presented for an analytical interrogation with a view to further theory construction in Section 4.1. Phenomenologically, more research is required into the conceptual and theoretical basis of internal auditing through a wider, more illustrative and rational lens.

CHAPTER 5

RESEARCH METHODOLOGY

5.1 INTRODUCTION

Literature reviews on OPM, and the role, involvement and contribution of internal auditing in relation to OPM, were conducted in Chapters 2 and 3. The results show that optimal organisational performance as well as veracity of the reported FI and PI may be significantly enhanced by adopting internal auditing as a mechanism to improve OPM. Chapter 4 explored the theoretical bases underpinning OPM and internal auditing.

The information gathered through the literature reviews conducted in the previous chapters creates the backdrop for analysing empirical data. Collecting and analysing empirical data required that a recognised, methodical and organised research methodology be followed. This chapter discusses the aim and objectives of the study as well as the research methodology, including the research paradigm, the research approach and the research design. In addition, the techniques for collecting, analysing and managing data are described. The quality of the research as well as the ethical considerations are then examined.

5.2 AIM AND OBJECTIVES

Research refers to the logical, methodical activity intended to create new and useful information (Rajasekar *et al.*, 2013). In the case of this study, new information was created by exploring ontological questions on the extent to which OPM has been implemented within national departments in South Africa to improve service delivery and the contribution of internal auditing as an enabler of optimal OPM.

5.2.1 Aim

The aim of this study was to explore the implementation of OPM as a management tool to assist national departments in effectively delivering goods and services to the public economically and efficiently. The study also set out to explore the adoption of internal auditing by national departments as a mechanism to improve OPM.

5.2.2 Objectives

The first objective of this study was to establish whether OPM has been implemented by national departments in an effort to improve service delivery. A second objective was to explore whether internal auditing was adopted as a mechanism to improve OPM.

The following secondary objectives have been formulated:

- To obtain an in-depth understanding of the manner in which OPM is implemented within national departments with a view to enabling service delivery.
- To examine the adoption, involvement and contribution of internal auditing in OPM within national departments.
- To develop a framework of proposed conceptual elements that could be considered for the future of internal auditing.

5.3 RESEARCH PARADIGM

When conducting research, it is necessary to comply with a set of rules, concepts, processes and procedures – this is known as the research paradigm (Rajasekar *et al.*, 2013; Venkatesh, Bala & Brown, 2013). Pragmatism which is a research paradigm that considers existing conditions of the phenomenon under study and allows a flexible rather than a fixed approach was adopted (Asdal, 2018; Dittrich & Seidl, 2018). OPM and the adoption and involvement of internal auditing in OPM was explored by obtaining data from research participants rather than through scientific experiments (Annanasingh & Howell, 2016; Highfield & Bisman, 2012; Lektorskii, 2011). The empirical data was thus obtained through a survey, interviews, focus group discussions and limited observation. The data is subjective in nature as it represents the views and experiences of the research participants (Annanasingh & Howell, 2016; Highfield & Bisman, 2012; Lektorskii, 2011).

A comprehensive document analysis was also undertaken to interpret information in documents such as ARs, SPs and APPs of national departments (Highfield & Bisman, 2012). The themes and concepts that emerged from the data were identified and recorded on a progressive basis, as and when the information was collected and analysed (Annanasingh & Howell, 2016; Highfield & Bisman, 2012; Lektorskii, 2011). The data and the emergent themes and concepts were subjected to continuous critique and re-analysis throughout the entire study (Annanasingh & Howell, 2016; Highfield & Bisman, 2012; Lektorskii, 2011).

5.4 RESEARCH APPROACH AND DESIGN

A research approach was adopted that ensured trustworthy and credible findings (Crişan & Borza, 2015; Delattre *et al.*, 2009). Traditionally, research was undertaken based on one of two forms, following either a quantitative or a qualitative approach (Onwuegbuzie, 2012; Bouma & Ling, 2004). Onwuegbuzie (2012) argues, however, that the distinction between quantitative and qualitative approaches has become increasingly blurred since the 1980s. Consequently, this study adopts a sequential 'mixed methods' approach which combines aspects of both the quantitative and qualitative approaches (Venkatesh *et al.*, 2016; Onwuegbuzie, 2012).

A sequential mixed methods approach allows for the use of multiple research methods and data collection techniques which enhances the research design (Venkatesh *et al.*, 2013; Onwuegbuzie, 2012; Bouma & Ling, 2004). The improved research design, in turn, contributes to a credible, trustworthy study (Venkatesh *et al.*, 2016; Venkatesh *et al.*, 2013; Onwuegbuzie, 2012; Bouma & Ling, 2004).

Initially a quantitative approach was followed to collect numerical data. Thereafter, a qualitative approach was adopted to collect narrative empirical data (Onwuegbuzie, 2012; Delattre *et al.*, 2009). The quantitative approach used a survey (refer to Annexures 1 and 2), to establish whether, and the extent to which, national departments have implemented OPM. The quantitative phase also obtained information on the adoption and contribution of internal auditing to OPM in national departments. The evidence-based quantitative data laid the foundation for more probing qualitative techniques.

Thereafter, the study explored the manner in which (i) OPM was implemented and (ii) internal auditing was undertaken within national departments, with focus on the internal auditing of OPM. Thus, the results derived from the quantitative and qualitative phases informed the research findings, the recommendations made and the elements of a better-to-best practices framework. The exploratory part of the study followed the qualitative approach, with the adoption of appropriate methods.

The sequential mixed methods design thus meant that the research was conducted in two phases (Singh, 2015; Yin, 2009). The two phases enabled combined, multiple data collecting techniques that included questionnaires, document analysis, interviews, focus groups discussions and observations to be adopted (Singh, 2015; Onwuegbuzie, 2012; Maree, 2008). The approach adopted to conduct both the quantitative and qualitative phases of the study is discussed below.

5.4.1 Phase 1 – quantitative

A quantitative approach was followed during Phase 1. During this phase, data was collected from 18 national departments. The methodology adopted during the quantitative phase is discussed hereunder.

5.4.1.1 Data collection

Initially, information on the implementation of OPM and the internal auditing of OPM was requested from the DGs of all the national government departments (Annexure 1) by means of a survey (Annexure 2). The DGs were chosen as the sample from which to collect the structured data since the DG of a department normally serves as the AO and is accountable for departmental OPM. Because of their busy schedules, the DGs were at liberty to delegate the completion of the survey questionnaire to an appropriate official within the national department. The memo accompanying the survey questionnaire (Annexure 3) indicated as such to the DGs. The responses received showed that the CAEs of responding departments had completed the questionnaires on behalf of the DGs. It must be noted that CAEs occupy senior management positions in national departments, generally reporting directly to the DG administratively and functionally to the AC. They were therefore capacitated to complete the questionnaire on behalf of the DG and the department. Additionally, the responses to the questionnaire were validated during the

qualitative phase of the study that included collecting empirical data from four national departments and conducting interviews with representatives of two M&E departments. It must be noted, however, that except for these two interviews, no further empirical data was collected from the M&E departments during the qualitative phase of the study.

Formal communication was forwarded via email to the DGs of 44 national departments, which was the known total population of national departments, requesting permission, assistance and cooperation to collect data from their departments. The survey questionnaire accompanied the communication, together with an information memo (Annexure 3). The questionnaire sought to elicit the extent to which OPM had been implemented in the departments and whether internal auditing had been adopted as a mechanism to improve OPM.

The information memo requested the cooperation of the CAE to provide the researcher with any further documentation or materials that could be useful to the study. The memo clarified the aim of the study in order to allow the DGs to make an informed decision on providing the requested data. A covering letter (Annexure 4) accompanied the memo and survey questionnaire, explaining that no department would be identifiable from the results of the study.

In the case of the survey questionnaire, respondents were requested to email their responses to a specifically identified email address. This email address would be accessible only by the researcher to ensure the anonymity of the respondents. DGs were also advised that should they wish the responses to be collected, special arrangements would be made by the researcher to personally collect the completed questionnaires. All responses were received through email.

The questionnaire was designed using a five-point Likert scale. The scale provided for responses ranging from one (1) to five (5), with 1 being “not implemented” and 5 being “fully implemented”. The questionnaire was designed to elicit insightful information rather than a simple yes/no answer. The questionnaire also requested any additional information, including documented information that the national department may be willing to provide to assist in the study.

5.4.1.2 Data analysis

During Phase 1, mainly numerical data was collected and statistically analysed. All data collected was updated on a master schedule by recording the answers chosen by each respondent. Data reduction then occurred by grouping and categorising the information according to the responses to each survey question (Venkatesh *et al.*, 2016; Evans, 2015; Chambliss & Schutt, 2013; Armeanu, Vintila, Moscalu, Filipescu & Lazar, 2012). Thereafter, the SPs, APPs and ARs that were downloaded were read through carefully in order to identify themes and concepts that were aligned with the questions in the survey (Bowen, 2009). The document analysis was conducted to (i) establish the implementation of OPM in national departments and the manner in which national departments reported their PI, (ii) analyse the contents of the AC reports, (iii) analyse the contents of the governance sections of the ARs, (iv) evaluate the assessments of the AGSA on departmental performance and (v) obtain information on the adoption of internal auditing as an OPM improvement mechanism.

The data was analysed using MS Excel software. Excel enabled the formulation of descriptive statistics such as averages, means and percentages that explain the meanings and relationships between variables by means of graphical diagrams (Evans, 2015; Chambliss & Schutt, 2013; Armeanu *et al.*, 2012). Limited inferential statistics that included patterns, quantities and themes were also created using quantitative data analysis techniques in accordance with the suggestions of Jogulu and Pansiri (2011). As suggested by Chambliss and Schutt (2013), frequency distributions indicating the number of respondents that accorded the same value to a question were also completed.

Logical analysis was undertaken by conducting analytical procedures on the data. This enabled logical conclusions to be drawn from the structured data obtained. These conclusions are represented by written descriptions and diagrams (Singh, 2015; Ratcliff, 2012). Bar graphs and pie charts are used to display the results of the quantitative data analysis. In addition, narratives on the results obtained accompany each graphical presentation (Evans, 2015; Chambliss & Schutt, 2013; Armeanu *et al.*, 2012).

5.4.1.3 Data quality

In quantitative research, the size of the sample and the correct use of statistics influence reliability and validity (Barnham, 2015). Consequently, in order to acquire a reasonable response rate, the known population of national departments was targeted i.e., the questionnaire was sent to the DGs of all 44 national departments that were identified on the website of the Government Communication and Information Systems department (GCIS) (www.gcis.gov.za). The choice of the population of 44 departments would allow for meaningful patterns that are reliable and valid to emerge from the data (Barnham, 2015).

Additionally, the reliability and validity of the data and the results of the analysis were further enhanced by (i) respondents to the structured questionnaire not being able to influence any other respondents' responses (Barnham, 2015); and (ii) values that had a significant number of responses were distinguished from those with fewer responses to validate findings and conclusions (Barnham, 2015). Furthermore, the questionnaire itself was not lengthy, requiring no more than 30 minutes. This was to avoid respondent fatigue or disinterest which would have impacted negatively on the quality of the data (Barnham, 2015). Reliability and validity were also enhanced by the same questionnaire being sent to all national departments (Barnham, 2015). Additionally, the research process from start to finish was documented, thereby enhancing the credibility and acceptability of the research (Bricki & Green, 2007).

5.4.2 Phase 2 – qualitative

After administering the survey questionnaire to all national government departments, empirical data was collected from identified employees of a sample of national departments (Section 5.5.2.1). During the qualitative phase, narrative information was collected from research participants. Richards (2012) and Singh (2015) both suggest that from a qualitative perspective, narrative information is similar to storytelling – this form is increasingly being accepted internationally. It is submitted, however, that all research is intended to contribute to an improvement in society or the environment by adding new information, by improving on existing information or by improving methods, processes and products. Therefore, it is submitted that all research information, including statistical and narrative information, is intended to tell a story, either narratively or through the use

of statistical methods such as bar graphs and pie charts that are also explained by further narration.

5.4.2.1 Research participants

Research participants were carefully considered so that rich, meaningful data would be obtained. The participants were chosen on the assumption that they would be best able to provide the most comprehensive and trustworthy data relevant to the study. The choice of participants necessitated identifying both the national departments to be researched and employees within these departments.

(a) National departments

In selecting the sample of departments for the study, it became necessary to choose national departments that were able to provide comprehensive, reliable data to enable a successful study. The results of the annual audits of the AGSA were considered and used to choose the sample.

The Department of Environmental Affairs and Tourism was chosen because it received unqualified audit opinions and no findings were reported by the AGSA on predetermined objectives on a generally consistent basis. The Department of Trade and Industry's audit opinions reflected generally consistent financial and operational performance and it was also selected for the study. The audit opinions issued by the AGSA on the Department of Cooperative Governance and Traditional Affairs indicated inconsistent financial and operational performance with remarkable improvement in the latter financial years and the department was also selected for the study. However, although numerous correspondences was sent to the Department of Environmental Affairs and Tourism and to the Department of Cooperative Governance and Traditional Affairs, permission was not received for research to be conducted in those departments.

Consequently, these two departments were replaced with the Department of Higher Education and Training and the Department of Human Settlements. Permission was obtained from the DGs of the Departments of Higher Education and Training and Human Settlements to conduct the research.

In addition, in order to further enhance the rigour of the study and the trustworthiness of the results, the Department of Public Works was included as an additional sample. This department was selected because it had consistently obtained unfavourable audit opinions from the AGSA. Permission was obtained from the DG of the Department of Public Works to conduct the research. In addition to the four departments chosen for the collection of qualitative data, interviews were held with a senior official (Chief Director) from the DPME and the acting Accountant General from the NT. These two officials are identified as the M&E participants. The inclusion of these two officials was considered necessary to add to the rigour of the study.

(b) Interview and focus group participants

The following individuals in each of the four national departments were selected as research participants. These individuals were selected because they were directly involved with either OPM or internal auditing or both OPM and internal auditing. This choice ensured that rich data would be provided in a comprehensive and complete manner. The officials were:

- *AO* (where possible) or a representative of the executive – The AO is responsible for the optimal functioning of the national department and is accountable for its performance to the executive authority and other stakeholders (South Africa, 1999, S38). Thus, the AO or their delegate was able to provide high-level information on the implementation of OPM and the role of the various departmental units, including the IAA, in OPM.
- *Chief Risk Officer* (CRO) – This officer is responsible for ensuring that the department develops and implements risk management policies and strategies. In achieving planned objectives, departments face numerous risks which must be identified, prioritised and managed. The appropriate risk management strategy should be implemented in response to identified risks (South Africa, 1999). Considering that both OPM and the definition of internal auditing includes an assessment of the system of risk management implemented by the organisation, the Chief Risk Officer was deemed to be able to provide valuable data on OPM and internal auditing's involvement in the OPM of national departments.
- *CAE* – This officer is responsible for assessing and evaluating the national department's governance, risk management and control systems (IIA, 2017b). The

CAE was able to explain the role and contribution of internal auditing to OPM as well as the methodologies, approaches and procedures adopted by the IAA in the auditing of OPM.

- *Head of Planning and Performance Reporting* – All national departments will, out of necessity, appoint an individual who will be responsible for long-, medium- and short-term planning as well as reporting of performance against these plans. This individual is in a unique position to provide comprehensive input into the implementation of OPM in the national department and the internal auditing of organisational performance.
- *Head of M&E* – It is necessary for national departments to appoint a specific individual who is tasked with monitoring the performance of the department against planned objectives and strategies, and to evaluate such performance on an ongoing, regular basis. This individual may be the same as the head of planning and performance reporting because of the convergence of these two roles. The head of M&E is in possession of important data regarding OPM and its auditing. Therefore, data collected from the head of M&E was of considerable value to the study.

Employees of the IAA who were directly involved in the internal auditing activities of national departments were identified for focus group discussions. The focus group participants included (i) internal auditing managers, (ii) internal auditing supervisors and (iii) internal auditors, in order to encourage data being provided freely and openly, without inhibition.

It must be noted that not all identified participants in all sample departments consented to participate in the study. Certain prospective participants did not respond to the requests at all, despite several communications being forwarded to them. The identities of both the responding and non-responding employees have been withheld for anonymity reasons, following ethical prescripts.

In order to obtain trustworthy, dependable data in qualitative studies, a data saturation point must be achieved (Bricki & Green, 2007). Data saturation was reached during the interviews and focus group discussions conducted with the third national department since the data from this department began to mirror the data from the first and second departments. However, the planned interviews and focus group discussions with the

fourth department continued in order to triangulate the data and ensure rigour and credibility.

5.4.2.2 Data collection

During the qualitative phase, data was collected using a number of techniques including document analysis, individual interviews, focus group discussions and observation (Bricki & Green, 2007).

(i) Document analysis

National departments are required to develop and formalise SPs, APPs and ARs (South Africa, 2010a; South Africa, 2007c; South Africa, 2005; South Africa, 1999). The SPs and APPs contain information on the performance to be accomplished over an identified period of time. In the case of SPs, the relevant timeframe is five years whilst the APP indicates the targets to be achieved in a single financial year. The AR provides PI on the actual performance accomplished against planned performance.

ARs also include the AFS and AC and governance reports. These reports provide information on the internal audit assignments that were to be conducted during the reporting period and the extent to which the IAA had accomplished its plans. The governance report also included information on the effectiveness of internal auditing in the national department. Additionally, the audit report issued by the AGSA is published in the AR. The AGSA report provides the reader with information on the fair presentation of the financial affairs of the national department, the usefulness and reliability of the information provided on its accomplishment of predetermined objectives, its compliance with laws and regulations and the state of governance in the national department. Thus, the SPs, APPs and ARs of the departments represented a valuable source of data.

A comprehensive document analysis was conducted. The latest available SPs, APPs and ARs of all departments that responded to the survey questionnaire were obtained from the GCIS and individual departments' websites and were then analysed (De Vos *et al.*, 2011; Bowen, 2009; Bricki & Green, 2007). Thereafter, documents such as AC charters, internal audit charters, internal auditing policies and procedure manuals, obtained from the national departments during the qualitative data collection phase were also subjected

to document analysis (De Vos *et al.*, 2011; Bowen, 2009; Bricki & Green, 2007). Document analysis was used to triangulate the data to add rigour and credibility to the research (Bowen, 2009).

(ii) *Individual interviews*

Data was gathered from the participants predominantly through interviews (Venkatesh *et al.*, 2016; De Vos *et al.*, 2011). The approaches suggested by Venkatesh *et al.*, (2016), Singh (2015) and Shea and Onwuegbuzie (2008) were adopted and followed in conducting interviews. Thus, personal letters were written to each prospective participant, advising them of the nature of the study, that ethics approval had been granted and approval from the DG of the department had been obtained. Copies of these approvals together with the schedule of guiding questions were sent to the participants (Annexures 6, 7, 9 and 10). Forwarding the approvals and guiding questions was intended to provide a degree of assurance and comfort to the interviewee as to the nature of the study and the interview.

Interview dates were scheduled with those research participants who responded to the letters of request. With the exception of one telephonic interview and one set of written responses to the guiding questions, all other interviews were held at the workplace of the participants (De Vos *et al.*, 2011; Maree, 2008; Bouma & Ling, 2004). This was deemed a suitable location since it would be familiar to the participants (Bouma & Ling, 2004).

The interview, on average, required approximately an hour, and therefore was not unduly lengthy (Shea & Onwuegbuzie, 2008; Bricki & Green, 2007). Participants were asked the questions in the schedule. Further probing questions were asked where additional data was required (Venkatesh *et al.*, 2016; Singh, 2015, Shea & Onwuegbuzie, 2008). The participants were also allowed to clarify information and request further details whenever required, encouraging two-way participation in the interview (Maree, 2008).

Comprehensive field notes were made after the interviews and all interviews were recorded using a digital recorder. Thereafter, the digital recordings were transferred to a special folder on the researcher's personal laptop computer which is password-protected. The digital recordings were transcribed into text format by professional transcribers, following confidentiality prescripts. The researcher reviewed and compared the

transcribed data with the field notes to ensure accuracy and completeness. The text versions of the interviews were used for data processing and analysis.

In total, 14 research participants were interviewed. These interviews occurred over a two-month period because of DGs not all approving the research at the same time. The scheduling of interviews was also dependent on the availability of the participants. The 14 interviews and 7 focus group discussions were sufficient to exceed the data saturation point (Shea & Onwuegbuzie, 2008).

(iii) Focus group discussions

Focus groups discussions were held with employees of the IAA in the four participating departments. IAA employees formed natural groupings that provided a source of rich data for the study (Richards, 2012; De Vos *et al.*, 2011; Maree, 2008). Focus group discussions were chosen as a data collection technique as the inclusion of several colleagues in a focus group allowed for a degree of comfort, familiarity and security that encouraged uninhibited participation. The focus groups yielded a wide range of responses, originating from the personal experiences of the participants. The discussions triggered the recollections of the participants, providing further rich data (Richards, 2012; De Vos *et al.*, 2011; Maree, 2008).

After obtaining permission from the DG to conduct the research in the national department, communication was forwarded to the CAE to request focus group discussions to be held with IAA employees. Separate focus groups were held with internal auditing managers, supervisors and other internal auditing employees. The following focus groups discussions were held, as indicated in Table 5.1 below.

Table 5.1 Focus group discussion participants

| | | |
|---------------------|---|----------------------------------|
| Department A | IAA Managers and IAA Supervisors Internal Auditors | 3 participants 3 participants |
| Department B | IAA Managers Internal Auditors | 3 participants 2 participants |
| Department C | IAA Managers | 2 participants |
| Department D | IAA Managers IAA Supervisors | 2 participants 5 participants |
| Total | 7 Focus Group Discussions | 20 participants |

Consequently, seven focus groups, with a total of 20 participants, were held.

Arrangements were made with the CAEs of the departments to schedule the focus groups. The list of guiding questions (Annexure 8) was forwarded to the CAE with a request that the schedule be shared with each participant. As with the interviews, forwarding the schedule of questions in advance was intended to provide a degree of assurance regarding the nature and focus of the research and discussions.

All focus groups were held at the participants' place of work. The discussions were conducted such that no single individual dominated the session (Starr, 2014). The discussions also enabled participants to recall any important data that may not have been easily remembered during one-on-one interviews. The discussions also allowed for debate, yielding rich, high-quality data (Starr, 2014; Bricki & Green, 2007). However, in one case with two participants occupying the same rank, one participant generally deferred to the other participant which however, did not impact negatively on the quality of data. Participants were allowed to make their inputs without restriction and were also allowed to pose questions for further details or clarity. Thus, an interactive process was adopted at the focus group discussions (Starr, 2014; Bricki & Green, 2007).

The focus groups were scheduled for a period of 60 minutes, which was generally adequate to allow participants to provide their input (Starr, 2014; Bricki & Green, 2007). Data saturation point was reached with the third department. Nonetheless, the focus groups with the fourth department proceeded to corroborate the information already obtained from a triangulation perspective and to contribute to a rigorous, trustworthy study.

As in the case of the interviews, the approaches suggested by Venkatesh *et al.*, (2016), Singh (2015) and Shea and Onwuegbuzie (2008) were also followed for the focus groups. Comprehensive field notes were made after each session and all discussions were digitally recorded. The digital recordings were then transcribed into text format by professional service providers and compared to the field notes to ensure accuracy and completeness. The transcribed information was then subjected to data processing and analysis.

(iv) Observations

Participants in interviews and focus groups not only communicate verbally but also communicate in unspoken language (non-verbal communication) such as facial expressions, eyebrow movements and the seating positions adopted (Singh, 2015). Furthermore, in focus group discussions, natural leaders emerge in providing information – also a form of non-verbal communication – indicating the dominant participants (Singh, 2015). Observation was thus used as a data gathering technique to determine whether the participants showed any signs of discomfort and if so, to address these accordingly. Observation also ensured that all participants were given an equal opportunity to contribute. A reflective journal was kept to record any possible subjectivity or other matter of significance, thereby ensuring objectivity (Singh, 2015).

5.4.2.3 Data coding

All qualitative data was organised and managed using CAQDAS (Singh, 2015; Saldaña, 2009). NVIVO™ was utilised for this purpose. The documents obtained and the text transcriptions of interviews and focus group discussions were downloaded onto NVIVO™ for each department. Each document, interview participant and focus group was allocated a unique identification number e.g. D1P1, meaning Department 1, Participant 1.

Thereafter, the documents and the text transcripts were read, re-read and analysed. In order to conduct the document analysis, a schedule was developed that identified the required data. Guiding questions were prepared to analyse the information contained in the various documents (Annexure 12). The questions focused on the national departments' approach to OPM, its reporting of PI, the report of the AGSA, the report of

the AC and the governance report focusing on the adoption and role of internal auditing in OPM.

During the qualitative phase, document analysis was used to triangulate and corroborate the data collected during interviews and focus group discussions (Bowen, 2009). A thematic approach was followed in conducting the data analyses (Piko, 2014). A 'child' node on NVIVO™ was created for each theme emerging from the data. Thereafter another level of categorisation occurred where similar, high-level themes were identified and placed into 'parent' nodes. These parent nodes then formed the main themes that emerged from the analysis. The information from the parent nodes was used to prepare a 'memo' per theme (Piko, 2014). The schedule of codes and nodes was obtained from NVIVO™ and is included as Annexure 11.

5.4.2.4 Data analysis

Analysing data may be conducted either as the data is collected on a progressive basis or after all data has been collected (Klag & Langley, 2013; Vaitkevicius & Kazokiene, 2013). In the case of this study, data analysis was conducted progressively as the data was collected. This validated the data and the results of the analysis in further interviews and focus group discussions. The following analytical techniques were adopted.

(i) Document analysis

Information available in the public domain such as ARs, SPs and AFS were obtained and analysed. After approval of the study by DGs, CAEs of national departments made available documents such as internal audit charters, AC charters and internal auditing procedure manuals that were also subjected to extensive document analysis.

(ii) Inductive, deductive and abductive analyses

Qualitative data requires inductive, deductive and abductive analytical methods (Johnson, 2015; Delattre *et al.*, 2009; Bouma & Ling, 2004). A substantial amount of data was collected prior to analysis commencing (Klag & Langley, 2013; Blackstone, 2012). An inductive approach was adopted by identifying themes relating to OPM and its internal auditing. The analysis also identified the manner of implementation of OPM and the

approaches, methodologies and procedures used to conduct internal auditing of OPM (Klag & Langley, 2013; Vaitkevicius & Kazokiene; 2013; Locke, 2011). The identification of themes from the data which was collected initially was useful when confirming or rejecting themes from subsequent data. The inductive reasoning process enabled conclusions to be drawn from the evidence gathered progressively on the basis that these conclusions were probable rather than certain (Onwuegbuzie, 2012; Thorne, 2000).

Deductive analysis was used during the quantitative phase of the data analysis. The data collected was analysed to deduce meanings and the results were presented graphically and pictorially (Onwuegbuzie, 2012).

Abduction, which is an intellectual process that requires creative thinking and combines both inductive and deductive reasoning, was necessary to carefully analyse the data to draw intellectual conclusions (Klag & Langley, 2013; Onwuegbuzie, 2012). This exercise required innovative thinking where ideas and themes emerging from the data were identified and analysed. New ideas and themes were also identified (Klag & Langley, 2013; Onwuegbuzie, 2012).

5.4.2.5 Data quality

Research must comply with high-quality standards if the findings are to be considered acceptable by interested parties (Singh, 2015). The trustworthiness of the research was assured by investigating four departments so that comparisons of the data could be made between the departments. The interviews with two senior officials representing the M&E departments further enhanced the quality of data. Trustworthiness was further enhanced by including management employees such as Deputy Directors General(DDGs), CROs and CAEs in the interviews and IAA employees in the focus group discussions.

Triangulation was used to enhance the trustworthiness and dependability of data and to reduce bias (Venkatesh *et al.*, 2016). Data bias, which refers to the subjectivity that occurs when theoretical conclusions are drawn, was minimised through consistency insofar as the data was constantly compared to other sources during collection and analysis (Singh, 2015). In this regard, the data drawn from the document analysis was compared with data obtained from interviews. Data obtained from each interview was then compared to data collected from other interviews per department (Singh, 2015). The same approach was

followed for the focus group discussions *vis-à-vis* document analysis and interviews as well as the results of the literature survey. Thereafter, cross-comparison was undertaken with the results of the interviews being compared to those of the focus groups and *vice versa* (Singh, 2015). Such reinforcing or rebuttal comparisons of data contributed to the quality of the data. The inclusion of four national departments in the sample enabled constant comparative analysis on a more comprehensive scale. The data and analysis results of the interviews and focus groups from one department were compared to those of the other departments, thus significantly improving data quality and analysis (Singh, 2015; Onwuegbuzie, *et al.*, 2013; Ratcliff, 2012; Thorne, 2000).

A combination of data gathering techniques contributed to the trustworthiness of the data and findings (Power & Gendron, 2015; De Vos *et al.*, 2011). Data is trustworthy when it complies with the criteria of dependability, transferability, credibility and confirmability (Singh, 2015; Guba, 1981). Dependability was achieved by using well-tested research methods and techniques and adopting rigour in conducting the research (Morse, Barrett, Mayan, Olson & Spiers, 2002). Rigour was ensured by conducting penetrating document analyses and employing a number of data collection techniques, discussed in Section 5.5 (Shenton, 2004). Interview and focus group participants were selected so that rich, dependable data was obtained (Shenton, 2004).

Research findings should be capable of being transferred to other similar environments (Shenton, 2004). It is submitted that the inclusion of four national departments in this study ensured rigour and transferability of the findings and conclusions, although statistical transferability is not claimed. Guba (1981) argues that a close relationship exists between credibility and dependability. Credibility, like dependability, is enhanced when multiple data collection techniques are used (Power & Gendron, 2015; De Vos, Strydom, Fouché & Delpont, 2011; Shenton, 2004). Additionally, rigour and reliability were ensured by adopting a well-defined plan, detailed processes and thorough documentation of the entire study (Bricki & Green, 2007; Guba, 1981).

Confirmability ensures that the findings of the study represent the ideas and themes emerging from the data collected (Shenton, 2004). Constant comparison and triangulation were employed to confirm the ideas and themes emerging from the data and to reduce researcher bias (Venkatesh *et al.*, 2016). The data were compared with each other to confirm the information (Shenton, 2004). Where differences occurred, they were

repeatedly discussed with research participants in subsequent interviews and focus group discussions to identify the reasons for such differences and to reconcile them (Turner, 2014; De Vos *et al.*, 2011; Bricki & Green, 2007). Any differences remaining, after rigorous reconfirmation with further research participants were recorded and reported in detail (Bricki & Green, 2007). Confirmability was also enhanced by comprehensively recording the entire process of the research, the approaches, methodology and techniques as well as detailed data collected (Shenton, 2004). Furthermore, detailed descriptions providing an audit trail were documented (Shenton, 2004).

5.5 DATA MANAGEMENT

This study generated significant amounts of data, both in hard copy and digital formats (Rudolph, Thoring & Vogl, 2015; Ball & Medeiros, 2012). Hard copy data included printouts from the internet, copies of ARs and SPs as well as documentation such as internal audit charters, which were received from the national departments. Hard copy data also included information obtained from books and other journals, questionnaires used in the study, responses to questionnaires as well as handwritten notes. Digital data included the information prepared by the researcher on electronic data processing equipment, digital data received or downloaded from various sources, including the internet and e-journal libraries, transcripts of recordings of interviews and focus group discussions as well as the data generated from the research software utilised.

The data generated was managed and preserved in a manner that enabled the researcher to easily gain access to the data whenever required (Rudolph *et al.*, 2015; Ball & Medeiros, 2012). In the case of digital files, a specific electronic file called 'PhD in Accounting Science' was created on the researcher's laptop. Within this file, a main folder was created for each chapter. Sub-folders were created within each main chapter folder to correspond to the sections in the main chapter. All digital data was saved in the sub-folders per chapter. E-journals were saved under the names of the authors (Rudolph *et al.*, 2015; Ball & Medeiros, 2012). All digital data is password-protected. In the case of hard copy data, this was filed according to the research chapters, in lever-arch files. Where possible, hard copy documents were scanned into electronic format and filed in the relevant electronic data folders. The data from this study was managed in such a

manner that would enable any other independent researcher with similar skills and experience to reproduce the study (Rudolph *et al.*, 2015; Ball & Medeiros, 2012).

Managing and preserving the data is important for the purposes of substantiating and verifying the findings generated from this study (Rudolph *et al.*, 2015; Ball & Medeiros, 2012). Data was preserved and stored safely and securely (Rudolph *et al.*, 2015; Ball & Medeiros, 2012). The original electronic file was saved on the personal laptop of the researcher (Rudolph *et al.*, 2015; Ball & Medeiros, 2012). Further digital copies were saved on an external hard drive as well as a memory card. Finalised chapters of digital data were also burned onto DVDs for permanent storage (Rudolph *et al.*, 2015; Ball & Medeiros, 2012). In the case of hard copy data, a duplicate copy was made of all such data and filed in second lever-arch files. The additional copies of the electronic and hard copy data are being stored offsite, that is, at premises away from the researcher's residence which is the primary storage site (Rudolph *et al.*, 2015; Ball & Medeiros, 2012). An index and table of contents are provided for each file. A special file was created for administrative matters (Rudolph *et al.*, 2015; Ball & Medeiros, 2012). All hardcopy information is protected through restricted access and fully lockable storage. With the sole exception of the researcher no other person has access to the data stored either at the primary storage or in the off-site location.

5.6 RESEARCH ETHICS

All researchers have a responsibility to their research participants, colleagues and readers to adopt an ethical approach to the research (Bricki & Green, 2007). This includes respecting the rights and confidentiality of the individual, using the research for the good of society and promoting equity and justice (Bricki & Green, 2007). According to Bouma and Ling (2004), ethics in research relates to the approach or attitude adopted by the researcher when data is collected and disclosing the purposes of obtaining the data to participants. Ethical requirements include truthfulness, consent, confidentiality, respect, dignity, courtesy, honesty and openness as well as gaining permission. All ethical requirements have been complied with in this study. The aim and intention of the study was communicated truthfully to the potential participants (Bouma & Ling, 2004). Bouma and Ling (2004) state that 'truthfully' means that at the time the communication is made, the researcher must firmly believe that the information that is being communicated to the participant is the complete truth. Should the information communicated to the participant

change for unforeseen reasons, the changed information should be communicated to the participants immediately. Consequently, the researcher firmly believed in the information that was communicated to the participants. Participants were offered the opportunity to review their participation in the event of changing circumstances and to request that the information already provided not be used in the study. Myers (2011) maintains that honesty must be the foundation on which all research rests. Honesty was a key principle adhered to in this research.

Permission was obtained from the identified national departments to undertake the research. The full nature of the study was disclosed to the identified DGs. The DGs of departments did not object to information obtained from their departments being included in the thesis provided that the information was accurate, objective and not misleading. DGs of all participating departments requested that a copy of the study be made available to the department. Written consent to participate in the study was obtained from each participant (Babbie, 2010; Bricki & Green, 2007). Research participants were allowed the freedom of choice whether or not to participate in the study after understanding its nature (Babbie, 2010; Bricki & Green, 2007). Participants were advised that declining to participate would not result in any negative consequences (Babbie, 2010; Bricki & Green, 2007). Furthermore, during the interviews and focus group discussions, participants were fully informed of the rationale for the study, the methods of data collection and purposes for which the data will be used. Participants were also requested to indicate permission to be quoted, should such a need arise.

Confidentiality refers to protecting the identities of the research participants and is a key ethical consideration (Bricki & Green, 2007). Babbie (2010) contends that ethical considerations require that participants should suffer no harm and that anonymity and confidentiality of the information that participants provided be assured by not attributing information to any single participant but rather to the group (Welman, Kruger & Mitchell, 2011; Babbie, 2010; Bouma & Ling, 2004). All participants' identities were protected by not attributing any statement, finding or conclusion directly to any one participant, unless it was absolutely necessary to do so and permission was obtained from the participant. Participants were not deceived as to the researcher's identity and in this regard full disclosure was made (Welman *et al.*, 2011; Babbie, 2010; Bouma & Ling, 2004). Findings and conclusions reached are also not attributed to any specific department in order to ensure the anonymity of the participants and the departments. In addition, the research

correctly and accurately reflected the responses provided by the participants (Welman *et al.*, 2011; Babbie, 2010; Bouma & Ling, 2004).

Research participants were treated with respect, dignity and courtesy. In this regard, the researcher kept to the scheduled interview times and researched the personal attributes of each participant in order to recognise achievements and status. The researcher treated all data gathered with the required confidentiality and requested the participant's permission when there was a need to attribute any statement or information directly to a participant.

Plagiarism, which is the deliberate copying of someone else's work and presenting it as one's own, was taken very seriously and did not occur in this study (Myers, 2011; Welman *et al.*, 2011). All work presented in the thesis represents the researcher's own. Full acknowledgement was made of authors and originators of information, data and material used in this study (Myers, 2011).

Initially, permission was obtained from the DGs of two departments to continue with the study. These DGs also sent signed letters to the DGs of other departments selected, requesting them to provide access to the researcher as well as the necessary cooperation and information to successfully conduct the study. In order to obtain support for the research, the endorsement of the former acting Accountant General of South Africa and the CEO of the IIA were also obtained. Departments were also assured that, as far as performance was concerned, the study would not include information that could be detrimental to the department. As far as was practically possible, information available in the public domain was obtained and utilised. A well-planned strategy was followed in conducting the research. Any unexpected deviations were fully reported and explained.

5.7 CONCLUSION

This chapter discussed the research methodology used in the study. Pragmatism, as a research paradigm, was identified as being best-suited to this study. The sequential mixed methods approach was also identified as being the most appropriate design for the study. The study combined both a quantitative and qualitative approach. The sample included the selection of four national departments and interviews with representatives from two M&E departments. Initially the quantitative approach was followed by forwarding

the same structured questionnaire (survey instrument) to the DGs of the full population of national departments and also conducting a document analysis. Thereafter the study concentrated on collecting empirical data from identified research participants in a sample of national departments, following the qualitative approach. Documents obtained during the qualitative phase were also subjected to comprehensive document analyses. Thereafter coding and analysing the data collected and developing the final conclusions of the research, as well as developing the elements of the internal auditing practice's framework was undertaken. At all times, good ethical practices were adopted and followed.

CHAPTER 6

DATA PRESENTATION AND INTERPRETATION

6.1 INTRODUCTION

In Chapter 5, the research methodology appropriate to this study was explored and discussed. This chapter presents the results of the analyses conducted on the data obtained during both the quantitative and qualitative phases of the study. The results, however, are presented following a thematic and not a phase approach. Consequently, both quantitative and qualitative data may be presented under a specific theme.

The main themes emerging from the data analysis, which are discussed in detail below, include (i) Futuristic dimension to OPM, (ii) Implementation of OPM, (iii) Effectiveness of OPM, (iv) Nature of internal auditing in OPM; (v) Practical implementation of internal auditing in OPM, (vi) Effectiveness of internal auditing in OPM and (vii) Evolution of internal auditing. Within each of these themes, several sub-themes are explored and described. Finally, several assertions are made that emanated from the data analysis.

6.2 QUANTITATIVE PHASE

During the quantitative phase, data was collected from national departments by means of a survey. A questionnaire was used to conduct the survey (Annexure 2). In order to encourage maximum participation, an undertaking was provided that the names of respondents and responding departments would not be disclosed. Consequently, the names of respondents and departments responding to the survey have been omitted. Respondents, national departments and documents collected have been allocated unique identifying characters.

Twenty officials, either CAEs or senior IAA employees (managers) from 18 departments, responded to the questionnaire. The response rate per number of departments equals 40.91% whilst the total number of responses received compared to the number of questionnaires sent out, represents a return rate of 45.45%. The return rate is considered reasonable when one considers that government departments complied with strict

confidentiality requirements and may have experienced a degree of discomfort and reluctance in completing such questionnaires. The responses received are considered as being representative and adequate to conduct a meaningful data analysis considering that the questionnaire was sent to the full population of 44 national departments. The departmental officials completing the survey questionnaire are presented in Figure 6.1 below.

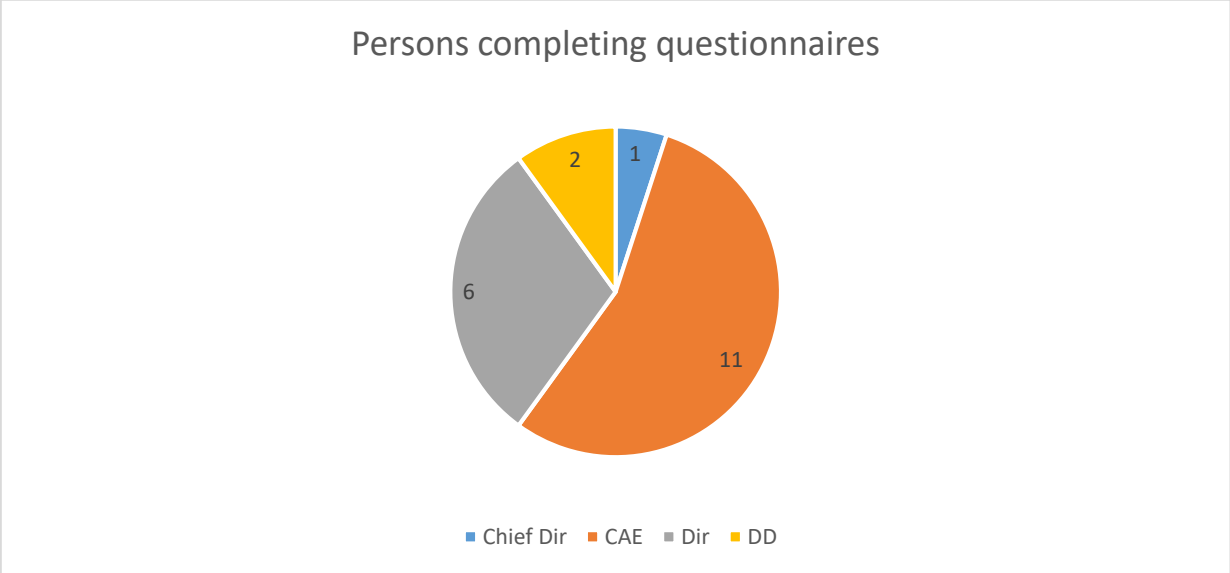


Figure 6.1 Officials completing survey questionnaire

Legend

- Chief Dir: Chief Director: Internal Audit
- CAE: Chief Audit Executive
- Dir: Director: Internal Audit
- DD: Deputy Director: Internal Audit

Figure 6.1 shows that of the 20 responses received, two responses, representing 10%, were received from Deputy Directors: Internal Audit. It was confirmed during the interviews that these Deputy Directors were Internal Audit Managers. The remaining 18 responses were received from Chief Directors, Directors and CAEs. Therefore, it can be concluded that the remaining 18 questionnaires (90%) have been completed by Heads of Internal Audit/CAEs. Thus, all 20 responses were received from persons occupying senior levels in the IAA of national departments. Interview participants confirmed that in two of the national departments participating in the qualitative phase, the CAE was placed at the Director level whilst the other two occupied the rank of Chief Director, thus confirming that data was received from senior departmental managers.

The questionnaire included nine questions on OPM and internal auditing. Respondents were required to provide their responses to the questions using a five-point Likert scale listed in Table 6.1 below. The responses were captured onto an Excel spreadsheet. Thereafter the captured information was subjected to quantitative data analysis.

Table 6.1 Likert scale to complete survey questionnaire

| Level | Description | Presented as |
|--------------|---|---------------------|
| 1 | Not implemented | None |
| 2 | Implementation is in initial stages | Limited |
| 3 | Average extent of implementation | Average |
| 4 | Good implementation with room for improvement | Good |
| 5 | Fully implemented | Full |

6.3 QUALITATIVE PHASE

During the qualitative phase, research data were collected from four national departments through document analysis, interviews, focus group discussions and limited observations. Additional data was collected through interviews with a senior representative each from the M&E departments being the NT and DPME. Departments and participants were assured of their anonymity and thus unique identifying characters were allocated (D1, D2, D3, D4 and M&E). These unique identifying characters do not represent the four national departments in any particular order. Information that may be attributable to the departments has been removed in balance with ethics and with ensuring the quality of the data. Permission was obtained from the M&E research participants to attribute statements to them if necessary. However, specific statements attributed to research participants utilised the unique participation number so that anonymity was assured.

Qualitative research data were collected from the following departments, presented in alphabetical order but not related to the categorisation as D1, D2, D3 and D4: Department of Higher Education and Training; Department of Human Settlements; Department of Public Works; Department of Trade and Industry. The M&E departments included the DPME and NT and may be considered as being the fifth department and are uniquely identified as M&E.

6.3.1 Interviews and focus group discussions

Interviews represented one of the primary empirical data collection techniques employed. Table 6.2 reflects the interviews conducted.

Table 6.2 Interviews conducted

| Department | Number of interviews | Related references |
|-------------------|-----------------------------|---------------------------|
| Department 1 | 4 | D1P1; D1P2; D1P3; D1P4 |
| Department 2 | 3 | D2P1; D2P2; D2P3 |
| Department 3 | 2 | D3P1; D3P2 |
| Department 4 | 3 | D4P1; D4P2; D4P3 |
| M&E departments | 2 | M&E1; M&E2 |
| Total | 14 | |

All non-IAA research participants were members of senior management in government. The non-IAA research participants included six officials at the Deputy-Director General level, one at the Chief Director level and three at the Director level. Interviews and focus group discussions with IAA officials included employees from all levels in the IAA. Focus group discussions represented a further data collection technique for the purposes of collecting primary research data. Table 6.3 indicates the focus group discussions held.

Table 6.3 – Focus group discussions

| Department | Number of discussions | Number of participants | Related references |
|-------------------|------------------------------|-------------------------------|---------------------------|
| Department 1 | 2 | 8 | D1FG1; D1FG2 |
| Department 2 | 2 | 5 | D2FG1; D2FG2 |
| Department 3 | 2 | 7 | D3FG1; D3FG2 |
| Department 4 | 1 | 2 | D4FG1 |
| Total | 7 | 22 | |

In total, 36 employees participated in either interviews or focus group discussions. The data exceeded the saturation point as similar information at the category level were collected from 35 of the 36 research participants and corroborated by several documents collected and analysed. The one research participant did not possess detailed knowledge on internal auditing and therefore made little input into the contribution of internal auditing in OPM but provided valuable information on OPM, similar to other research participants.

It is unlikely that any new information would have been collected from any further interviews or focus group discussions.

6.3.2 Document analysis

Documents were collected during both the quantitative and qualitative phases of the study. During the quantitative phase, documents were received from the departments and also downloaded from the various departmental websites including the GCIS. Documents such as internal audit charters and procedure manuals were also collected during the qualitative phase of the study, after obtaining permission from the DGs of the participating departments. These documents were subjected to content analyses for the purposes of corroborating the data collected through the survey, interviews and focus groups and also to supplement the data collected. Consequently, document analysis represented a secondary source of data. Annexure 13 lists the documents obtained and analysed during the qualitative phase of the study. Annexure 14 includes a schedule of the documents obtained during the quantitative phase of the study.

6.4 TREATMENT OF DATA AND ANALYSING PROCESS

The research data were treated as recommended by Creswell, Tashakkori, Jenson and Shapley (2003) as “quan” + “QUAL”. These abbreviated terms signalled quantitative data which provided the initial and fewer dimensions in response to the research objectives. Qualitative data followed next in the sequence and provided more substantive information towards the research objectives.

“Quan”: The quantitative data collected through the survey were analysed using Excel software. Themes emerging from the data were identified and recorded onto Excel. Excel was also used to present the results of the quantitative data analysis in the form of graphs and charts. The themes emerging from the quantitative data were compared and merged with those emerging from the qualitative data.

“QUAL”: The researcher coded the qualitative data and integrated and interrogated the data using CAQDAS software NVIVO™. This process is shown in Figure 6.2 below.

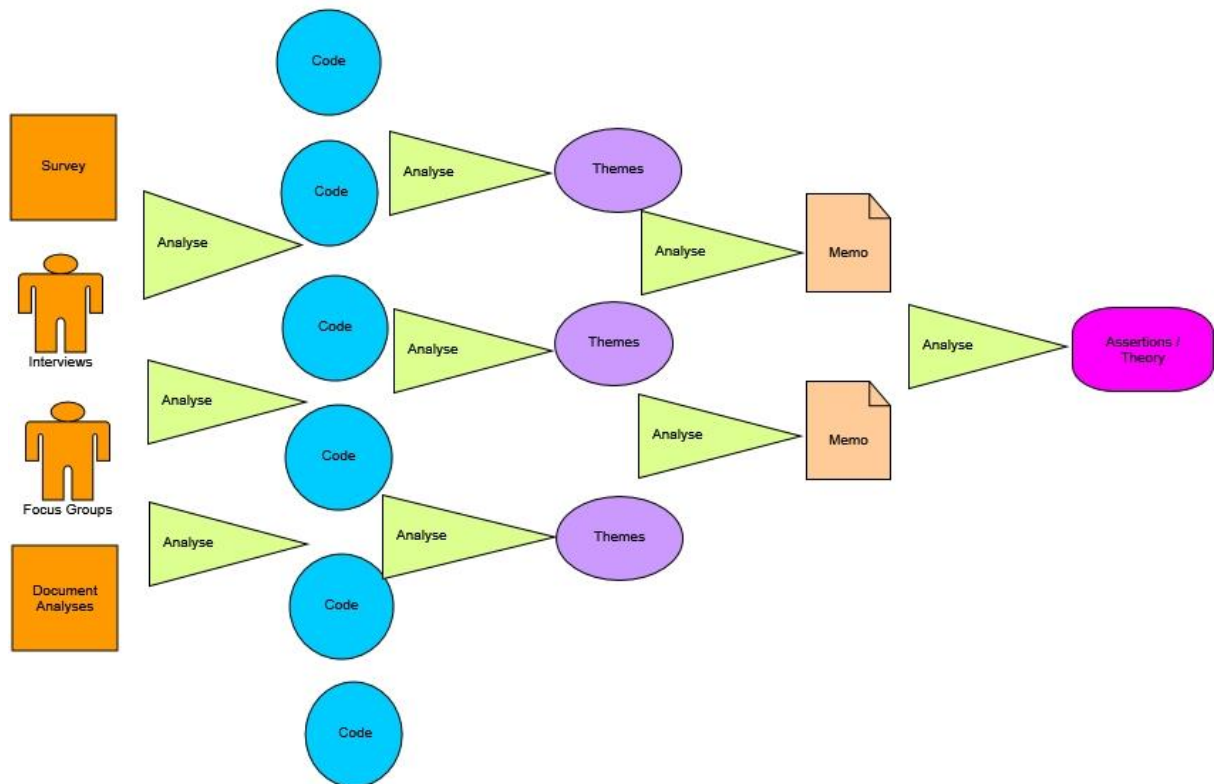


Figure 6.2 Coding and analysis process

(Source: Own compilation on NVIVO™)

Using NVIVO™, the data collected through the interviews and focus groups were initially coded into sub-themes (Annexure 11). Content analysis of documents was then used to corroborate the sub-themes emanating from the primary data through a process of triangulation. Sub-themes were analysed and the information coded in each sub-theme were compared with each other. Similar sub-themes were then categorised into themes. This categorisation was also undertaken using NVIVO™. Information that were then amalgamated into a theme were subject to further analysis through a process of memo-writing in NVIVO™. This enabled the researcher to arrange the information in a logical sequence to confirm the themes identified and also to note any special characteristics or gaps in the data. The information in the themes and memos were then used to prepare this thesis, draw the research conclusions and phrase the researcher's conclusions. A further exercise was conducted by comparing both the quantitative data and the qualitative data to corroborate the findings of the study.

The results of the data analysis are presented following a thematic approach that identifies the major themes that arise from the data. The main themes and the supporting sub-themes are discussed hereunder.

6.5 FUTURISTIC DIMENSION TO ORGANISATIONAL PERFORMANCE MANAGEMENT

The first theme emerging from the data located OPM within a futuristic trajectory. According to Chowdury and Shil (2017) NPM, which serves as the theoretical basis for OPM, seeks to focus the public sector on the future. This refers to focusing on the results of government operations; it is a definitive move away from focusing narrowly on the application of resources and focusing instead on service delivery. The adoption of NPM attempts to achieve long-term results rather than focusing on short-term outcomes, thus entrenching the futuristic dimension of NPM and OPM (Plimmer, Bryson, Donnelly, Wilson, Ryan & Blumenfeld, 2017). The analytical discussion of the first theme, as depicted in Figure 6.3, therefore explores, after confirming the adoption of OPM in national departments, the nature of OPM and the policy basis for OPM. Thereafter a discussion ensues on the research and analysis imperatives as well as the high-level policy development to OPM.

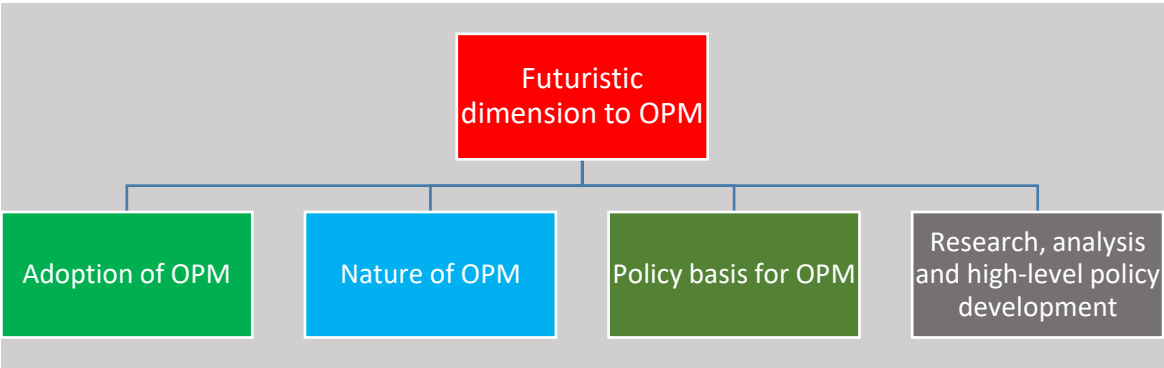


Figure 6.3 Futuristic dimension to OPM

(Source: Own compilation)

The elements of a futuristic dimension to OPM, as depicted in Figure 6.3, are discussed below.

6.5.1 Adoption of organisational performance management

The epistemological contemplation of OPM is located in understanding whether national departments had adopted OPM as a tool to improve service delivery. Consequently, question one of the survey focused on whether departments had adopted OPM to manage the accomplishment of planned objectives and to achieve reliable PI reporting. The question was structured so that respondents would also be able to indicate the extent to which OPM had been adopted. The results to this question served as the catalyst for exploring the ontological phenomenon of OPM in national departments, following a qualitative approach.

All respondents (n=20) indicated that their departments had adopted systems of OPM, although the responses on the extent to which it was implemented varied. The responses confirmed the suggestions of Bolden *et al.* (2008), that public sector organisations are forced to explore different measures to achieve optimal results with the limited available resources.

Of the 20 responses received, one respondent (5%) indicated that there remained significant room for improvement in the adoption of systems of OPM. Nine respondents representing 45% indicated that the adoption of OPM was at a good level but with some improvement being required. The remaining respondents that made up 50% (n=10) indicated that the department had fully adopted OPM. The responses show that while departments have implemented OPM, implementation may not be at the same level in all units across the department and across all departments.

The responses to the questionnaire were compared to the results of the qualitative content analysis of the ARs of the responding departments (AR01-AR18). Of the 18 departments, the 2016 ARs of 16 departments and the 2015 ARs of the remaining two departments were obtained and analysed. The 2016 ARs of the two departments were not available on their websites at the date of downloading the departmental ARs.

All 18 departments (100%) included a section on PI in their ARs (AR01-AR18). The reporting of PI by national departments complied with the FPPI (South Africa, 2007b). According to document AR01, systems had to be implemented that enabled the national department to collect, collate and record information for PI reporting in the department's

AR. Whilst the FPPI required departments to implement systems for collecting, collating, recording and reporting of PI, it did not prescribe the nature or type of systems to be used. These systems may therefore be simple, manual systems or they may be complex, automated information systems. Figure 2.3 provided an overview of the characteristics of an OPM framework which included policy development, strategic management, operational planning, budgeting, implementation, in-year monitoring, and year-end reporting that informs the development of an appropriate OPM system.

The ARs of national departments incorporated the audit report of the AGSA on the FI and PI of the department. The AGSA reports of the 18 departments were analysed. For the 18 departments, the AGSA did not report any findings on PI in the case of two departments but did report material misstatements that were subsequently corrected in the other four departments. Therefore, of the 18 responding departments, the AGSA did not include any findings on PI in respect of six of the departments. It may be concluded therefore, that 33.33% of the departments had effectively implemented systems and processes for collating and reporting PI. The implication is that the OPM processes and systems for the remaining 66.67% of departments were not fully effective.

A conclusion can therefore be drawn that all national departments have implemented systems of OPM without, however, surmising as to their quality. The implementation of OPM systems is provided for in the FPPI and the GWMES (South Africa, 2007b; South Africa, 2007c) which state that national departments are required to report PI and to report whether they are effectively achieving planned objectives. However, the extent of effectiveness of these systems varies. The statement is premised on the basis that whilst 50% of the survey respondents indicated that OPM was adopted and fully effective, the AGSA raised material misstatements and findings on 89% of the responding departments. A further conclusion is derived that room for improvement exists as to the effectiveness of OPM in the departments. The conclusion must be viewed on the basis that the AGSA does not conduct an assessment of the efficiency and effectiveness of organisational performance, as confirmed by interview participant M&E1, but provides only an assessment on the reporting of PI against planned objectives and targets. This narration begs the question of compliance versus effectiveness as raised by various authors (Chen & Soltes, 2018; Gerard & Weber, 2015; Chesley & Gormly, 2007), which prompted conducting the qualitative phase of this study and the nature of the guiding questions used in the interviews and focus group discussions.

6.5.2 Nature of organisational performance management

The affirmatory responses that national departments had implemented OPM systems to improve service delivery served as the starting point for a deeper exploration of the phenomenon. The qualitative phase included an exploratory exercise designed to obtain an understanding of the nature of OPM at national departmental level. Interview and focus group participants advocated that OPM was driven by the reasons for the establishment of the national department and the department's mandate. Several authors (Pollitt, 2016; Bolden *et al.*, 2008) confirm that performance management is about an organisation achieving its mandate and planned objectives, thus supporting the findings of the study.

The qualitative content analysis of the ARs of the four national departments (D1Doc3; D2Doc2; D3Doc4 and D4Doc3) corroborated the statements of interview and focus group participants that effective OPM required departments to be mandated to achieve certain outcomes. According to the ARs, the mandates were derived from various sources, including the Constitution of the Republic of South Africa. In addition, the SPs, APPs and ARs (D1Doc2; D1Doc3; D1Doc6; D1Doc1; D2Doc2; D2Doc3; D3Doc3; D3Doc4; D3Doc7; D4Doc1; D4Doc2; D4Doc3) stated that national departments also derive their mandates from legislation, namely, acts of parliament, as was confirmed by interview participant M&E2. In addition, according to interview participant M&E2, the National Development Plan (NDP) of South Africa as well as cabinet's nine-point plan also provided direction to national departments in terms of their mandates. All departments published their legislative mandates in their APPs, ARs and SPs (D1Doc2; D1Doc3; D1Doc6; D1Doc1; D2Doc2; D2Doc3; D3Doc3; D3Doc4; D3Doc7; D4Doc1; D4Doc2; D4Doc3), confirming the statements made by interview and focus group participants that departments were established on the strength of enabling legislation that provided for their mandates. In addition, focus group D4FG1 stated that the president and cabinet ministers also regularly provide policy direction to national departments through policy statements made at various forums. The data therefore confirmed that mandates of national departments are derived from legislation as well as cabinet policy directives.

Focus group D3FG1, however, presented the more in-depth view that OPM required a mandate from which the departmental SP, inputs, processes, outputs and impacts are identified and formulated. Focus group D3FG1 stated that OPM referred to the manner

in which the department streamlined its operations in order to effectively achieve intended outcomes. The view of focus group D3FG1 is in alignment with the views of Pollitt (2016) and Bolden *et al.* (2008) who maintain that performance management is about the manner in which the organisation's mandate and planned objectives are achieved.

Focus group D3FG1 also pointed out, however, that the department focused its efforts mostly on reporting PI, rather than focusing on OPM for the effective achievement of outcomes. The focus group stated that national departments accord considerable attention to developing targets and reporting against those targets, following an approach focusing mainly on quantities - numbers and percentages. The department did not accord adequate attention to the actual impact to be achieved by its work (D3FG1). The focus group (D3FG1) stated that in addition, inadequate attention was being accorded to achieving the department's mandate economically and efficiently. The statements by focus group D3FG1 were viewed in the light of the service delivery protests experienced in the country (Letsoalo, 2013; Sebugwawo, 2013). It is therefore submitted that focus group D3FG1 presented valid arguments that national departments focus their efforts on reporting PI rather than on the effectiveness of departmental OPM.

The CIPD (2009) argues that effective OPM requires the existence of an informed work force. The data revealed that the interview and focus group participants generally had some knowledge of their department's mandate. However, whilst departmental officials on the higher levels of the hierarchy were conversant with the mandate, the officials lower down the hierarchical structure had a general, and sometimes limited, understanding. The CAEs (D1P1; D2P2; D3P1) all presented a fair understanding of their departments' mandate and key priorities. IAA employees (D1FG2; D2FG2; D3FG2) presented a general understanding of the departmental mandate but did not display any in-depth knowledge of its details.

The research unveiled that non-IAA participants possessed a deeper understanding of the nature of departmental OPM than the IAA participants. This suggests that internal auditors were not involved in the strategic activities of the department to the extent necessary to acquire a thorough understanding of the department. Additionally, the IAA participants on the lower level of the IAA structure displayed limited understanding of OPM. It is submitted that considerable attention needs to be devoted by CAEs to develop the skills and capacity of internal auditors on OPM. Van Genderen (2014) points out that

internal auditors require a high degree of technical skills to be able to provide appropriate and accurate advice to the organisation. The argument by Van Genderen (2014), as compared with the results of the data analysis, calls for the urgent consideration of training and skills development of internal auditors predicated on the services rendered by internal auditing to national departments, specifically on OPM.

6.5.3 Policy basis for public sector organisational performance management

Documents analysed indicate that OPM was located within a number of policy bases. Several policy bases were also identified by the interview and focus group participants. The policy bases, which are applicable to OPM in the public sector in South Africa as they emerged from the data analysis, are discussed below.

6.5.3.1 Policy of change

A content analysis of documents received from D1 (D1Doc4; D1Doc5) reveals that OPM is located within the policy of change. The documents (D1Doc4; D1Doc5) suggest that this policy assumes that relationships exist between inputs, activities, outputs and outcomes. These relationships include the impact, cause and effect, namely, the results of departmental operations. According to documents received (D1Doc4; D1Doc5), the policy of change suggests that departmental activities such as planning, budgeting, implementing, monitoring, evaluating and reporting enable positive organisational change and positive change in the targeted public.

6.5.3.2 Stakeholder policy

Another assumption emerging from the empirical data was that of stakeholder policy. Stakeholder policy argues that the plans of national departments should reflect the expectations of their stakeholders, as suggested by several authors (Governance, 2012; Australia, 2010; Kiel & Nicholson, 2003). In order for this to occur, interview participant D2P3 suggested that stakeholders should have been consulted to provide input into departmental plans. Document D1Doc2 stated that these engagements should, in addition, have been used as platforms to obtain general endorsement of departmental plans. Document D1Doc2 further stated that such endorsement contributed to the successful implementation of the plans of national departments.

A statement was also included in document D1Doc2 and echoed by interview participant D2P3 that stakeholder engagement limited the number of service delivery protests because giving stakeholders the opportunities to provide input into governmental plans created a sense of stakeholder ownership of these plans. Interview and focus group participants (D2P3; D4FG1) asserted that whilst there was the suggestion that departmental plans should reflect the expectations of stakeholders, national departments did not provide sufficient opportunities for input to be obtained from stakeholders.

The ARs of D1, D2, D3 and D4 (D1Doc3; D2Doc2; D3Doc4; D4Doc3) reported, on the other hand, that several engagements had been held between the national departments and the respective parliamentary portfolio committees. Interview participant D1P2 confirmed these engagements. Document D1Doc6 identified the parliamentary portfolio committee as one of its stakeholders. Consequently, the understanding created by national departments (D1Doc6) was that because parliamentary meetings are public, these meetings also served as stakeholder engagement forums. Planning documents (D1Doc6; D2Doc3; D3Doc7; D4Doc4) also included a section entitled *Stakeholder Framework* which suggested that departments were cognisant of, and sought to work positively with their stakeholder public to achieve their planned performance.

The suggestion that publicly held consultative parliamentary meetings represent adequate consultation with stakeholders is contestable. Parliamentary meetings are held in Cape Town. Transport and accommodation considerations restrict the ability of the majority of the South African public attending such meetings. Therefore, the public is not in a position, from a cost and distance perspective, to attend. Consequently, it is submitted that the statement that national departments do not provide sufficient opportunities to stakeholders to make their input may be supported. The service delivery protests experienced (Letsoalo, 2013) suggest inadequate stakeholder consultation and that government is not fully meeting the expectations of the public. It is also submitted that ARs creating the impression that adequate stakeholder consultations were held are indicative of the information asymmetry suggested by the agency theory.

The assertion that government is not meeting the expectations of the public is emphasised from a dissenting view that emerged from the data. Focus group D4FG1 argued that the NDP of the country was a wish-list which had not been properly consulted

with all relevant stakeholders, thus making it a contested document. The argument went further to state that in the private sector, the main stakeholder which is the shareholder, would have ensured that stakeholder, customer and shareholder requirements were considered. The implication of the argument of focus group D4FG1 was that in the public sector, the ability of the stakeholders to ensure that their expectations have been fully considered by national departments is limited.

6.5.3.3 Accountability policy

In Chapter 4 (Section 4.3), it was noted that one of the assumptions underpinning both OPM and internal auditing was that of 'accountability'. Focus group D4FG1 explained accountability as being the reckoning provided by the national department for the outputs and outcomes achieved against its mandate, planned objectives and targets. Ştefănescu *et al.* (2016) argue that agents (employees of national departments) must provide an account of their performance to their principals (government represented by management). Document D1Doc5 and interview participant D1P2 explained that, in addition, there was a growing demand internationally for the public sector to provide accountability for the manner in which public funds are utilised and the manner in which public sector organisations are governed. This demand is driven by a call for public sector organisations to embrace transparency when reporting their achievements.

The data analysis reflected the arguments in literature (Amsler & Sherrod, 2017; Ştefănescu *et al.*, 2016; Velotti & Justice, 2016; Mansourie & Rowney, 2013) that agents are required to account for their performance and for OPM to their principals and that such accountability must meet the requirements of integrity, accuracy and transparency.

Interview participant M&E1 confirmed that national departments had to account for their plans and its implementation to their principals. According to interview participant M&E1, the fact that national departments requested and utilised public funds obligated them to account to the oversight departments and oversight bodies on the manner in which these funds were utilised i.e. the performance of the national department in achieving service delivery objectives. The interview participant (M&E1) believed that consequently, accountability through performance reporting would be a permanent feature in the public sector, hence the need for the planning, budgeting and M&E processes in government. Financial and performance reporting has been debated by several authors (Mihret &

Grant, 2017; Grizzle & Sloan, 2016; Jacobs, 2016; Ştefănescu *et al.*, 2016), thus confirming the arguments arising from the empirical data for the requirement that the public sector account for its financial and operational performance to its stakeholders, which includes the public.

A content analysis of the ARs (D1Doc3; D2Doc2; D3Doc4; D4Doc3) of the national departments participating in the qualitative phase, confirmed that in order to enhance accountability, the DG of each department attested to the veracity of the information reported by including a signed statement to that effect. Accountability was further enhanced by including the AGSA assessments on the national departments' FI and PI reported. Additionally, the reports of the ACs, which also sought to enhance accountability, were included in the AR. The mandatory requirement to report both financial and non-financial information by national departments found resonance in the arguments of several writers (Mihret & Grant, 2017; Grizzle & Sloan, 2016; Jacobs, 2016; Ştefănescu *et al.*, 2016) that public sector organisations were required to report both financial and non-financial information.

Documents D1Doc3 and D2Doc2 also state that where planned objectives and targets were not achieved, departments should have provided reasons for such underperformance. Two focus groups (D3FG1; D4FG1) stated that accountability necessitated that corrective action be imposed for under-performance. Politt (2016) argues that where actual performance deviates from planned performance, agents must provide reasons. Ştefănescu *et al.* (2016) maintain that where performance is not accomplished as intended, corrective action becomes necessary. Furthermore, consequences arise for non-achievement of planned performance. The agency theory (Section 4.2.1) also provides that consequences will be meted out by the principal for deviant performance. Thus, literature confirms the results of the data analysis.

Focus group D4FG1 contended that management was responsible for both accountability and consequence management. However, focus group D3FG1 queried the imposition of corrective action for non-performance, arguing that consequence management in the public sector was minimal and ineffective. Focus group D3FG1 also noted that the imposition of corrective action was costly in terms of both time and money. Therefore, according to document M&EDoc5, there is a contention that consequence management for underperformance was limited.

Additionally, document M&EDoc5 indicated that the ability to implement effective consequence management by AOs of national departments at the provincial and local levels of government became difficult because legislation did not require provincial and local government to report to AOs at the national level. It was consequently suggested by participant M&E1 that the legislation thus encouraged poor performance with limited scope to take action against perpetrators, despite the impact of such poor performance on service delivery. The minimal consequence management implemented for poor performance is indicative of poor OPM.

The data analysis confirms that accountability was provided to different levels in the public sector. This accords with Dawson *et al.* (2016), Ştefănescu *et al.* (2016) and Walther (2015) who contend that accountability within national departments is provided, initially, to the management levels of the department. Thereafter, the department, represented by the AO, provides accountability to the executive authority. The department also provides accountability to the NT, DPME, AGSA, parliament and the public. Accountability to the public was achieved by placing the national departments' SP, APP and AR (D1Doc3; D2Doc2; D3Doc4; D4Doc3) that incorporate the department's PI and FI, in the public domain. According to interview participant D1P2, in certain instances, accountability was also provided to cabinet committees. Cabinet committees may, at times, be chaired by the Deputy President of South Africa suggesting that accountability by departments was rendered to high levels in government. One focus group (D4FG1) argued that ultimately accountability was provided to the taxpayers of the country.

6.5.3.4 Agency policy

Accountability for performance by national departments was specifically noted in document D1Doc4. The document confirmed that the department accounted for the outcomes and impacts of its programmes. Focus group D4FG1 contended that accountability in the public sector differed somewhat from accountability in the private sector, in that private sector accountability was provided mainly to shareholders whereas public sector accountability was provided to the general public. Literature (Grizzle & Sloan, 2016; Ştefănescu *et al.*, 2016; Mansourie Rowney, 2013) noted that accountability is linked to the agency principles whereby agents (employees of national departments) account to their principals (parliament and by extension to the public) on their

performance. Thus, the data analysis confirmed that the agency policy applies equally to the public sector as it does to the private sector.

6.5.3.5 *Managerialism and New Public Management*

Managerialism and NPM, as policy bases for OPM, were not mentioned as such in any of the interviews or focus groups. The documents analysed also did not specifically mention managerialism or NPM. However, the adoption of elements of managerialism and NPM was evident from the plans and reports of national departments as well as the guidance provided in the FPPI, GWMES and PIH (South Africa, 2011c; South Africa, 2007b; South Africa, 2007c). Managerialism was evident from the FPPI in that a rational, instrument-driven approach to OPM was proposed (South Africa, 2007b) while NPM was further demonstrated in the GWMES by adopting the M&E approach to OPM (South Africa, 2007c). Thus, the FPPI, GWMES and PIH sought to encourage and promote organisational change through policy imperatives issued by authoritative institutions such as the DPME and NT, as suggested by Barzelay (2001).

Several documents (D1Doc2; D1Doc3; D1Doc6; D2Doc1; D2Doc2; D2Doc3; D3Doc3; D3Doc4; D3Doc7; D4Doc1; D4Doc3; D4Doc4) confirmed that all four departments developed their vision, mission statements and values and reported these in their SPs, APPs and ARs. Key priority areas and strategic objectives were also developed. Strategies, together with plans for their implementation, were formulated. Such an approach is in keeping with the principles of managerialism and NPM as expounded by Chowdury and Shil (2017), Kuna (2017), Cohen (2016), Pollitt (2016), Fernandes and Da Silva (2015), Johnsen (2015), Leslie (2015) and Nickson (2014).

M&E activities were implemented to manage progress towards achieving planned objectives – again evidence of managerialism with the process element, suggestive of NPM. Several interview and focus group participants (D1FG1; D1P1; D1P2; D2FG1; D2P1; D2P2; D2P3; D3FG1; D3P1; D4FG1; D4P1; D4P2) stated that performance reporting was also complied with through quarterly reports and the ARs. Consequently, it can be argued that the policy frameworks of managerialism and NPM also influenced OPM in the public sector. The approach adopted by national departments, in compliance with the FPPI, GWMES and PIH, emulates the principles of managerialism and NPM as

postulated in literature (Chowdury & Shil, 2017; Kuna, 2017; Cohen, 2016; Pollitt, 2016; Fernandes & Da Silva, 2015; Johnsen, 2015; Leslie, 2015; Nickson, 2014).

6.5.4 Research, analysis and high-level policy development

This sub-theme tables the strategic focus of national departments as an element of OPM. According to a senior public official (D1P2), research was necessary to create the foundation for the establishment of the national department. Furthermore, OPM requires research to be conducted to determine the most efficient manner to satisfy public needs. However, for such research to be acceptable, it must be supported by the necessary evidence. Interview participant D1P2 suggested that for research to be 'acceptable', it had to be credible and follow better or best practice in Evidence-Based Policy Making (EBPM) (Bédard & Ouimet, 2016). Crişan and Borza (2015) and Delattre *et al.* (2009) advocated that research should be credible for it to be acceptable, thus supporting the view of interview participant D1P2. The assertion by the interview participant (D1P2) was confirmed through a content analysis of publicly available information (D1Doc2; D3Doc3; D3Doc4; D4Doc1; D4Doc3; D4Doc4; M&EDoc1). This information included sections on research and the strategic focus of the department. It is also documented in the literature on EBPM that South Africa has adopted a policy position supporting EBPM and its NPM definition with regard to what constitutes credible and acceptable evidence (Cloete, 2009).

An interview participant who is a senior government official in one of the M&E departments (M&E1) stated that the NDP is the primary research document that informed national departments' strategic focus. In addition, the document analysis (D1Doc2; D3Doc3; D3Doc4; D4Doc1; D4Doc3; D4Doc4; M&EDoc1) confirmed this statement insofar as all departments noting the requirement to align their plans with the NDP (South Africa, 2011e). According to interview participant M&E1, the NDP, being the national plan of the country, described the targets to be achieved collectively as government by the year 2030. The participant contended further that the NDP also addresses the deliverables of government such as job creation, poverty alleviation, education, health and safety. The NDP thus emphasises the role of evidence-based research in the OPM of national departments.

In aligning departmental plans with the NDP, it was noted from a qualitative content analysis of the APPs, ARs and SPs (D1Doc2; D3Doc3; D3Doc4; D4Doc1; D4Doc3; D4Doc4; M&EDoc1), that departments had conducted limited research to inform their strategic focus and planning. This research generally identified economic growth as a key requirement to address the high levels of unemployment experienced in South Africa. The research (D3Doc3; D3Doc4; D4Doc1; D4Doc2; D4Doc3; D4Doc4) furthermore revealed that the country had realised sluggish economic performance during the past years, suggesting non-optimal performance by the public sector. According to the documents analysed (D3Doc3; D3Doc4; D4Doc1; D4Doc2; D4Doc3; D4Doc4), this lacklustre performance had been influenced by global economic challenges such as, *inter alia*, the balancing of economic growth in China, the slowing down of commodity exports and a fragile global market.

Additionally, during the 2016/17 financial year, economic performance in South Africa had been negatively impacted by a persistent drought which further reduced the funding available to national departments. The research conducted by national departments furthermore noted the projections (D3Doc3; D3Doc4; D4Doc1; D4Doc2; D4Doc3; D4Doc4) by international organisations that growth prospects for South Africa and globally, while stabilising, remained subdued for the short-term, indicating that limited funding would be available to national departments for the execution of their mandates. According to the documents analysed (D3Doc3; D3Doc4; D4Doc1; D4Doc2; D4Doc3; D4Doc4), the high levels of unemployment and the sluggish growth had increased poverty in the country. In addition, the slow economic growth increased government debt significantly during 2016 (D3Doc4).

The results of the departments' economic research support the arguments of Bolden *et al.* (2008) that governments are forced to implement measures such as effective OPM to obtain the best possible results from the limited available resources. This also shows that evidence is garnered by government for a rationally planned process as well as for policy purposes, following EBPM, which is intrinsically linked to a move around NPM. The GWMES urges national departments to support OPM by adopting a uniform system of evidence-based PI reporting (Cloete, 2009). It follows that OPM requires evidence that is normatively delivered through EBPM, as well as the evidence that is provided through the auditing functions (Cloete, 2009). Evidence is thus a valuable asset within the central research area under study.

Document M&EDoc1 states that effective implementation of the government's nine-point plan was necessary for optimal performance and improvement of economic growth in order to realise the priorities and targets of the NDP. According to documents D3Doc3 and D4Doc4, government had a fundamental role in economic growth and poverty alleviation considering that government expenditure accounted for approximately 20% of South Africa's gross domestic product, echoing the arguments of Chambers and Odar (2015). Consequently, the evidence which consistently emerged from the research data was that optimal performance by national departments created a conducive environment, through their operations, to be at the helm of job creation and creating job opportunities, as emphasised by the NDP. However, it was noted by departments that the achievement of their planned objectives and consequently the ability to contribute to job creation and the creation of job opportunities, were influenced by external conditions such as sluggish global economic performance. Document D1Doc3 indicated that, notwithstanding these global conditions, the strategic projections of national departments were intended to impact on the future development and growth of the country, thus re-enforcing the argument for optimal performance. Document D3Doc3 stated that as a result, certain departments had created research and development (R&D) capacity internally to project and analyse future socio-economic conditions and developments that are used to formulate appropriate strategies to achieve departmental mandates and visions (D3Doc3).

6.6 IMPLEMENTATION OF ORGANISATIONAL PERFORMANCE MANAGEMENT

The second theme focuses on the implementation of OPM in national departments. The results of the survey are first discussed, followed by the sub-themes on the implementation of OPM at the national departmental level. These sub-themes are: (i) strategic focus and thinking; (ii) compliance with DPME and NT frameworks; (iii) strategic planning; (iv) annual performance planning; (v) communication of plans; (vi) planning and budgeting alignment; (vii) performance management of departmental employees; (viii) good organisational governance; (ix) internal controls for effective organisational performance; (x) risk management; (xi) management performance assessment tool; and (xii) combined assurance. These sub-themes reflect the suggestions of Chowdury and Shil (2017) with regard to the reforms that NPM introduced into the public sector.

In the survey, respondents were requested to indicate whether national departments had implemented OPM systems and to what extent. The responses are summarised in the Figure 6.4 below.

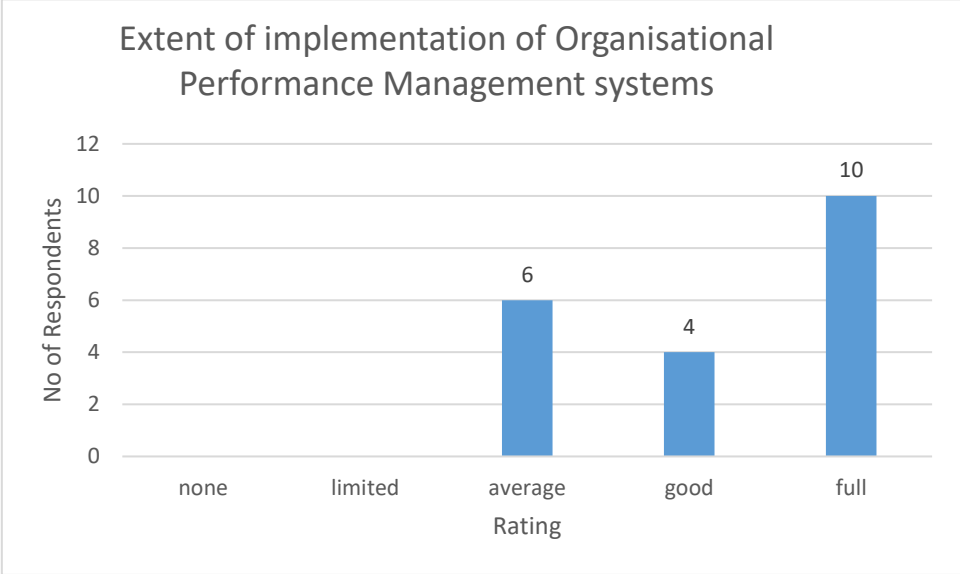


Figure 6.4 Implementation of OPM systems
(Source: Own compilation)

Figure 6.4 indicates that all respondents (100%) confirmed that systems of OPM have been implemented in national departments. Half or 50% (n=10) of the respondents indicated that the systems were fully implemented. A further 20% (n=4) indicated that there had been good implementation of systems of OPM whilst 30% or six respondents indicated that, whilst OPM had been implemented, the systems were not at the optimal levels of use and performance. The responses thus indicate that whilst OPM has been implemented, not all national departments are at the same level of implementation and use. It can therefore be concluded that there is significant room for improvement in the implementation and use of OPM systems.

The qualitative document analysis conducted on the ARs (AR01- AR18) confirmed that all departments had reported PI, supporting the survey responses received that national departments had implemented systems of OPM. OPM includes performance reporting. However, the AGSA raised material misstatements and findings on 89% of the responding departments. The AGSA’s assessments imply that only 11% of national departments had effectively utilised OPM systems fully. The AGSA’s findings are in

contrast with the responses received which imply that 50% of national departments had fully implemented and utilised OPM. This discrepancy leads to the conclusion that not all departments are at the same level of implementation of OPM and that significant room for improvement exists.

Barzelay (2001) highlights that there are differences in the implementation of OPM in various organisations. Thus, not all national departments would have achieved the same level of implementation. In addition, a further conclusion is that the assessments conducted by national departments on the implementation of OPM differed from independent assessments, suggesting a degree of subjectivity in the internal assessments. This again confirms the assumption of the agency theory that agents will provide asymmetrical information to principals and stakeholders.

6.6.1 Strategic focus and thinking

The positive responses regarding the implementation of OPM in national departments necessitated exploring the manner in which OPM was implemented in these departments. Interview and focus groups participants were asked to explain their understanding of OPM. Interview participant M&E1 provided a high-level overview of the performance management process in government, noting that performance management is rooted in the reasons for the establishment of a national department and its mandate, as contended by Pollitt (2016) and Bolden *et al.* (2008). OPM, according to interview participant M&E1, therefore referred to the manner in which the department's mandate was realised. Interview participant M&E1 also explained that the clarification of the mandate initiated a process of strategic focus and thinking that conceptualised and concretised its goals. According to this participant (interview 11 July 2017:4):

Once the mandate of the institution has become clear, departments then set out their strategy to achieve these policy mandates. So, there's a whole strategic thinking process that is involved. In terms of why we're here, where we want to go, what is our current status and the mechanisms and deliverables to achieve the way we want to go or to achieve the policy, or to achieve the policies that we were created to work on, so that's a strategic high-level overview.

Accomplishing these goals required the department to follow a strategic planning and budgeting process during which long-term objectives and short-term targets were set (M&E1). SPs for the achievement of the planned objectives and targets were developed and the plans implemented according to budgetary availability. Interview participant M&E1 clarified that during the implementation of plans, the M&E processes were applied to manage the achievement of planned performance. Furthermore, according to interview participant M&E1, these processes are integrated insofar as, ideally, they flow seamlessly into each other following a progressive approach, thereby further emphasising the strategic focus approach to OPM.

6.6.2 Compliance with Department of Planning, Monitoring and Evaluation and the National Treasury frameworks

In order to assist national departments in their strategic focus, planning and operations, the DPME and the NT issued frameworks and guidance on the OPM systems to be followed (South Africa, 2014; South Africa, 2011a; South Africa, 2011c; South Africa, 2010a; South Africa, 2007b; South Africa, 2007c). Several interview and focus group participants (D2FG1; D2P2; D3FG2; D4FG1; D4P1) confirmed that national departments generally followed the DPME and NT guidelines for OPM. Respondents to the survey were requested to indicate the extent to which their departments' OPM systems were aligned with the frameworks and guidance provided by the DPME and NT. All 18 departments (20 respondents) indicated that they had implemented OPM systems following guidelines provided by the DPME and NT.

According to the responses, 35% (n=7) indicated that their departmental OPM systems were largely aligned to the DPME and NT frameworks. The remaining 65% (n=13) responded that their systems were fully aligned to the guiding frameworks of the DPME and NT.

The content analysis confirmed that all of the responding departments had developed SPs and APPs, and also included a section on PI in their ARs (AR01 - AR18). Additionally, PI was generally reported under the headings: Strategic Objective, Performance Indicator, Planned Target, Actual Achievement, Deviations from Planned Target and Comment on Variances. The headings under which PI was reported were aligned to the guidance provided by the DPME and the NT on developing and reporting PI (South Africa,

2011c; South Africa, 2007b; South Africa, 2007c). The document analysis thus confirmed the responses received that the OPM systems implemented by national departments were aligned to the guidance and frameworks provided by the DPME and NT. However, the responses show that there was room for improvement in fully aligning departmental systems with the guidance and frameworks. Barzelay (2001) highlights the differences in the implementation of NPM in different departments in the public sector.

6.6.3 Strategic planning

Chapter 5 of the TRs requires national departments to develop strategic plans which must be tabled in parliament. Focus group D3FG2 confirmed the statutory requirement for national departments to formulate planned objectives and develop their SPs. Several interview and focus group participants (D1FG1; D1FG2; D2FG1; D2P1; D3FG2; D4P3; M&E2) suggested that development of the SP initialised the national departments' OPM process by identifying and formulating the department's planned objectives. Interview participant D1P2 argued that a key requirement of effective strategic planning was obtaining a deep and comprehensive understanding of the national department's performance and service delivery environments by strategic planners. Interview participants D1P3 and D1P4 confirmed that the SPs of the department were informed by the broader government imperatives such as the NDP, MTSF and the Skills Development Strategy. It is, however, submitted that OPM commenced with the identification of the mandate and vision of the national department as opposed to the suggestion by interview and focus group participants that OPM commenced with the development of the SP.

Interview participant D2P1 further confirmed that management developed the long-term, five-year SP and the short-term APP. Several interview and focus group participants (D3P3; D2FG1; D2P1; D3FG2; D4P2; M&E1) clarified that the SP was a five-year impact and outcome-driven plan. Interview participant M&E1 further explained that the SP framed the high-level goals and outcomes of the national department and the impact that the outcome would have on the target public.

Various literature (Fernandes & Da Silva, 2015; Olusula, 2012; Kagaari, 2011) concur that the concept of strategic management includes formulating the high-level goals and planned objectives of the department. A qualitative content analysis of the ARs, SPs and APPs (D1Doc3; D1Doc6; D2Doc2; D2Doc3; D3Doc4; D3Doc7; D4Doc3; D4Doc4)

revealed that national departments had conceptualised, concretised and published their goals and planned objectives in their SPs. Interview participants (D1P1; D2P1; D2P2; D4P2) confirmed that in addition to the planned objectives, the processes and systems to achieve these objectives are also documented in the SPs of national departments.

The qualitative content analysis (D1Doc6; D2Doc3; D3Doc7; D4Doc4) revealed that SPs were developed in consultation with the minister in charge of the relevant department, thus confirming political input into the plans of the department. The results of the document analysis reflect the suggestions of literature (Habib & Yazdanifard, 2017; Mackie, 2008; Demmke, 2006) insofar as organisational leadership developed the vision, mission, values, objectives and strategies for the organisation.

According to several interview and focus group participants (D1FG1; D2P1; D3FG2; D4P2), planned objectives were required to comply with the SMART criteria. Compliance with the SMART criteria is required, *inter alia*, by the FPPI and PIH. Focus group D3FG2 explained that SMART meant that the strategic objectives developed by management had to be specific, measurable and realistic as required by the FPPI and PIH (South Africa, 2011c; South Africa, 2007b), and not crafted in broad, vague terms.

According to interview participant D2P1, during the strategic planning process national departments also developed performance indicators with the measurement criteria to be followed when assessing performance. These indicators provided landmarks that indicated the progress made towards achieving planned objectives. Jääskeläinen and Lönnqvist (2011) confirm that performance measurement is an important element of OPM. Interview and focus group participants (D2P1; D2FG2; D4P2) mentioned, however, that measurable performance indicators also must comply with the SMART criteria.

The majority of interview and focus group participants (D1P1; D1P3; D1P4; D2FG2; D2P1; D2P3; D3FG1; D3P1; D4P1; D4P2; D4P3) attributed the successful development of the SPs to the establishment of units solely responsible for assisting the department with their planning requirements. These units are normally called the Strategic Planning Unit (SPU). The SPU coordinated the planning process. Several participants (D1P1; D2FG2; D2P2; D2P3) explained that the draft SP developed at a strategic planning session was forwarded by the SPU to the various units in the department for verification and also for amendment where required. Participants (D2FG2; D4P1) mentioned that in

verifying and amending the draft SP, units were free to consult with the SPU to obtain further input and guidance. The requirement to obtain input from all employees finds resonance with Brand (2010) who argued that strategy should be owned by all employees, and Olulsula (2012), who asserts that management is in a position to create a sense of ownership of the strategy by all employees.

Thereafter, the SPU collated all the information received to develop the consolidated draft departmental SP. Once updated, the consolidated draft SP was submitted to the AGSA for review. Interview participants D1P1 and D2P2 clarified that the AGSA also made inputs to the national department's SP. Interview and focus group participants (D1FG2; D2P2; D2P3; D3FG1) observed that in addition to the AGSA review, the IAA of the national department also reviewed the SP. The IAA has been found to be one of the structures that may be called upon to conduct an independent verification of information (Protiviti, 2013; Australian Securities Exchange, 2010). After the IAA's evaluation, according to interview and focus group participants (D2P1; D2P2; D3FG1), the draft SP, together with the IAA assessment report, are presented to the AC for consideration. The AC thereafter makes a recommendation to the AO, as suggested by literature (Adel & Maissa, 2013; Ismail *et al.*, 2008; Van der Nest *et al.*, 2008).

In agreement with the propositions of Fernandes and Da Silva (2015) and according to interview participants (D2P2; D2P3), national departments also consult their stakeholders such as the provinces and related public entities for input into the SPs and APPs. Interview participants (D2P2; D2P3) pointed out that the consultation process was important in that it brought about alignment between the plans of related national departments, provincial departments and entities. However, a dissenting view (discussed in Section 6.5.3.2) emerged from the data, stating that stakeholder engagement by national departments was inadequate.

The final draft of the SP, according to four of the interview participants (D2P1; D2P2; D2P3; D4P2), is then submitted to the executive management of the department for consideration and recommendation (South Africa, 2007b). Two of the interview participants (D2P1; M&E1) indicated that should the final draft of the SP be accepted by the department's executive committee, the SP was approved by the DG and submitted to the DPME for review. The DPME provided input into the SP for consideration by the department. Interview participant M&E1 stated that the DPME had introduced a concept

of strategic dialogue with national departments to assist them in planning and performance management. This strategic dialogue, according to interview participant M&E1, was a relatively new intervention undertaken jointly by the DPME and NT. The dialogue recognised that, in government, too much information was collected and was not efficiently used to drive governmental performance. According to interview participant M&E1, strategic dialogue is intended to address poor performance in the public sector.

Interview participant M&E1 was, however, emphatic that the DPME could not force an AO of any department to accept the DPME's input since the AO was accountable for the SP and made the final determination on what should be included. However, according to interview participant D2P2, should the oversight departments such as the AGSA and the DPME provide any inputs into the SP, these were seriously considered by the department.

The majority of interview and focus group participants, as well as the documents analysed (D1Doc1; D1Doc3; D1Doc6; D2Doc1; D2Doc3; D3Doc3; D3Doc4; D3Doc7; D4Doc1; D4Doc4; D2FG2; D2P2) confirmed that the final SP was approved by the AO and the minister. The SP was then tabled in parliament and communicated to the oversight departments (DPME and NT) and other relevant stakeholders. Interview and focus group participants (D1P1; D2P1; D2P3; D3FG1; D3P1; D4P3) confirmed that after approval from parliament, all national departments made their SPs and APPs publicly available on their websites.

Despite the positive data provided by interview and focus group participants on the strategic planning of national departments, one interview participant (D3P1) raised a concern that notwithstanding the rigorous process of formulating and reviewing SPs and APPs, some of the planned objectives were problematic. The participant provided the example of where the department performed the role of *coordinating* job opportunities whilst the APP stated that the department should *create* job opportunities. Creating job opportunities became an unachievable target because the department on its own was not in a position to create job opportunities. According to interview participant D3P1, recording an unachievable target in the SP meant that the SP would have to be reviewed and amended. However, amending an SP and by extension, the APP, required further engagement with NT, the DPME and the AGSA, resulting in duplicated effort and costs. Interview participant D3P1 suggested therefore that there should have been more

intensive engagement and analysis by management during the planning process. In addition, focus group D1FG2 stated that there were also instances of mismatches between a target and an indicator. The targets and indicators were not aligned to each other, despite the rigorous planning process adopted, which made monitoring the achievement of targets challenging.

A further dissenting statement by interview participant D3P1 was that one of the challenges faced by national departments that impeded good planning was that the planning process was very rapid. There was never sufficient time to go through all the information and to apply analytical thinking thoroughly to ensure that strategic objectives and targets were fully aligned to the mandate and responsibilities of the department. The resultant impact, according to interview participant D3P1 was that service delivery to the public was compromised.

In addition, the interview participant (D3P1) argued that the DPME should have provided more face-to-face guidance and training on the FPPI and the GWMES to departments, to assist in the planning process. Furthermore, the participant (D3P1) mentioned that the department must, reciprocally, ensure that officials of appropriate seniority and skill are available to engage with the DPME during these training sessions as in the past, lower-ranking employees had attended the DPME sessions and were unable to grasp the concepts, thus compromising effective planning and OPM. The departmental officials trained by the DPME may then be able to provide guidance to all other employees of the department. Consequently, it is suggested that the comments of interview participant D3P1 and focus group D1FG2 should be given careful consideration by the DPME, NT and management structures of national departments.

6.6.4 Annual performance planning

Focus group D3FG2 submitted that it is a statutory requirement for all national departments to develop an APP. The APP was explained by several interview and focus group participants (D1FG1; D1P1; D2P1; D2P2; D2P3; D3FG2; D4FG1; D4P2; D4P3) as being a document that sets out the national department's targets for a specific financial year. According to interview participant M&E1, the APP articulated the manner in which the outcomes expected in the SP would be achieved. Interview participant M&E1 explained further that the APPs had a budget focus and therefore national departments

were requested to include government's MTSF priorities in their APPs. All four national departments had uploaded their APPs onto their websites. A qualitative content analyses of the APPs (D1Doc2; D2Doc1; D3Doc3; D4Doc1) revealed that both the SPs and APPs were template-driven in that the planned objectives and targets to be achieved were presented in the SP and APP in similar templates adopted by all national departments.

According to three interview and focus group participants (D1P1; D2P3; D3FG2), the senior management team used the SP to formulate the targets that would be achieved in a specified financial year, normally the ensuing financial year. The combined annual targets were crafted into the APP. A qualitative data analysis of D1Doc2 and data obtained from interview and focus group participants (D1FG1; D2FG1; D2P3; D3FG2) confirmed that the annual targets in the APP cumulatively contributed to the planned objectives in the SP. Confirmation was received from interview and focus group participants (D2FG1; D2P3; D4P2) that the yearly targets in the APP were then subdivided into quarterly targets, also recorded in the APP.

Interview and focus group participants indicated that the planning processes of national departments had resulted in improved SPs and APPs. Interview participant D1P1 alluded to the workshops facilitated by the IAA and its co-sourced partner that resulted in an improvement in the SPs, APPs, performance indicators and targets developed by department D1. In addition, according to focus group D4FG1, the performance indicators developed by national department D4 had improved significantly over the past few years.

However, focus group D4FG1 presented a dissenting view in respect of plans that were developed by national departments. Focus group D4FG1 argued that because national departments operated in a politically-driven environment, long-term plans were inappropriate. Focus group D4FG1 and interview participant M&E1 claimed that the political priorities changed constantly which made planning redundant and impacted on effective OPM since these plans had to be continuously changed to accommodate new priorities. An example cited by the interview and focus group participants was the 'fees must fall' protests that occurred during 2016 and 2017, resulting in all departments having to accommodate cuts in their budgets, even though their plans and budgets had been previously approved. Focus group D4FG1 questioned the relevance of long-term coverage plans because of the politically-driven environment and constantly changing priorities. Both interview participant M&E1 and focus group D4FG1 declared that new

priorities were being introduced frequently, making medium-to-long term planning irrelevant. Thus continuously changing political priorities, driven by the constantly evolving environment, resulted in the need for continuous re-planning, duplicated effort and costs and departmental mandates not being adequately funded. In addition, the changing political priorities resulted in planned objectives not being achieved, thereby further impacting on the delivery of services to the public.

Whilst it is noted that continuously changing priorities result in duplicated costs and unfunded mandates, the arguments by focus group D3FG1 and M&E1 are contested because it is necessary for national departments to plan for the future despite changing political priorities. Planning gives focus and direction to employees and clarifies the goods and services that the department intends to deliver to the public, as suggested by Cohen (2016) and the CIPD (2009). Planning enables effective OPM. Funding cannot be provided to national departments which do not provide tangible, achievable objectives and targets in well-crafted plans, despite the continuously changing political environment (South Africa, 2007b). However, plans should have built-in flexibility to accommodate changing political priorities. Additionally, in the event of not achieving planned performance because of changing political priorities, Pollitt (2016) argues that NPM allows departments to explain as such in their ARs.

The strategic focus and planning phase of organisational performance was followed by the implementation of the SP and APP, as advocated by literature (Habib & Yazdanifard, 2017; Fernandes & Da Silva, 2015; Medlin & Green, 2014). All interview and focus group participants confirmed that the approval of the SPs and APPs by parliament allowed the departments to commence with the implementation of the plans.

6.6.5 Communication of plans

The qualitative analysis of primary and secondary research data confirmed communication as an important consideration in OPM. Effective communication emerged as a recurring theme in all interview and focus groups discussions. All interview and focus group participants confirmed that the SPs, APPs and ARs are communicated to parliament, DPME, NT and the public by uploading these onto departmental websites. Additionally, interview participant M&E1 argued that plans and strategies must be communicated to all departmental employees, in keeping with the arguments of Mackie

(2008) and UN-ECOSOC (2003). Interview participant M&E1 argued that employees who functioned at the coal face of organisations performed several tasks that collectively impacted on departmental performance. These employees were, however, unaware of the reasons for performing such tasks nor of their impact, and as such, may not take their tasks seriously. The interview participant (M&E1) argued that communication needed significant improvement and the dissemination of information downwards, again as argued by Mackie (2008) and the UN-ECOSOC (2003), also required improvement.

6.6.6 Planning and budgeting alignment

The relationship between planning and budgeting was introduced in Section 6.5.3.3 under the concept of the 'accountability policy', one of the policies that inform OPM in the public sector. The empirical data reinforced the interconnectivity between planning and budgeting. Chowdury and Shil (2017) state that NPM advocates an alignment between structures and resources to outcomes and outputs for improved performance. Accordingly, the management of resources and operations sought to create alignment between the goals of the organisation and organisational structures as argued by Mirchevski (2012). Interview and focus group participants (D1FG1; D3FG1; D4P2) argued that effective organisational performance required alignment between the planning and budgeting processes. This would have enabled the national department to formulate achievable planned objectives in accordance with available funding and resources. Several participants (D1FG1; D3FG1; D4P2) confirmed that the proper costing of planned objectives was necessary for effectively achieving them.

A number of interview and focus group participants (D1FG1; D1P3; D3FG1; D4P2) stated that the planning and budgeting cycles at the national government level were not aligned. These statements were confirmed by senior M&E officials (M&E1; M&E2). Interview participant M&E2 remarked that moving the planning oversight responsibilities from NT to the DPME contributed to the non-alignment between the planning and budgeting processes. The participant claimed that it was counter-productive to disassociate these two processes from each other. Consequently, according to interview participant M&E2, concerted effort has been accorded by the two departments to work together to bring about greater alignment between planning and budgeting.

The non-alignment between the planning and the budgeting processes, stated interview and focus group participants (D1FG1; D4P2), is positioned in the current national governmental approach of planning commencing in November whilst the budget allocations were made known to national departments during February of the following year. The argument (D1FG1; D4P2) goes further that national departments tabled their plans in parliament in February, effectively committing the department to achieving a planned level of performance. Tabling plans in February meant that planning processes were completed prior to the budgets being made known to departments. However, the budgets that were eventually approved generally reflected a reduced level of funding thereby creating disparity between the approved plans and the available funding. Focus group D1FG1 went on to state that the reduced level of funding meant plans had to be reviewed in order to re-determine strategic priorities, planned objectives and targets. This amounted to duplication and inefficient use of management's time and effort and reduced service delivery. Furthermore, amended plans were then required to be made available to parliament and by extension, to the public, resulting in further costs, time and effort, and also the public losing trust in governmental plans. In addition, even after the budget had been approved, the NT often reduced the approved departmental budgets during the financial year which had a further impact on the department's ability to achieve planned objectives and targets, again impacting on service delivery to the public.

A further concern raised by focus group D3FG1 was that national departments were required to increase their outputs annually, however, at the same time, budgets were being consistently reduced. The argument by focus group D3FG1 was that the five-year plans developed by national departments indicated a stated level of planned achievement, however, with the ongoing reduction in funding, these planned objectives and targets could not be achieved, which often led to poor service delivery, adverse reports by the AGSA and service delivery concerns raised by parliament. Focus group D3FG2 raised another concern that, notwithstanding the non-alignment of the planning and budgeting cycles, the departments' approved plans and approved budgets themselves were not aligned, resulting further in skewed performance.

6.6.7 Performance management of departmental employees

According to document D1Doc3, the departure point for the success of the national department was effective OPM. The argument offered by D1Doc3 was that robust

organisational systems and processes as suggested by Blackman *et al.* (2012) as well as fair, consistent and transparent management of employee performance, aligned to organisational performance, were key drivers for effective organisational performance. According to the CQI (2013), OPM was also about managing people, where the main objective was to create a culture that encouraged individuals and groups to achieve high levels of organisational performance by enhancing employee skills, behaviour and contributions.

Document D1Doc2 confirms that optimal organisational performance is dependent on good human capital management whilst the CIPD (2009) highlights the importance of a well-informed and well-capacitated human capital complement. According to document D1Doc3, national department D1 had developed a turn-around strategy that sought to improve the skills and capacities of its employees. The department had targeted specific areas such as management, governance and leadership, financial management, human resource management, and development and partnerships/relationships in its turnaround strategy.

National department D3 (D3Doc4), on the other hand, reported the lack of critical technical skills that it faced and also reported the measures implemented to address this challenge. The department stated in its AR (D3Doc4) that a human resource plan was formalised which included procuring the services of retired professionals for the purposes of training and capacity development as one of the mechanisms to develop and improve the skills of departmental employees. The human resource plan envisaged building a team of professionals within the national department. In addition, according to D3Doc7, the department was also in the process of developing a Change Management Strategy designed to turn around the performance culture of the department.

National department D4 displayed a positive approach with regard to its human resource management. In its 2016-2017 AR (D4Doc2), it reported on its organisation and staffing, vacancy rate, the percentage of women serving in the senior management roles and employees with disabilities.

However, despite the positive approach to human resource management and development, national department D1 reported (D1Doc2) that the management of human resources remained a challenge mainly because of inadequate human resource capacity.

The Minister also reported in his foreword to the 2015/16 AR (D1Doc3) that capacity constraints existed within the department. The Minister mentioned, however, that measures had been implemented to improve capacity. The AC of national department D3 (D3Doc4) also reported that key strategic challenges remained in the department. These challenges related to the department needing to achieve substantial improvement in its core business and to focus more on what it was doing and how that should be achieved, suggesting challenges experienced with its human resource capacity with the resultant negative impact of effective OPM (D3Doc4).

The analysis of the research data suggested that national departments seek to improve the skills and capacity of their human capital, however, it is evident, especially from the challenges highlighted, that significant effort is still required to address the skills deficit in national departments.

Focus group D1FG1 and interview participants D3P1 and D4P1, however, presented a different viewpoint and stated that national departments consist of employees who were appointed to execute identified tasks. These interview and focus group participants (D1FG1; D3P1; D4P1) asserted that employees generally pursue their own objectives which may not be aligned to the objectives of the national department (the agency problem; see Section 4.2.2) thereby impacting on service delivery.

Coupet and McWilliams (2017), Bosse and Phillips (2016) and Attila (2012) concur that the agency problem highlights the discrepancy between the goals of the department and those of its employees. The views of interview and focus group participants reflect the findings of Coupet and McWilliams (2017), Pouryousefi and Frooman (2017), Bosse and Phillips (2016) and Clark (2016) that the performance of the national department is dependent on the level of performance of its employees and the alignment thereof with the planned objectives and targets of the national department. Armstrong and Baron (2004) add that performance management is a strategic and integrated approach designed to increase organisational effectiveness by improving employee performance, thus further endorsing the input of the interview and focus group participants. Consequently, in order to bring about alignment between the performance of employees and the department's planned objectives, national departments had adopted PMDS as suggested by Bosse and Phillips (2016).

Interview and focus group participants (D1FG1; D1P4; D4P1) mentioned that PMDS promoted alignment between employee and departmental goals. PMDS was institutionalised at national departments by senior managers incorporating the achievement of planned objectives and the targets relevant to their areas of responsibility in their annual performance agreements. Interview participant D4P1 indicated that the formalisation of performance agreements within the national department occurred from the level of the DG whilst the PIH (South Africa, 2011c) referred to the performance agreement between the president and cabinet ministers.

Additionally, interview and focus group participants (D1P4; D3FG2; D3P1; D4P1) explicitly noted that all other departmental employees also formalised their performance targets by developing individual performance agreements in consultation with their supervisors. Focus group D3FG2 and interview participant D3P1 mentioned that the expected performance in the individual employee performance agreements was aligned to the quarterly milestones in the departmental APP. Interview participant D4P1 also mentioned that department D4 placed significant emphasis on the performance agreement system. Should employees not formalise their performance agreements prior to 31 March of each year, they forfeited any claim to a performance bonus for the specific financial year, thus re-enforcing the practice of employee performance management.

Individual performance was also subjected to an M&E process. Focus group D3FG2 and interview participant D3P1 confirmed that a review of employee performance was conducted every six months. The performance review comprised an assessment of the actual achievement of the individual employee against the targeted achievement in the individual performance agreements. Interview and focus group participants (D3FG2; D3P1; D4P1) confirmed that the individual employee assessments was thereafter forwarded to the supervisor for consideration and concurrence. The supervisor discussed the employee's performance and the assessment with the employee and agreed on the actual performance achieved. Interview and focus group participants (D3FG2; D3P1; D4P1) confirmed that the performance review utilised a system of scoring whereby points were allocated for the different levels of performance. Corrective action was agreed on between the supervisor and employee for deviant performance and was recorded and implemented.

The final performance scores that were agreed to between the supervisor and employee were moderated by committees established specifically for that purpose. The views of Medlin and Green (2014), Sia and Neo (2008) and Najmi *et al.* (2005), that a robust and effective employee PMDS that engaged its employees and carefully evaluated, on a regular basis, whether the organisation was progressing towards accomplishing its planned objectives, finds practical application in the PMDS in national departments.

6.6.8 Good organisational governance

According to several documents (D1Doc2; D2Doc3; D3Doc4) as well as a number of interview participants (D1P1; D2P2; D4P3), effective implementation of departmental plans is driven by good organisational governance. Good governance forms the foundation of economical, efficient and effective departmental performance, as confirmed by literature (IoDSA, 2016; Addams *et al.*, 2013; CQI, 2013; Maluleke, 2012; Kagaari, 2011; UN-ECOSOC, 2003).

Organisational governance instilled a meaningful practical approach at national departments, as emphasised by the following extract from the SP of D3 (D3Doc7:36):

The most important domestic drivers of politics for the next five years will be issues of governance ... Key challenges and trends in South African politics are that of institutional and constitutional development. These challenges and trends have the potential to be reduced by effective governance, strong leadership, effective and efficient procurement practices, appropriate policies, skilled personnel in the workplace and an active and empowered citizenry. Democratic consolidation and effective governance will be determined by the resolution of these challenges.

The above quotation summarises the essence of good governance as a strong foundation that supports organisational performance and service delivery. However, the results of this study reveal that national departments have not yet achieved the level of good governance suggested in the quote above. Document D1Doc2 indicated that proper governance, that includes effective leadership and management at institutional levels, was necessary for departments to function optimally. Document D3Doc4 suggested that good organisational governance supported improved service delivery. The same

document also indicated that governance, risk and compliance act as catalysts for introducing new and improved ways of doing departmental business. This is confirmed by Johnsen (2015), who states that organisational governance is an important aspect of OPM. According to Addams *et al.* (2013), CQI (2013), Maluleke (2012), Kagaari (2011) and the UN-ECOSOC (2003), effective performance is based on strategic management, governance, risk management, resource and human resource management, operations management as well as monitoring, evaluation and control activities by management; thus good organisational governance.

In addition, document D1Doc2 pointed to the importance of common standards for governance, leadership and management; these provide institutions with the frameworks necessary for good organisational governance. One of these frameworks, as suggested in D2Doc1, is an appropriate organisational structure. The same document reported that the department had therefore reviewed its organisational structure to address its capacity requirements, with a view to enhancing service delivery.

Good organisational governance was accorded positive consideration in national departments. Mackie (2008) affirms that public sector institutions are required to adhere to governance and accountability requirements. The 2015-2016 AR of D2 committed the department to maintaining high standards of corporate governance. One of the national department's five-year targets (D2Doc2) was to obtain an unqualified audit report from the AGSA. Another strategic commitment of the department was to achieve all (100%) of its planned objectives and targets. The department had also planned to improve its service delivery and create an appropriate working environment for a diverse employee complement. Document D2Doc2 states that the commitments of national department D2 were aimed at fostering and maintaining an environment of good, enabling organisational governance.

According to document D3Doc3, national department D3 implemented a seven-year turn-around strategy in order to improve governance, compliance and risk management. According to the document analysed (D3Doc3), this strategy sought to improve the outcomes of the AGSA audits conducted on the national department and to address fraud and corruption within the department. In addition, the documents made available in the public domain (D3Doc3; D3Doc7) informed stakeholders and interested parties that the national department was improving its operations and increasing its efficiencies and

effectiveness. The department went further to state in its 2017-2018 APP (D3Doc3), that it would institutionalise good governance and enhance service delivery. The 2015-2020 SP of the department (D3Doc7) confirmed that it had established a Governance, Risk and Compliance Branch to manage and institutionalise good organisational governance.

National departments had also chosen to adopt those principles of the King reports that may be applicable to the public sector in fostering good organisational governance (D2P2; D4Doc3). However, document D1Doc10 clarified that in the public sector, the PFMA was the key point of departure for good organisational governance. Consequently, national department D1 had undertaken, in the 2017/18 APP, to also improve its guidelines and frameworks in accordance with the PFMA, with a view to embracing good organisational governance.

The discussion that follows explores the elements of good governance that emerged from the data. The data revealed that the basis of good governance was the establishment of governance structures, effective leadership and the effective management of national departments. These foundations are represented in Figure 6.5 below.

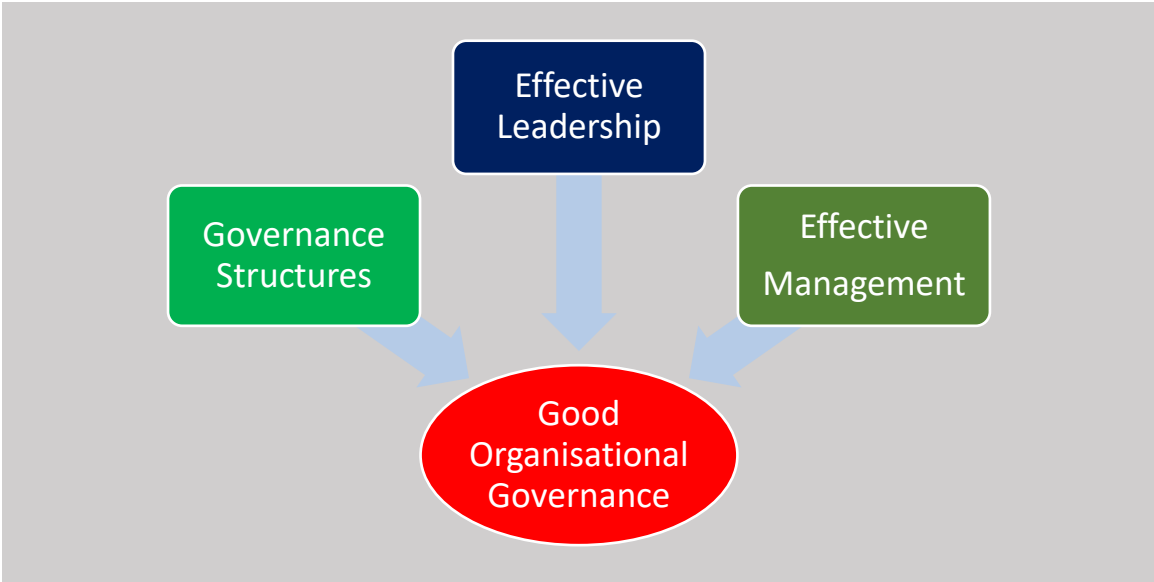


Figure 6.5 Foundational bases of good organisational governance
(Source: Own compilation)

6.6.8.1 Governance structures

Interview participant D2P2 stated that the bedrock of good, effective organisational governance and optimal OPM was the existence of effectively functioning governance structures that contributed to optimal organisational performance, as was argued by Johnsen (2015). Interview participant D2P2 commented that good governance structures also reinforced the M&E processes of the department. The qualitative data analysis identified several governance structures that had been established in national departments.

(i) Management committees and internal governance structures

According to several interview participants (D1P1; D2P1; D2P2; D3P1; D4P1; D4P2; D4P3), one of the governance structures established by all departments was the departmental management committee. This committee provided both leadership and saw to the management of the department (South Africa, 2007c; South Africa, 1999). A content analysis of the AR of D1 (D1Doc3) indicated that the department had implemented a system of regular management meetings. These meetings monitored the proper application of the limited resources in accordance with the purposes for which they were allocated to the department.

According to interview participant D2P2, national department D2 had established both an executive committee as well as a joint branch management committee. In keeping with good governance, all audit reports were presented and considered at the meetings of these committees. The department had also established another governance structure called the MINTOP that comprised of the minister and the departmental top management. The MINTOP gave strategic focus and direction to the department and also monitored departmental performance. Interview participant D2P2 advised that the SP, APP, AR and other documents of strategic importance were tabled at and discussed by the MINTOP. The participant (D2P2) advised that a further governance structure created by the department was called the Technical MINMEC which comprised the national minister and provincial equivalents called the MECs. The MINMEC considered the strategic focus, strategic direction and performance of the sector as a whole, for instance, the provision of water and sanitation facilities for the entire country.

National department D3 went further, according to interview participant D3P1, and held special accountability executive committee meetings, where all internal auditing reports were presented and considered. The DDGs (Heads of Branches) and Chief Directors of the department were required to account to the committee on the extent of implementation of internal auditing's recommendations. Governance was accorded such prominence that on at least one occasion the DG had issued warning letters, as a consequence management measure, to the managers for non-implementation of the IAA's recommendations.

However, focus group D3FG1 dissented and claimed that consequence management by issuing a warning letter on one occasion was inadequate. This view was shared by the AGSA which indicated in its findings on another department (D1Doc3), that the consequence management for non-compliance in that department was also inadequate. In addition, interview participant D2P1 mentioned that consequence management for the non-implementation of internal auditing's recommendations was lacking in national department D2. Whilst the CAE reported the non-implementation to both the executive committee and the AC, there was no evidence of any consequence management being implemented. Interview participant D2P1 mentioned that reasons were also not provided to the IAA for the non-implementation of IAA's recommendations.

It can be concluded therefore that, despite the positive results regarding the desire to implement good organisational governance by national departments, there is a lack of will and enthusiasm to implement effective consequence management for poor or non-performance. This situation calls into question the information published (D1Doc3) that good governance had been adopted. It is also submitted that the lack of effective consequence management will promote an environment of mediocre employee performance, non-optimal departmental performance and poor service delivery.

Document D1Doc3 stated that the department had also established additional internal governance structures such as bid committees, information technology steering committees and audit steering committees. These committees were established to ensure that the department complied with all relevant laws, regulations, policies and other prescripts in its operations. In addition, the ARs (D1Doc3; D2Doc2; D3Doc4; D4Doc3) of all four national departments confirmed the existence of operating policies, again confirming compliance with governance requirements.

(ii) *Parliament*

Parliament serves as a governance structure that oversees the performance of national departments. This statement is attributed to interview participants D1P3 and D2P2 and finds support in Mackie (2008), who states that performance must be communicated to relevant stakeholders such as shareholders and legislatures. All four national departments reported in their ARs (D1Doc3; D2Doc2; D3Doc4; D4Doc3) that their departments had met on several occasions with the relevant parliamentary portfolio committees to account for their performance. The ARs of two departments (D3Doc4; D4Doc3) also informed that national departments provided information to parliament on its strategic focus and direction and presented detailed information on areas of interest or concern to parliament. In the case of national department D2, it was reported in the AR (D2Doc2) that the parliamentary portfolio committee also undertook oversight visits to the department during the financial year. Despite the ongoing engagement, parliamentary oversight appears to be ineffective considering the continuing service delivery protests and the reported widespread corruption in the public sector (Timeslive News, 2018; Letsoalo, 2013; Sebugwawo, 2013).

(iii) *Audit committee*

The establishment of ACs in national departments is mandatory (South Africa, 1999) and all national departments considered the AC as a pillar of good organisational governance (D1Doc3; D1P1; D2P2; D3Doc4; D3P1; D4Doc3). Literature and scholars (IoDSA, 2016; Adel & Maissa, 2013; Ghafran & O'Sullivan, 2013, Deiderich, 2011) agree that the AC is an important governance structure.

Data collected from interview and focus group participants as well as qualitative content analysis (D1Doc3; D1Doc7; D1P1; D2P1; D2P2; D3Doc4; D3P1; D4P1; D4FG1) confirm that ACs have been established as a governance structure within national departments. The document analysis emphasised the establishment of the AC as a governance structure by including a special mandatory AC report as part of the governance report in the national departments' ARs (D1Doc3; D2Doc2; D3Doc4; D4Doc3). According to the research data (D1Doc7; D2P2; D3Doc4), the AC has an oversight role over the governance of the department and is advisory in nature. The AC, therefore, has no

responsibility over the operations of the national department which rests instead with the AO and management, according to D1Doc7, D2P2 and D3Doc4.

According to interview participant D1P1 and documents D3Doc4 and D4Doc3, ACs were required to function in accordance with approved terms of reference. Interview participants (D1P1; D3P1) clarified that these terms of reference were set out in an AC charter. The IIA (2017b), Protiviti (2013) and the Australian Securities Exchange (2010) confirmed that the AC should function in accordance with an approved charter. AC charters were obtained from two national departments (D1Doc7; D3Doc1).

Content analysis of both the AC charters as well as other documents obtained (D1Doc3; D1Doc7; D3Doc1; D3Doc4; D4Doc3) indicated that the AC maintained an oversight role over the financial, controls, governance, risk and audit processes of the department and over departmental performance. The IASs (IIA, 2017b, Glossary) and literature (Protiviti, 2013; Australian Securities Exchange, 2010; Van der Nest *et al.*, 2008) confirm that the mandate of the AC includes oversight over the governance, risk and control processes of the organisation. The AC mandate also included monitoring the department's compliance with the applicable regulatory frameworks and the department's code of conduct. In addition, according to D1Doc7 and D3Doc1, the AC provided oversight over the adequacy, reliability and accuracy of the financial information produced and reported by the department as suggested by literature (Tanyi & Smith, 2015; Hegazy *et al.*, 2014; Lanz, 2014; Adel & Maissa, 2013; Baatwah *et al.*, 2013; Ghafran & O' Sullivan, 2013).

In Chapter two it was noted that governance, risk management and control contributed to effective OPM. Consequently, as a governance structure in the department, the AC also performed an oversight role of the national department's OPM processes. National department D3 had specifically recorded in the AC charter (D3Doc1) that the AC had oversight responsibilities over departmental performance management. The oversight role in the performance management system of the organisation by the AC is also highlighted in the literature (Hegazy *et al.*, 2014; Ionescu, 2014; Lanz, 2014; Adel & Maissa, 2013; Baatwah *et al.*, 2013; Fiolleau, Hoang, Jamal & Sunder, 2013). Notably, though, the AC report in the AR of national department D1 (D1Doc3) omits to mention the involvement of the AC in OPM.

Several interview and focus group participants (D1FG1; D1P1; D1P3; D2P1; D2P2; D2FG1; D3P1; D3FG1; D4FG1; D4P1) confirmed that the AC met specifically to evaluate the performance of the department by analysing the quarterly and annual PI report submitted. The participants mentioned that, in addition, the IAA also tabled its report on the internal auditing assessment of the department's quarterly PI to the AC for consideration. The AC considered both the PI and the IAA's assessment of the PI when determining organisational performance.

However, despite the generally positive sentiment surrounding the AC, one interview participant (D4P3) stated that the AC in department D4 was weak and ineffective. The interview participant had arrived at this conclusion after attending many AC meetings where important issues had simply been skimmed over. The participant's view was that a strong AC was a pre-requisite for effective OPM. It is submitted that the effectiveness of ACs in government also comes into question in light of non-optimal service delivery as reported by the AGSA and gauged from the ongoing service delivery protests.

In addition, a further view emerged that despite the establishment of the AC as a structure of good organisational governance intended to promote optimal organisational performance, national departments still faced several challenges. According to the AC report (D3Doc4) of department D3, the department still faced a challenge of maintaining an effective, efficient and transparent system of internal controls that consequently had impacted negatively on organisational performance.

In Chapter 4, it was stated (Section 4.2.3) that internal auditing, as suggested by Mihret (2014), was one of the measures available to address the agency problem. The IAA reports functionally to the AC which is a sub-committee of the board (IoDSA, 2016) or an independent committee in the public sector (South Africa, 1999), thus serving to confirm internal auditing's role and its independent status. Consequently, a deductive inference is presented in that the AC features as an important governance mechanism that seeks to narrow the impact of the agency problem (see Section 4.2). Cuevas-Rodríguez, Gomez-Mejia, and Wiseman (2012), and Feizizadeh (2012) maintain that good governance was a measure to address the agency problem whilst Adel and Maissa (2013), Deiderich (2011) and the Australian Securities Exchange (2010) assert that the AC is an important good governance mechanism.

It can therefore be concluded that the AC as a governance structure features prominently at the national department level. Additionally, the mandate, role and responsibilities of the AC align with the arguments of literature. A further conclusion is that there is compliance with the PFMA in the establishment and appointment of the AC. However, the contention that the AC may not be strong enough, need to be accorded the necessary attention by national departments.

6.6.8.2 Effective leadership

The role of effective leadership in OPM emerged as a good governance mechanism. Literature indicates that good leadership required leaders to be at the forefront, providing effective direction to the organisation (IoDSA, 2016; Fernandes & Da Silva, 2015; Keskes, 2013; Bolden *et al.*, 2008). The leadership level included the executive authority and the executive management echelons of the national department. The argument is made that good leaders establish various structures and forums within the national department for effective and optimal functioning. Documents analysed (D1Doc3; D2Doc2; D3Doc4; D4Doc3) indicate that effective leaders set the example on adherence to good organisational governance.

Thus, the leadership of two national departments committed themselves to good governance by including a statement to that effect in their 2015/16 ARs (D1Doc3; D2Doc2). In addition, the leadership of one department (D2Doc2) had also publicly committed itself to accountability, compliance with good corporate values and the implementation good management practices. According to the document analysis, effective organisational leadership was considered such that all national departments (D1Doc6; D2Doc3; D3Doc7; D4Doc4) included a specific programme to provide strategic leadership and support services to the department. Several interview participants (D1P1; D2P2; D3P1; D4P1) attributed the successful development of the department's strategic focus and plans to effective departmental leadership. The unqualified AGSA opinions (D1Doc3; D32Doc2; D3Doc4; D4Doc3) on the financial statements of the four national departments were also attributed to the leadership provided at these departments.

An argument is made by national departments (D1Doc3; D1Doc2) that good leadership is promoted by the requirement that all members of senior management disclose their financial interests on an annual basis so that any potential conflicts of interest may be

resolved. Additionally, departmental leadership (D4Doc1; D4Doc3) sought to encourage a good ethical climate in the department. Müller *et al.* (2016) explain ethics as a philosophical introspection conducted by an individual on personal morality and principles. Consequently, an ethics officer, reporting to an Ethics Committee, had been appointed by national departments D1 and D4 to improve the ethical climate of the department. The content analysis (D1Doc3; D2Doc2; D3Doc4; D4Doc3) also indicated that the leadership structures had committed to creating a good performance climate by (i) promoting a strong control environment, (ii) establishing a dedicated unit to assist the professional services components of the department, (iii) improving the research and development capacity (iv) reducing fraud and corruption (v) adhering to departmental policies (vi) fostering good governance (vii) undertaking fraud awareness training and education and (viii) maintaining zero tolerance of fraud and corruption.

In addition, the minister's foreword to national department's D3 AR for 2015-2016 (D3Doc4) emphasised the efforts made in fighting fraud and corruption as a commitment by departmental leadership. Documents (D3Doc3; D3Doc7) stated that management would implement measures to reduce the quantity of irregular expenditure being incurred by the department. Management would also implement measures to pay suppliers within 30 days from date of invoice. Additionally, the 2015-2016 AR of D3 (D3Doc4) noted that the excessive amounts of irregular expenditure incurred by the department were as a result of inefficient processes and procedures that had previously existed and provided assurance that departmental leadership was addressing these inefficiencies.

However, despite this commitment, the effectiveness of the leadership in national departments may be contested considering the amounts of the irregular expenditure incurred, as reported by the AGSA (South Africa, 2017) and the reported widespread corruption that exists in the public sector (Timeslive News, 2018). It is therefore necessary to examine the leadership in national departments, and in the public sector in general, with particular reference to departmental performance and service delivery.

The content analysis of the ARs of national departments (D1Doc3; D2Doc2; D3Doc4; D4Doc3) revealed that leadership of all national departments had implemented a code of conduct. This refers to a formalised document intended to create an environment where high ethical standards are upheld. It was found that generally, the code of conduct formulated by the Public Service Commission had been adopted and implemented by

national departments. Departments also communicated the code of conduct to all departmental employees who acknowledged that they had read and understood it and would abide by the code. In addition, one national department (D2Doc2) mentioned that all employees were made aware of the code of conduct on a quarterly basis. Also, in the case of another national department (D4Doc3), training on the code of conduct occurred throughout the financial year. The department's AR (D4Doc3) stated that training on the code of conduct was provided to more than 90% of the new employees joining the department.

However, despite the commitment to good, effective leadership by national departments, the AGSA reported on D1 leadership (D1Doc3) as follows: (i) action plans that fully addressed prior audit findings were not always developed, (ii) ineffective implementation of those action plans that were developed, (iii) there was inadequate consequence management, (iv) there was insufficient financial reporting, internal controls, policies and procedures and (v) there was inadequate verification and monitoring over the department's entities. The AGSA reported the following leadership challenges in its audit report issued on national department D3 (D3Doc4) for the 2015/2016 financial year: (i) leadership did not address the vacancy challenges, (ii) there was poor record keeping, (iii) there was insufficient evidence to support records and reports, (iv) there was ineffectiveness in monitoring compliance in certain areas and (v) leadership must give attention to expanding the capacity of both the IAA and Risk Management Unit (RMU) so that internal control deficiencies are identified and addressed. The AGSA reported inadequate oversight in respect of financial reporting, monitoring and compliance with laws and regulations on D2 leadership (D2Doc2).

The data analysis indicated that national departments attempted to embrace good leadership practices and implemented measures in an effort to create effective leadership capacity. Departments also stated that good, effective leadership existed and that they were committed to enhance leadership practices. However, despite these positive intentions, the AGSA had raised leadership challenges in three of the four national departments researched, questioning the credibility of the information reported in the ARs. It can therefore be concluded that the results of the data analysis point to a dichotomy between the department's evaluation of leadership effectiveness and that of the AGSA's assessment. The dichotomy could stem from the governmental practice of appointing leaders who may lack formal leadership training. An argument can therefore

be made for government to partner with relevant institutions such as the Institute of Directors and the Higher Education Sector to provide leaders and potential leaders in government with formal leadership training and development.

6.6.8.3 *Effective management*

The majority of the interview and focus group participants (D1FG1; D1FG2; D1P1; D1P2; D2FG1; D2FG2; D2P1; D2P2; D3FG1; D3FG2; D3P1; D4FG1; D4P1; D4P2; D4P3) identified management as an important component of good governance. The views of the interview and focus group participants reflected the arguments of Fernandes and Da Silva (2015), Medlin and Green (2014) and Harung (1996) that effective OPM is contingent on good management. Interview and focus group participants confirmed the existence of a comprehensive management structure in each national department. The management committee was responsible for the effective managing of the national department.

Several key responsibilities of managers were identified by the interview and focus group participants (D1P1; D2P1; D2P2; D3P1; D4P1; D4P2; D4P3). Management was responsible for developing the national department's SP and APP and implementing the approved version to ensure that planned objectives were achieved. In addition, departmental management was responsible for ensuring the effective day-to-day functioning of the department. This statement is evidenced by the information in national department D3's APP for 2017-2018 (D3Doc3). This document indicates that a platform will be created for management to engage, communicate and become transformational leaders. Medlin and Green (2014) and Harung (1996) confirm the views of the interview and focus group participants, that managers implement the necessary measures to increase the likelihood that everything that must be accomplished indeed gets accomplished.

Whilst all national departments had created management structures, a content analysis of documents highlighted that at least one national department had stressed the need for improvement in management. The AO of national department D3 (D3Doc3) stated in the department's 2017-2018 APP that management of the national department would be improved. The AO also committed to strengthening the department and improving its work. The calls for employees to work with management to successfully implement the APP and achieve performance highlights the need for improvement in effectively

managing national departments. The admission by a national department (D3Doc4) that excessive amounts of irregular expenditure were being incurred also calls into question the management performance of the department.

However, interview participant M&E1 argued that the governance bodies established by national departments were not always effective, resulting in the creation of even more governance structures. The end result is a bloated, cumbersome governance mechanism. The participant emphasised that these structures need to be combined in order to avoid governance and reporting fatigue. The participant further argued that combining governance structures with overlapping mandates will result in significant efficiencies for the department. This view resonates with the argument presented in Section 6.8.4, that the reluctance to implement consequence management may have resulted in over-governance and over-control in the public sector. However, it is submitted that despite this situation of over-governance, governance in the public sector is ineffective considering the sector's non-optimal performance.

6.6.9 Internal controls for effective organisational performance

Mackie (2008) argues that monitoring, measuring and adjusting aspects of both individual and organisational performance through the use of controls implemented by management enhances OPM. Barzelay (2009) suggests that M&E is an element of NPM adopted by the public sector that seeks to encourage effective OPM. Performance management had a dual purpose in firstly ensuring that internal controls exist to manage and monitor organisational performance and secondly to communicate performance to relevant stakeholders such as legislatures, and the public (Barzelay, 2009). Content analysis indicated that at least one document (D2Doc2) stated that optimal organisational performance is dependent on a system of robust internal controls developed and implemented by management, giving effect to the arguments put forward by Mackie (2008).

Document D2Doc2 stated further that internal controls referred to the measures implemented by management to effectively achieve departmental goals and targets. Literature suggests that internal controls were implemented to provide management with assurance that planned objectives will be achieved as intended (Jahmani *et al.*, 2014; Mihaela & Marian, 2013; Radu, 2012). In document D4Doc3, it was argued that internal

controls were also intended to (i) be cost-effective, (ii) provide assurance that assets were safeguarded, (iii) ensure that working capital were managed, and utilised economically, efficiently and effectively and (iv) ensure that liabilities were properly managed and controlled, in accordance with the arguments of literature and the requirements of the IASs (IIA, 2017b, 2130; Ghosh & Lee, 2013; Mihaela & Marian, 2013; Radu, 2012).

Documents D1Doc3 and D2Doc2 confirmed that national departments had implemented systems of internal controls in order to promote optimal departmental performance. According to interview participant D2P2, national department D2 formulated a control policy and a control framework in order to foster an enabling environment for the design and implementation of an adequate and effective system of internal controls. Mihret and Grant (2017) argue for the implementation of an adequate and effective system of internal controls to promote the orderly conduct of business. The control policy developed by national department D2 (D2P2) sought to define the concept of 'control' and give guidance on the various categories and types of controls that encourage optimal performance. The control policy also provided for the continuous evaluation of the system of internal controls designed and implemented. In addition, a qualitative content analysis of document D2Doc2 revealed that the department had also established an Internal Control Unit for the purposes of supporting a positive control environment and for managing and monitoring the development and implementation of internal controls. Furthermore, document D3Doc7 reported that national department D3's policy priorities for the period 2015-2020 included improving performance efficiency by bringing into use improved planning and performance management tools.

In addition, the content analysis of several documents (D1Doc2; D1Doc3; D2Doc3; D3Doc7; D4Doc3) indicated that national departments had formulated several policies as part of the department's system of internal controls. According to Radu (2012), the system of internal controls included the policies formalised by the organisation for effective performance. Document D1Doc3 informed that national department D1 had formalised several policies which had been communicated to departmental employees. This department (D1Doc2) also reported that 29 standardised financial policy guidelines had been developed to improve organisational governance and bring about uniformity in financial practices in the department and its entities. In addition, 23 policies finalised by the department would have been implemented from 01 April 2017. The department reported that several strategies and specific plans such as the human resources plan,

employment equity plan and the skills development plan had been approved for implementation. In its SP for 2015-2020, national department D2 (D2Doc3) reported that it had embarked on a review of its existing policies and the development of new policies to contribute to improved organisational performance.

Despite the commitment and effort of management, challenges were noted with the systems of internal controls in the departments. The AC report of D1 (D1Doc3) stated that its system of internal controls was not entirely effective during the financial year. The AC noted several instances of non-compliance with internal controls reported by both the AGSA and the IAA. The AC noted further that some of the findings were repeat findings from previous years' regulatory audits, a clear indication that management did not accord adequate attention to these control deficiencies previously reported. In addition, the AC noted specifically that the controls over the generation, collation and reporting of PI were of concern. In national department D4, the IAA recommended in the AR (D4Doc3), that the system of internal controls designed and implemented by the national department should be subjected to ongoing improvement. Consequently, a deductive inference is made that whilst national departments have progressed towards designing and implementing adequate and effective systems of internal control, capacity exists for the improvement of internal controls in order to encourage optimal departmental performance and improved service delivery. Additionally, it is submitted that the system of internal controls implemented by national departments failed to create the necessary control environment to prevent irregular expenditure and corruption (Timeslive News, 2018; South Africa, 2017). It is also submitted that a case exists for conducting a comprehensive, independent review of the system of internal controls implemented by national departments and the effectiveness of the internal auditing of these controls.

6.6.10 Risk management

Risk management emerged from the empirical data as an important component of OPM. Document D1Doc10 pointed out that the PFMA (South Africa, 1999) requires the AO of every department to implement a system of risk management. Document D1Doc10 stated that every manager should manage the risks pertaining to their area of responsibility, thus giving effect to the views of Johnsen (2015).

An argument was made (D4Doc3) that monitoring and evaluating the risk management processes of the national department was important for optimal organisational performance. Monitoring and evaluating risk requires that risks be identified and prioritised based on their likelihood of occurrence and their impact should the risk actually materialise. In addition, new and emerging risks were continuously identified and considered during the risk review and management processes. The arguments included in documents (D1Doc10; D4Doc3) align with the suggestions of literature (Addams *et al.*, 2013; CQI, 2013; Maluleke, 2012; Kagaari, 2011; UN-ECOSOC, 2003) that national departments identify and manage risks.

Several interview and focus group participants (D1P1; D2P1; D2P2; D2P3; D3P1; D4FG1; D4P3) confirmed that national departments had implemented systems of risk management. The content analysis (D2Doc2; D3Doc3) disclosed that the NT had developed a risk management framework to support risk management in the public sector. Documents (D1Doc3; D2Doc2; D2P3; D3Doc7) confirmed that the risk management processes implemented by national departments aligned with the NT framework. In addition, national department D3 (D3Doc7) reported that it had also adopted the risk management recommendations of the King reports on corporate governance.

Both interview participants and documents (D1Doc3; D1P1; D2Doc2; D2P1; D2P2; D2P3; D3P1; D4P3) indicated that regular risk assessments were conducted to identify and prioritise risks. Literature on risk management included the responsibility of management to identify and manage the risk exposure of the organisation (Mihret & Grant, 2017; D'Aquila & Homes, 2014; Simona & Gheorge, 2012). In addition, the results of the document analysis (D1Doc3; D2Doc2; D3Doc4; D3Doc7) confirmed that the planning processes of national departments incorporated risk identification, risk assessment and risk management. National department D4 stated in its AR (D4Doc3) that the strategic planning and risk management processes of the department were aligned.

Documents analysis (D3Doc4; D4Doc1; D4Doc4) revealed that risk assessments were conducted annually by national departments both at the strategic and at the operational levels. National department D2 (D2Doc2) confirmed that it conducted assessments, at least on a six-monthly basis to establish the extent of awareness and implementation of

risk management within the department. Several interview participants (D1P1; D2P1; D2P2; D2P3; D3P1; D4P3) confirmed the results of the content analysis that, during the risk assessments, the department identified risks at both the strategic and operational levels. Strategic risks were explained as those that can impede the department from achieving its strategic objectives. These strategic risks were recorded in the risk register and response strategies to manage such risks were developed and implemented by the national departments. Operational risks that impacted on departmental operations were also identified, prioritised, recorded and managed. In terms of the strategic management of the national department, the updated strategic risk register was presented and discussed at departmental executive meetings, management meetings, AC meetings and RMC meetings. Document D4Doc1 stated that the executive management committee of the national department monitored risk management, thereby placing risk management at the highest level in the department.

Interview participant D2P3 stated that national departments had established RMUs and appointed an RMC to assist the national department in the risk management process. The statement by interview participant D2P3 was confirmed through content analysis (D1Doc3; D2Doc2; D3Doc4; D4Doc3), revealing that national departments had established an RMU and an RMC to oversee and guide risk management.

The qualitative content analysis (D1Doc3; D1Doc6; D3Doc4) confirmed the statements of interview participants that national departments have formalised and implemented processes for risk identification and management. According to interview participant D2P3, national department D2 went further by appointing risk champions in the various units of the department. In addition, the heads of the units, being the DDGs, were appointed as risk owners who oversaw the implementation of risk management in the department. Risk owners were required to approve the final risk registers for their units. National department D2 had also implemented an integrated system of risk management and reported the significant departmental risks in its 2015-2020 SP (D2Doc2).

However, despite the concerted effort by national departments to manage risks, challenges were recorded. The AC in D2 noted in its annual AC report (D2Doc2) that it was concerned with the effectiveness of risk management in the department. It noted that the department had appointed the chairperson of the RMC to address the challenges faced by the department with regard to risk management, the implication being that the

department, on its own, was not adequately coping with risk management. It is therefore submitted that risk management at national departments requires further attention to foster an environment that encourages optimal performance.

6.6.11 Management performance assessment tool

Several interview and focus group participants (D2P2; D2P3; D3FG1; M&E1) identified the management performance assessment tool (MPAT) developed by the DPME as an important OPM concept. Interview participants (D2P2; D2P3) explained that the MPAT is a performance management tool designed to assess management and governance practices in the public sector. This explanation was confirmed through content analysis of document D3Doc4. The MPAT requested information on the establishment of governance structures such as the AC, RMC and other committees. The DPME, which administered the MPAT, also requested evidence such as terms of reference, minutes of meetings, formalised policies and other documentation to support the MPAT assessments conducted by national departments (D2P2; D2P3). According to interview participants (D2P2; D2P3), the DPME also requested information from departments on resolutions taken with regard to compliance with MPAT requirements and the level of implementation of such resolutions. In effect, the MPAT served as both a governance and management dashboard.

The content analysis of D3Doc4 confirmed that departments generally complied with the MPAT assessments. National department D3's AR for 2015-2016 (D3Doc4) confirmed that the improvement in governance was reflected in the MPAT assessment which, according to D3Doc4, had improved from an average of 25% in 2012 to 70% in 2015. The department had also formulated plans to further improve its governance over the five-year strategic period, in accordance with the MPAT.

However, focus group D3FG1 offered a differing view. It contended that departments completed their MPAT assessments simply for the sake of compliance rather than using it as a management tool. The focus group also questioned the relevance of the MPAT in OPM.

6.6.12 Combined assurance

Combined assurance appeared frequently as an OPM concept from the empirical research data. This concept reflected some of the suggestions of King IV (IoDSA, 2016) and Engelbrecht (2010), insofar as organisations should adopt combined assurance. According to interview participant D1P1, combined assurance required coordinating the work of all departmental assurance providers in order to promote broader audit coverage. IAS 2050 (IIA, 2017b) also provides for the IAA to rely on the work of other internal and external assurance providers to ensure broader audit coverage and to minimise duplication of effort. However, King IV (IoDSA, 2016) clarifies that combined assurance requires the efficient use of all assurance services and functions so that a strong control environment is established, veracious information is produced, duplication of effort is minimised and sustainable organisational value is created. Chesley and Gormly (2007) assert that ignoring combined assurance entrenches a 'silo mentality' within organisations that results in considerable duplication of effort with the resultant cost implications. Seago (2016) recommends embracing combined assurance to promote efficiency in the provision of assurance services.

According to several interview participants (D1P1; D2P2; D3P1; D4P3), national departments have established various units that provide assurance services. These included the IAA, the RMU and in certain cases, the internal control unit. The AGSA also provided assurance to the departments through their regulatory audits. In addition, management themselves were providers of assurance to the department in that managerial activities necessarily resulted in assurance that planned objectives would be achieved.

According to interview participant D1P1, different assurance providers focused on different performance areas of the department because of their differing mandates. For instance, the focus of the AGSA was on the financial statements and predetermined objectives while the IAA focused on the governance, risk management and control processes. Interview participant D2P2 disagreed, stating that both the AGSA and the IAA were required, in accordance with their specific professional standards, to evaluate the internal control systems of the national department, thereby creating an overlap in the work performed by these two assurance providers. Interview participant D2P2 argued that in other instances such as that of the MPAT, the work of management overlapped

with that of the IAA. Therefore, the IAA placed reliance and accepted the results of the MPAT assessments conducted and did not duplicate the work of management in that area (D2P2).

According to interview participants (D2P2; D3P1), another area of duplication was that of auditing the PI reported by the department. The quarterly PI report was submitted to both the AGSA and the IAA for auditing, both of which had similar assessment objectives and performed similar assessment procedures. Thus, both the AGSA and the IAA audited the same information. Interview participant D2P2 informed that the IAA in national department D2 had approached the AGSA to work together in this area. The interview participant (D2P2) argued that by working together to conduct PI assessments, both the AGSA and the IAA assisted each other by avoiding duplication and ensuring broader audit coverage. The qualitative data thus indicates that national departments have not all fully embraced the concept of combined assurance.

Interview and focus group participants (D3P1; D4FG1) agreed that the adoption of elements of combined assurance was useful. They concurred with interview participants D1P1 and M&E1 that combined assurance also enabled greater audit coverage by avoiding duplication and overlapping. Interview participant D3P1 corroborated this view by stating that the department was serious about implementing combined assurance and had commenced, initially, with the cooperation between the IAA, the RMU and the SPU. According to the department (D3Doc4; D3Doc7), an integrated approach to governance, risk and compliance improved service delivery whilst also creating an environment to address new and existing risks. An example was cited (D3Doc4; D3Doc7) that in embracing combined assurance in D3, the IAA was able to rely on the results of the risk assessments managed by the RMU in developing the 2016-2017 internal auditing plan. Interview participant D3P1 stated that the implementation of combined assurance in D3 would start yielding positive results within two to three years.

Other departments also sought to introduce elements of combined assurance. The internal audit charter of D1 (D1Doc9) included a provision for the IAA to coordinate its efforts with those of the AGSA. The AC in D4 reported (D4Doc3) that it reviewed the plans of the external auditor, IAA and other assurance providers of the department, including management, to decide whether the efforts of all these assurance providers were adequate to address the risks faced by the department. The AC concluded that the

combined efforts were adequate. However, according to interview participant D4P3, combined assurance had not been fully implemented because of capacity problems in the RMU. The statement by participant D4P3 contradicted the AC report which claimed that elements of combined assurance had been adopted. Consequently, there may be non-alignment between the policy direction of the department and practical policy implementation. The reliability of the disclosures in the AR then also becomes questionable, exemplifying the agency problem of asymmetrical information.

It can be concluded that, based on the input of the participants, national departments are seeking to embrace combined assurance by focusing on broader coverage and limiting duplication of effort. However, significant work is still required by the public sector to implement combined assurance in its entirety as proposed by King IV. It is therefore recommended that departments formalise a policy adopting a coordinated assurance approach instead.

6.7 EFFECTIVENESS OF ORGANISATIONAL PERFORMANCE MANAGEMENT

Chowdury and Shil (2017) argue that NPM was introduced into the public sector with a view to driving economical, efficient and effective organisational performance for improved service delivery. Business management principles adopted from the private sector, as located within the theory of managerialism, largely sought to achieve such results (Chowdury & Shil, 2017). This study explored the effectiveness of OPM in national departments. The sub-themes emerging from the data are: (i) accountability for organisational performance, (ii) performance monitoring and evaluation, (iii) effectiveness of OPM processes, (iv) planning for compliance and favourable audits and (v) governance and reporting fatigue.

6.7.1 Accountability for organisational performance

The empirical data suggests that accountability for both financial and non-financial performance was an important consideration for national departments. All interview and focus group participants confirmed that national departments provided accountability for their performance both within and outside of the department. The confirmation of the participants is aligned with the views on accountability of several authors (Coupet & McWilliams, 2017; Ștefănescu *et al.*, 2016; Vasile & Croitoru, 2012; Yildiz *et al.*, 2011;

Pun & White, 2005). In addition, document analysis (D2Doc2; D3Doc3) confirmed that departments accounted on their performance to various structures both within and outside the department. Interview participants D1P1 and D1P3 stated that the key accountability instruments were the SP, APP, quarterly PI and the AR, which incorporated both the annual PI and the audited financial statements. According to the participants, the DGs of the national departments were accountable for departmental performance and PI reports.

Externally, according to several documents (D1Doc2; D1Doc3; D1Doc6; D2Doc1; D2Doc2; D2Doc3; D3Doc3; D3Doc4; D3Doc7; D4Doc1; D4Doc2; D4Doc3; D4Doc4), the national department provided accountability for its performance in the form of the SP, APP and ARs that are tabled in parliament, thereby confirming the statements of interview participants D1P1 and D3P1. These documents were also uploaded onto the departments' websites, making the information available to the general public. A content analysis of available documents (D2Doc2; D3Doc4; D4Doc3) confirmed that national departments had met on several occasions with their parliamentary portfolio committees to account for departmental performance.

Also external to the national departments are the oversight departments, the NT and the DPME, according to participants M&E1 and M&E2. Accountability in the form of quarterly and annual PI was provided to the oversight departments, according to several interview and focus group participants (D1P1; D2P1; D2P2; D3P1; D4FG1; D4P1). Participant M&E1 stated that in addition to the PI reports, the DPME entered into strategic dialogues with national departments on their performance and the development of plans (see Section 6.7.3). Moreover, the quarterly and annual PI reports were made available by the DGs to the executive authorities of departments. The executive authority then engaged with the DG and the executive management team on departmental performance as well as any areas of concern (D1P2). Interview participant M&E1 argued that the annual PI report could be regarded as the ultimate accountability document in government.

Internally, several structures established within the department promote accountability by the national department. The majority of the interview and focus group participants (D1FG1; D1P1; D2FG1; D2FG2; D2P1; D2P2; D3FG1; D3P1; D4FG1; D4P1; D4P3) confirmed the existence of ACs and RMCs in national departments (see Section 6.6.8.1). The quarterly and annual PI reports were discussed and evaluated by these committees.

The department's executive management structure served as a further accountability mechanism within the department (see Section 6.6.8.1). Several interview and focus group participants (D1P1; D2P2; D3FG1; D3P1; D4FG1; D4P1) confirmed that individual units in national departments submitted their PI reports to the relevant department's executive committee. Robust engagement took place at the executive committee meetings before the PI reports were accepted. Furthermore, DDGs accounted to the DG on their branches' performance during these meetings.

Consequently, the data and document analysis emphasised that accountability is an important element of OPM in the public sector. Content analysis revealed that accountability is provided by national departments to high levels such as parliament, ministers and members of executive committees. Additionally, accountability for departmental operations and performance is provided externally to the public as well as within the public sector to oversight departments such as the NT and DPME.

The accountability mechanisms implemented by national departments give effect to both the agency and accountability theories insofar as departmental employees must account for their performance to their principals. However, despite the various efforts described above, optimal service delivery has not been achieved which calls into question the accountability of governance bodies. Consideration should be given to considering whether over-accountability and over-control have become entrenched within the public sector, negatively impacting organisational performance.

6.7.2 Performance monitoring and evaluation

The data analysis highlighted M&E as a recurring conceptual element of OPM. Several interview and focus group participants (D1FG2; D1P3; D4P1; M&E1; M&E2) stated that M&E referred to the processes put into place by management to monitor and manage the implementation of departmental plans and to report progress on achieving plans. According to Chowdury and Shil (2017) and the FPPI (South Africa, 2007b), a robust system of M&E is necessary for the effective achievement of the planned objectives of the national department. Interview participant D1P3 pointed out that M&E was a management function and that each manager was responsible for implementing and monitoring plans in their area of responsibility. The arguments of participant D1P3

generally reflect the requirements of the FSPAPP (South Africa, 2010a). Interview participants (D2P2; D2P3; D4P3) argued that effective M&E necessitated the existence of adequate and effective governance structures. Governance structures (see Section 6.6.8.1) reinforce M&E processes by evaluating whether the OPM of the national department enabled the successful achievement of planned objectives and targets.

The majority of the interview and focus group participants (D1FG1; D1P1; D2FG1; D2FG2; D2P1; D2P2; D2P3; D3FG1; D3P1; D4FG1; D4P1; D4P2) highlighted the need for M&E to enhance optimal organisational performance. Several interview and focus group participants (D1FG1; D1FG2; D1P3; D3P1; D4P1; D4P2) argued that M&E had its origin in the department's SP and APP since M&E had commenced from the moment of conceptualisation of the planned objectives and annual targets. Participants D2P3 and D4P2 pointed out that at the strategic planning session conducted by the department to develop and formulate its SP and AP for the coming financial year, the departmental performance for the current financial year was critically reviewed and analysed. The underlying reasons for deviant performance were interrogated as suggested by Medlin and Green (2014), Sia and Neo (2008) and Najmi *et al.* (2005). Interview participants (D2P3; D4P2) stated that the results of the interrogative process influenced the strategic planning process.

Interview and focus group participants (D1FG2; D3P1) maintained that the effective achievement of planned objectives and targets was driven by the processes and systems implemented by management to ensure that SPs and APPs were implemented as planned. Several interview and focus group participants (D1FG1; D1FG2; D1P3; D2P3; D3P1; D4P2; D4P3) indicated that M&E was used to determine, at regular intervals, whether the department was effectively progressing towards achieving its planned objectives and targets. Focus groups D1FG1 and D1FG2, and interview participant D3P1, stated that effective M&E resulted in increased probability of the department actually achieving planned objectives and targets.

The majority of the interview and focus group participants (D1FG1; D1P1; D1P4; D2FG1; D2P2; D3P1; D4P1; D4P2; D4P2; D4P3; M&E1; M&E2) confirmed the adoption and implementation of a system of quarterly PI reporting by departments (South Africa, 2007b; South Africa, 2011). The quarterly PI report (D1FG1; D1P1; D1P4; D2FG1; D2P2; D3P1; D4P1; D4P2; D4P2; D4P3; M&E1; M&E2) was used to assess and evaluate progress of

the department towards achieving planned objectives and targets, as required by the FSPAPP (South Africa, 2010a), the GWMES (South Africa, 2007c) and as suggested by Hoque (2008). The quarterly PI report provided information on the actual performance achieved for the reporting quarter against the planned targets in the APP. A number of interview and focus group participants (D1FG1; D1FG2; D1P4; D2FG2; D2P2; D3P1; D4P2; D4P3) stated that evidence to support such reporting is also compiled by the departmental units. According to the participants D1P1 and D3P1, national departments call such evidence the portfolio of evidence (POE).

Interview and focus group participants (D1FG1; D2P2; D2P3; D3P1; D4P1; D4P2; D4P3) informed that each unit within the national department conducted a self-assessment of the unit's actual performance against the planned quarterly targets. Where performance was not achieved as planned, the causes for the deviant performance were investigated and reported accordingly. Interview participants (D2P3; D3P1; D4P2; D4P3) stated that units also provided information on the measures implemented to correct the under-performance.

Several interview and focus group participants (D1P1; D2P1; D2P2; D2P3; D3P1; D4FG1; D4P1) confirmed that the SPU evaluated and consolidated the PI reports received from individual units. The consolidated PI report was submitted at the Executive Management Team (EMT) meeting for consideration and recommendation. The SPU presented the PI report to the EMT and highlighted areas of concern. Interview and focus group participants all stressed that robust discussions took place at the EMT meeting on the PI. The PI report was submitted for further evaluation through parallel processes. The majority of interview and focus group participants (D1FG1; D1P1; D1P2; D1P4; D2FG1; D2FG2; D2P1; D2P2; D3P1; D3FG1; D3FG2; D4FG1; D4P1; D4P2; D4P3) confirmed that the parallel processes of the PI and POE being assessed included the evaluations conducted by both the SPU and the IAA. The interview and focus group participants stated that the IAA performed an evaluation of the PI report against the APP and also assessed the POE provided to support the PI report.

One interview participant (D4P3) argued however, that the SPU conducted only a limited assessment of the PI, contrary to the input of other interview participants (D1P1; D2P2; D3P1). The statement by interview participant D4P3 suggests varying approaches to assessing PI in the different national departments. According to the interview participant

(D4P3), the SPU in the department simply performed a post office type of function by collecting and consolidating all the individual units' quarterly PI reports. The research participant contended that the SPU did not add any real value to the PI report or the evidence submitted. However, the general consensus by other interview and focus group participants in the other national departments (D1FG1; D1P1; D3P1) was that where the SPU identified discrepancies, it engaged with the units to resolve these discrepancies. It is consequently submitted that departmental employees perceive the involvement of the SPU in the M&E processes differently and that a case exists for the SPU to effectively review and communicate its role in M&E to departmental employees.

Several interview and focus group participants (D1P1; D1P4; D2P1; D2P2; D2P3; D3P1; D4FG1; D4P1) stated that after the IAA review had been finalised and the queries cleared, the comprehensive departmental PI report compiled by the SPU was forwarded to the AC. Interview and focus group participants (D1FG1; D1P1; D3P1; D4P3) mentioned that the IAA also submitted the internal auditing assessment report on the quarterly PI to the AC. According to several interview and focus group participants (D1FG1; D2P2; D2P3; D3P1; D4P3), the SPU would have made presentations on the PI report to the AC on behalf of management. The AC considered the quarterly PI report as well as the IAA's assessment and provided input to management. The AC also provided guidance where disagreement existed between management and the IAA on internal auditing findings and recommendations. Three interview participants (D2P2; D3P1; D4P3) mentioned that generally, agreement was reached between the AC and management on the interventions to be implemented. As a further measure to enhance the credibility and accuracy of PI, interview participant D4P1 stated that in department D4, the DDGs of each unit were responsible for the accuracy and integrity of PI.

Focus group D1FG1 mentioned that the AGSA performed an audit of the PI reported and provided input to the department. This statement was confirmed by a content analysis of the ARs (D1Doc3; D2Doc2; D3Doc4; D4Doc3) of the four national departments. The AGSA reported findings or material misstatements that were subsequently corrected on the PI of all four national departments. Several interview participants (D2P2; D3P1; D4P1; D4P3) stated that after the AGSA had performed its assessment of the PI, the report was amended accordingly with the input received.

According to interview participants D1P1 and D3P1, after all processes had been completed and the AC and RMC were satisfied with the PI reported, the PI was forwarded to the DG for approval. Interview participants D1P1 and D3P1 confirmed that the DG conducted his own evaluation of the PI reported and provided input where required. Occasionally, according to interview participant D3P1, the DG expressed dissatisfaction with the quality of PI reports. However, should the DG be satisfied with the PI, s/he signed the report as approval. Several interview and focus group participants (D1FG1; D1P1; D1P4; D3P1; D4P2) stated that after approval by the DG, the SPU submitted the quarterly PI report to parliament and the oversight departments. In addition to submitting the quarterly PI report to parliament, the department also engaged with the relevant parliamentary portfolio committee on its PI report and quarterly performance.

However, an anomaly was detected in the M&E process of one national department. In the case of national department D2, interview participant D2P2 mentioned that the process differed slightly in that the PI reports are normally tabled at the AC meeting after they have been submitted to the oversight departments and parliament. According to interview participant D2P2, the department, however, regarded this report as the preliminary report because the information from the provincial departments would not have been received at the time of consolidating the department's PI for submission. Participant D2P3 confirmed that during the following quarter, specific attention was accorded to the outstanding PI of the current quarter. The units would then firstly report on the status of the outstanding PI in the quarterly report. Thereafter, the PI relating to the reporting quarter was presented. The approach was intended to ensure that all targets for the year were cumulatively achieved by the end of the reporting period. Both interview participants D2P2 and D2P3 agreed that at the end of the following quarter, the DPME and NT expected the final reviewed and formalised report for the current quarter as well as the preliminary report for that specific reporting (following) quarter.

Interview participant D1P1 and focus group D1FG1 advised that national department D1 utilised an electronic system for reporting the quarterly PI by units. The targets from the APP were pre-captured onto the system which enabled the quarterly PI to be reported against the pre-captured targets. The system also provided for deviations from planned performance to be explained and to record the corrective measures. Only specific departmental employees were authorised to upload and/or process data on the system. Focus group D1FG1 considered that the electronic system in use by the department was

adequate for the purposes of performance recording and management. The focus group argued, however, that the information updated on the systems was inaccurate and incomplete. This imprecise reporting was exacerbated by the department not being able to verify information received from its entities because of the delay in reporting and also because the department lacked the capacity to verify the veracity of such information reported. The point put forward by the focus group was thus that while the system enabled PI reporting, the information reported was not necessarily veracious.

Interview participants (D2P2; D2P3; D3P1) informed that national departments had developed templates to assist with their quarterly performance reviews and the reporting of quarterly and annual PI. Content analysis of documents (D1Doc3; D2Doc2; D3Doc4; D4Doc3) confirmed that these templates generally duplicated the formats suggested by the NT and DPME. The templates provided for the inclusion of the targets that each unit had set out to achieve in accordance with the APP, and the actual extent of achievement. Content analysis of the PI reported in the ARs of the four national departments (D1Doc3; D2Doc2; D3Doc4; D4Doc3) confirmed that a similar template had been adopted by all national departments, indicating a template-driven approach to PI reporting according to a prescribed framework.

Not all interview and focus group participants agreed with the concept of quarterly PI reporting. Interview and focus group participants (D1FG1; D1P2) suggested that ongoing monitoring on a monthly basis rather than quarterly monitoring should have been implemented. Focus group D1FG1 maintained that monthly PI reporting would lead to more effective OPM insofar as underperformance would be identified and corrected earlier.

The discussion above of the M&E processes implemented by the departments suggests that these processes are duplicated, exaggerated and complicated to a certain extent. Complying to these processes redirects human capital capacity away from service delivery tasks. The adoption of a framework (template)-driven approach to M&E, and the evaluation of the PI by multiple structures force employees to complete templates to satisfy the reporting and information requirements of these multiple structures, rather than focusing on optimal service delivery. Reporting to multiple structures has also resulted in reporting fatigue. The quarterly M&E processes therefore provide a strong argument for

the urgent consideration and implementation of a system of coordinated assurance, uniform reporting and a single portal for submitting PI reports.

A further consideration arises that the exaggerated M&E processes may be indicative of poor employee performance and inadequate consequence management. This conclusion emerged from the comments of several interview and focus group participants as well as an independent source, namely, the AGSA. An argument may be made for a deeper understanding of the reasons for poor employee performance and poor consequence management and their impact on OPM and service delivery.

6.7.3 Effectiveness of organisational performance management processes

Interview participant D1P1 stated that OPM of national department D1 was effective. However, the effectiveness was impacted by the need for the department to obtain information from its entities. Interview participant D1P3 concurred with interview participant D1P1 that OPM was effective. This participant stated that the department complied with the requirements of four major performance management tools – the APP, MPAT, Department of Public Services and Administration requirements and AGSA audits. Interview participant D1P4 mentioned further that the department had made significant progress in achieving its strategic goals. The achievements were made possible by managers providing monthly progress reports on their projects and programmes. Interview participant D1P2 stated that the implementation of ongoing performance monitoring and management had resulted in a specific unit in the department progressing from achieving 48% of its planned targets to 100%. This was made possible because of breaking down the annual targets into quarterly and monthly targets and by regularly monitoring the achievement of these targets.

Interview participant D2P1 stated that OPM in national department D2 was also effective. The participant mentioned that the AGSA had not raised any serious concerns on the PI reported during the past three years as compared to previously, where several concerns had been raised. The participant went on to state that the department had received unqualified audit reports over the past three years, thereby emphasising the effectiveness of the department's OPM processes. Interview participant D2P2 concurred that OPM in the national department was effective. The same participant based his views on a comparative analysis that he had conducted on the department's prior strategic

documents with the current strategic documents. The interview participant (D2P2) argued that the quality and content of the documents had improved significantly, largely driven by the effectiveness of the OPM systems. Interview participant D2P2 agreed with participant D2P1 that a further indicator of the effectiveness of OPM was the improvement in the AGSA assessment of the PI reported over the past five years. Focus group D2FG1, however, gave a mixed response. It mentioned that based on the results of the IAA assessment of PI reporting, the department's OPM appeared to be effective. However, one unit in the department had achieved only 47% of its planned targets, which called into question the effectiveness of the department's OPM.

Interview participant D3P1 mentioned that national department D3's OPM system was effective but not to the extent desirable. However, OPM in the department was improving, as evidenced by almost 60% of the targets now complying with the SMART criteria. Interview participant D3P1 stated further that the DG's interrogation improved the quality of the SP and APP. The participant mentioned that in a particular meeting, the DG dismissed the performance management report, stating that the DDGs were not doing what they were supposed to do, emphasising the need for high quality information.

Focus group D3FG1 claimed, however, that there were still gaps in terms of departmental employees understanding the concept of OPM. The focus group reported that this lack of understanding meant the national department failed to plan properly. In addition, the non-alignment of the planning and budgeting processes contributed to non-optimal departmental planning insofar as indicators and targets changed regularly, resulting in further misalignment between planned targets and the targets that were eventually reported on. In addition, the focus group argued that the targets and indicators did not always comply with the SMART criteria requirements which then made measuring them difficult. The departmental units also did not always support their PI with evidence. The focus group mentioned that ineffectiveness was largely within the implementation aspect. Targets were planned but not achieved as intended. An example was made of a target to build a police station within a two-year timeframe which did not, however, materialise within the stipulated timeframe. OPM effectiveness, in addition, argued focus group D3FG1, was impacted by the department focusing considerable effort on correcting the AGSA's findings rather than adopting a pro-active approach to its work.

Two focus groups (D3FG1; D4FG1) identified the lack of management information systems (MIS) as a contributing factor to ineffective OPM. Both focus groups remarked that that lack of appropriate MIS had resulted in fragmented information which made it difficult to undertake effective M&E and reporting. Furthermore, the focus groups mentioned that conducting analytical assessments of projects previously finalised also became difficult in the absence of MIS and because of this fragmented information.

Focus group D4FG1 argued that department D4 was doing well in its OPM considering that the department generally reported achievements in excess of 80% of its targets. This opinion was confirmed by interview participant D4P1 who stated that in fact, the department had historically achieved more than 90% of its planned objectives and targets as opposed to the 80% suggested by focus group D4FG1. Those targets that had not been achieved, according to interview participant D4P1, related to technical matters such as not signing-off on documents. This participant clarified that these technical matters were not issues that impacted service delivery. In addition, the national department had always performed well in its MPAT ratings which the participant regarded as further indication of the effectiveness of the department's OPM system. Participant D4P2 stated that the AGSA's audit assessments of the department's PI reports were generally favourable and reflective of effective OPM.

Other participants were hesitant to commit to the effectiveness of OPM in their national departments. For instance, focus group D2FG2 stated that they were unable to suggest whether OPM was fully or partially effective because of their limited involvement in OPM. The focus group also mentioned that the IAA often found that the POE provided by units did not fully support the achievements reported, raising questions about the effectiveness of M&E and OPM. Another interview participant (D4P3) raised a concern about the competency of the managers involved in the M&E process because of the number of errors that the DG had found in the PI. According to the interview participant, the number of errors raised questions on the ability of the department's managers in performing their OPM tasks. Management competency was also called into question by the DPME (South Africa, 2009c). The interview participant (D4P3) suggested that management needed to perform more quality verification of PI. Interview participant D4P3 stated, however, that a challenge existed in that DDGs and branch Chief Operating Officers were both required to sign the quarterly branch PI reports to confirm their veracity. The branch Chief Operating Officers, however, refused to sign these reports where the respective DDG had

not signed. This approach and attitude had led to questions about the veracity of the information provided, questionable accountability and the conduct of departmental officials. The participant suggested that both the DDG and the Chief Operating Officer should be compelled to verify and sign the quarterly PI report prior to these reports being forwarded to the SPU, to confirm the veracity of the PI reported to the DG.

A qualitative content analysis of the ARs of the four participating national departments highlighted several findings raised by the AGSA on the PI reported. In the case of D1 (D1Doc3) the following findings were raised: (i) consequence management implemented by the leadership of the department for non-compliance was not adequate and (ii) reporting by departmental entities was not reliable as the department was not able to implement the required control and verification over the reports produced by its entities. In addition, concern was raised by the AGSA with regard to department D1's compliance with the regulatory framework because of a lack of controls in monitoring the supply chain management environment. Consequently, repeat audit findings occurred in the supply chain management environment.

The content analysis also revealed that in national department D2 (D2Doc2) the AGSA clarified that whilst it did not audit PI with regard to the effectiveness of the operations of the department, material misstatements had been detected in the PI reported. However, because management was able to correct these misstatements, no further reporting occurred. The AGSA also reported that in national department D2, significant internal control weaknesses had been noted in the PI reported and in leadership activities.

Differing views, therefore, emanated from the data on the effectiveness of OPM within national departments. Whilst several interview and focus group participants confirmed that OPM was effective, others questioned this view. These differing opinions are reflected in the AGSA reports on the PI reported by national departments. The material misstatements that required correction by departments as well as the findings of the AGSA on leadership and internal controls indicate that OPM may not be fully effective in national departments.

6.7.4 Planning for compliance and favourable audits

Planning at the national departmental level is steered by the guidance provided by the DPME and NT (South Africa, 2011a; South Africa, 2011c; South Africa, 2007b; South Africa, 2007c). Collaborative guidance included ensuring uniformity through a template-driven process to further departmental planning.

Several interview and focus group participants (D1FG1; D3FG1; D3FG2; M&E1) stated that departments were planning for compliance and clean audits rather than for optimal performance. In the words of interview participant M&E1, “departments are not planning for priorities”. This was confirmed by at least one document (M&EDoc5). A study conducted by Plimmer *et al.* (2017) found that a negative element arising from the adoption of NPM in the public sector was the manifestation of a culture of compliance by management, in other words, doing what is inspected rather than performing what is expected. Interview and focus group participants (D1FG1; D3FG1; D3FG2; M&E1) maintained that the rigorous planning processes in the departments, driven by the guidance provided by the DPME and NT, proved inadequate to counter such compliance planning. Interview participant M&E1 explained that such situations emphasised the unintended consequences of the systems. In addition, according to the interview participant (M&E1), the quality of the indicators and targets was poor and often resulted in discrepancies between the quarterly and annual reports, further confirming the argument of compliance planning.

Focus group D1FG1 went further to claim that compliance planning was evidenced by the SP and APP development processes being considered as administrative rather than leadership exercises that focus on the strategic direction of the national department. The focus group argued that, consequently, non-achievement of planned targets was always blamed on the lack of funds and not on poor or inadequate planning, OPM and M&E. In addition, the focus group (D1FG1) argued that departments developed ambitious plans knowing full well that the required funding to implement these plans would not be made available. Moreover, the non-alignment between the planning and budgeting processes contributed to compliance planning.

The argument put forward by focus group D3FG2, interview participant M&E1 and document M&EDoc5 was that because of the heavy emphasis on obtaining a good

opinion from the AGSA, plans were developed that sought to comply with auditing requirements rather than stimulating optimal service delivery. Interview participant M&E1 conceded that compliance planning may have become predominant, which therefore prompted the AGSA to become more assertive when compliance planning was detected. According to interview participant M&E1 and document M&EDoc5, planning for compliance impacted negatively on the delivery of public goods and services. An example was noted by focus group D3FG2 where several low-cost houses had been constructed in accordance with their plans. However, a year later, serious defects had surfaced that rendered these houses uninhabitable. The argument put forward is that the performance complied with the plans insofar as the low-cost houses had been constructed and auditing requirements had been fulfilled. However, the quality considerations had been compromised, resulting in duplicated effort and increased costs, let alone the inconvenience to the public. Personal observation by the researcher on 10 August 2018 noted that at one of the government offices, only 140 persons could be served daily for identity and passport applications. In addition, no facilities exist for such services in highly populated suburbs such as Phoenix in Durban. Consequently, several thousand people are denied identity and passport application services on a daily basis. Moreover, on 10 August 2018, the governmental IT systems were offline for several hours resulting in the non-delivery of services, despite people arriving at the government offices as early as 05:00 to be attended to when the offices opened at 07:30.

The content analysis of document D3Doc4 supported the statement that planning emphasises compliance with audit requirements rather than actual service delivery. The D3 AR for 2015-2016 (D3Doc4) states that a 'Clean Audit Project' had been initiated. Document M&EDoc5, being a presentation made to parliament on the use of M&E for oversight, argued that a culture of planning for compliance and clean audits prevailed at certain levels in government. This statement finds support in the fact that, with the exception of the trading entity of one national department, all four national departments had received unqualified audit reports from the AGSA for 2016, indicating the increased effort by national departments in satisfying audit requirements. However, despite the positive AGSA reports, the country continued to experience service delivery protests (News24, 2018) and high levels of irregular expenditure (South Africa, 2017). This suggests that a culture of compliance had manifested itself and that performance was not correctly measured. It is submitted therefore that the approach by national departments of simply satisfying auditing requirements and planning for compliance compromises

optimal performance and service delivery. National departments should rather execute their mandates optimally which would ultimately be reflected in the audit report. The ongoing country-wide service delivery protests (News24, 2018), coupled with job losses (Stats SA, 2018) and increases in tax rates (Moneyweb, 2018), again call into question compliance versus effectiveness, as raised by several authors (Chen & Soltes, 2018; Gerard & Weber, 2015; Chesley & Gormly, 2007).

6.7.5 Governance and reporting fatigue

Interview participants D2P1 and M&E1 mentioned that departments were experiencing governance and reporting fatigue because of over-regulation of the OPM environment. However, interview participant M&E1 also stated that if there were no such requirements, it is unlikely that national departments would have all developed SPs, APPs, quarterly PI reports and ARs. Interview participant M&E1 agreed, however, that reporting fatigue may exist because of the number of structures to which national departments have to report. Several interview and focus group participants (D1FG1; D1P3; D2P1; D3P1; D4FG1) stated that national departments are required to report similar information to several oversight bodies, employing several different reporting formulations, which resulted in reporting fatigue. Interview participant M&E1 added that inadequate consequence management by national departments had led to duplicated governance structures which contributed to the reporting fatigue. It is therefore submitted that the establishment of additional governance structures has failed to address the problem of inadequate consequence management and has, instead, led to governance and reporting fatigue.

6.8 NATURE OF INTERNAL AUDITING IN ORGANISATIONAL PERFORMANCE MANAGEMENT

Thus far, a comprehensive analysis of the implementation of OPM at the national departmental level was conducted and the results have been presented under several themes and sub-themes. The discussion also touched briefly on the adoption of internal auditing as a mechanism to improve OPM in national departments (see Section 6.7.1). Taga (2017) points out that internal auditing is located within agency and accountability theories. The agency theory states that agents will report on their activities to principals (accountability theory). The solutions to the agency problem (see Section 4.2.3) provide for the veracity of information reported by agents, through the verification by an

independent structure such as the IAA. In addition, Chapter 3 explored internal auditing as a mechanism to assess, evaluate and improve the OPM of national departments. Consequently, this section evaluates whether internal auditing has been adopted as an OPM improvement mechanism in national departments. This section also analyses the internal auditing of the OPM at national departments. Several themes emerged from the data analyses. One such theme was that of the nature of internal auditing as experienced by the participants. This section initially ascertains whether or not internal auditing was implemented at the national departmental level. Quantitative data received on whether internal auditing has a role in OPM is thereafter analysed. Additionally, participants' understanding of the various roles of internal auditing, as it relates to OPM, is explored.

In order to obtain research data on the adoption of internal auditing in the OPM of national departments, the survey questionnaire requested departments to indicate whether internal auditing had a role in the OPM of the department. All the respondents (100%, n=20) affirmed that internal auditing had a role in OPM. Thirteen respondents, or 65%, responded that in their departments, internal auditing's role has been fully adopted. Thirty percent (30% or 6) confirmed that the role of internal auditing in OPM was generally well adopted, with room for improvement. One respondent, representing 5% of the total number, indicated that internal auditing did have a role in OPM, however, it was not fully effective. Consequently, all (100%) of the respondents affirmed that internal auditing had been adopted by national departments and had a role in OPM, albeit at different levels of effectiveness.

A documentary analysis of the ARs (AR1 - AR18) of the departments revealed that the approved internal auditing plans of all departments included the assessment and evaluation of the reported PI. PI is prepared by managers to report actual departmental performance against planned performance, an element of OPM. Consequently, the ARs confirmed that internal auditing had been adopted as a mechanism to assess and evaluate OPM to improve departmental performance, albeit mostly focusing on the evaluation of reported PI. The responses to the survey and the document analysis called for a better understanding of internal auditing at national departments.

The qualitative phase of the study thus sought to obtain data from interview and focus group participants on their understanding of the role of internal auditing generally, and in OPM specifically. Interview and focus group participants and the results of a qualitative

content analysis (D2Doc2; D2FG1; D2P2; D3Doc6; D3FG2; D4FG1) emphasised that the role of internal auditing was derived from the IIA definition of internal auditing (IIA, 2017a; Mihret & Grant, 2017). Interview and focus group participants (D1FG1; D1FG2; D2P2; D3FG2; D3P2; D4FG1) stated that the definition of internal auditing enabled the provision of assurance and consulting services to the department. Several interview and focus group participants (D2FG1; D2FG2; D2P2; D3FG1; M&E2) also confirmed that internal auditing was required to assess and evaluate the adequacy and effectiveness of the national department's governance, risk management and control processes, in alignment with the IIA definition (IIA, 2017a; Mihret & Grant, 2017). Focus group D3FG2 clarified, however, that the implementation of systems of governance, risk management and controls in the department was the responsibility of departmental management and not that of internal auditing. In Chapter 3 (Sections 3.3.1–3.3.3) , it was found that effective governance, risk management and control processes improved departmental OPM and increased the probability of improved service delivery, thus entrenching internal auditing's role in OPM.

The views of the interview and focus group participants were confirmed through the results of the qualitative content analysis (D2Doc2; D3Doc6; D4Doc3). This revealed that internal auditing provided management with assurance that the systems of governance, risk management and internal controls were adequate and working as intended. Focus group D1FG2 added that internal auditing's role was to identify weaknesses in the systems of internal control in order to improve effective OPM. Focus group D3FG1 amplified that internal auditing also assessed and evaluated the risks that have been identified by management as well as the risk response strategies developed and implemented, in accordance with the requirements of the IASs and the suggestions of literature (IIA, 2017b, 2130.A1; Lélis & Pinheiro, 2012; Sawyer *et al.*, 1998). Focus group (D3FG1) stated further that internal auditing, consequently, supported management in the performance of its managerial duties, thus playing a significant role in OPM.

Interview participant D4P3 and focus group D3FG1 stated that internal auditing was also considered to be the third line of defence to verify and oversee the department's control environment. The first two lines of defence, argued the interview and focus group participants, were (i) the management structure and employees of the department and (ii) the policies and procedures implemented by management to ensure the orderly execution of departmental operations.

Document D1Doc2 informed that the assurance provided by internal auditing to the national department was both independent and objective. Independent and objective assurance was designed to add value to and improve the department's operations, including its OPM. Interview and focus group participants and documents analysed (D1Doc2; D1P2; D2Doc2; D2FG1; D2FG2; D2P2; D3Doc6; D3FG2; D4FG1; M&E2) emphasised that adding value meant that internal auditing provided assurance on the adequateness and effectiveness of the department's governance, risk management and control processes and advising management of any weaknesses identified. Focus groups D1FG2 and D3FG2 suggested that internal auditing made recommendations to improve such processes by considering available best practice.

Focus group D4FG1 pointed out that the IASs (IIA, 2017b) had recently been amended with a greater focus being accorded to consulting services. The focus group clarified that consulting services referred to those services which were not assurance services but referred to specific assignments that management requested the IAA to undertake on its behalf, as confirmed by Arena and Sarens (2015), Verschoor (2014), Ludovica and Leonica (2013) and Selim *et al.* (2009). According to document D1Doc9, specific assignments may include facilitation, process design, training and advisory services. A further example pointed out by focus group D2FG1 related to the IAA being requested by management to conduct the department's MPAT assessment on its behalf. A view emerged from interview participant D3P1 that consulting also referred to those assignments where the IAA raised issues and assisted the department in resolving the issues raised. Consequently, argued participant D3P1, consulting services had a much broader scope than assurance services since consulting could refer to almost any work other than assessing the adequacy and effectiveness of the systems of governance, risk management and internal controls. However, internal auditing independence should not be compromised when performing consulting work. Focus group D4FG1 was of the view that despite the progress of internal auditing as a profession and the increased focus on its consulting role, internal auditing would always retain its assurance role.

Several interview and focus group participants (D1FG1; D2P1; D3FG2; D3P2; D4P3) observed that the main role of internal auditing was to assist the department achieve its planned objectives. To quote the words of a senior public servant (M&E2: Interview 11 July 2017:5), the role of internal auditing was "to assist management to ensure that all

that is promised in this pipeline is actually delivered". The comments of these interview and focus group participants confirm the adoption of internal auditing as a mechanism to improve departmental OPM.

The argument that internal auditing assists management to achieve planned objectives is in line with the arguments of Dumitrescu-Peculea and Calota (2014) and Kapoor and Brozzetti (2012) that internal auditing has a futuristic approach by providing assurance so that departmental effort will result in the achievement of planned objectives. Interview and focus group participants D2P1, D3FG2 and D3P2 amplified this statement by arguing that internal auditing assisted the department's future performance by providing independent assurance that the governance, risk management and control processes of the department would result in the achievement of planned objectives. Focus group D1FG1 suggested further that internal auditing assisted the department to achieve its objectives by assessing whether internal controls were working effectively, as intended. Where weaknesses were detected in the controls, recommendations were made for the improvement of such controls. Another interview participant (D2P2) stated that internal auditing also assessed the performance of the department and provided recommendations to improve the department's probability of achieving its planned objectives.

These points made by the interview and focus group participants are confirmed in document D1Doc10 which indicates that at least one department (D1) had developed a mission statement for the IAA, which served to entrench internal auditing in the department. The mission statement provided a clear indication of the intention of the IAA to comply with the IASs, thereby indicating its commitment to professional internal auditing services.

Focus group D4FG1, however, expressed the view that internal auditing should become more focused insofar as all their effort should be directed towards adding value to the department. Focus group D2FG1 clarified that 'adding value' meant that internal auditing services should give the AO and management reasonable assurance that planned objectives will be achieved economically, efficiently and effectively. The research data also highlighted the various roles of internal auditing in an organisation. These roles are discussed below.

6.8.1 Role in organisational governance

The content analysis of the ARs of the national departments (D1Doc3; D2Doc2; D3Doc4; D4Doc3) supported the assertion of interview participant D2P2 and affirmed internal auditing's role in the governance process of the national department. The majority of the interview and focus group participants (D1FG1; D1P1; D2P1; D2P2; D2P3; D3FG1; D3P1; D4FG1; D4P1; D4P3) stated that internal auditing evaluated the governance processes of the national department. The IIA (2017a) and Mihret and Grant (2017) confirm that internal auditing evaluated the governance processes of the national department. Interview participant D2P2 argued that the IAA focused considerable effort on organisational governance based on the assumption that if governance was poor, organisational performance planning, managing and reporting would also be poor.

6.8.2 Role in risk management

Internal auditing's role in risk management emerged constantly from the data analysis. Interview and focus group participants (D1P2; D2FG1; D3FG2; D3P1; D3P2; D4FG1) emphasised that the role of internal auditing in the risk management processes of the departments emanated from the IAA definition of internal auditing (IIA, 2017a: Mihret & Grant, 2017). Several interview and focus group participants (D1FG1; D1P1; D2P1; D2P2; D2P3; D3FG1; D3P1; D4FG1; D4P1; D4P3) attested that during the performance of internal auditing assignments, internal auditors were required to identify risks to which the department may be exposed. Interview participant D2P1 went further to state that the risks that the department faced could impede it from achieving its objectives. Interview and focus group participants (D1FG1; D1P1; D2P1; D2P2; D2P3; D3FG1; D3P1; D4FG1; D4P1; D4P3) argued that internal auditors were obliged to formulate recommendations to address the identified risks. An interview participant occupying an executive position in a national department (D1P2) stressed that management relied on internal auditors to identify risks and recommend response strategies.

Additionally, interview and focus group participants (D1FG1; D1P1; D2P1; D2P2; D2P3; D3FG1; D3P1; D4FG1; D4P1; D4P3) mentioned that the IAA was required to assess and evaluate the risk management processes implemented by the national department and offer recommendations where it was found that the process was deficient. These participants affirmed that the IAA communicated its findings and recommendations to

management by means of an internal auditing report, in accordance with the suggestions of Piper (2015), Salyers (2015), Aghili (2009), Coyne (2006) and Paul (2005). Interview participants (D3P1; D2P3; D4P3) stated that the report was presented to the executive management committee for consideration and implementation.

However, interview participant D4P3 offered a different perspective on the IAA's role in risk management. The participant stated that during the internal auditing of the risk management process, the IAA failed to review the department's risk registers although it had performed its own assessment of departmental risks. The participant contended that such failure had resulted in a misalignment between the risk processes of the department and the work of the IAA. Consequently, the IAA was not in a position to establish whether the department had addressed all significant risks. Therefore, contended interview participant D4P3, the IAA was unable to provide an assessment of the effectiveness of the department's risk management process and the extent to which planned objectives will be accomplished. The participant argued that it was not possible to audit the risk management process without auditing the end product, this being the risk register. The interview participant also questioned internal auditing's role in the department's risk management process, stating that there was always uncertainty as to who audited the high-level risks in the department. According to interview participant D4P3, the DG of national department D4 had been overheard to state that the IAA was auditing the wrong things. The DG had apparently commented that he was not overly concerned that a report was a few days late, however, he preferred that the IAA report something that would make a difference to the effectiveness of the business operations of the department. The words of the DG to the IAA, according to interview participant D4P3 (interview 07 June 2017:12), were as follows:

Don't tell me about a report that's four days late. Who's going to even action that, who gives a damn? Tell me something that's going to make a difference in this business.

The words of the DG provide an indication of executive management's expectations of internal auditing. It is submitted that executive management expects solutions from internal auditing that will improve business operations, improve OPM, optimise performance and enhance service delivery.

6.8.3 Role in the control process

The evaluation of the systems of internal control designed and implemented by management emerged from the qualitative data as one of the core focus areas of internal auditing. Focus groups D1FG1, D1FG2, D2FG1 and D3FG1 argued that the performance of internal auditing included ascertaining whether management had implemented an adequate and effective system of internal controls for the orderly execution of the business. The IASs (IIA, 2017b, Glossary) as well as Mihret and Grant (2017) confirm that a system of internal controls is designed to achieve orderly execution of business operations which enables effective OPM.

Interview and focus group participants D2FG1, D3FG1 and D2P2 explained that the evaluation exercise conducted by the IAA on the control processes of the department resulted in recommendations being made to management to improve the systems of internal controls. Focus group D3FG1 clarified that management, however, retained the responsibility over the design and implementation of the system of internal controls. Focus groups D2FG2 and D3FG1 maintained that by advising and recommending improvements to the system of internal controls, the IAA added value to the department insofar as the control environment was strengthened, which increased the probabilities of effectively achieving planned objectives. Focus group D2FG2 clarified that internal auditing was required to provide reasonable, but not absolute, assurance that the system of internal controls implemented by management was working as intended.

6.8.4 Role in strategic and operational processes

All except one interview participant, (D1P3), generally concurred on the role of internal auditing in strategic and operational management, being the comprehensive OPM process. The dissenting view of participant D1P3 is discussed at the end of this section. Various variations emerged from the data on the role of internal auditing in the comprehensive OPM process.

According to several interview and focus group participants (D2P1; D2P2; D2P3; D3FG1), the role of internal auditing in OPM originates with the development of the national department's SP and APP. These interview participants stated that the development of the SP and APP enabled the IAA's evaluation of the alignment of the APP and the SP

with government's MTSF. According to literature (Kapoor & Brozzetti, 2012; Gierach *et al.*, 2010; Morse, 1971), internal auditors evaluated the processes followed in the development and approval of the organisational strategy. Internal auditors were consequently able to provide management with an assessment of the appropriateness of the processes implemented and whether the organisational mandate, vision, mission and planned objectives were aligned. Interview participant D2P1 attested, however, that the IAA's evaluation of the SP and APP also focused on compliance with the relevant regulatory frameworks. Focus group D3FG1 and interview participant D2P1 stated that the internal auditing evaluation of the SP and APP ascertained whether the department complied with guidance provided by NT and the DPME through the FPPI, GWMES and the PIH (South Africa, 2011c; South Africa, 2007b; South Africa, 2007c).

Focus group D1FG1 argued that the role of the IAA in OPM was to ascertain whether the department had actually achieved its mandate. According to focus group D1FG1, the IAA provided reasonable but not absolute assurance to the department that its mandate would be achieved. The view of focus group D1FG1 aligned with the suggestions of Kapoor and Brozzetti (2012), Gierach *et al.* (2010) and Morse (1971) that the work of internal auditing was designed to provide reasonable assurance that the department would achieve planned objectives. Another focus group (D1FG2) supported the view of focus group D1FG1, stating that the IAA determines whether departmental policies were implemented as intended, in order to effectively achieve the planned objectives. Focus group D2FG2 argued that internal auditing, in its role in OPM, was also compelled to verify whether the targets detailed in the SP and APP had been achieved. Notably three focus groups (D1FG1; D1FG2; D2FG2) did not allude to the alignment of the mandate, MTSF and SP in their discussions. However, the arguments of the various interview participants and focus groups, discussed in this section, are complementary in that they present the similar argument but viewed differently.

A further view emerged from interview participant D1P1 that the main difference between traditional internal auditing and internal auditing of OPM was that, in OPM the information being audited was non-financial. Bou-Raad (2000) suggests that in order to add value, internal auditing is required to also evaluate the non-financial areas of the national department. However, according to interview participant D1P1, because of the traditional focus on financial information, internal auditing procedures had to be adjusted to assess non-financial information. Participant D1P1, however, did not make reference to non-

financial information also including the mandate, MTSF and SP of the national department, suggesting a limited understanding of OPM by participant D1P1.

Focus group D4FG1 argued that evaluating OPM compelled the IAA to obtain a thorough grasp of the nature and operations of the various units in the department, emphasising the arguments put forward by Gierach *et al.* (2010) and Lemon and Tatum (2003). Focus group D4FG1 argued that this allowed the IAA to understand the mandate of each unit and its link to the performance of the department. The IAA would then be able to add value to the department by improving business processes and therefore, business operations.

Interview participant D4P3, on the other hand, maintained that in its OPM role, the IAA should be assessing each strategic objective to determine its individual importance in relation to the department as a whole. This participant mentioned that the IAA had not undertaken such an assessment. The participant argued that the IAA should determine which of the strategic objectives posed the biggest risk to the department and give immediate attention to those strategic objectives. The participant made an example of unit A where fraud and corruption had been committed regularly, resulting in employees being suspended from duties. The participant claimed that the IAA had not accorded sufficient attention to that unit.

The interview participant (D4P3) also argued that, in addition to the risk exposure, effective internal auditing of OPM required the IAA to consider the budget allocation of the department, suggesting that the logical approach would be for the IAA to pay more attention to the areas that receive the bigger budget allocations. The interview participant contended that such an approach had not been adopted by the IAA. It is submitted that the arguments of interview participant D4P3 are sound and that the risk-based methodology adopted by the IAA should be strengthened to enable the assessment and evaluation of planned objectives that present the greatest strategic importance to the national department. It is also submitted that the failure to achieve these planned objectives may result in the required services not being delivered to the public as intended. It is also submitted that the size of budgetary allocations for objectives reflect their strategic importance and that the IAA should, in line with the risk-based methodology, accord proportionate attention to planned objectives that receive the largest budget allocations.

A dissenting view emerged from interview participant D4P1, who stated that the IAA was not involved in the departmental strategic and operations planning processes. Therefore it was not in a position to (i) determine the nature of the planning process and the resulting plans of the department, (ii) understand the relative importance of each strategic objective to the department's mandate and (iii) successfully assess the efficacy of these processes. The interview participant (D4P1) also stated that the AGSA audited the contents of departmental plans whereas the IAA simply audited the accuracy and completeness of PI reporting. The participant argued that because the IAA came under pressure for not identifying the discrepancies reported by the AGSA, it tended to compete with the AGSA in the auditing of PI reported rather than focusing on such areas as organisational performance and planning or the department's business processes. It is submitted that in order to add value to the national department, internal auditors should, without compromising their independence and objectivity, participate, even as observers, in the strategic processes of the national department. Internal auditors would thus, at the very least, obtain significant information on the department's strategic dimensioning and processing which may be subjected to future internal auditing scrutiny.

Interview participant D1P3 disputed that internal auditing had a role in OPM, claiming that internal auditors possessed neither the qualifications nor the necessary sound understanding of the business of the department to undertake such evaluations. The interview participant's view was that internal auditing should focus on fraud, corruption, and compliance-related assessments rather than on OPM, indicating the participant's limited understanding of the role of internal auditing. However, this participant suggested that internal auditing should also focus on the efficient use of departmental resources.

The dissenting views emerging from the data on the role of internal auditing in OPM suggest that there is a case for the internal auditing profession, represented by the IIA, to review its current approach to the value that it claims to add to an organisation. A case was made by senior government officials that the involvement of internal auditing in OPM needs significant enhancement and strengthening, whilst not compromising its independence. During the collection of empirical data, none of the interview participants alluded to the IAA conducting evaluations of the research undertaken by the department on its performance environment to determine whether international best practices have been adopted. Only limited data was collected from IAA employees referring to the

evaluation of the mandate of the department. No internal auditor suggested in either the interviews or focus group discussions that they had considered how other successful countries solved the problems in areas such as health, housing or education to make meaningful recommendations to the department.

6.8.5 Role in auditing of performance information

The national departments developed quarterly PI reports on the actual performance achieved against planned performance (see Section 6.7.2). All interview and focus group participants emphasised the role of internal auditing in the reported PI. The primary data collected indicated that interview and focus group participants (D1FG1; D1FG2; D1P1; D2FG2; D2P1; D2P2; D2P3; D3FG1; D4P1; D4P2; D4P3; M&E1; M&E2) placed greater emphasis on the role of internal auditing in assessing PI than on its role in OPM.

These interview and focus group participants confirmed that the department's quarterly PI report was forwarded to the IAA for assessment. Additionally, several interview participants (D1P1; D2P1; D4P1; D4P3; M&E1; M&E2) emphasised that at the end of every financial year, the draft AR that included the annual PI was also submitted to the IAA for assessment. The involvement of internal auditing in the auditing of PI is in accordance with the proposals of Rupšys and Bogulauskas (2007) for broadening the focus of internal auditing to include non-financial areas such as evaluating the M&E processes.

In conducting its assessment of the PI, interview and focus group participants (D1FG1; D2FG2; D2P1; D2P3; D3FG1) state that the IAA ascertained whether the targets against which performance was reported were in accordance with the APP. According to interview participant D2P3, the IAA also accorded attention to the extent of achievement of targets. Two interview participants (D2P1; D2P2) added that the IAA gave specific attention to targets being reported as fully or partially achieved. The rationale for such an approach, explained the interview participants (D2P1; D2P2), was that where a target had not been achieved, it would be reported as such, and corrective measures would have to be identified. Consequently, there was no need to verify the accuracy of the reporting. However, several interview and focus group participants (D1P1; D2FG2; D2P1; D2P2; D3P1; D4FG1) clarified that where the targets were recorded as being partially or fully achieved, the IAA was required to confirm the supporting POE submitted by units. It was

further explained by interview participant D2P2 that the IAA assessment did not evaluate the efficiency in achieving those targets nor the manner in which resources were utilised. Similarly, the assessment did not evaluate whether the resources utilised were appropriate, but only whether targets were actually achieved as reported. Focus group D1FG1 added that, during the evaluation of the quarterly PI, the IAA conducted a further assessment (in addition to its evaluation of the alignment of APP and SP targets) to determine whether the targets complied with the SMART criteria.

Interview and focus group participants (D2P2; D3FG1; D4P1) stated that the IAA followed the frameworks and guidelines provided by the NT and the DPME in performing its assessment of PI. According to the participants, this approach differed from the traditional internal auditing assignments. Interview participant D1P1 and focus group D1FG1 stated that in the case of PI, for instance, the IAA simply determined whether an approved policy existed without conducting any further procedures. In the case of a compliance audit, however, the IAA would have obtained an in-depth understanding of the contents of the policy and would have performed its internal auditing procedures in accordance with the provisions of the policy itself. Interview participant D1P1 then went on to inform that the IAA would have made input into the appropriateness of the policy provisions, where required, in the case of compliance audits. However, according to the participant, aspects of a policy in relation to the auditing of PI may be subjected to other assessments such as the risk assessment process conducted by the IAA, thence using the results of the risk assessments to inform the internal auditing plans.

It can be concluded that in its role in auditing PI, the IAA focuses mainly on the PI reported and the POE provided. It is submitted that the IAA duplicates the evaluation exercise conducted by the AGSA in auditing PI. It is therefore recommended that IAAs should, whilst not ignoring PI, rather focus more effort on assessing and evaluating the strategic management and OPM systems and processes, and through a coordinated assurance approach, accept the results of the AGSA assessment on PI reported..

According to several interview and focus group participants (D1P1; D2P1; D2P2; D2P3; D3P1; D4P1; D4FG1), after the IAA had conducted its assessment of the PI and the POE, an internal auditing report on the results of the assessment was issued. Management would then be required to address the findings raised in the report. In cases where management did not agree with the findings and recommendations of the IAA, these were

noted in the internal auditing report. Interview participants (D2P2; D2P3) argued that the internal auditing report was important because the department's executive committee and the AC only considered the department's quarterly PI for approval after it had been independently assessed by the IAA. The internal auditing report served as evidence that the PI had been independently assessed.

A non-IAA interview participant (D4P1) argued that there was significant value in the work done by the IAA in PI verification. The participant commented that omissions and errors which may have been overlooked by the control system would normally be identified through the internal auditing processes. The IAA's reporting of the performance weaknesses early in the financial year enabled the department to correct these weaknesses timeously and to plan and perform more effectively. Interview participant D4P1 also stated that because of the lack of an electronic system for OPM and PI reporting in national department D4, internal auditing was relied upon as a control mechanism to assess the veracity of the PI, prior to being forwarded to the AGSA for assessment.

The arguments of interview participant D4P1 were echoed by a CAE (D3P1) who contended that internal auditing should be fully involved in OPM and PI reporting because of the advisory role it offered to the department. This view conveyed that internal auditing was able to make a significant contribution to OPM because of the information it acquired through other internal auditing assignments. The same interview participant asserted that the involvement of internal auditing in OPM should be included in the concept of combined assurance which seeks to coordinate the efforts of all departmental assurance providers. Such an approach, argued participant D3P1, held several advantages for effective performance management such as the reduction of costs and minimising duplication. It is submitted that the arguments advanced by the interview participants (D4P1; D3P1) are reflective of the suggestions of other interview participants such as participants D2P2 and D4P2.

Several concerns arose, mainly from IAA interview participants, relating to the performance of internal auditing assessments of PI. Interview participant D2P2 noted that often, the consolidated PI report would be submitted to the IAA after it had been approved and signed off by the DG, despite an agreement existing between the department and the IAA that the IAA would perform its work prior to the report being submitted to the DG.

The main reason for this situation was that departmental units did not submit their PI reports timeously, which then cut short the time available to the SPU to finalise the report and submit it to the oversight bodies. Resultantly, the reports were submitted to the IAA after approval by the DG. However, according to interview participant D2P2, despite receiving the quarterly PI report late, the IAA ensured that it conducted an independent assessment of both the PI and the POE. Any errors or omissions detected by the IAA would then be addressed and corrected in the report that was prepared in the following quarter.

The assessment of PI conducted by the IAA resulted in several general findings. Focus group D3FG1 indicated that the assessment of the department's planning documents found that a number of targets were not linked to the department's mandate. The assessment also found that the process was heavily template-driven, further emphasising the focus on a compliance-driven approach to formulating targets. Focus group D3FG1 maintained, however, that the templates that were being used to record the targets and to report PI were adequate for the purpose. The focus group (D3FG1) argued that departmental employees were not utilising the templates effectively and advantageously insofar as incorrect information was recorded therein. In addition, employees experienced considerable difficulty in understanding the templates (D3FG1).

Another concern raised by focus group D3FG1 was that the department focused extensively on corrective measures, paying considerable attention to correcting the findings reported by the AGSA - an *ex post facto* approach. Thus, argued focus group D3FG1, adequate attention to doing things properly, implementing proper structures, providing the required resources and capacitating employees in OPM were compromised. The focus group argued that such an approach resulted in national departments perpetually trying to correct past mistakes rather than implementing a programme to manage organisational performance optimally and undertake PI reporting efficiently and effectively.

Both interview participant D3P1 and focus group D1FG1 mentioned that the IAA's recommendations were often not implemented. The focus group explained that this was generally a consequence of resource constraints. Insufficient funding prevented the department from implementing many recommendations even though they were accepted and the department was desirous of implementing them. Moreover, during the course of

the year, the IAA gave early warning of the probabilities of not achieving targets, however, funding constraints often impeded management from implementing the necessary corrective measures.

6.8.6 Other roles of internal auditing

Focus group D4FG1 suggested that internal auditing performed different roles. Internal auditing also undertook education, awareness and *ad hoc* assignments, in accordance with its consulting role. The focus group pointed out that the scope of internal auditing also included forensic audits and evaluations of specific areas such as information and communications technology.

A further view emanating from participant D1P2 was that internal auditing should independently assess the appropriateness of the automated systems implemented by the department. However, the participant confessed that the IAA's capacity in that particular department was not at the level where the IAA could perform such an assessment. The participant indicated that the department did intend to rectify this situation. In addition, the participant argued that internal auditors' focus should also include building the systems of the department, such as the contract management system, in addition to their assurance role. It is, however, submitted that such consulting assignments should adhere to the independence and objectivity prescripts of the IASs (IIA, 2017b, 1100). Internal auditors performing such assignments should not undertake assessments and evaluations of the work performed by them until a reasonable period of time has elapsed that would enable them to make independent and objective assessments, as prescribed by the IASs (IIA, 2017b, 1130.A1). A further submission is made that internal auditors may assist in building systems by providing recommendations for their improvement after undertaking assessments and evaluations of departmental systems. Internal auditing recommendations accepted by management then become the responsibility of management and consequently do not compromise the independence and objectivity of the internal auditor.

Focus group D3FG1 mentioned that while they saw the IAA's role as supporting management to achieve planned objectives, the expectations from management were somewhat different. According to the focus group, management expected the IAA to solve its problems whereas in reality, the role of internal auditing should be limited to advising

management on weaknesses identified and offering recommendations. The role of internal auditing was therefore not to perform management's duties. Focus group D3FG1 contended that the responsibility for designing, developing and effectively implementing operations was that of management.

Nevertheless, it is submitted that the difference between management's expectations and what the IAA does requires careful interrogation. The evolving nature of the economic environment demands that professions such as internal auditing undertake periodic introspections as to its relevance, as suggested by Fülöp and Szekely (2017). Consequently, the internal auditing profession should undertake a review of its practices to determine whether the expectations of management from internal auditing could be satisfied in a more effective manner without compromising independence and objectivity.

6.9 PRACTICAL IMPLEMENTATION OF INTERNAL AUDITING

The data collected from interview and focus group participants and documents analysed, thus far confirmed that internal auditing had been adopted and implemented at the national departmental level in South Africa. The analysis also confirmed internal auditing's involvement in departmental OPM. Consequently, the following section explores the practical implementation of internal auditing in the four national departments. The sub-themes emerging from the data analysis include (i) formal establishment of internal auditing, (ii) formalised policy on the role of internal auditing in OPM, (iii) internal auditing approach to OPM, (iv) internal auditing methodology, (v) methodology adopted for evaluating OPM and (vii) skills and capacity of IAAs.

6.9.1 Formal establishment of internal auditing

The PFMA (South Africa, 1999) makes it compulsory for internal auditing to be implemented within national departments in South Africa. To determine whether this stipulation was complied with, respondents to the survey questionnaire were requested to indicate whether the role of internal auditing in OPM was clearly formalised in a written document. Five respondents, representing 25% of the total respondents, indicated that the role of internal auditing in OPM was fully and clearly defined in a written document. A further eleven respondents (55%) indicated that whilst the role of internal auditing in OPM

was included in written documentation, there was room for further clarification of this role. Fifteen percent (n=3) of the respondents suggested that written documents included references to internal auditing's role in OPM. One respondent, (5%), indicated that the reference to internal auditing's role in OPM in formalised documents was limited.

Internal audit charters were received from five respondents (IAC01 - IAC05). A content analysis revealed that all five charters had adopted the IASs. IAS 2110 (IIA, 2017b) requires the IAA to ensure effective OPM and accountability. IAS 2130.A1 (IIA, 2017b) further requires the IAA to assist the organisation in implementing effective controls that contribute to the achievement of the organisation's strategic objectives. One of the charters analysed (IAC03) contained a provision that the IAA must assess and evaluate whether operations are carried out as planned. Another charter (IAC04) included a requirement that the IAA must ensure organisational performance and accountability by management and staff. A third charter (IAC05) provided that the IAA must ascertain whether the department's results are consistent with planned objectives and goals.

Thus, the responses to the survey affirm that internal auditing had been formally established within national departments. National departments have adopted internal auditing as a mechanism to improve OPM. Content analysis of the internal audit charters corroborated the questionnaire responses, confirming that internal auditing was required to assist management in ensuring that planned objectives and targets were effectively achieved. Consequently, empirical data was collected through interviews, focus group discussions and documents obtained during the qualitative phase of the study to further explore this conclusion.

The majority of the interview and focus group participants from the IAAs (D1FG1; D1P1; D2FG1; D2FG2; D2P1; D2P2; D3FG1; D3FG2; D3P1; D4FG1) stated that the IAA had been formally established and operated in accordance with an approved internal audit charter. The CAE interview participants (D1P1; D2P2; D3P1) further confirmed that the role, mandate, responsibility and authority of internal auditing were recorded in the internal audit charter. The responses and the content analysis of documentation received were in keeping with the suggestions of Florea and Florea (2013), Tušek and Pokrovac (2012) and the prescripts of IASs 1000 (IIA, 2017b), that a formal internal audit charter should clearly state the mandate, scope and authority of internal auditing.

Document analysis confirmed the survey responses and data from the interview and focus group participants that internal auditing was formally established within national departments. The internal audit charters (D1Doc9; D2Doc2) received from two national departments confirmed that the AO (DG) of the department had implemented a system of internal auditing, as required by Section 38 of the PFMA (South Africa, 1999). In addition, content analysis of documents (D1Doc9; D2Doc2; D3Doc6) substantiated that the internal audit charters set out the nature, scope, responsibility and authority of the IAA.

The results of the survey and the qualitative data analysed confirmed that the requirement of the PFMA for the establishment of internal auditing had been complied with by all four national departments. The mandate, role, authority and responsibility of the IAA were formalised in written internal audit charters, enabling the IAA to undertake assessments and evaluations of OPM. The data analysis further revealed that the establishment of internal auditing adhered to the prescripts of the IASs (IIA, 2017) and the suggestions of available literature. Internal auditing of the national departments' OPM was also formalised in the approved internal audit charters.

6.9.2 Formalised policy on the role of internal auditing in organisational performance management

Section 6.5.3 discussed the policy bases supporting internal auditing. Consequently, it was necessary to determine whether the adoption of internal auditing in the OPM of national departments was driven by a documented, formalised policy. The survey questionnaire included a question on whether the role of internal auditing in OPM had been formalised through a written policy. Respondents were also requested to provide copies of any policy documents available.

Two respondents (10%) indicated that a clear, complete policy on the role of internal auditing in OPM was in place, whilst 40% (n=8) suggested that although such a policy existed, it was necessary to review the policy. Three respondents (15%) indicated that such a policy existed but was average in nature and would require significant improvement. Two respondents (10%) suggested that a policy on the internal auditing of OPM existed but was of poor quality. Twenty-five percent (n=5) of the respondents indicated that no policy on the internal auditing of OPM existed in the department.

Approved internal auditing policies were received from three departments (IAP01; IAP02; IAP03). A qualitative content analysis indicated that none of these policies had specifically formalised the role of internal auditing in OPM. Of the three policies, only one (IAP02) referred to the IAA conducting assessments of the quarterly PI and included the duties of the IAA as prescribed by the TRs. However, it is submitted that the reference to the IASs in the policy document effectively include OPM, as IAS (IIA 2017b, 2110) requires internal auditing to assess OPM.

The survey responses and the document analysis indicated that an appropriate policy detailing the principles, rules and guidelines of internal auditing's role in OPM was lacking in the departments. Whilst the internal audit charter provides the framework for the authority, mandate and responsibilities of the IAA, a policy document provides comprehensive information on specific areas of responsibilities of the IAA. It is submitted that given the evolving nature of internal auditing, which is shifting from assessing only the systems of governance, risk and control and moving towards a broader role with a more intense focus on OPM, it is necessary to develop a robust and dynamic formal internal auditing policy. A policy is developed in order to expand on the internal auditing mandate and provide clear direction on the scope and focus of internal auditing in OPM. The absence of a formalised policy leads to ambiguity in what is expected and also does not adequately clarify the mandate and requirements of various role players. Consequently, the role of internal auditing in areas such as OPM may be questioned by departmental officials in the absence of such a formalised policy.

The existence of an internal auditing policy was further explored during the interviews and focus group discussions held. Interview participant D1P1 indicated that the IAA had developed an internal auditing manual that included the standard operating procedures. The internal auditing policies were included in this manual. A content analysis of the manual (IAM09) revealed that it was very comprehensive but focused extensively on internal auditing procedures rather than on policies. Another interview participant (D3P1) indicated that there was no internal auditing policy in national department D3. The participant stated further that the internal auditing policies had been incorporated into the department's methodology document. A third interview participant (D2P2) mentioned that the internal auditing methodology, which also doubled up as the internal auditing policy,

had been developed. However, the manual was in draft form and needed to be formalised through the department's approval processes.

None of the participants indicated the existence of a separate, dedicated internal auditing policy document. Interview participant D1P2 observed that an internal auditing policy was critical for the protection of internal auditors and the work that they do. A recommendation is therefore made that all national departments develop and formalise a comprehensive internal auditing policy that clarifies the internal auditing of OPM. It is also recommended that the suggestion of interview participant D1P2 be considered in order to ensure the protection of the IAA.

6.9.3 Internal auditing approach to organisational performance management

It was noted that whilst various approaches to internal auditing, including the risk-based approach, the business approach and the control approach, may exist in theory, the IASs (IIA, 2017b, 2010) prescribe that the risk-based approach be followed by IAAs. This is confirmed in literature, which recommends that the risk-based approach be adopted by IAAs and that risk-based internal auditing plans be developed (Lélis & Pinheiro, 2012; Beumer, 2006; Vinze *et al.*, 1991). Consequently, an exploratory exercise on the internal auditing approaches adopted by the IAAs of national departments was necessary. Respondents to the questionnaire were asked whether written internal auditing approaches and procedures existed, especially with regard to the internal auditing of OPM.

The majority of the respondents (85%; n=17) confirmed the existence of written approaches and procedures. Of these, three indicated that approaches and procedures were comprehensive and clear while twelve stated that they were adequate and two considered they were average. The three remaining respondents, representing 15%, indicated that the IAA had not developed any written approaches or procedures on the internal auditing of OPM.

Documented approaches and procedures on the internal auditing of OPM were received from nine national departments (IAM01 - IAM09). In addition, seven of the nine departments made available their internal auditing programmes on the internal auditing of PI (IAM02 - AM08) whilst one department provided the PI assessment methodology

(IAM01). Another national department made available a comprehensive internal auditing policies and procedure manual (IAM09). It was noted that the methodology document provided by one national department (IAM01) did not include any detailed internal auditing procedures. All of the departments confirmed the risk-based approach to internal auditing. In addition, the control-based approach to internal auditing was also identified in two of the internal auditing programmes (IAM07; IAM08). Another internal auditing programme (IAM04) also recognised the objective-based approach to internal auditing that advocates the formulation of clear objectives to guide employees as proposed by Rey, Chinchilla and Pitta (2017).

The content analysis of the documented policies and procedures (IAM01 - IAM09) revealed that written approaches and procedures to the internal auditing of PI had generally been implemented by the IAAs of the departments. However, these procedures provided for a limited assessment of the founding mandate and the legislation that provided for the establishment of the national department. Additionally, the alignment of the departmental priorities with the Cabinet Outcomes Document and the NDP, and the alignment of departmental high-level priorities with planned objectives were not mentioned. None of the documents included any requirement to conduct comprehensive research or to evaluate and confirm the research conducted by the department on its performance environment.

The audit programmes (IAM02 - IAM08) furthermore did not require the IAA to conduct an assessment of the systems used to manage organisational performance and PI reporting. It is therefore recommended that the procedures developed by IAAs for the internal auditing of OPM should be reviewed, which would be likely to act as a catalyst for the evolution of internal auditing to assisting the organisation achieve optimal performance.

Focus group D4FG1 presented an alternative view to the internal auditing approach. The focus group observed that linking the internal auditing plan with the strategic objectives of the department contributed to service delivery in the most economical, efficient and effective manner, thereby suggesting a performance-based approach to internal auditing.

A concern was raised by interview participant D4P3 that the IAA had adopted an approach which did not focus on areas with the greatest impact on organisational

performance. The concern was that 90% of the IAA's work focused on the support areas of the department whereas the line function units spend 90% of the budget, which calls into question the nature of the risk-based approach adopted by the IAA. According to the interview participant, this approach was particularly notable in the internal auditing of the performance agreements and in the annual reviews of individual performance where the focus was on minor matters such as signing off on performance agreements rather than their content and alignment with the mandate of the department. The interview participant (D4P3) contended that little value was therefore added to the department with the IAA focusing on support services rather than on the line function. The participant continued that internal auditing should focus on the mandate of the department, areas that receive the bigger budget allocations and the actual content of performance agreements to determine alignment with the departmental objectives.

The differing views on the internal auditing approach call for serious consideration by leaders and practitioners of internal auditing. It could be argued that because the IPPF emphasises internal auditing's role as ensuring that the organisation achieves its strategic objectives, a review of the risk-based approach may be necessary. An integrated approach to internal auditing could therefore be considered. Such an approach could include the risk-based approach, control-based approach, objective-based approach, performance-based approach and the business approach to ensure comprehensive internal auditing.

6.9.4 Internal auditing methodology

Section 6.9.3 confirmed that national departments made available internal auditing methodology documents confirming that internal auditing was conducted according to formalised methodologies. This section explores the methodologies adopted. The majority of the interview and focus group participants (D1FG1; D1P1; D2FG2; D2P1; D2P2; D3FG1; D3FG2; D3P1; D4FG1) stated that the internal auditing methodology adopted by the IAAs at national department level adhered to the requirements of the IASs. A description of the generic internal auditing methodology employed is outlined below.

(i) *Planning*

Interview and focus group participants (D1P1; D2P1; D2P2; D2P3; D3FG1; D3P1; D3P2; D4FG1) confirmed that the internal auditing methodology required risk-based internal auditing plans to be developed. Adopting a risk-based approach to internal auditing was identified by the OECG (2014), Lélis and Pinheiro (2012), Beumer (2006), Vinze *et al.* (1991) and is prescribed by the IASs (IIA, 2017b, 2010).

However, interview participant D4P3 contests that internal auditing in department D4 was risk-based despite the claims made by the IAA. The contention of this participant was that while the office of the CRO had comprehensive risk registers, the IAA did not consider this information when developing the internal auditing plan. The interview participant (D4P3) contended that, as a result, the IAA was not auditing the right things because of its inability to align the risk management and internal auditing concepts. Consequently, there were significant operational inefficiencies that were not detected by the IAA (D4P3). Participant D4P3 suggested that the IAA should be doing more risk-based work by consulting the department's risk registers and the RMU to focus on areas of high risk in order to contribute to optimal OPM.

It is submitted that the IAA is required, in terms of the IASs (IIA, 2017b), to give attention to the results of the risk assessments conducted by the department and to focus significant effort on areas of high risk (probability and impact) to the national department. It is therefore also submitted that the statement of interview participant D4P3, that the IAA should be doing more risk-based work, is supported. The dissenting view of interview participant D4P3 that the IAA does not consider the risk information of the department in its planning and performance of internal auditing work also calls for greater coordination between the work of the IAA and the RMU.

(ii) *Execution of individual internal auditing assignments*

According to several interview and focus group participants (D1P1; D2P1; D2P2; D2P3; D3FG1; D3P1; D3P2; D4FG1), the IAA developed a three-year rolling internal auditing plan that identified a number of assignments to be executed. In order to execute these assignments, focus group D3FG1 stated that in each internal auditing assignment, the critical risks identified in the national department's risk register were used to formulate

the internal auditing assignment's scope and objectives, as required by the IASs (IIA, 2017b, 2200) and suggested by Aghili (2009) and Coyne (2006).

The data received from an internal auditing procedure manual (D1Doc10) and several interview and focus group participants (D1FG1; D1FG2; D1P1; D2P1; D2P2; D3P1; D4FG1) indicated that at the commencement of the assignment, auditee management was informed of the scope and objectives of the assignment by means of an engagement letter. Sawyer *et al.* (1998) suggest that this type of assignment should commence with the issue of an engagement letter.

Thereafter, according to several interview and focus group participants (D1FG2; D1P1; D2P1; D2P2; D3P1; D4FG1), the IAA scheduled an engagement meeting with the auditee. The IASs (IIA, 2017b, 2201), Salyers (2015) and Sawyer *et al.* (1998) state that the IAA should schedule an engagement meeting with the auditee at the commencement of the internal auditing assignment. At the engagement meeting, the objectives and scope of the assignment were explained to the auditee management. Interview and focus group participants (D2P2; D3P1; D4FG1) clarified that auditee management was also given an opportunity to provide input into the objectives and scope of the assignment at the meeting. Salyers (2015) and Sawyer *et al.* (1998) indicate that an engagement meeting is held where the internal auditing plan is discussed and the scope and objectives of the audit assignment are explained to auditee management.

A number of interview and focus group participants (D1FG2; D2P1; D3FG1; D3P1; D4FG1) confirmed that after the engagement meeting, preliminary internal auditing procedures such as system walkthroughs, tests of controls and business process analysis were conducted. The preliminary procedures resulted in the development of the internal auditing work programme. Literature (Salyers, 2015; Lélis & Pinheiro, 2012; Vinze *et al.*, 1991) explain that the preliminary survey includes conducting walkthrough tests of the business processes, limited control and substantive testing and obtaining a preliminary understanding of the control environment thereby enabling the CAE to develop the audit work programme for the internal auditing assignment.

According to the empirical data (D1Doc10; D1FG2; D2P1; D3P1; D4FG1), the internal auditing work programme provided direction and guidance to the internal auditors on the procedures to be performed during the internal auditing assignment. Literature concur

that the internal auditing work programme provides direction to the internal auditors performing the assignment (Lélis & Pinheiro, 2012; Paul, 2005; Sawyer *et al.*, 1998; Vinze *et al.*, 1991). Document D1Doc10 and focus group D1FG2 also stated that in executing their procedures, the internal auditors looked for weaknesses in systems and processes as well as the root causes of these weaknesses that ultimately impact on effective OPM. According to focus group D1FG2, internal auditors then made recommendations to management to address the root causes of the weaknesses.

Continuous communication with the auditee was highlighted by both document D1Doc10 and interview participant D3P1. While conducting the internal auditing assignment, the auditors discussed their findings with auditee management. Piper (2015), Salyers (2015), Aghili (2009), Coyne (2006) and Paul (2005) state that during the course of the assignment, the auditors engage the auditee to obtain information, documents and explanations and also to communicate findings. Upon the completion of the assignment, a 'close-out' meeting (D1Doc10; D1P1; D3P1) was held where the findings that had not been resolved during the assignment were discussed. According to interview participant D3P1, management was offered another opportunity to provide input into the findings raised during the assignment at the close-out meeting, as suggested by Piper (2015) and Sawyer *et al.* (1998).

Interview and focus group participants (D1P1; D2P1; D3FG1) stated that the output of the internal auditing assignment was the internal auditing report with findings and recommendations, as suggested by Lélis and Pinheiro (2012) and Paul (2005). The findings, root causes of concerns, risks raised and recommendations for addressing the root causes were included in the internal auditing report. Responses received were included in the final internal auditing report that was issued to management.

Thereafter, according to interview and focus group participants (D1FG2; D2P1) follow-up internal auditing assignments were undertaken. Document D3Doc4 and interview participant D3P1 stated that such assignments deal with the implementation of recommendations arising from completed internal audit assignments. The IASs (IIA, 2017b, 2500.A1) require follow-up internal auditing assignments to be conducted, as confirmed by Kapić (2013), Coyne (2006) and Sawyer *et al.* (1998).

6.9.5 Methodology adopted for evaluating organisational performance management

The survey questionnaire sent to national departments included a question on whether the IAA had developed a standard internal auditing programme for evaluating OPM. The responses received are summarised in Figure 6.6 below.

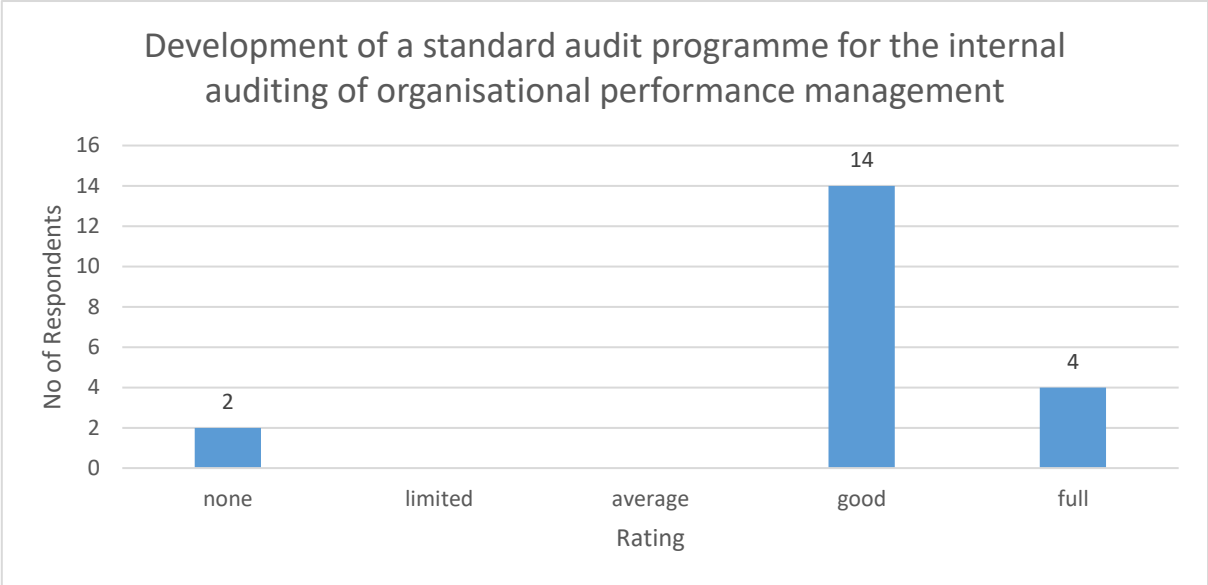


Figure 6.6 Development of a standard internal auditing programme for internal auditing of OPM

(Source: Own compilation)

Figure 6.6 indicates that the majority – 18 of the 20 respondents (90%) – confirmed that the IAA had developed a standard internal auditing programme for the assessment and evaluation of OPM. Of these 18 respondents, four confirmed that the programme was comprehensive and complete, whilst 14 indicated the possibility of improving the programme. Two respondents or 10% indicated that the IAA had not developed a standard internal auditing programme for assessing and evaluating OPM.

Seven respondents made available their internal auditing work programmes (IAM02 - IAM08). A content analysis found that none of the programmes included an assessment of (i) the founding mandate, (ii) alignment of the SP with cabinet priorities and the NDP and (iii) a critical content analysis of the mandate, vision, mission and planned objectives of the department. The responses, together with the document analysis, highlight an

opportunity for internal auditing work programmes to evolve from the focus on PI to a more comprehensive internal auditing of OPM, as argued by interview participants D4P1, D4P2 and D4P3.

According to interview and focus group participants (D1P1; D2FG1; M&E2), departmental performance referred to both financial and non-financial performance. However, interview participant D2P2 confirmed that, from a non-financial perspective, the internal auditing assessment of OPM largely focused on the auditing of PI. According to a number of interview and focus group participants (D1P1; D2FG1; D2P1; D2P2; D3FG1; D3FG2; D3P1; D4FG1; D4P1), the IAA assessed the PI and the POE submitted by the departmental units. Interview and focus group participants (D1P1; D2P1; D2FG1; D2P2; D3FG1; D3FG2; D3P1; D4FG1; D4P1) indicated that the auditing of PI was included in the internal auditing plan approved by the AC.

However, another interview participant (D3P1) stated that the IAA also audited the APP in addition to the PI. The participant clarified that the IAA evaluated whether targets in the APP complied with the SMART criteria. The targets were re-evaluated during the assessment of PI. The participant mentioned that during the evaluation of PI, internal auditing procedures also focused on whether planned targets had been achieved.

Two interview participants and one focus group (D2FG1; D2P2; D3P1) confirmed that the IAA followed the standard internal auditing methodology (described in 6.9.4 above) for auditing PI, however, with some minor adjustments. These adjustments related mainly to the focus accorded to assessing and evaluating the PI and the POE, rather than focusing on governance, risks and control processes. One focus group participant (D2FG1) mentioned that the IAA did not have a specific framework for PI auditing. Interview participant D3P1 reiterated that the IAA audited the systems or processes of OPM rather than content.

Interview participants D1P1 and D2P2 mentioned further that the methodology adopted for the auditing of PI required the IAA to conduct certain background checks, such as whether there was a new policy, framework or instruction note with regard to OPM. Interview participant D3P1 added that further procedures included the IAA evaluating the consistency of reporting. For instance, in the first, second and third quarter, the unit may have reported performance against a target crafted numerically, whereas in the fourth

quarter the target may have changed from a number to a percentage. The change made reporting and evaluating difficult as the reporting was required to follow the manner in which the target had originally been crafted in the APP.

Interview participant D3P1 mentioned that an internal auditing report was issued on the findings raised on the PI. The report was presented to the executive committee for consideration and for the implementation of the proposed recommendations. Thus, the data analysis confirms that the IAAs' largely followed the generic internal auditing methodology, with minor adjustments for OPM audits.

6.9.6 Skills and capacity of internal audit activities

One interview participant (D1P2) occupying a senior position in government asserted that internal auditors undertook important work for the department by providing valuable advice and recommendations. Therefore, they required a high degree of knowledge and skill in order to effectively perform their tasks. Van Genderen (2014) argues that internal auditors require comprehensive knowledge and skills to provide advice and guidance to the organisation. Data on the technical skills of internal auditors was obtained, affirming that internal auditors all possessed tertiary qualifications such as diplomas or degrees. Two of the three CAEs interviewed (D2P2; D3P1) indicated that they had attained the Certified Internal Auditor (CIA) qualification. Of the CAEs (D1P1; D2P2; D3P1), one also had a Master's in Business Administration degree, another a Bachelor of Commerce Honours degree while the third had a Bachelor of Commerce degree. Interview participant D1P1, also a CAE, mentioned that he had approximately 25 years of auditing experience, of which 12 years was in external auditing and 13 in internal auditing. Of these 13 years, 10 were at CAE level. Another CAE (D2P2) had been an internal auditor for his entire career, with more than 15 years of internal auditing experience.

Interview participant D3P1 mentioned that in national department D3, three internal auditors had acquired their CIA qualification while a further three candidates were studying towards this qualification. All other IAA employees had been admitted to development programmes with the IIA. Interview participant D1P1 also stated that where the IAA was required to conduct assignments that required specialised skills such as engineering, not normally found within the IAA, such skills were acquired from outside of the IAA. Data analysis (D1Doc3; D1P1; D2P1; D4FG1) confirmed that national

departments supplemented their internal auditing capacity through co-sourced arrangements with external partners. According to interview participant D1P1, a co-sourced partner assisted the IAA with specialised skills to analyse the department's strategic documents such as the APP and to undertake PI assessments.

The 2015-2016 AR of national department D1 (D1Doc3) confirmed that the IAA included personnel with the necessary skills who functioned in accordance with the PFMA and TRs. Furthermore, in order to further build in-house skill and capacity in auditing OPM, the CAE and deputy CAE attended the IAA's training on performance auditing and auditing of PI. Focus group participants (D1FG1) confessed, however, that because they were new in the field of OPM auditing, they did not have much experience in this area. With regard to human resource capacity, according to interview participant D1P1, the IAA in D1 had a total of eight employees.

Interview participant D3P1 confirmed that the IAA in D3 had a total of 50 employees. The participant indicated that the high number of IAA employees was attributable to the nature of the department insofar as it had both central and regional operations. Interview participant D3P1 stated that capacity in D3 was further strengthened through an internship programme (D3P1) which sought to train internal auditors, thereby alleviating the national skills shortage by developing skilled internal auditors.

However, not all departments confirmed adequacy with regard to internal auditing skills and capacity. In national department D2, the AC noted in the 2015-2016 AR (D2Doc2), the capacity challenges faced by the IAA and stated that these challenges were brought to the attention of departmental management. Interview participant D2P2 also confirmed the concern of the AC that there was inadequate capacity to effectively execute internal auditing responsibilities that included assessing departmental OPM. Focus group D2FG1 confirmed this statement, indicating that junior IAA employees did not have much experience in assessing the adequacy of controls and performing other more complex internal auditing tasks. The focus group (D2FG1) stated further that internal auditors were required to apply professional judgement in carrying out their tasks. However, this was a challenge because it was dependent on a high level of training and experience which junior internal auditors would not have acquired. One interview participant (D3P1) argued that skills improvement in internal auditing and the auditing of OPM was necessary. Interview participant D1P1 concurred that a comprehensive skills development

programme was required to develop the skills of internal auditors in assessing and evaluating OPM. CAE interview participants (D1P1; D2P1; D3P1) indicated that a course designed to develop the skills of internal auditors in OPM auditing would be welcomed.

Document D1Doc4 indicated that there was a need to strengthen the internal auditing capacity of the department in order to improve the quality of evidence that supports the department's quarterly reporting. Interview participant D1P2 furthermore argued that in its reporting of OPM assessments, internal auditors should adopt fearless and courageous reporting, considering the alleged widespread corruption in the public sector (Timeslive News, 2018). This type of robust reporting would assist in appropriate and timely decision-making by management.

Interview participant D2P3 argued that while skills exist in the IAA, there was a need for improvement of the internal auditing skills base. The interview participant (D2P3) argued that internal auditors needed to keep abreast of the evolving nature of their environment. The participant argued that knowledge acquired by internal auditors several years ago may no longer be relevant.

Data analysis reveals that whilst internal auditors in national departments have acquired a degree of education and training, their skills and capacity, specifically in the auditing of OPM, require further attention. This study pointed to the high expectations that management has of internal auditing, calling for the argument that minimum internal auditing qualifications, training and skill are no longer adequate or relevant to meet such expectations. It can therefore be argued that the profession is at a point where introspection into its environment is necessary in order to take the move forward and evolve to the next logical stage in its development.

6.10 EFFECTIVENESS OF INTERNAL AUDITING OF ORGANISATIONAL PERFORMANCE MANAGEMENT

The empirical data provided meaningful insights into the nature of OPM at national department level in South Africa. The data analysis also confirmed the adoption of internal auditing as a mechanism to improve OPM and provided insights into the nature of internal auditing in its role in OPM. Robust arguments emerged positing a significant role for internal auditing in OPM while dissenting views also emerged (see Section 6.9.2).

Consequently, the results of the data analysis led to an exploration of the effectiveness of the internal auditing of OPM at the national department level in South Africa. This necessitated focusing on the quality of internal auditing as well as internal auditing’s effect on OPM. The theme and sub-themes are depicted in Figure 6.7 below.

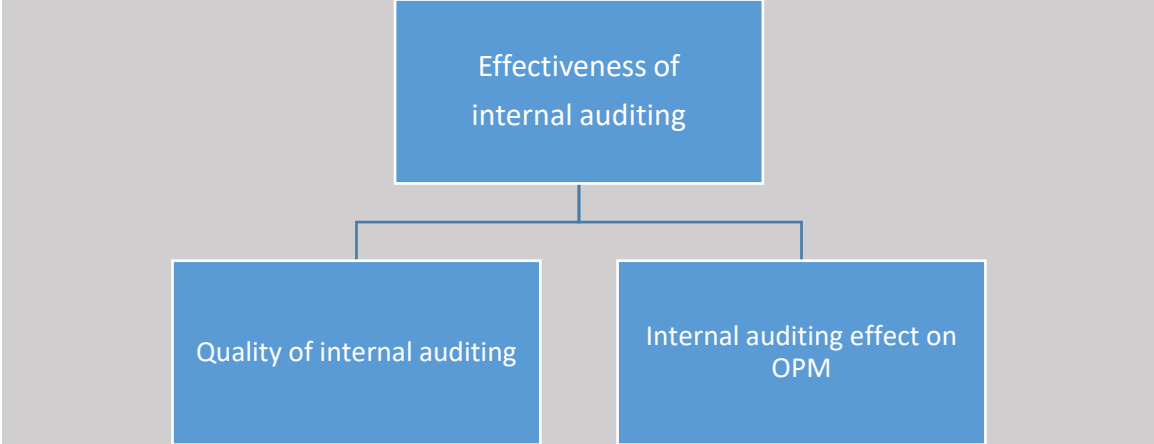


Figure 6.7 Effectiveness of internal auditing of OPM theme and sub-themes
 (Source: Own compilation)

6.10.1 Quality of internal auditing

Interview and focus group participants (D1FG1; D1FG2; D1P1; D2FG1; D2FG2; D2P1; D2P2; D3FG1; D3FG2; D3P1; D4FG1) from the IAAs in the four national departments attested that internal auditing was performed in accordance with the IASs. A qualitative data analysis of the internal audit charters received from national departments (D1Doc9; D3Doc6) affirmed that the IAA complied with the IASs. IAS 1312 (IIA, 2017b) requires an external quality assurance review (QAR) to be conducted on the IAA at least once every five years in order to ascertain the extent of compliance with the IASs. Several interview participants and focus groups participants (D1FG1; D1FG2; D1P1; D2FG1; D2FG2; D2P1; D2P2; D3FG1; D3FG2; D3P1; D4FG1) confirmed that all IAAs included in the qualitative study had been subjected to an external assessment. According to the interview and focus group participants, the external QAR evaluated the IAA’s compliance with the IASs which are recognised as the standards regulating the quality of internal auditing. Two national departments (D1; D4) received ‘GC’ ratings (D1P1; D1FG1; D4FG1) which indicate that the quality of internal auditing performed was satisfactory. The other two national departments (D2; D3) received ‘PC’ ratings (D2P1; D2P2; D3P1) which indicate that more work needs to be done to satisfactorily comply with the IASs.

These ratings are indicative of the quality of internal auditing conducted and suggest that room for further improvement exists in this area.

6.10.2 Internal auditing effect on organisational performance management

The discussion thus far clarified that all national departments participating in this study had implemented systems of internal auditing to assist in improving OPM. The study found that the nature and performance of internal auditing generally complied with the arguments of literature and the requirements of the IASs. The survey questionnaire included a question on the extent to which the internal auditing of OPM was efficient and effective.

The responses depicted in Figure 6.8 below reflect that all respondents (100%) confirmed that the internal auditing of OPM was efficient and effective albeit at different levels. Six respondents or 30% indicated the internal auditing of OPM was fully effective. Eleven respondents (55%) confirmed that capacity for improvement existed. Ten percent or two respondents suggested a need for significant improvement in the internal auditing of OPM.

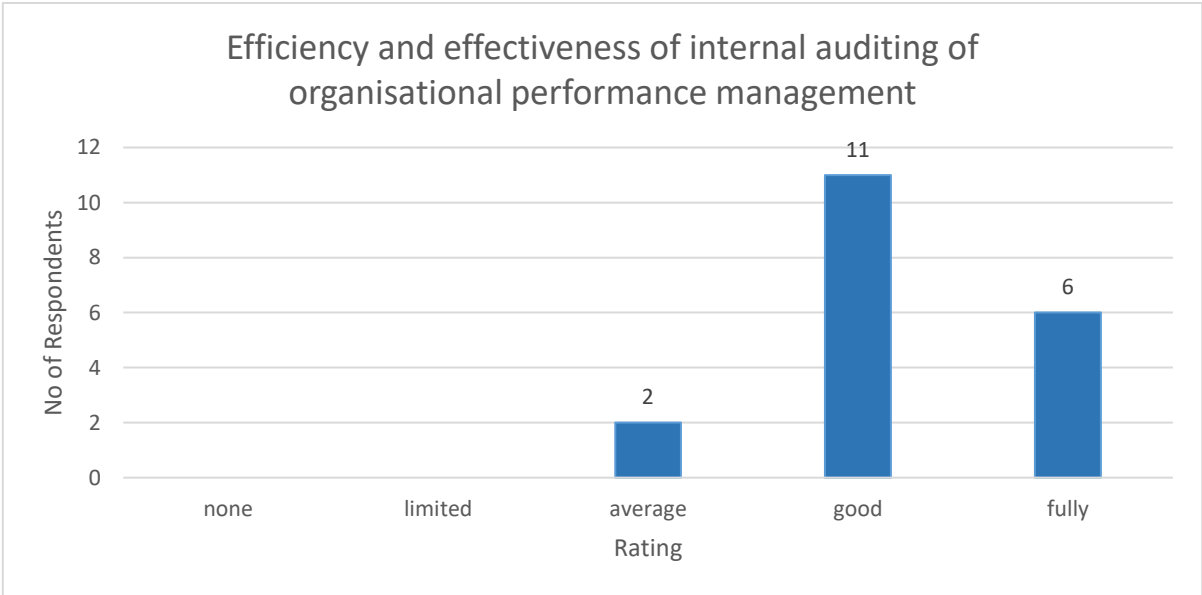


Figure 6.8 Efficiency and effectiveness of the internal auditing of OPM
(Source: Own compilation)

Content analysis of the ARs of the departments (AR01 - AR18) revealed that the AGSA included findings on PI reported for 12 national departments and allowed material

misstatements to be corrected by a further four departments (AR03; AR04; AR05; AR09; AR15; AR16). Consequently, only two departments had no deficiencies reported. It was found in Section 6.8.4 that the IAA assessment of a department's PI enables the department to correct any deficiencies detected prior to submitting the PI reports to the AGSA for evaluation. The AGSA's assessment therefore suggests that the internal auditing of PI was effective in 11% of the responding departments. Consequently, by extension, it can be argued that the internal auditing evaluations of 89% of the responding departments were not fully effective.

The question of the efficiency and effectiveness of internal auditing, specifically regarding OPM, was further explored during the qualitative phase of the study. Several interview participants (D1P1; D2P1; D2P2; D2P3; D3P1) asserted that internal auditing was effective, although not to the desired level. Interview participants D2P3 and M&E2 stated that the AGSA placing reliance on the work of the IAA was an indicator of internal auditing effectiveness. However, no data were made available on whether the AGSA relied on the work performed by the IAA, and the extent to which it did so. Therefore, no conclusions are drawn in this regard.

The effectiveness of the internal auditing work in national department D1 was confirmed in its 2015-2016 AR (D1Doc3) which reported on the internal auditing assignments undertaken by the IAA. The effectiveness of internal auditing was confirmed, according to D1P1, insofar as the IAA's recommendations arising from its assignments were generally accepted by the department. Interview participant D1P2 re-affirmed the importance of the role of internal auditing in the department's operating systems. However, interview participant D1P4 argued that whilst internal auditing in the department was effective, there were challenges because of time constraints experienced by the IAA to perform all of its work. Interview and focus group participants D2FG1, D2P2 and D2P3 also identified limited time as one of the factors that inhibited internal auditing's effectiveness in their departments.

Further entrenching the effectiveness of internal auditing, one interview participant (D2P3) stated that the department placed reliance on the IAA's assessments of the PI. According to the participant, the executive committee would not consider or adopt the department's PI report if it had not been assessed by the IAA. Participant D2P3 further

stated that the department's consolidated PI report would not be submitted to parliament and the oversight departments if it had not been assessed by the IAA.

Interview participant D3P1 stated that department D3 had previously experienced significant challenges in formulating plans, targets and indicators in accordance with the FPPI. Moreover, performance reporting was poor. Participant D3P1 commented that the IAA had, through its PI assessments and internal audits, assisted the department in developing plans, targets, indicators and in compiling PI reports such that there had been a marked improvement in these areas. A focus group (D3FG1) further highlighted the effectiveness of internal auditing insofar as its recommendations were discussed at a special forum of the executive committee of the national department. However, focus group D3FG1 raised the concern that although the IAA makes recommendations, these were often either not implemented at all or not implemented within the agreed to timeframe.

Focus group D4FG1 was of the view that the role of internal auditing in the OPM of department D4 was effective. This was confirmed in the department's AR for 2016-2017 (D4Doc3), however, this document indicated that the majority of internal auditing assignments had focused on 'incentive administration' and the auditing of PI.

Dissenting views were also received. Interview participant D4P3 disputed the effectiveness of internal auditing's work, stating that the findings were trivial and very low level given the expenditure incurred by the IAA. The reports included findings such as the limits of telephone accounts being exceeded or an operational plan not being signed, rather than focusing on broader issues that could impede the department from achieving its planned objectives. Participant D4P3 thus indicated that she saw very little value in the work of the IAA. In addition, the participant stated that although both the IAA and the AGSA audited the PI, the AGSA reported numerous findings whereas those of the IAA were negligible. The interview participant continued that if the AGSA drew attention to various issues each year, why were similar findings not being identified by the IAA during its quarterly PI evaluations?

Participant D4P3 gave further examples of internal audit's findings such as a unit in the department not submitting its quarterly PI on time or another unit not finalising its risk register on time. According to the participant, these were not critical areas of concern and

the IAA should instead verify whether the units had completed their action plans to respond to identified risks. Moreover, the participant clarified that upon review, it came to light that the unit had not completed its action plan and this serious omission had not been detected by the IAA.

A further dissenting view from interview participant D4P1 implied that internal auditors were so caught up in auditing documentation that they lost sight of the strategic dimension of the department. Interview participant D4P2 stated that the IAA was not auditing the strategic processes of the department, thereby questioning the effectiveness of the audits.

In summary, differing arguments arose from the data on the effectiveness of internal auditing in OPM. Whilst internal auditing practitioners themselves saw their role as being effective and adding value, non-IAA interview participants occupying managerial posts disagreed, questioning the effectiveness of internal auditing, and specifically in relation to OPM. They recommended that the auditors review the nature of internal auditing to reflect management expectations since management was their single biggest client.

6.11 EVOLUTION OF INTERNAL AUDITING

In addition to obtaining a thorough understanding into the implementation of OPM in national departments, the findings in this study have so far provided meaningful insights into (i) the nature of internal auditing in OPM, (ii) the practical implementation of internal auditing and, (iii) the effectiveness of internal auditing in OPM. Additionally, rich data was collected and analysed, generally confirming that internal auditing had an important role and contributed, mainly by evaluating PI, to the OPM of national departments.

However, differing views emerged on the effectiveness of internal auditing in OPM. Several interview participants offered suggestions that, when considered, portray internal auditing in a different, but progressive light. Positive consideration of these suggestions may well propel internal auditing to the next level of the natural progression of the practice as the most important partner to management and the organisation. The suggestions that are explored below include (i) the development of a unified theory of internal auditing, (ii) frameworks and standards, (iii) strategic understanding, (iv) intensified focus on strategic perspectives, (v) high-levels of training and skills, (vi) courageous reporting and (vii)

internal auditing leadership in coordinated assurance. Figure 6.9 below provides a graphical representation on the elements emerging from this study which can be used to form a conceptual framework for the future practice of internal auditing. It should be noted that some of these elements already exist within the practice of internal auditing but are accorded greater emphasis in the framework depicted in Figure 6.9.



Figure 6.9 Possible elements of a conceptual framework for the future of internal auditing

(Source: Own compilation)

6.11.1 Unified theory of internal auditing

In Chapter 4, it was noted that there is limited theoretical research in the field of internal auditing (Mihret & Grant, 2017; Wood, 2016; Mihret, 2014). The under-theorisation in this area has inhibited the natural progression of internal auditing. Data analysis conducted in this study indicates that the evolution of internal auditing to its next logical level locates the discipline within a comprehensive, unified theoretical base.

Chapter 4 recognised the agency theory, accountability theory, managerialism and NPM as theoretical bases underpinning internal auditing and OPM. Document D1Doc4 furthermore identified the stakeholder theory in relation to OPM. These theories emerging

from the literature survey and from the empirical data reflect the complex nature of internal auditing which spans several theoretical bases. The fragmented theoretical approach currently existing inhibits logical growth, development and evolution of the profession. It is therefore recommended that an exploratory exercise be conducted by leaders, practitioners and scholars of internal auditing to identify and amalgamate the various theoretical bases for internal auditing in order to develop a unified theory of internal auditing. It is posited that a unified theoretical base would enable a richer and higher-reaching profession and practice.

6.11.2 Frameworks and standards

All CAEs interviewed (D1P1; D2P2; D3P1) confirmed that the IAA assesses PI and, to a certain extent, assesses OPM. In addition, however, the AGSA and DPME are also involved in assessing and evaluating OPM. Interview participant D2P3 mentioned that there was no standard or guideline to assist the IAA and the other evaluators in the auditing of OPM and PI. Each assessing/evaluating body follows its own approaches and methodologies. The resultant impact is that the department often receives mixed feedback that causes confusion. According to interview participant D2P1, the standard internal auditing methodology is being applied by the IAA for assessing and evaluating OPM. This methodology is very broad and does not cater for the specific processes and procedures required to evaluate OPM. Consequently, interview participants (D1P1; D2P2; D2P3; D3P1) suggested that a framework specifically for evaluating OPM would be useful to all IAAs. This would ensure that uniform and corroborated assessments are provided to national departments.

It is noted that the IPPF (IIA, 2017b) has been formalised and made available to internal auditors. The IPPF includes the IASs with which internal auditors are required to comply. The recommendation is made that an incisive interrogative exercise be conducted to evaluate the existing IPPF in relation to the absence of a unified theoretical framework for internal auditing. Several sub-frameworks may be required to support the main IPPF, for instance, sub-frameworks for an integrated approach to internal auditing, for the internal auditing of OPM or for coordinated assurance. Possible elements for a conceptual framework for the evaluation of OPM are suggested in this study.

6.11.3 Strategic understanding

Several interview and focus group participants (D1P1; D3P1; D4FG1; D4P1; M&E1; M&E2) stated that if internal auditing of OPM is to be effective and value-adding, internal auditors must acquire a thorough understanding of the mandate, priorities, goals, objectives and performance environment of the department. The participants explained that because internal auditing advises departments on improving business and operating processes, internal auditors should possess a sound knowledge of the department. This would necessitate the internal auditors immersing themselves in the departmental planning process from inception. Acquiring such a thorough understanding would enable the IAA to comprehensively analyse and evaluate the department's OPM processes and systems.

Two senior interview participants (D1P2; D4P2) occupying the position of DDG confirmed that management expected the IAA to evaluate the relationship and alignment between the department's mandate and its plans. In addition, interview participant D1P2 explained that the department expected recommendations from the IAA on interventions that should be implemented to promote optimal, sustained future performance in addition to simply reporting on the past, as is currently the practice. The department also expected the IAA to advise it of any duplication in systems or effort that may impede optimal future performance. Whilst it may be argued that internal auditing currently encapsulates such management expectations, it is submitted that formalising this role into sub-frameworks with a more intense focus on each area of responsibility would provide guidance and direction for IAA's involvement in these areas.

Three interview participants (D1P2; D3P1; M&E2) asserted that internal auditors should have a thorough understanding of all departmental systems and processes so that they would be able to conduct effective assessments of these systems and processes. Participant D1P2 argued that a new breed of internal auditors must also assist the department in building systems and also build quality into these systems. Internal auditors must go so far as to inform management of the expected results when management does things correctly in addition to the current practice of advising where things are going wrong. According to interview participant D1P2, internal auditing's advice has to be progressive and futuristic.

The expectations from management that emerge from the data are important. The overarching expectation from management is that internal auditing should assist management in achieving future, sustained optimal departmental performance without losing independence and objectivity. Research participants argued that for internal auditors to provide such support, an in-depth understanding of the department, its mandate, performance environment, goals, objectives, targets and business processes is necessary. It is submitted that acquiring such an understanding requires internal auditors to immerse themselves into the organisation in order to fully understand its workings and to offer independent, objective and value-adding services.

6.11.4 Strategic perspectives

Interview participant D4P1 observed that the IAA does not form part of the executive structure of the department. The participant viewed this as a disadvantage because firstly, the IAA loses the opportunity to obtain important strategic information that are discussed in executive meetings. Consequently, this information is not available to the IAA to inform internal auditing plans and work. Secondly, the department loses the value that IAA representatives offer by way of providing recommendations or other information at executive meetings. Participant D4P1 claimed that because of its broad scope, internal auditing work gives auditors an understanding of the entire department. They are therefore in a unique position to contribute significantly to these discussions. Furthermore, considering that internal auditing provides assurance on processes and performance, attendance at executive meetings by the IAA would be necessary if the IAA was to obtain information on how the department plans to achieve its objectives. The IAA would not, however, assume any executive responsibilities (D4P1). Additionally, internal auditors would obtain high-level, insightful information that would be useful in providing advice and recommendations to management (D4P1). This view is further emphasised by IASs (IIA, 2017b, 2110) insofar as the IAA must ensure that the processes adopted by management assist the department to accomplish its planned objectives.

It is submitted that the arguments advanced by interview participant D4P1 are valid in that the IAA, because of the comprehensive organisational information it acquires as a result of its work, would be in a position to make a meaningful contribution to strategic discussions. However, care should be taken that, in accordance with independence and objectivity requirements, any contribution should be viewed as a recommendation to be

evaluated by management. If accepted, it would then become the responsibility of management. Management may also request the CAE to contribute to the strategic processes of the department through a consulting assignment, and comply with the independency and objectivity prescripts of the IASs.

However, interview participant D4P1 stated that the department expects the IAA to also advise it on areas that may be of concern to the AGSA. Participant D4P1 explained that because the IAA comes under a lot of pressure for not identifying those findings that the AGSA reports, it tends to compete with the AGSA. Consequently, the IAA does not accord adequate focus to areas such as organisational performance planning and business processes. The same participant added that as a result, the IAA was not adding any real value to the department. In addition, three interview participants (D4P1; D4P2; M&E1) stated that the AGSA had already commenced with the auditing of the strategic areas of the department according to a new methodology whilst the IAA had not as yet commenced with a programme to prioritise those strategic areas. Interview participant D4P2 stated that the IAA was only involved in departmental processes up to APP level. Both interview participants D4P2 and M&E1 cautioned that the IAA needed to progress upwards to assessing and evaluating alignment with the MTSF and NDP in order to remain relevant in the organisational fabric of the national department.

However, interview participant D4P2 conveyed that the AGSA entering the domain of strategic direction was misguided because its focus was mainly on the fair presentation of financial statements and on the usefulness of PI. The participant maintained that the AGSA would have a limited understanding of the line business of the department, such as trade, education and health, whereas the IAA would have more comprehensive knowledge because of its role in the department. It should therefore include the strategic dimensions on the national departments in its assessment and evaluation activities. Interview participant M&E1 offered the additional argument that, because of the nature of internal auditing work, the IAA was in a unique position to signal an early warning as to any challenges that may arise.

Interview participant D4P1 argued that internal auditors were so focused on documentation that they failed to see the bigger strategic focus and service delivery imperatives of the department. Interview participants D4P1 and D4P2, both occupying executive positions in the department, advanced the suggestion that internal auditors

should interrogate the actual performance of the department and provide recommendations on how it could improve its plans and overall performance rather than simply focusing on documentation. The participants claimed that the IAA did not want to be involved in this area and that internal auditors believed that doing such work could compromise its independence. Participant D4P1 pointed out, however, that the IAA is permitted by the IASs (IIA, 2017, 1130) to perform consulting work and that interrogating departmental performance may well be included in its consulting assignments.

It is submitted that the arguments of participants D4P1 and D4P2, namely that internal auditing independence will not be compromised by its involvement in the strategic areas of the departments, should be considered by the IAA and internal auditing practitioners. In its assurance role, internal auditing offers recommendations for improvement which are evaluated by management and once accepted, become the responsibility of management, thereby preserving internal auditing independence. In its consulting role, internal auditors may undertake specific assignments in providing advice to management on the strategic areas of the department. However, these same internal auditors should then not be allowed to perform assurance work in those areas until a reasonable period of time has elapsed, in accordance with the prescripts of the IASs (IIA, 2017b, 1130.A1), thereby safeguarding the independence of internal auditing.

Interview participant D4P2 suggested that the IAA should accord more attention to its own evolution, moving away from simply providing assurance services to include more consulting services. Participant D4P2 also mentioned the IAA is currently reactive insofar as the three-year internal auditing plan evaluates past performance whereas the senior team of the IAA should be engaging with management in addressing performance matters, identifying performance gaps and recommending solutions. The argument by interview participant D4P2 therefore suggests that the IAA may not be fully delivering on its mandate.

A further weakness emerging from the data analysis that could be converted into a leap forward for internal auditing was the concern raised by an interview participant (M&E1) that internal auditors believed that they should not be involved in any aspect other than the monitoring of OPM. According to participant M&E1, internal auditors argued that the IAA played the role of an internal QAR body only. Participant M&E1 stated that this was flawed since the practice of internal auditing allows for assessing and evaluating all

governance processes of a department and offering recommendations for improvement. The interview participant stated that assessing governance required internal auditing to be involved with the entire OPM process, including human resource processes, from beginning to the end. The participant maintained that as an internal quality assurance body, the IAA should obtain an overview of the OPM process of the department and provide direction with a view to the department achieving optimal performance, without compromising its independence. The participant further contended that it was pointless for the IAA to perform its assessments mid-year because it would then be monitoring indicators and targets that had already been developed and approved and which in themselves could be faulty. Consequently, the assessment became merely a compliance exercise rather than the IAA making meaningful, value-adding recommendations for the proper crafting of planned objectives, targets and measurable performance indicators.

Participant M&E1 argued that the current approach of the IAA in OPM was an exercise in futility and by the time the IAA conducted its assessment and evaluation, it would probably be monitoring the wrong indicators and targets because of the propensity by departments to develop vague and ambiguous indicators. The participant argued that by being involved in the OPM process from the very beginning, the IAA could add value without compromising its independence because it would be able to offer recommendations which could then be considered by management. Once accepted, management would become the owners of the recommendations and would be responsible for implementing them. The IAA would thus be in a position to audit those areas independently in the future.

Participant M&E1 suggested that the IAA should consider aspects such as the relevance of departmental plans to the department's mandate, whether targets and indicators were specific and pitched at the correct levels and not pitched so low that they were easy to obtain, thereby resulting in poor service delivery. Another participant (D4P3) proposed that the IAA should do more outcomes-based auditing to ascertain whether the expected impacts were effectively achieved. However, participant M&E1 conceded that the IAA was not adequately capacitated in terms of people to involve itself with OPM processes from the very beginning. Internal auditors may also not necessarily possess the required level of knowledge to undertake such assessments (M&E1).

The analysis of the arguments revealed a recurring call for internal auditors to be more involved in the OPM process from the very beginning in order to act as a 'sounding board' for management. This increased involvement would rely on the comprehensive understanding that internal auditors must acquire of the department's mandate, goals, performance environment and processes. The views of the participants discussed in this section suggest that the IAA should involve itself more fully into the strategic imperatives of the department by attending all strategic discussions to acquire the thorough knowledge required. In addition, the IAA should review its operating models to also provide recommendations to enable the department achieve optimal performance. The IAA should evaluate both the processes and the results of the national department's strategic focus, including the alignment of the plans to the MTF, NDP, and the departmental mandate. Assessments should also include the development of planned objectives, indicators and targets so that optimal performance, as opposed to mediocre, easy-to-achieve performance, would be promoted.

6.11.5 Training and skills

A number of interview participants (D1P2; D4P2; M&E1; M&E2) maintained that effective internal auditing performance was anchored in high levels of training and skill of internal auditors. Participant D1P2 claimed that this was necessary because internal auditors had to provide advice and guidance to management on the business processes and procedures of the department. Participant M&E2 reiterated that the acquisition of relevant, high-level, professional qualifications should be a strong consideration for internal auditors intending to evaluate OPM. Participant D2P1, a CAE, also confirmed that the skills level of internal auditors involved with the assessment and evaluation of PI and OPM needed significant improvement as auditors were trained in standard internal auditing processes and methodologies but did not receive specific training on evaluating OPM. Participant D1P2 added that internal auditing skills were an absolute priority because management placed considerable reliance on the work of internal auditors. Consequently, management decisions, which impact on departmental performance, were influenced by the recommendations made by internal auditors.

The arguments advanced by the participants suggest that leaders of the internal auditing profession, internal auditing academics, higher education institutions and internal auditing practitioners should initiate a collaborative discussion and an intensive review process of

the educational requirements and training needs of internal auditors to respond to the expectations of management. In addition, the IIA and internal auditing academics should evaluate the notion of regulating the qualifications and skills required to perform professional internal auditing services.

6.11.6 Courageous reporting

Fraud and corruption were highlighted by interview participant D1P2 and all the ARs reviewed as a major risk to departments and to government generally. Thus interview participant D1P2 stated that the national department expected fearless and courageous reporting from the IAA, firstly to improve departmental performance and secondly, to fearlessly report on any corruption or irregularities. The participant affirmed that fraud and corruption had a considerable negative impact on departmental performance and service delivery.

It is noted that the IASs (IIA, 2017b, 1210.A2) provide for internal auditors having a responsibility, while performing their duties, to identify the probability of fraud or other irregularities occurring by being conversant with the indicators of fraud. It is recommended that the IASs be broadened to require all internal auditors to obtain, at the very least, basic training on fraud and corruption and investigative techniques to enable them to effectively identify and report instances of fraud or any other irregularities.

6.11.7 Leadership in coordinated assurance

Several interview participants (D1P1; D2P2; D3P1; D4P1; D4P3) referred to the duplicated efforts of the various assurance providers within a single national department and the resultant costs and inefficiencies. The participants claimed that embracing combined assurance would, *inter alia*, result in significant cost savings and a positive impact on departmental performance. It is submitted, however, that at national department level, coordinated assurance would be somewhat more appropriate than combined assurance considering the nature of combined assurance recommended in King IV (IoDSA, 2016).

Interview participant D4P2 indicated that an IAA was established within the department and also within each of the entities that reported to the department. The participant

suggested that the IAA should coordinate its efforts with those of the IAAs of the various entities of the department. The participant explained that it was currently unclear whether or not the entities contributed to the mandate of the department because they were performing their own individual assessments of the effectiveness of OPM. The participant suggested that by adopting a coordinated approach, the IAAs of both the department and its entities would be able to conduct comprehensive, overall assessments which was not currently being done. Consequently, direct linkages between the department and its entities was currently not being assessed.

Participant D4P2 alluded to the regulatory audits performed by the AGSA and the requirement for the AGSA to assess PI. The IAA was also required to audit PI. The participant asserted that it was expected, therefore, that the departmental IAA should take the lead in the suggested coordinated approach. It is submitted that such an approach would instil a stronger control environment in both the department and its entities and would also ensure that veracious information was reported. Interview participants D1P2 and M&E1 advised that the department expected the IAA to coordinate its work with all levels and layers of government to allow for (i) integration of the three tiers of government, (ii) seamless assessments and (iii) obtaining high-level information of coordinated service delivery.

The overlapping mandates and duplication of effort of the various assurance providers to the departments provide a strong case for the immediate adoption of a coordinated assurance approach. The IAA, as one of the primary assurance providers, should take the lead in implementing coordinated assurance. IAS 2050 (IIA, 2017) stipulates such an approach to assurance. Consequently, it is recommended that the IIA formalise a practice guide for internal auditing practitioners and CAEs to take the lead in this regard by adopting relevant aspects of the combined assurance approach recommended in King IV (IoDSA, 2016).

6.12 ASSERTIONS

This study focuses primarily on the implementation of OPM as a management tool to assist national departments in South Africa to effectively deliver goods and services to the public economically and efficiently through optimal organisational performance. This study also focuses on internal auditing as one of the mechanisms that could be adopted

by national departments to improve OPM. Resultantly, the implementation of OPM in national departments and the adoption, nature, role and contribution of internal auditing to OPM were subjected to a comprehensive exploratory study. This chapter, thus far, has commented on the empirical data thematically, supported by literature. The suggestions made by the research participants were also included in the discussions. The findings from the quantitative and qualitative data culminated in the emergence of a number of assertions. These assertions include: (i) a compliance-driven preoccupation undermines substantive organisational performance and internal auditing, (ii) immersion in rational-driven frameworks inhibits comprehensive, public outcomes, and (iii) strategies anchored in linear flow inhibit opportunities for richer, theory-driven internal auditing performance. These assertions are discussed below.

6.12.1 Compliance-driven preoccupation undermines substantive organisational performance and internal auditing

This exploratory exercise was precipitated by the numerous service delivery protests that South Africa experiences. Despite an increasing proportion of the country's GDP being redirected to meet government priorities, the service delivery protests, coupled with the soaring unemployment rate, suggest that the performance of government departments is lacklustre to say the least. OPM and its internal auditing were thus examined through a rational managerial lens. A dichotomy emerges between the rational managerial approach of government on the one hand, and the response of the public to government's service delivery on the other.

The study found that the direction provided by both the DPME and NT is located within the theoretical principles of managerialism and NPM, although there is little theoretical substance to this guidance. Managerialism and NPM recommend a rational managerial approach to OPM that introduces private sector practices into the public sector. This can be traced back to the FPPI published by NT in 2007. The FPPI is intended to assist national departments in realising optimal performance with the limited resources available. In addition, the GWMES provides guidance on M&E in order to increase government effectiveness. The PIH published by the NT in 2011 sought to provide additional guidance on the development of high-quality performance indicators and PI by the public sector. Several frameworks, including frameworks for strategic planning,

annual performance planning and annual reporting, were published by the DPME and NT in recent years.

The study found that the implementation of OPM by national departments can assist significantly in achieving optimal performance, resulting in the effective delivery of goods and services to the public. However, it was also found that issuing the FPPI, GWMES, PIH and other strategic frameworks by the DPME and NT had the unintentional consequence of creating a compliance-driven culture in government, following the rational managerial approach. Guidance issued by both the DPME and NT sought uniformity through a template-driven process in order to optimise departmental performance planning and M&E, which has, however, resulted in the compliance-driven culture.

The compliance-driven culture was further entrenched by the PIH which stipulates that the AGSA is required to audit PI on an annual basis and must issue at least an opinion or conclusion on the PI reported by the national department. The provisions in the PIH emphasise the prescripts of Section 40 of the PFMA (South Africa, 1999) which require the AGSA to audit the annual financial statements and the PI of departments. Section 40 obliges the AO to table the AR, that incorporates the AGSA report, in parliament. The findings presented in this study confirm that national departments are called to parliament to account for their performance and to also account, in the event of receiving an unfavourable AGSA opinion, on the financial statements and the PI reported. Departments which receive an unfavourable opinion such as a qualified opinion or a disclaimer of opinion are subjected to intense interrogation by various oversight bodies including the Standing Committee On Public Accounts, parliamentary portfolio committees and the NT. The interrogative processes may have also focused the media spotlight on these departments, presenting them as inefficient, ineffective and poorly performing. This focus forced departments to create multiple governance structures in an effort to improve performance. The finding that multiple governance structures exist, resulting in departments having to account to these structures and satisfy their information needs, has led to reporting and governance fatigue.

The need to satisfy various guidelines and frameworks has worked to the detriment of innovative thinking which could, under normal circumstances, have the potential to create a high-performance culture in departments. The sacrifice of innovation and a high-

performance culture was conveyed by research participants who argued that complying with guidelines and frameworks was viewed as an administrative exercise rather than as a tool that encouraged interrogative, innovative thinking. The culture of compliance therefore resulted in planning for easy-to-achieve targets rather than optimal performance. Additionally, according to participants, the importance accorded by the public sector to achieving clean audits has resulted in national departments becoming so preoccupied with (i) complying with auditing perspectives, (ii) obtaining favourable AGSA reports on their FI and PI and (iii) preparing multiple performance accountability reports, that it compromised the creation of a high-performance environment. Participants argued that the rigorous planning process adopted at the national department level, driven by the DPME and NT guidance, proved inadequate to counter such compliance planning. Interview participant M&E1 explained that such situations highlight the unintended consequences of such guidance.

A presentation on the potential use of M&E information for performance oversight in the public sector made to parliament confirmed the preoccupation with planning for compliance rather than for optimal performance and service delivery. Participants emphasised the argument previously made that because of the prodigious emphasis placed on obtaining a favourable opinion from the AGSA, national departments developed plans that sought to comply with auditing perspectives such as easy-to-achieve targets rather than stimulating optimal service delivery. Planning for compliance has thus impacted negatively on the quality of public goods and services delivered by national departments.

The impact of the compliance-driven preoccupation and framework-driven approach is substantiated in published information. According to Stats SA (accessed on 23 February 2018), the second quarter of 2017 reflected a total of 34 000 jobs lost in the formal non-agricultural sector. In the third quarter of 2017, a further 31 000 jobs were lost in the same sector. The job losses do not align with the targets of the NDP which call for the creation of jobs. In addition, the 2018 budget speech delivered by Minister Gigaba on 21 February 2018 increased the Value Added Tax (VAT) rate on goods and services from 14% to 15%, with effect from 01 April 2018 (Moneyweb, 2018). An increase in VAT translates into an increase in government revenue and a poorer public. An increase required in government revenue signals either that government revenue is insufficient to achieve its priorities or that the revenue available is not being applied optimally. Increases in VAT rates do not

align with government's priority of improving the living conditions of the public because, generally, the poorer sections of the public bear the brunt of such increases in the form of, *inter alia*, increased transport, food and accommodation costs.

The prevalent compliance-driven approach may reflect elements of the neo-institutional theory of symbolic compliance as asserted by Saketa (2014). This theory states that symbolic compliance by organisations is adequate to satisfy only prescribed requirements but not high performance (Saketa, 2014). It is therefore asserted that the compliance-driven approach to government operations and the inordinate emphasis on so-called 'clean' audits coerce planning for easy-to-achieve targets through a compliance-driven consciousness rather than planning for a high-performance environment that encourages optimal performance and service delivery. Consequently, management techniques such as the development of SP and M&E can be used to manage impressions rather than deliver services to the public (Saketa, 2014). Departments thus give the impression of satisfying requirements by compliance rather than achieving effective, impact-driven performance. The compliance culture has been exacerbated by the governance and reporting fatigue in departments. A preoccupation with completing templates and preparing multiple reports appears to have entrenched itself within national departments without, however, a corresponding increase in effectiveness.

To counter the effects of compliance planning, the DPME implemented a system of performance dialogues with departments to address sub-optimal performance. The DPME reported that during these performance dialogues, prior year performance was interrogated. Where it was found to be lacking, the department would have to motivate why it needed funding. However, it is argued that the capacity and skill to conduct such dialogues may not currently be available. Indeed, such strategic dialogues may contribute to over-governance if not carried out effectively.

It is submitted that the compliance-driven approach is an attempt to compensate for underlying root causes that are not being addressed. Participants alluded to inadequate consequence management for poor performance or non-performance. Whilst inadequate consequence management did not emerge as strongly as the positive arguments on the implementation of OPM, its mere emergence in the data presented by several research participants as well as one external source (the AGSA), is suggestive. It is asserted therefore that an environment of over-governance and over-control, which appears to be

ineffective in any case, emerged as a compensating factor, covering non-compliance with consequence management and the resultant poor performance.

It is further asserted that internal auditing has contributed to the compliance-driven preoccupation by national departments. Research participants confirmed that internal auditing of OPM was conducted based on the guidance provided by NT and the DPME thus limiting the internal auditing of OPM within the theoretical frameworks of managerialism and NPM. No data was provided that IAAs went beyond the bounds of managerialism, NPM and the NT and DPME frameworks in order to explore the most effective approaches to strategic focus, planning and performance. The findings furthermore confirmed that IAAs generally confined their assessment and evaluation activities to PI, verifying whether the quarterly PI was aligned with the national department's APP targets and the extent to which these targets had been achieved. IAAs performed limited assessments of whether objectives in the SP and the targets in the APP resulted in a high performance culture. Furthermore, IAAs attempted to pre-guess the results of the AGSA assessments of the departments' PI. Internal auditing thereby sought to address possible AGSA concerns rather than service delivery imperatives. It is consequently asserted that the internal auditing of the OPM of national departments is limited by the rational managerial approaches located within the theoretical frameworks of managerialism, NPM and the guidance provided by NT and DPME. Consequently, it is submitted that internal auditing at the national department level has contributed to the compliance-driven culture that has permeated the OPM of national departments.

6.12.2 Immersion in rational-driven frameworks inhibits comprehensive public outcomes

Both the qualitative and quantitative data revealed that a number of measures have been implemented by the DPME and NT to bolster optimal performance and service delivery by national departments. The FPPI, GWMES and PIH are notable publications. In addition, the NT published the FSPAPP in 2010 which included the SP and APP templates to be used by departments for both financial and performance planning. On an annual basis, the NT also publishes a guide to assist departments in completing their ARs. This guide incorporates several frameworks and templates to be used by the national department in compiling ARs.

The ARs affirmed that all the responding departments had included a section on PI under the headings: Strategic Objective, Performance Indicator, Planned Target, Actual Achievement, Deviations from Planned Target and Comment on Variances. The headings were fundamentally uniform in all the ARs analysed, suggesting a framework-driven approach to planning, in keeping with the annual guidance provided by the NT. Additionally, departments considered planning as an administrative exercise rather than a leadership exercise focusing on the strategic direction of the department. This was because of the department's preoccupation with correctly completing the standard reporting templates used for developing the SP, APP, quarterly reports and ARs. This preoccupation potentially hinders the ability of national departments to implement innovative and sustainable measures necessary for the creation of a high-performance environment that results in optimal performance and service delivery.

The DPME had also introduced the MPAT as a tool to assess the level of governance compliance at departments. The data indicated that departments complete their MPAT assessments for the sake of compliance rather than for using it as a management tool. Thus, the introduction of the MPAT has contributed to the framework-driven approach to OPM.

The study also found that IAAs performed their OPM tasks by assessing national departments' compliance with the frameworks provided by the NT and DPME. None of the empirical data suggested that IAAs looked outside the guidance and frameworks provided by NT and the DPME in assessing OPM. It is therefore asserted that internal auditing at national department level contributes to entrenching rational-driven frameworks rather than promoting innovative and sustainable approaches likely to yield optimal performance and service delivery. Research data also indicates that internal auditing, following a collaborative approach, places reliance on the MPAT assessments. Consequently, there was only limited assessment of governance processes in the departments due to reliance on MPAT assessments. This focus on the MPAT, which itself adopts a framework approach, means that the internal auditing of the governance processes is also governed by a framework-driven approach.

Thus it can be asserted that the spread of a rational framework-driven approach, propelled by a system of template compliance and multiple governance structures, has resulted in control and governance fatigue due to over-regulation of performance

management within government. This has manifested itself in a preoccupation by departments to comply with frameworks and expend considerable effort on templates that are not fully understood. The fatigue syndrome has also manifested itself in the service delivery inhibitions with the consequent service delivery protests being experienced. The compliance-driven approach with its resultant over-control and over-governance, has bred mediocrity in organisational performance while concurrently impeding public outcomes.

Additionally, internal auditing assessments and evaluations of OPM have become bounded by these rational frameworks. The ability of auditing to explore innovative approaches outside these rational frameworks has become restricted, thus inhibiting innovative, results-driven internal auditing practice. This in turn hinders the ability of the IAA to make meaningful recommendations that would boost optimal performance of the department. Thus, the relevance of internal auditing in such circumstances becomes questionable.

However, an interview participant counter-argued that if there were no frameworks, guidance or templates, it is unlikely that SPs, APPs, quarterly PI reports and ARs would be formulated as a matter of course by all public sector departments and entities. This is a valid point and suggests a more deep-rooted problem of indifference, poor conduct and apathy within the public sector, bolstered by the culture of poor consequence management. It is submitted that a rational, framework-driven approach in itself is not adequate to address the inhibited public outcomes and impact. This study offers several recommendations to identify and address this alleged culture of non-optimal performance.

6.12.3 Strategies anchored in linear flow inhibit opportunities for richer, theory-driven internal auditing performance

Internal auditing practice at national department level in South Africa defers to the prescripts of the IPPF, which includes the IASs. The IASs is a framework of guiding standards with which practitioners of internal auditing are required to comply. The deference to the IASs is formalised by the inclusion in the TRs that all IAAs in government are required to conduct their operations in accordance with the IASs. Whilst this study argues that internal auditing is located within the agency and accountability theories, the

IPPF is silent on its founding theories. The PFMA and TRs also remain silent on the theoretical bases within which the practice of internal auditing is located.

IAAs in government strive to comply with the IASs, as prescribed by the TRs and also recommended by the King Reports. Compliance with the IASs is affirmed through an external QAR process that determines the level and extent of compliance by the IAAs with the IASs, in accordance with IAS 1312 (IIA, 2017b). Such compliance is affirmed in the TRs. Consequently, the practice of internal auditing represents a linear flow from the IASs through to IAAs and internal auditing practitioners and therefore does not allow for rich, theoretical interrogation of the IASs by internal auditing practitioners. The IASs make it compulsory for internal auditing practitioners to comply with, rather than analyse and interrogate the IASs although auditors may provide recommendations on the IASs to the IIA. However, amending the IASs require the involvement of several structures within the IIA, including the local chapters, the national body and its committees as well as the international body and its committees. Consequently, the ability of the IASs to evolve in tandem with its theoretical bases may be slow and limited. The linear flow approach to internal auditing, therefore, does not sufficiently allow for a richer, theory-driven perspective.

The research participants, unwittingly, gave credence to the assertion that internal auditing is inhibited by the adoption of a linear flow approach rather than a rich, theoretical approach by confirming that internal auditing practice is driven mainly by methodology manuals. Furthermore, the view of participant D4P1 should be noted, namely, that internal auditing focuses mainly on the auditing of documentation and may thus be neglecting alternatives that are more effective.

The cumulative claim of this study to new theoretical knowledge based on the empirical data is thus presented in Figure 6.10 below.

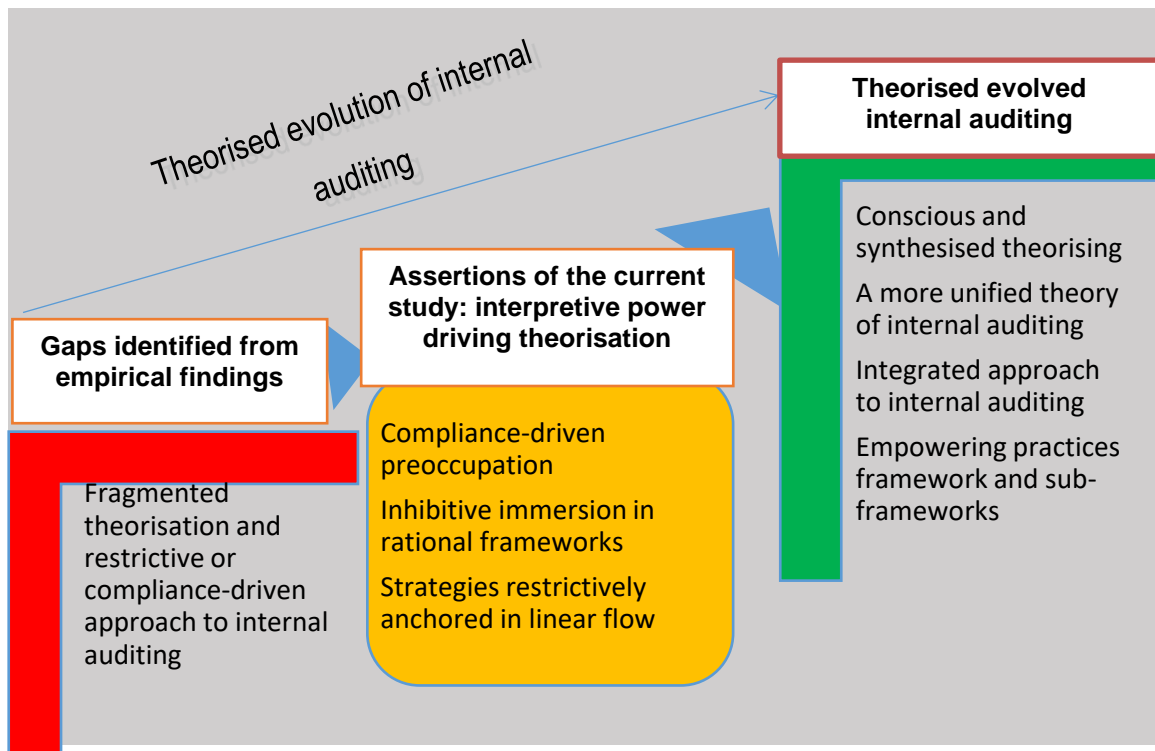


Figure 6.10 Evolution of internal auditing to its next higher level

(Source: Own compilation)

Figure 6.10 shows the limited theorisation and a compliance-driven approach to internal auditing (established in Chapters 4 and 6). This stems from the gaps identified from empirical findings and informed the research objectives. The three assertions discussed in Sections 6.12.1 to 6.12.3 above represent the pinnacle of analysis, which identifies the interpretive power of this study. The four elements to propel internal auditing to its next logical level fall under “Theorised evolved auditing” and are presented in Chapter 7.

6.13 CONCLUSION

In this chapter, the results of the empirical data were presented. The data analysis answered the research objectives affirmatively. It was found that national departments in South Africa have implemented systems of OPM in an effort to effectively deliver goods and services to the public more economically and efficiently. It was also found that internal auditing has been adopted by national departments as a mechanism to improve OPM. However, several factors inhibit the optimal functioning of OPM: (i) planning being undertaken as a compliance exercise rather than as a strategic management tool to achieve optimal departmental performance, (ii) OPM follows a template-driven approach and is considered as an administrative task rather than an initiator of interrogative,

innovative strategic thinking, (iii) excessive focus accorded to auditing requirements to obtain a 'clean' audit report, which prevents a department from planning for and obtaining optimal performance, (iv) inadequate consequence management has contributed to non-optimal performance and (v) ineffective over-governance has resulted in governance and reporting fatigue that has negatively impacted performance.

The study found, however, that IAAs focus considerable effort on assessing PI with insufficient attention accorded to strategic imperatives. Whilst it was found that internal auditing of OPM in the departments was effective to a certain extent, management expected internal auditing to become more involved in strategic imperatives and processes of the departments. Management also had an expectation that the IAA would increase the amount of consulting work to provide expert advice and guidance to the department. Consequently, it is submitted that internal auditing is poised to progress to the next logical level of its evolution. Additionally, the chapter analysed the suggestions of several research participants on the future practice of internal auditing in OPM. Finally, the chapter concluded with the assertions that emanated from the data analysis. In the next chapter, the conclusions and recommendations of the study are discussed.

CHAPTER 7

CONCLUSION

7.1 INTRODUCTION

The previous chapter focused on the findings obtained from the primary and secondary empirical data. The sources of primary data included the survey, interviews and focus group discussions. Limited observations by the researcher complemented analytical insights. To strengthen the empirical data, content analysis of departmental documents was conducted. Consequently and appropriately for qualitative data, Chapter 6 developed into a lengthy chapter in order to respond rigorously to the research objectives. The present chapter concludes the study by providing a reflective and pragmatic overview of the research, highlighting the objectives of the study and pinpointing the significant findings. According to Oster (2017), a conclusion requires all data to be collected and analysed, from which specific inferences and contributory factors must then be drawn. This chapter accordingly sums up the inferences based on the analysis and interpretation of the empirical data. The chapter also highlights the main contributions of the study to the body of knowledge. Finally, suggestions for areas of further research are presented, followed by the final conclusion of the study.

7.2 CHAPTER SUMMARIES

In Chapter 1 it was noted that since South Africa's transformation to democracy in 1994, the socially just demand for public goods and services had significantly increased. This increase was attributed to the new democratic government's responsibility to provide goods and services to the entire South African public as opposed to the racial sectional practices pre-1994. However, despite increases in the allocation of government revenue, the resources available to national departments are limited. Consequently, the government has been seeking alternative mechanisms to optimally provide these goods and services to the public. One such mechanism adopted by governments internationally is OPM as a tool to enhance government performance.

Economical, efficient and effective delivery of goods and services (delivery on mandate) is dependent on optimal organisational performance which is further contingent on optimal OPM. An argument was made that internal auditing may be adopted by management as a mechanism to assist in improving OPM and, by extension, enhanced delivery of goods and services to the public. It was also noted that national departments require an independent assessment to measure their performance against their mandate. The body of knowledge makes a strong case that internal auditing is well positioned within an organisation to undertake such assessments and the consequent evaluations of OPM. This study set out to explore the implementation of OPM as a management tool to assist national departments in effectively delivering goods and services to the public economically and efficiently. The study also set out to explore the adoption of internal auditing by national departments as a mechanism to improve OPM.

The literature review conducted in Chapter 2 revealed that OPM in the public sector may well be located within the theoretical bases of the agency theory, the accountability theory, managerialism and NPM. According to literature, NPM sought to introduce private sector efficiency and effectiveness concepts such as the development of vision and mission statements, goals, strategic objectives and implementation strategies into the public sector. The literature review also demonstrated how NPM was applied in the public sector.

The literature review indicated that the guidance provided by the DPME and NT largely integrated the elements of NPM into the public sector to promote optimal government performance. The current study found, however, that whilst departments appeared to be committed to implementing the elements of NPM, not all were at the same level of understanding, implementation or maturity. This was confirmed by the AGSA's assessment on the PI reported by 18 national departments.

The nature of internal auditing and its role in OPM were described in Chapter 3. The literature review confirmed that internal auditing has an assurance and consulting role in organisations, in line with its mandate, as reflected in the IPPF. Departments have embraced internal auditing as an enabler to improve OPM. The role of internal auditing in OPM was confirmed through the extant literature. The theoretical bases underpinning internal auditing were discussed in Chapter 4. The exploratory investigation found that internal auditing is currently under-theorised which inhibits the natural evolution of the

profession. However, the limited attempts at theorising internal auditing locate it within the existing theoretical frameworks encompassing the agency and accountability theories. This therefore signalled the theoretical gap of limited theorisation of internal auditing in literature. Theory with gaps needs to be extended and reconceptualised. Therefore, beyond the existing theoretical placement of internal auditing, this study conceived an extension of theory. The quest to provide an original contribution beyond existing 'safety nets' therefore gave grounded impetus to the importance of this research.

The study also found that whilst a limited contribution is made by the IAA to strategic imperatives of the departments, management placed significant reliance on the contribution of internal auditing during the M&E phase of OPM. In this phase, internal auditing assessed the veracity of the PI and presented the results of the evaluation to management and the AC.

The research methodology adopted to conduct the study was described in Chapter 5. The sequential mixed methods approach was found to be best suited to this study. However, most of the empirical study followed a qualitative approach. Chapter 6 presented the findings stemming from the collected and analysed data. Several themes and sub-themes on both OPM and its internal auditing emerged and were discussed in detail. The data also revealed several assertions that were discussed. Chapter 6 then explored the evolution of the practice of internal auditing to a higher level. The concluding remarks to this study, which include recommendations for future studies, are discussed in Chapter 7.

7.3 ALIGNMENT OF STUDY OBJECTIVES AND EMPIRICAL FINDINGS

The aim of this study was to explore the implementation of OPM as a management tool to assist national departments in effectively delivering goods and services to the public economically and efficiently. The study also set out to explore the adoption of internal auditing by national departments as a mechanism to improve OPM. The first objective of this study was to establish whether OPM has been implemented by national departments in an effort to improve service delivery. A second objective was to explore whether internal auditing was adopted as a mechanism to improve OPM.

The following secondary objectives have been formulated:

A1: To obtain an in-depth understanding of the manner in which OPM is implemented within national departments with a view to enabling service delivery;

A2: To examine the adoption, involvement and contribution of internal auditing in OPM within national departments; and

A3: To develop a framework of proposed conceptual elements that could be considered for the future of internal auditing.

The empirical data revealed close alignment with the research objectives. The discussion that follows describes the alignment of the research objectives with the empirical findings.

(i) A1: To obtain an in-depth understanding of the manner in which OPM is implemented within national departments with a view to enabling service delivery

Chapter 2 initiated this objective. The chapter presented an extensive literature review in exploring OPM, focusing on the national department level in the public sector in South Africa. The exploration of the literature confirmed that government was committed to implementing effective performance management, albeit through a particular pragmatic, theorised or under-theorised lens.

The theoretical bases underpinning OPM at the national department level in South Africa were explored in Chapter 4, thus advancing the study's objective. A conceptual analysis found that OPM in the public sector was underpinned by the agency theory, the accountability theory, NPM and managerialism. It was found that the guidance provided by the DPME and NT closely aligned with the premises of NPM.

However, literature suggested that NPM was no longer relevant in driving optimal performance in the public sector since it had failed in places such as the UK and Europe. In addition, authors argued that the managerialism approach to OPM, as included within the theoretical assumptions of NPM, creates a cumbersome and inefficient performance environment, whilst at the same time ignoring the inherent professional nature and conduct of organisational employees. These authors called for the adoption of a collegial

approach to OPM as opposed to managerialism and NPM. Others countered, however, that managerialism and NPM were alive and well, and that its correct implementation resulted in improved performance in the public sector.

The literature also suggested that NPM was effectively entrenched within the public sector. It was noted, however, that most studies were conducted mainly in the US, the UK, Europe or Australia. There was no information to indicate that any such studies had been undertaken in South Africa, thus no findings could be inferred on the effectiveness of NPM and managerialism with reference to the local context. This reinforced the important contribution of this study.

The empirical data confirmed the results of the literature review insofar as the approach to OPM adopted in the South African public sector closely resembling the propositions of NPM, managerialism, the agency theory and the accountability theory. Literature confirmed that NPM borrows its approaches and methodologies from the private sector. Those private sector approaches and methodologies that promote economical, efficient and effective performance were integrated into the NPM approach. Consequently, concepts such as vision, mission, goals, strategic objectives and targets have been adopted by the South African public sector.

The current study has found that considerable effort has been exerted in the public sector, largely led by the DPME and NT, to create an environment for optimal performance management. Optimal OPM is viewed through a rational managerial lens, intended to attain optimal departmental performance. However, whilst there has been a concerted effort to create an environment for optimal performance and OPM, several factors were identified that inhibit these goals. These inhibitions are, in terms of logical flow, held over to be discussed in Section 7.6 below.

(ii) *A2: To examine the adoption, involvement and contribution of internal auditing in OPM within national departments*

The concept of internal auditing and its role in OPM was explored in Chapter 3. It was found that the IASs and other literature confirm that internal auditing has a valuable role in OPM. The theoretical basis underpinning internal auditing and its role in OPM was expanded in Chapter 4 to meet A2 as an objective. Whilst limited research exists on the

theoretical bases of internal auditing, literature suggests that internal auditing is underpinned by the agency and accountability theories. An argument was made that internal auditing, because of its assessment and evaluation role and its independent position within an organisation, is well placed to undertake the independent verification of OPM and of the information provided by agents to principals.

The study also found that internal auditing is used to ascertain the veracity of the PI reported by national departments. It was noted that internal auditing also focuses on the governance, risk management and control processes of departments, as elements of OPM. These findings confirm the entrenchment of internal auditing within the agency and accountability theories. The research, however, noted that the current theorisation of internal auditing is limited. The opening for the novel contribution of this research was therefore bolstered.

This study also found that internal auditing focuses its effort primarily on the PI reported during the M&E phase of the departments' OPM processes. Arguments were presented for internal auditing to intensify its progress to the next level of assessing, evaluating and contributing to the strategic imperatives of national departments. Additionally, it emerged that internal auditing's focus is skewed towards operational matters and the auditing of documentation, resulting in internal auditors ignoring the areas of greatest impact of the national department. In addition, internal auditors appear to pre-empt the results of the AGSA assessments of the departments' PI and focus their efforts on avoiding negative AGSA findings rather than striving to assist in optimally achieving departmental mandates. This appeared more as a case of compliance, instead of performance.

(iii) A3: To develop a framework of proposed conceptual elements that could be considered for the future of internal auditing

The theories grounding internal auditing were explored in Chapter 4 whilst internal auditing practice was comprehensively examined in Chapter 3. The empirical findings of the study were presented in Chapter 6. The theoretical bases, the international practice and the empirical findings informed the development of a number of better-to-best practice recommendations presented in Chapter 6. A high-level overview of the elements of the proposed conceptual framework is presented in Figure 6.9. This chapter also pressed on with the proposed conceptual elements that could be considered for the future

of internal auditing and suggestions for the body of knowledge. In addition, a practical procedural framework (Appendix 1) was developed as a value-add contribution to the participating national departments so that there is a distinct functional input, made in the interests of posited improved performance by national departments. The departments may consider the framework when developing their internal auditing strategies and procedures for the assessment and evaluation of OPM. The framework is, however, not submitted in achieving an objective of this study for theoretical purposes, but is simply included as practical guidance for participating departments.

7.4 CONTRIBUTION OF THE STUDY

Given the nature of knowledge-based offerings, the researcher presents, summatively, the submissions made to the 'real-life' context and the afore-mentioned gaps identified. Theoretical contributions identified are discussed in Section 7.4.1, while the applied contributions are discussed in the following Section, 7.4.2.

7.4.1 Theoretical contribution

OPM in the public sector is guided, *inter alia*, by the FPPI, GWMES and PIH. However, none of these publications clarifies the theoretical basis that informs OPM in the public sector. This study found that OPM at the national department level in South Africa is rooted in rational-driven frameworks located within the theories of managerialism and NPM, despite no reference being made to these specific theories in published guidance documents.

The study also found that both managerialism and NPM have limitations as argued by various scholars. The latent limitations within managerialism and NPM have manifested themselves in the challenges that national departments face in delivering public goods and services to the targeted communities. These latent limitations include, *inter alia*, a compliance-driven approach to OPM, fragmented organisational governance, inadequate consequence management and reporting and governance fatigue, which all inhibit optimal departmental performance. Consequently, the study has found that a gap exists insofar as a comprehensive, insightful and more fully-developed theorisation of OPM at the national department level in South Africa does not exist.

In addition, the study found that internal auditing is an under-theorised area. Whilst the study found that internal auditing is underpinned by the agency and accountability theories, the IASs which drive the practice of internal auditing internationally are silent on its theoretical foundations. Moreover, the theoretical basis is fragmented insofar as a unified or integrated theory of internal auditing does not exist in current literature. The absence of such a theory of internal auditing has led to what may be termed as uncritical compliance with the IASs. The IASs prescribe that IAAs must follow a risk-based approach to internal auditing. It is submitted that the evolution of internal auditing to its next logical level calls for the adoption of an integrated approach to internal auditing. An integrated approach, underpinned by a unified theory, creates the environment for internal auditing to amplify its venture into organisational areas such as strategic development and strategic management, thereby creating a natural evolution of internal auditing to its logical higher levels.

A novel trajectory is thus argued that includes four elements (see Figure 6.10) as filling the theoretical gap. Under the unifying call for “Theorised evolved internal auditing”, four directions are suggested as new knowledge within the disciplinary field: i) conscious and synthesised theorising, ii) a more unified theory of internal auditing, iii) an integrated approach to internal auditing and iv) empowering practices framework and sub-frameworks. This theoretical extension, premised on the current study, suggests a momentum for additional interrogation within the body of work within this field.

A unified theory of internal auditing is to be premised on the existing key principles of i) organisational success, ii) future sustainability, iii) a culture of performance, iv) a strong control environment, iv) a strong risk culture, v) integrated governance and vi) an enabling support base of processes, systems and structures. A unified theory of internal auditing should therefore assimilate the selective and optimal key principles of, *inter alia*, the agency theory, accountability theory, stakeholder theory and the theory of performance into an integrated framework, as asserted in this study.

7.4.2 Applied contribution

The practice of internal auditing, despite its current under-theorisation, is primed for evolution to its next logical level. The next logical level is to move from assessing the governance, risk management and control systems of an organisation, to significantly

increasing its contribution to include successful performance management. This study has identified key concepts that inform a conceptual framework for the increased contribution of internal auditing to optimal organisational performance. Section 6.11 suggested some of the components to inform a better-to-best practices framework. In addition, a procedural framework for the internal auditing of OPM (Appendix 1) is provided at the logic-pragmatic level of the study.

7.5 ASSUMPTIONS AND LIMITATIONS

This explorative study of OPM at the national department level and the adoption of internal auditing as a mechanism to improve OPM, was conducted by adopting the rational managerialism lens. The assumption was made that OPM in the public sector and particularly at the national department level, is underpinned by managerialism, NPM, the agency theory and the accountability theory. The study found that a deficiency exists in the management of organisational performance of national departments, fuelled by the adoption of a compliance-driven approach based on the principles of managerialism and NPM. The study was therefore limited, on the abstraction level, by this assumption. It is submitted that a similar study, viewed through a different theoretical lens and adopting a different assumption, could have resulted in different findings and conclusions.

A further limitation is that the study focused on the public sector, specifically at national department level. Additionally, only four national departments were included in the qualitative phase of the study. Consequently, the findings of the study are relevant primarily to the national department level of the public sector, and specifically to the departments studied, and present such contextual reservations. A similar study focusing on areas in the public sector other than national departments may arrive at different conclusions.

The third limitation of the study is that whilst OPM was explored in some detail, the study also focused on assuming particular roles and contributions of internal auditing in OPM. The study sought to provide recommendations to improve internal auditing's role and contribution to OPM. A similar study that focuses on other areas of OPM and internal auditing could lead to different findings. This serves as a functional constraint to the current lens.

On a methodological level, this study adopted a sequential mixed methods approach. A quantitative research approach was followed to create the baseline information that served as the foundation for the qualitative approach. The qualitative approach formed the major phase of the empirical study. It is submitted that the adoption of a different research approach, with different configurations, may have yielded findings different to those produced in this study. Furthermore, this research was not intended to conduct an impact analysis of OPM or internal auditing in the public sector or at the national government level in South Africa.

The limitations, taken in their entirety, are part of the acknowledged assumed parameters of this research within this special constellation of limitations. The assumptions narrow the field of focus down to the realistic and anticipated capacity of a doctoral study.

7.6 RECOMMENDATIONS

Chapter 6 focuses on the findings of the data analyses which indicated that despite the interventions by national departments to attain optimal performance, service delivery protests continue to plague the country. Service delivery may be influenced by many variables. The term 'service delivery' nevertheless links these protests to the failure to deliver public services and to meet public expectations.

However, the positive results of the AGSA assessments on FI and the PI reported by national departments pointed to incongruity and therefore begged the question of why were there still gaps in the delivery of services that resulted in ongoing service delivery protests, the day-to-day experiences of the public such as critical water shortages, high energy costs, the continued existence of numerous informal settlements, large areas without electrification, significant errors in the costing of consumer bills, poor water and sanitation facilities, poverty, inequality and poor education facilities?

The discrepancy between the realities experienced by the public and the results of the AGSA assessments necessitated a deeper understanding of the puzzle that is located both in real life and the literature. The discerning analysis conducted on the qualitative data identified themes and concepts that existed in a subtle form, but presented some viable responses to the existing dichotomy and contradictions. The recommendations that emerged from this study are discussed below.

7.6.1 Theoretical recommendations

The study identified theoretical gaps in both OPM and internal auditing. Recommendations for addressing these theoretical gaps are discussed below.

- National departments currently follow the principles of managerialism and NPM, emphasised by the compliance-driven approach to OPM. It is recommended that the DPME and NT explore a comprehensive, inclusive theoretical basis that would instil an impact-driven approach to organisational performance. Such an approach would enable government to re-configure its strategic focus and planning to accomplish pre-determined, measurable impacts as opposed to simply outputs and outcomes. In addition, the results of impact assessments should be used to enhance planning and increase the efficiency and effectiveness of departmental operations. Furthermore, the compliance-driven approach has resulted in governance and reporting fatigue. The theoretical basis should also explore the principles of coordinated governance that enable all governance bodies to function under the guidance of single, uniform terms of reference. The theoretical basis should explore combined reporting that enables the production of a single report that satisfies multiple requirements to reverse the lethargy of governance and reporting fatigue and the resultant negative impact on performance.
- Internal auditing is as an under-theorised area. Researchers have attempted to locate the practice of internal auditing within the agency and accountability theories. However, these attempts continue to result in the theories being fragmented and disconnected in relation to the practice of internal auditing. It is submitted, however, that the absence of a single theoretical base for internal auditing presents a rare opportunity for the IIA, as the leader in the internal auditing profession, to commission a project that develops a strong unified theory of internal auditing. The development of such a theory would create a conducive environment to bringing about alignment, connectedness and integration between the relevant existing theories such as the agency, the accountability and the stakeholder theories as well as the theory of performance. It would also identify other theories that influence internal auditing. A strong theoretical basis underpinning internal auditing would also create the opportunity for the internal auditing approach to

evolve from the current risk-based approach to a more integrated one. An integrated approach encompasses various approaches to internal auditing such as the performance, business, process, control and risk-based approaches without self-defeating restrictions. Practitioners would thereby be able to adopt a configuration that best suits the environment and prevailing organisational circumstances, without compromising professional internal auditing practice. This entails important conceptual thresholds that need to be breached. The results could be innovation and evidence-informed, evolutionary and 'revolutionary' strides in the progression of the profession.

7.6.2 Applied recommendations

In addition to the theoretical gaps identified, several applied gaps emanated from the study. Recommendations to address these gaps are discussed below.

- The current study found that government priorities often change as a result of increased demands for goods and services from the public. These changing priorities are mainly attributed to inadequate stakeholder consultation. Government should implement measures to conduct robust engagement with stakeholders so that relevant long-term priorities are identified. Stakeholder involvement in identifying priorities means such priorities will remain stable, allowing for effective, long-term planning and optimal performance by national departments.
- The study found that a culture of reluctance seems to exist with regard to implementing effective consequence management. The Department of Public Service and Administration and the DPME should jointly conduct a comprehensive study into the reasons for this culture of reluctance with a view to implementing effective consequence management in the public sector. The consequence management study should also focus on the role of leadership, management, employees and organised labour therein. The study should also make recommendations for the inculcation of a strong performance culture underpinned by a robust control environment in the public sector.

- The formulation and formalisation of an internal auditing policy is necessary to guide internal auditing work and protect internal auditing employees. CAEs should therefore develop a robust policy for the IAA.
- According to the findings of the study, management's expectations of internal auditing have increased exponentially. Management expects internal auditing to accord more focus to the strategic imperatives of departments. In order to respond appropriately and remain independent but relevant to departments, the IIA and identified internal auditing practitioners and researchers should conduct a study to identify the skills and knowledge required to meet increased management expectations. A collaborative effort between academics, scholars, the IIA and NT should be initiated to address the skills and capacity gaps identified in this study.

7.7 RESEARCH IMPLICATIONS AND SIGNIFICANCE OF THE STUDY

This research may be the only known study of its kind in South Africa. The study found several theoretical and applied gaps in the OPM of national departments and the practice of internal auditing. The adoption of managerialism and NPM as the theoretical bases that underpins organisational performance in the public sector was highlighted. However, it was found that these theories did not adequately ensure optimal government performance thereby inhibiting the improvement of service delivery to the public. The study also highlighted, theoretically, the lack of a specific unified theory enabling the development of the professional practice of internal auditing.

Several recommendations were made that would not otherwise have come to light. The recommendations made with regard to OPM, whilst applicable to the national department level, may be extrapolated to the public sector as a whole for the purposes of enhancing optimal service delivery. The implementation of these recommendations may be useful internationally as well. In the case of internal auditing, the recommendations seek to transform the profession from following the current unitary approach to a more integrated one. The recommendations also seek to encourage internal auditing to take the step up to its next logical level. The implementation of the recommendations would therefore have implications for the entire internal auditing environment.

Consequently, the study has contributed to the existing body of knowledge on OPM and the theory and practice of internal auditing at national department level in South Africa, with broader implications for the practice of internal auditing. In addition, the study puts forward two practical recommendations. The elements of a conceptual framework for the future practice of internal auditing were presented in Section 6.11. The adoption of these elements may be beneficial to all internal auditing practitioners and to the IAAs at national department level. The study provided the environment for the development of a practical procedural framework that may assist internal auditors at all levels of government in undertaking OPM evaluations. The findings of the research confirmed that such a framework may not currently exist at the national department level, therefore a recommended procedural framework is included as Appendix 1. This framework may be adopted, with adjustments, by IAAs in other sectors of both government and the larger internal auditing environment.

7.8 AREAS OF FUTURE RESEARCH

The study addressed theoretical gaps which have been identified. This process, however, also makes room for interrogation of the findings, based on this study's modest contribution to research work. The researcher has also used licence to posit certain demarcated areas for future research, based on the research that was followed.

- The DPME, together with academic institutions, should investigate the impact of the adoption of NPM elements into the public sector. The study should explore the creation of an overarching theory of performance management which could include managerialism, NPM, the theory of performance, the stakeholder theory, the agency theory and the accountability theory.
- The under-theorisation of internal auditing may have resulted in internal auditing practice not naturally evolving to its logical next level. Future research should develop a unified theory of internal auditing which could consider theories such as the agency theory, the accountability theory, the stakeholder theory and the theory of performance. This unified theoretical basis should also pave the way for the adoption of an integrated approach to the practice of internal auditing. This is in view of the increased demands and higher expectations of the profession, which suggest that the current risk-based approach may be inadequate. An integrated

approach to internal auditing may necessitate future research into the current IPPF and the inclusion of sub-frameworks to support the IPPF.

- The culture of reluctance to implement effective consequence management requires future research in order to address the underlying reasons for the existence of this culture. Such a study should also consider the impact of ineffective consequence management on national departments' performance and should consider the effect of leadership, management, employees and organised labour to ineffective consequence management.

7.9 CONCLUSION

Leaders of national departments aspire towards optimal performance of their departments, resulting in optimal service delivery to the public. Leaders therefore need a visionary partner to support them in steering their departments into the uncertain future. Internal auditing emerges as a natural partner on this futuristic but game-changing journey. Internal auditing now stands on the threshold of change towards becoming one of the most powerful structures to partner with management in steering the organisation into future success. Do internal auditing leaders and practitioners have the courage to make this leap of faith into the future? In the words of the academic Leon Megginson (1963):

It is not the strongest or the most intelligent that will survive but those who can best manage change.

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ANNEXURES

Annexure 1: Letters to DGs of national departments

PO Box 1932
Durban
4000

The Director General
Department of
Private Bag
Pretoria
0001

Email address:

Dear Director General

Request for approval to obtain responses and information for studies towards a Doctorate of Philosophy (Accounting Sciences) degree at the University of South Africa

My name is Asogan Moodley and I served as the Deputy Director General: Corporate Services and Chief Financial Officer of the Department of International Relations and Cooperation (DIRCO) during 2009 and 2013. I also served as the Chief Executive Officer of the National Regulator for Compulsory Specifications, an entity of the Department of Trade and Industry (the dti) from 2013 to 2016.

I am also a member of the Institute of Internal Auditors (IIA). I hold the following professional designations from the IIA, in addition to my National Diploma in Government Finance, BCom, BCom (Hons) and Master's Degree in Science (Audit Management and Consultancy) degrees:

- Certified Internal Auditor (CIA)
- Certificate in Control Self-Assessment (CCSA)
- Certified Government Auditing Professional (CGAP)
- Certification in Risk Management Assurance (CRMA)
- Fellow of the Institute of Internal Auditors South Africa (FIIASA)

Currently, I am pursuing a Doctorate in Philosophy (Accounting Sciences) at the University of South Africa. I have completed the preparatory work for my studies and have reached the stage where the collection of research data becomes necessary.

My research focuses on the role of internal auditing in organisational performance management at the national government level in South Africa. The research is intended to culminate in the development of a framework that may assist internal auditors in

conducting internal auditing of organisational performance management in the public sector.

In order to obtain the necessary information to determine internal auditing's role in organisational performance management and develop the envisaged framework, it becomes necessary to collect information from national government departments. Consequently, a questionnaire has been prepared that will assist in the collection of the required information. The questionnaire may be responded to by the Chief Audit Executive of your department. It is envisaged that completion of this questionnaire will not require more than 30 minutes. I respectfully seek your assistance in completing the questionnaire for the study purposes.

It would be appreciated if the questionnaire (attached) could be completed and returned to me at asoganmoodley21@gmail.com prior to 30 April 2017. Furthermore, in order for the research to be as comprehensive and accurate as possible, it would be appreciated if the documented information, as described in the questionnaire can be made available to me. Such documentation includes policies, procedures, processes, information memoranda and templates related to organisational performance management and the internal auditing thereof.

Assurance is hereby provided that the findings and results of the study will not identify any department or individual nor will any comment, remark or sentence be attributed to any department or individual without the express permission of yourself and/or the individual concerned, thereby ensuring the confidentiality of all information obtained.

In addition, the approved report on findings and conclusions will be made available to yourself.

Support has been obtained for this study from the DGs of DIRCO and the **dti** as well as the Accountant General of South Africa and the Chief Executive Officer of the Institute of Internal Auditors. Letters of support are attached herewith. UNISA has also granted ethical approval to conduct this study. A copy of the ethical approval is also attached.

I respectfully request your approval to collect the required information from your department and the cooperation of the CAE in this study.

Best regards

Asogan Moodley

Annexure 2: Structured questionnaire

Name of department: _____

Name of person completing questionnaire: _____

Job title of person completing questionnaire: _____

Please place an "X" in the appropriate response column

| No | Question | 1 | 2 | 3 | 4 | 5 |
|----|--|---|---|---|---|---|
| 1. | Has your department adopted systems of organisational performance management, i.e. to manage the accomplishment of planned objectives? | | | | | |
| 2. | If so, is the departmental system aligned with the system provided by the Presidency or National Treasury? | | | | | |
| 3. | Is the organisational performance management system fully implemented? | | | | | |
| 4. | Does internal auditing have a role to play in the organisational performance management system? | | | | | |
| 5. | Is the role of internal auditing in organisational performance management clearly defined in a written document? | | | | | |
| 6. | Does the internal audit activity (IAA) have a written policy on the internal auditing of organisational performance management? | | | | | |
| 7. | Has the IAA developed written approaches and procedures with regard to organisational performance management? | | | | | |
| 8. | Has the IAA developed a standard audit programme for the internal auditing of organisational performance management? | | | | | |
| 9. | Is the internal auditing of organisational performance at your department efficient and effective? | | | | | |

Note: Please provide copies of any document that may assist the researcher in this study, where possible.

Annexure 3: Explanatory memo to complete structured questionnaire

Dr/Mr/Ms
Department of

Dear Respondent

Responses to questionnaire for study

Please accept my gratitude for making the time and effort to complete this questionnaire in order to enable me to continue my research on the role of internal auditing in organisational performance management at the national departmental level in South Africa.

Responses to questions are required as per a Likert scale from 1 to 5, as follows:

| | |
|---|---|
| 1 | Not implemented |
| 2 | Implementation is in initial stages |
| 3 | Average implementation |
| 4 | Good implementation with room for improvement |
| 5 | Fully implemented |

It is anticipated that no more than 30 minutes will be required to complete the questionnaire. The completed questionnaire can be returned to me by email to asoganmoodley21@gmail.com. Furthermore, I can be contacted on my mobile number 082 557 0974 in the event that any clarification is required.

Should you wish the completed questionnaire to be collected, please send me an email to the abovementioned address and arrangements will be made to collect the completed questionnaire.

Again, many thanks indeed for your cooperation and responses.

Best regards

Asogan Moodley

Annexure 4: Covering letter to DGs - Qualitative Phase

INFORMATION MEMO TO DIRECTORS GENERAL (DGs) - INTERVIEWS AND FOCUS GROUP DISCUSSIONS

PO Box 1932
DURBAN
4000

The Director General
Department of
Pretoria
0001

Dear DG

Request for approval to undertake research studies towards a Doctorate of Philosophy degree at the University of South Africa at the dti

My name is Asogan Moodley and I served as the Deputy Director General: Corporate Services and Chief Financial Officer of the Department of International Relations and Cooperation (DIRCO) during 2009 and 2013. I also served as the Chief Executive Officer of the National Regulator for Compulsory Specifications, an entity of the Department of Trade and Industry (the DTI) from 2013 to 2016.

I am also a member of the Institute of Internal Auditors (IIA). I hold the following professional designations from the IIA, in addition to my National Diploma in Government Finance, BCom, BCom (Hons) and Master's in Science (Audit Management and Consultancy) degrees:

- Certified Internal Auditor (CIA)
- Certificate in Control Self-Assessment (CCSA)
- Certified Government Auditing Professional (CGAP)
- Certification in Risk Management Assurance (CRMA)
- Fellow of the Institute of Internal Auditors South Africa (FIIASA)

Currently, I am pursuing my studies towards a PhD in Accounting Sciences degree at the University of South Africa. I have completed the preparatory work for my studies and have reached the stage where the collection of research data becomes necessary.

My research focuses on the role of internal auditing in organisational performance management at the national government level in South Africa. The research is intended to culminate in a framework that may assist internal auditors in conducting internal auditing of organisational performance management in the public sector.

In order to obtain the necessary information to determine internal auditing's role in organisational performance management and to develop the envisaged framework, it is necessary to collect research data from employees at selected national government departments. This letter seeks to obtain permission to use the dti as a case study. The dti was selected because of its consistent financial and operational performance over the past 10 years. Consequently, in order to obtain the necessary research data, interviews would be conducted with the following officials:

- Accounting Officer (where possible) or a representative of the executive
- Chief Risk Officer
- Chief Audit Executive
- Head of Planning and Performance Reporting
- Head of Monitoring and Evaluation

Furthermore, focus group discussions are intended to be held with the following groups of employees:

- Internal Audit Managers
- Internal Audit Supervisors
- Internal Auditors

It is envisaged that interviews will require no more than 45 minutes and focus group discussions will require 60 minutes each. The necessary communication and arrangements will be made with the interviewees and the CAE on receipt of your approval to use the dti as a case study.

The findings of the study will not identify any department or individual nor will any comment, remark or sentence be attributed to any department or individual without the express permission of the department and/or the individual concerned, thereby ensuring the confidentiality of all information obtained.

In addition, a report will be forwarded to yourself on the data collected and the results in order to validate the information and findings and also to recommend any corrections.

Support has been obtained for this study from the DGs of DIRCO and the dti, as well as from the Accountant General of South Africa and the Chief Executive Officer of the Institute of Internal Auditors. Letters of support are attached herewith.

UNISA has also granted ethical approval to conduct this study.

I look forward to your approval and the cooperation of the department in this study.

Best regards

Asogan Moodley

Annexure 5: Schedule of government departments

| Department | |
|------------|--|
| 1 | Agriculture, Forestry and Fisheries |
| 2 | Arts and Culture |
| 3 | Basic Education |
| 4 | Communications |
| 5 | Cooperative Governance |
| 6 | Correctional Services |
| 7 | Defence |
| 8 | Economic Development |
| 9 | Energy |
| 10 | Environmental Affairs |
| 11 | Government Communication and Information System (GCIS) |
| 12 | Health |
| 13 | Higher Education and Training |
| 14 | Home Affairs |
| 15 | Human Settlements |
| 16 | Independent Police Investigative Directorate |
| 17 | International Relations and Cooperation |
| 18 | Justice and Constitutional Development |
| 19 | Labour |
| 20 | Military Veterans |
| 21 | Mineral Resources |
| 22 | National School of Government |
| 23 | National Treasury |
| 24 | Planning, Monitoring and Evaluation |
| 25 | Public Enterprises |
| 26 | Public Service and Administration |
| 27 | Public Service Commission |
| 28 | Public Works |
| 29 | Rural Development and Land Reform |
| 30 | Science and Technology |
| 31 | Small Business Development |
| 32 | Social Development |
| 33 | SA Police Service |
| 34 | State Security Agency |
| 35 | Sport and Recreation South Africa |
| 36 | Statistics South Africa |
| 37 | Telecommunications and Postal Services |
| 38 | Tourism |
| 39 | Trade and Industry |
| 40 | Traditional Affairs |
| 41 | Transport |
| 42 | Water and Sanitation |
| 43 | Women |
| 44 | The Presidency |

Annexure 6: Interview questions - Non-IAA employees

| Interview questions - Non-IAA employees | |
|--|---|
| 1. | Please tell me a little about yourself and the work that you do. |
| 2. | Explain the mandate of your department and the services that it delivers to the public. |
| 3. | How is the department structured and what systems are in place to assist the department in meeting its service delivery targets? |
| 4. | Who is responsible for the planning, monitoring and evaluation processes in the department i.e. is there a unit that manages the planning, monitoring and evaluation processes? |
| 5. | If so, what guidance has been provided by the person/unit to assist the department in this process? Would it be possible to obtain copies of the guidance provided? |
| 6. | How has your department performed in terms of service delivery for the past three years? |
| 7. | Explain the AGSA's opinion on departmental performance over the past three years. |
| 8. | How does the department develop and approve its predetermined objectives and the multi-year strategic plan in accordance with the SMART criteria? |
| 9. | How are budget processes aligned to the development of the predetermined, measurable objectives and strategic plan? |
| 10. | What systems are in place to assist staff members in developing objectives, plans and budgets and how effective are these? |
| 11. | How is the accomplishment of predetermined objectives managed to ensure that planned performance is actually achieved? |
| 12. | How does the department report on its actual performance against planned performance? |
| 13. | Please tell me your understanding of organisational performance management. |
| 14. | How is performance management implemented in the department? |
| 15. | How would you describe the effectiveness of performance management in the department? |
| 16. | Describe the types of performance reports produced by the department and the usefulness of such reports. |
| 17. | How are the reports (performance information) produced by the department verified for accuracy and completeness? |
| 18. | What role does the Internal Audit Activity (IAA) play in performance management in the department? |
| 19. | How would you describe the effectiveness of the role that the IAA plays and your reasons? |
| 20. | Can you tell me anything about the processes and techniques used by the IAA in carrying out its performance management work? |
| 21. | What do you think the IAA can do to improve and enhance its role in the performance management process of the department? |
| 22. | What can the department do generally to improve performance and service delivery? |
| 23. | Are there any other comments or information that you would like to provide? |

Annexure 7: Interview questions - Chief Audit Executive

| Interview questions - Chief Audit Executive | |
|--|--|
| 1. | Please give me a background of yourself, your qualifications and experience. |
| 2. | Explain the organisational structure of the IAA and its relevance to your tasks. |
| 3. | Please provide details of the IAA staff members, their qualifications and experience. |
| 4. | Please explain the department's service delivery mandate, predetermined objectives and your view of the effectiveness of the department in delivering services to the public. |
| 5. | How are the mandate, authority and responsibility of the IAA recorded? Please provide copies of the relevant documents. |
| 6. | Explain how the IAA complies with the requirements of the Treasury Instructions and the Standards. |
| 7. | Was the IAA subjected to an external quality assurance review and what were the results? |
| 8. | Does an audit committee exist and how are the mandate, scope, authority and responsibility of the audit committee recorded? Please provide copies. |
| 9. | Explain the relationship between the audit committee, the IAA and the department. |
| 10. | Does the IAA operate in accordance with approved policies, methodologies, processes and procedures? If so, is it possible to provide copies? |
| 11. | Explain how performance management is implemented in the department, and the processes and systems that are in place. |
| 12. | Explain the role that the IAA plays in departmental performance management. |
| 13. | Does the IAA conduct its performance management role in accordance with recorded methodologies, approaches, procedures and techniques? If so, please explain these and provide copies. |
| 14. | How are these processes communicated to the department? |
| 15. | How is the audit committee involved in the performance management process of the department? |
| 16. | Explain the effectiveness of performance management in the department. |
| 17. | What role does the IAA play in the performance reporting of the department? |
| 18. | How is the audit committee involved in the performance reporting process? |
| 19. | In your view, how has the IAA assisted in improving performance management and reporting in the department and how has this impacted on service delivery? |
| 20. | What is the relationship between the AGSA, IAA and the audit committee in the performance process of the department? |
| 21. | What can the IAA and the audit committee do better to improve its role in departmental performance management? |
| 22. | How can government, generally, improve on performance management, monitoring, reporting and service delivery? |
| 23. | Are there any further input or information that you would like to provide? |

Annexure 8: Focus group questions - Internal audit employees

| Focus group questions - Internal audit employees | |
|---|--|
| 1. | What is your understanding of your role in the organisation? |
| 2. | What are the mandate and the service delivery objectives of the department? |
| 3. | How does internal audit assist the department in accomplishing its mandate and objectives? |
| 4. | Explain your understanding of performance management? |
| 5. | How is performance management implemented in the department? |
| 6. | How would you describe the effectiveness of the performance management processes and systems implemented by the department? |
| 7. | Explain the role that internal audit plays in the performance management of the department? |
| 8. | How does this role that internal audit performs add value to the department in effectively delivering services to the public? |
| 9. | In carrying out this role, how do you comply with the prescribed internal audit approaches, methodology, processes and techniques? |
| 10. | How can internal audit improve its processes, methodologies and techniques to provide more value to the department thereby assisting the department to improve its performance and service delivery? |
| 11. | How can government, generally, improve performance management? |
| 12. | Any other information that you would like to provide? |

Annexure 9: Interview questions - DPME

| Interview questions - DPME | |
|----------------------------|--|
| 1. | Please tell me a little about yourself and the work that you do. |
| 2. | Explain the mandate of your department and the services that it delivers to the public. |
| 3. | Who is responsible for the oversight of the planning, monitoring and evaluation processes in government departments i.e. is there a unit that manages the planning, monitoring and evaluation processes? |
| 4. | If so, what guidance has been provided by the DPME to assist government departments in this process? Will it be possible to obtain copies of the guidance provided? |
| 5. | Explain organisational performance management at the national government level in South Africa. |
| 6. | How is performance management implemented at the national government level? |
| 7. | What value does organisational performance management bring to government? |
| 8. | How are various cycles/processes such as budget processes aligned to the organisational performance management cycle? |
| 9. | What systems are in place to assist national departments developing objectives, plans and budgets and managing performance? How effective are these systems? |
| 10. | What are the Auditor General's findings, generally, on organisational performance management at the national level? |
| 11. | How is the accomplishment of predetermined objectives managed to ensure that planned performance is actually achieved? |
| 12. | How do national departments report on their actual performance against planned performance? |
| 13. | Is the reporting to the various governance structures such as DPME, National Treasury, Auditor General and Parliament well-coordinated? |
| 14. | Are national departments experiencing "Governance Fatigue" because of the planning, monitoring, evaluation and reporting requirements? |
| 15. | How would you describe the effectiveness of performance management in departments? |
| 16. | Describe the types of performance reports produced by departments and the usefulness of such reports. |
| 17. | How are the reports (performance information) produced by departments verified for accuracy and completeness? |
| 18. | What role does the Internal Audit Activity (IAA) play in organisational performance management in national departments? |
| 19. | How would you describe the effectiveness of the role that the IAA plays and your reasons? |
| 20. | Can you tell me anything about the processes and techniques used by the IAA in carrying out its performance management work? |
| 21. | What do you think the IAA can do to improve and enhance its role in the performance management process of the department? |
| 22. | What can the departments do generally to improve performance and service delivery? |
| 23. | What can government, generally do to improve organisational performance management overall? |
| 24. | Are there any other comments or information that you would like to provide? |

Annexure 10: Interview Questions - Accountant General

| Interview Questions - Accountant General | |
|---|--|
| 1. | Please tell me a little about yourself and the work that you do. |
| 2. | Explain the mandate of your department and the services that it delivers to the public. |
| 3. | Who is responsible for the oversight of the planning, monitoring and evaluation processes in government departments i.e. is there a unit that manages the planning, monitoring and evaluation processes? |
| 4. | If so, what guidance has been provided by the NT to assist government departments in this process? Will it be possible to obtain copies of the guidance provided? |
| 5. | Explain organisational performance management at the national government level in South Africa. |
| 6. | How is performance management implemented at the national government level? |
| 7. | What value does organisational performance management bring to government? |
| 8. | How are various cycles/processes such as budget processes aligned to the organisational performance management cycle? |
| 9. | What systems are in place to assist national departments developing objectives, plans and budgets and managing performance? How effective are these systems? |
| 10. | What are the Auditor General's findings, generally, on organisational performance management at the national level |
| 11. | How is the accomplishment of predetermined objectives managed to ensure that planned performance is actually achieved? |
| 12. | How do national departments report on its actual performance against planned performance? |
| 13. | Is the reporting to the various governance structures such as DPME, National Treasury, Auditor General and Parliament well-coordinated? |
| 14. | Are national departments experiencing "Governance Fatigue" because of the planning, monitoring, evaluation and reporting requirements? |
| 15. | How would you describe the effectiveness of performance management in departments? |
| 16. | Describe the types of performance reports produced by departments and the usefulness of such reports. |
| 17. | How are the reports (performance information) produced by departments verified for accuracy and completeness? |
| 18. | What role does the Internal Audit Activity (IAA) play in organisational performance management in national Departments? |
| 19. | How would you describe the effectiveness of the role that the IAA plays and your reasons? |
| 20. | Can you tell me anything about the processes and techniques used by the IAA in carrying out its performance management work? |
| 21. | What do you think the IAA can do to improve and enhance its role in the performance management process of the department? |
| 22. | What can the departments do generally to improve performance and service delivery? |
| 23. | What can government, generally do to improve organisational performance management overall? |
| 24. | Are there any other comments or information that you would like to provide? |

Annexure 11: Node structure

4/30/2018 7:35 AM

Node Structure

Organisational performance management as a mechanism to improve service delivery in the South African public sector-the contribution of internal auditing as an enabler

4/30/2018 7:35 AM

| Hierarchical Name | Nickname | Aggregate | User Assigned Colour |
|---|----------|-----------|----------------------|
| Node | | | |
| Nodes | | | |
| Nodes\\Challenges | | Yes | None |
| Nodes\\Departmental Challenges | | Yes | None |
| Nodes\\Future Improvements | | Yes | None |
| Nodes\\Good Organisational Governance | | Yes | None |
| Nodes\\Good Organisational Governance\\Acceptance of IAA Recommendations | | No | None |
| Nodes\\Good Organisational Governance\\Audit Committee | | No | None |
| Nodes\\Good Organisational Governance\\Combined Assurance | | No | None |
| Nodes\\Good Organisational Governance\\Communication | | No | None |
| Nodes\\Good Organisational Governance\\Control Processes | | No | None |
| Nodes\\Good Organisational Governance\\Organisational Governance | | No | None |
| Nodes\\Good Organisational Governance\\Risk Management | | No | None |
| Nodes\\Good Organisational Governance\\Risk Management\\Fraud Risk Management | | No | None |
| Nodes\\Governance and Reporting Fatigue | | No | None |
| Nodes\\Internal Auditing Practice | | Yes | None |
| Nodes\\Internal Auditing Practice\\Contribution of IAA | | No | None |
| Nodes\\Internal Auditing Practice\\Expectations of IA | | No | None |
| Nodes\\Internal Auditing Practice\\IA Approach and Methodology | | No | None |
| Nodes\\Internal Auditing Practice\\IA Consulting Services | | No | None |
| Nodes\\Internal Auditing Practice\\IAA Experience | | No | None |
| Nodes\\Internal Auditing Practice\\IAA Follow-up Audits | | No | None |
| Nodes\\Internal Auditing Practice\\IAA Mandate Role and Responsibilities | | No | None |
| Nodes\\Internal Auditing Practice\\IAA OPM Methodology | | No | None |
| Nodes\\Internal Auditing Practice\\IAA OPM Role | | No | None |
| Nodes\\Internal Auditing Practice\\IAA PI Verification | | No | None |
| Nodes\\Internal Auditing Practice\\IAA Planning | | No | None |
| Nodes\\Internal Auditing Practice\\IAA Relationship | | No | None |
| Nodes\\Internal Auditing Practice\\IAA Structure | | No | None |
| Nodes\\Internal Auditing Practice\\IA Standards and Quality | | No | None |
| Nodes\\Internal Auditing Practice\\Independence of IAA | | No | None |
| Nodes\\Internal Auditing Practice\\Role of IA | | No | None |
| Nodes\\Internal Auditing Practice\\Skills and Capacity of IAA | | No | None |

| Hierarchical Name | Nickname | Aggregate | User Assigned Colour |
|--|----------|-----------|----------------------|
| Nodes\\Managing for Optimal Performance | | Yes | None |
| Nodes\\Managing for Optimal Performance\AGSA Assessments | | No | None |
| Nodes\\Managing for Optimal Performance\Annual Performance Planning | | No | None |
| Nodes\\Managing for Optimal Performance\Budget Plan Alignment | | No | None |
| Nodes\\Managing for Optimal Performance\Departmental Performance Reporting | | No | None |
| Nodes\\Managing for Optimal Performance\Departmental Planning | | No | None |
| Nodes\\Managing for Optimal Performance\Effectiveness of OPM | | No | None |
| Nodes\\Managing for Optimal Performance\Figures | | No | None |
| Nodes\\Managing for Optimal Performance\Financial plan (expenditure estimates) | | No | None |
| Nodes\\Managing for Optimal Performance\Guidance | | No | None |
| Nodes\\Managing for Optimal Performance\Monitoring and Evaluation Processes | | No | None |
| Nodes\\Managing for Optimal Performance\MPAT | | No | None |
| Nodes\\Managing for Optimal Performance\Relationships and Partnerships | | No | None |
| Nodes\\Managing for Optimal Performance\Service Delivery | | No | None |
| Nodes\\Managing for Optimal Performance\Strategic Dialogues | | No | None |
| Nodes\\Managing for Optimal Performance\Strategic Management OPM | | No | None |
| Nodes\\Managing for Optimal Performance\System | | No | None |
| Nodes\\Managing for Optimal Performance\Training and Development | | No | None |
| Nodes\\Strategic Projectionism and Positioning | | Yes | None |
| Nodes\\Strategic Projectionism and Positioning\Accountability | | No | None |
| Nodes\\Strategic Projectionism and Positioning\Country Strategic Priorities | | No | None |
| Nodes\\Strategic Projectionism and Positioning\Departmental Mandate | | No | None |
| Nodes\\Strategic Projectionism and Positioning\Policy Perspective | | No | None |
| Nodes\\Strategic Projectionism and Positioning\Strategic Analysis Research and | | No | None |
| Nodes\\Strategic Projectionism and Positioning Theories | | No | None |

Annexure 12: Questions - Content analysis - Quantitative phase

| Questions - Content analysis - Quantitative phase | |
|--|--|
| 1. | Download the strategic plans, annual performance plans and annual reports for all departments responding to the survey questionnaire |
| 2. | <p>Undertake the following analysis on the SP:</p> <ul style="list-style-type: none"> • What is the period of the SP? • Is the SP approved by the relevant authority? • Are the mandates and reasons for establishment of the national department clearly detailed? • Determine that the SP includes information on its performance environment and analyse the information therein. • What type of research is included in the SP? • Does the SP include the vision, mission, and priorities of the department? • Analyse the goals and strategic objectives in the SP. • What type of stakeholder engagement occurred in the development of the SP? • How does the department intend to achieve its strategic objectives? • Analyse the financial information provided? • Conduct a general analysis of the SP. |
| 3. | <p>Undertake the following on the APP:</p> <ul style="list-style-type: none"> • To which period does the APP apply? • Has the APP been approved by the relevant authorities? • Inclusion of vision, mission and priorities of the department? • How is the APP aligned with the SP? • Does the APP provide the targets linked to objectives? |
| 4. | <p>Conduct the following analysis on the AR:</p> <ul style="list-style-type: none"> • How does the AR communicate the high-level strategic imperatives of the department? • Does the AR contain the relevant confirmations and approvals to confirm the accuracy and integrity of the information reported? • The period of the AR. • Overview of the performance of the department by political head and the administrative head. • How is performance information reported? • What governance information is included? • Information of internal auditing. • Interrogate the AGSA findings. |
| 5. | <p>Perform the following analytical procedures on Audit Committee charters received:</p> <ul style="list-style-type: none"> • Confirm the date the charter was approved and the level of approval. • How does the charter address the mandate, authority, role and responsibilities of the Audit Committee? |
| 6. | <p>Perform the following analytical procedures on Internal Auditing charters received:</p> <ul style="list-style-type: none"> • Confirm the date that the charter was approved and the level of approval. • Does the charter provide for the mandate, authority, role and responsibilities of the IAA? • How is the charter aligned to the Internal Auditing Standards? |

| Questions - Content analysis - Quantitative phase | |
|--|---|
| | <ul style="list-style-type: none"> • How does the charter enable the IAA to perform its tasks freely and without hindrance and undue interference? |
| 7. | <p>Perform the following analytical procedures on the internal auditing methodology documents received:</p> <ul style="list-style-type: none"> • How has the document been approved? • What information is contained in the documents? • Determine the alignment of the information with the IASs and the literature survey conducted. • Analyse the methodology to determine whether the IAA undertakes assessments and analysis of the strategic functioning of the department. • Analyse the methodology to determine to what extent the IAA performs reviews on the performance environment of the department. • Analyse whether the methodology enables the IAA to effectively and efficiently evaluate organisational performance management of the department. |
| 8. | <p>Conduct a general review of all documents against the survey questions and the objectives of the study.</p> |

Annexure 13: Schedule of qualitative documents analysed

| Type of document | Department | Reference number |
|--|--------------|------------------|
| List of reports received and issued | Department 1 | D1Doc1 |
| Annual Performance Plan 2017-2018 | Department 1 | D1Doc2 |
| Annual Report 2015-2016 | Department 1 | D1Doc3 |
| Diagnostic Review Report 2016 | Department 1 | D1Doc4 |
| M&E Framework, 2017 | Department 1 | D1Doc5 |
| Strategic Plan 2015-2020 | Department 1 | D1Doc6 |
| Audit Committee Charter | Department 1 | DD1Doc7 |
| IAA Audit Procedures | Department 1 | D1Doc8 |
| Internal Auditing Charter | Department 1 | D1Doc9 |
| IAA Policy and Procedure Manual | Department 1 | D1Doc10 |
| | | |
| Annual Performance Plan | Department 2 | D2Doc1 |
| Annual Report 2015-2016 | Department 2 | D2Doc2 |
| Strategic Plan 2015-2020 | Department 2 | D2Doc3 |
| | | |
| Audit Committee Charter | Department 3 | D3Doc1 |
| IAA programme for auditing performance information | Department 3 | D3Doc2 |
| Annual Performance Plan | Department 3 | D3Doc3 |
| Annual Report 2015-2016 | Department 3 | D3Doc4 |
| IAA engagement letter for auditing performance information | Department 3 | D3Doc5 |
| Internal Auditing Charter | Department 3 | D3Doc6 |
| Strategic Plan | Department 3 | D3Doc7 |
| | | |
| Annual Performance Plan 2017-2020 | Department 4 | D4Doc1 |
| Annual Report 2015-2016 | Department 4 | D4Doc2 |
| Annual Report 2016-2017 | Department 4 | D4Doc3 |
| Strategic Plan 2015-2020 | Department 4 | D4Doc4 |
| | | |
| ANC Report on M&E Presentation | M&E | M&EDoc1 |
| Minster in Presidency Report 1 | M&E | M&EDoc2 |
| Minister in Presidency Report 2 | M&E | M&EDoc3 |
| Presentation to Parliament | M&E | M&EDoc4 |
| M&E Oversight Report | M&E | M&EDoc5 |
| Total documents | 29 | |

Annexure 14: Schedule of quantitative documents analysed

| Seq | Department Identification | Annual Report | IA Charters | IA Policies | IA Methodology |
|-----|---------------------------|---------------|-------------|-------------|----------------|
| 1 | A | AR01 | | IAP01 | |
| 2 | B | AR02 | | | |
| 3 | C | AR03 | | | |
| 4 | D | AR04 | | | IAM05 |
| 5 | E | AR05 | | IAP02 | IAM03 |
| 6 | F | AR06 | | | |
| 7 | G | AR07 | IAC01 | | IAM09 |
| 8 | H | AR08 | | | IAM01 |
| 9 | I | AR09 | IAC02 | | |
| 10 | J | AR10 | IAC03 | | IAM02 |
| 11 | K | AR11 | | | |
| 12 | L | AR12 | IAC04 | | IAM08 |
| 13 | M | AR13 | | | |
| 14 | N | AR14 | | IAP03 | IAM04 |
| 15 | O | AR15 | IAC05 | | IAM06 |
| 16 | P | AR16 | | | IAM07 |
| 17 | Q | AR17 | | | |
| 18 | R | AR18 | | | |

Annexure 15: Letter of consent

LETTER OF CONSENT

To: Asogan Moodley
University of South Africa
Student Number 8265151

Study for Doctor of Philosophy degree

I (name and surname), hereby declare that:

I have voluntarily participated in this study and that I am aware and understand that I am at liberty to withdraw my participation from this study at any time without any negative consequences or prejudice to me.

I understand that I and the national department that I am employed with will remain anonymous and will not be identifiable in the research findings and results.

My interview data may be used by Asogan Moodley for purposes of completing his doctorate at the University of South Africa.

I also understand that the interview data and/or any other information made available to Asogan Moodley, will be treated with utmost care. The interview data and any further information that I may provide will be used only for research purposes and to compile the high-level summary report that will be distributed to all directors general of responding national departments, directors general of case study national departments and research participants.

Signature: _____

Date: _____

APPENDICES

Appendix 1: Proposed procedural framework for the internal auditing of organisational performance management of a South African national government department

1 Introduction

The world today is characterised by ever-increasing demands from the public for good governance, ethical leadership and for goods and services. The resources available to meet these demands are, however, sometimes limited or misaligned. Organisations in both the public and private sector are therefore forced to explore and implement measures to achieve optimal results with the limited resources and talents available (Bolden, Gosling, Adarves-Yorno & Burgoyne, 2008). The public sector (government) plays an important role in providing public leadership based on mandates. In this framework, the focus is on the provision of goods and services to the public (Jääskeläinen & Lönnqvist, 2011; Hoque, 2008). Public goods and services are those which would not be viable to be provided on a commercial basis, such as street lights or roads (Jääskeläinen & Lönnqvist, 2011; Hoque, 2008).

The ever-increasing demand for goods and services from the public, coupled with limited resources, has forced government to reconsider the way in which it conducts business (Mwanji, Wandera, Githoria, Mokaya, Macharia, Ngesa & Gachagua, 2011). Against this backdrop, an assumption is made that the public sector attempts to optimise organisational performance through new and innovative ways. One such measure is organisational performance management (OPM) as a tool to enhance optimal organisational performance (Blackman, Buick, O'Donnell, O'Flynn & West, 2012). OPM in the public sector is located within the theoretical framework of New Public Management (NPM) (Chowdury & Shil, 2017; Pollitt, 2016). NPM itself is rooted within the managerialism theory expounded by Pollitt in 1990 (Pollitt, 2016). Organisational performance is also informed by the agency theory, the accountability theory and the stakeholder theory (Chowdury & Shil, 2017; Mansourie & Rowney, 2013).

Effective OPM is dependent on executive management obtaining confirmation that the strategic objectives and strategic plan (SP) of the organisation are being implemented as intended (Quelett, 2010). This enables management to correct any deviations and under-

performance that may be present. The information may be obtained by executive management assessing the implementation of plans and strategies by the organisation itself (Quelett, 2010). However, the duties of leaders, as advanced by several authors, have a more strategic focus than simply conducting evaluation assessments. According to Molokwu, Barreria and Urban (2013) and the IoDSA (2016), leaders' responsibilities include providing the long-term vision and strategic direction to the organisation. Leaders interact and obtain support from management and employees for the vision, mission, planned objectives and strategies of the organisation (Molokwu *et al.*, 2013).

However, good leaders also create governance mechanisms such as the audit committee, the risk committee and the Internal Audit Activity (IAA) to promote good governance and to undertake assessment and evaluation activities on management's behalf (IoDSA, 2016; Deiderich, 2011; Australian Securities Exchange, 2010). The IAA is an independent function within the organisation; its role is to obtain a thorough and deep understanding of the organisation (Vasile & Croitoru, 2012; Gierach, Cascarino & Basile, 2010; Quelett, 2010). Independence means that the IAA is not responsible for performing operational and/or managerial duties of the national department (IIA, 2017). The IAA consequently serves as a management tool that provides independent assessments and evaluations on the governance, risk management and control systems to management (IIA, 2017).

The role of internal auditing in OPM is encapsulated in the *International Standards for the Professional Practice of Internal Auditing*, referred to as the Internal Auditing Standards (IASs) (IIA, 2017). IAS 2110 (IIA, 2017) requires the IAA to assess the effectiveness of the national departments' OPM systems and offer recommendations for improvement where required. In addition, IAS 2120.A1 (IIA, 2017) provides that the evaluation of the risk management system of the department by the IAA should provide assurance on achieving strategic objectives. It should also confirm the reliability and integrity of financial and operational information reported by the department. The IAA in a national department is therefore well-positioned, in accordance with the IASs (IIA, 2017), to assess and evaluate OPM in national departments.

2 Organisational performance management

OPM refers to the measures, systems, processes, procedures and activities implemented by the leadership and management of a national department to achieve optimal performance in pursuing its organisational mandate and impact (Pollitt, 2016; Bolden *et al.*, 2008). Accordingly, OPM is about leading and managing an organisation so that it achieves optimal performance through rational decision-making (Bowrey, Hui & Smark, 2017). It is, in essence, managing for performance as opposed to simply managing for existence (Pollitt, 2016).

Achieving optimal organisational performance depends on several considerations. The national department must obtain a deep and comprehensive understanding of its performance environment. Performance environment refers to the nature and conditions of the target public to which it must, in the case of this framework, provide goods or render services and the nature of these goods and services to be provided. A thorough understanding means that the department must conduct in-depth research into the nature, demographics and characteristics of the target public. The impact or difference that will be created by the provision of such goods and services must also be determined when seeking to understanding the performance environment.

In order to perform in an optimal manner, research should be conducted on the nature of the goods and services that the department must provide. Research should also explore the manner in which the international community has approached the provision of such goods and services. However, the national department should not necessarily be constrained by international practice but should investigate innovative methods of satisfying the needs of its own public in the most optimal manner, in accordance with local conditions.

OPM is a cyclical process that commences after conducting in-depth research on the performance environment. Management creates the vision, mission and high-level goals of the department, designed to achieve the desired impact on the public (Habib & Yazdanifard, 2017; Mackie, 2008; Demmke, 2006). Thereafter, a strategic focus exploration exercise is conducted which allows management to identify the strategic objectives that are to be accomplished in the medium term (Habib & Yazdanifard, 2017;

Mackie, 2008; Demmke, 2006). At the national department level, the medium term is normally a period of five years. The SP also identifies the strategies that the department will deploy to achieve these objectives (Habib & Yazdanifard, 2017; Mackie, 2008; Demmke, 2006).

At the national department level in South Africa, medium-term strategic objectives are broken down into annual targets to assist in achieving the strategic objectives in a systematic, organised and methodical manner (South Africa, 2007b; South Africa, 2007c). The annual targets are further broken down into quarterly targets so that annual targets may be achieved incrementally, in smaller, attainable proportions throughout the financial year (South Africa, 2007b; South Africa, 2007c). These targets and the methods to achieve them are recorded in the annual performance plan (APP) of the national department. The SP and APP should be communicated to all departmental employees in addition to the department's stakeholders. The nature of the goods and services that the department will deliver to the public must be fully understood by all employees to encourage optimal employee performance. This then translates into the effective achievement of the department's objectives and targets (Mackie, 2008).

The implementation of plans is dependent on the availability of adequate funding, which are also known as funded mandates. Funding at the national department level is obtained from the National Revenue Fund through the official appropriation processes (South Africa, 1999). The quantum of funding made available to the department is dependent on the level of priority of the goods and services that the department delivers to the public. It is also dependent on the quality of the plans it submits to the National Treasury (NT) for consideration (South Africa, 1999). Plans must therefore be costed and a comprehensive budget prepared (South Africa, 1999). The NT has specific requirements and formats for the preparation of budgets by national departments and these must be followed and complied with carefully.

The SP and APP of the national department, once approved by the Director General (DG) and Minister, are then tabled in parliament for further consideration and approval. Parliament considers the plans and the related budget of the department during the budget vote presentation by the relevant minister. The approval of the plans and the budget signals that implementation may commence.

OPM and good management practice prescribe that during the implementation of the plans, regular assessments be conducted to determine whether the department is effectively implementing its plans and progressing towards its targets (South Africa, 2007b; South Africa, 2007c). In essence, an assessment is made to determine whether the actual performance of the department is in accordance with planned performance (South Africa, 2007b; South Africa, 2007c) and also with the approved budget. Underperformance or non-performance means there is a likelihood that the targets identified in the APP may not be achieved, thereby impacting the strategic objectives and the planned impact of the department. Non-implementation of the plans and non-achievement of planned objectives and targets ultimately result in poor service delivery to the public. Mediocre departmental performance also results in poor service delivery to the public.

3 Internal auditing role in organisational performance management

Departmental management is required to conduct evaluations of its progress against its plans at regular intervals and report the results to executive management, the DG and the oversight bodies of the department (South Africa, 2007a; South Africa, 2007b; South Africa, 2007c). However, according to current theories on internal auditing, namely, the agency and accountability theories (Chowdury & Shil, 2017; Pollitt, 2016), information provided by agents (employees of national departments) to principals (government represented by the DG, minister and parliament) may be incomplete and inaccurate. To ensure the veracity of the information reported by management, the information must be evaluated by an independent assurance provider.

In this regard, IAS 2110 (IIA, 2017) states that the IAA must assess and make appropriate recommendations to improve an organisation's governance processes and ensure effective OPM and accountability. IAS 2120 (IIA, 2017, Interpretation) provides that the IAA assess and evaluate the department's risk management processes to determine whether the strategic objectives are aligned to the department's mandate. In addition, IAS 2130.A1 (IIA, 2017) requires the IAA to evaluate systems of internal controls in response to the risks identified to ensure the achievement of the department's strategic objectives. Furthermore, governance is explained in the Glossary to the IASs (IIA, 2017) as "the

combination of processes and structures implemented by the Board to inform, direct, manage and monitor the activities of the organisation towards the achievements of its objectives”.

The IASs therefore provide a firm basis for the IAA to undertake evaluation assessments of OPM and the quarterly performance information (PI) reported by the national department. Consequently, the IAA is well-positioned by the provisions of the IASs and the assumptions of the agency theory to perform such independent evaluations and to report the results to the executive management and the DG.

4 Purpose of a procedural framework

The researcher has conceptualised a procedural framework, discussed below, on the basis of a comprehensive literature review and the input provided by IAA employees in national departments who were part of a research study. The CAEs interviewed confirmed that a framework on the internal auditing of OPM does not currently exist. The CAEs also suggested that a single framework that assists IAAs in performing evaluations of OPM would be of considerable value. This framework, consequently, is intended as a guide for IAAs and internal auditing practitioners for planning and conducting assessments and evaluations of OPM.

Several assurance providers undertake monitoring and evaluation (M&E) of OPM, specifically over the reporting of the quarterly PI. Consequently, employees in the various departmental units are subjected to similar requests for information and similar enquiries from different sources. The resultant effect is that employees become frustrated at having to provide the same information to different assurance providers. Employee time, which in itself is expensive and which could have been directed towards service delivery, is used instead to meet the needs of multiple assurance providers. Resultantly, an element of governance and reporting fatigue occurs in departments. Additionally, the fact that several assurance providers undertake evaluations of the same processes and of the same information, is inherently inefficient and leads to duplicated costs and reduced audit scope and coverage.

A comprehensive framework that meets the requirements of all assurance providers would address the negative consequences of duplicated effort and inefficient use of limited resources. It would thereby free up employee time, redirecting efforts towards service delivery and other high impact/high risk areas. It would also reduce the frustration from reporting fatigue (IIA, 2017, 2050; OECD 2014). This framework supports a single lead assurance provider who would audit the OPM. The framework suggests that the lead should be taken by the IAA, however, the national department should formalise a policy document that identifies the lead assurer (IIA, 2017, 2050; OECD 2014). This framework also promotes a coordinated approach to the auditing of OPM (IoDSA, 2016).

It is argued that in order for other assurance providers to rely on the work of the lead assurance provider, a professional and comprehensive exercise must be conducted. Moreover, all assurance providers should agree on the approach, methodology and procedures that are to be followed in undertaking the assessment. Consequently, all assurance providers should be involved in developing the approach and plans for the auditing of OPM. In addition, the entire audit process from beginning to end must be recorded and full documentation must be kept in the form of working papers and information collected (IIA, 2017, 2050; OECD 2014). This framework intends to provide the foundation from which a professional, comprehensive evaluation of OPM and the evaluation of quarterly PI can be undertaken.

5 Elements of a procedural framework

The elements of a procedural framework (Chowdury & Shil, 2017; Hoque, 2008) for the internal auditing of OPM include the IAA obtaining a deep and comprehensive understanding of the reasons for the establishment and the mandate of the national department. In addition, the IAA must fully understand the performance environment of the department. Elements also include understanding the strategic planning process, the SPs, APPs, the M&E processes and the quality assurance and reporting processes of the IAA. The elements of the procedural framework, specifically for the internal auditing of OPM, are diagrammatically represented in Figure 1 below.

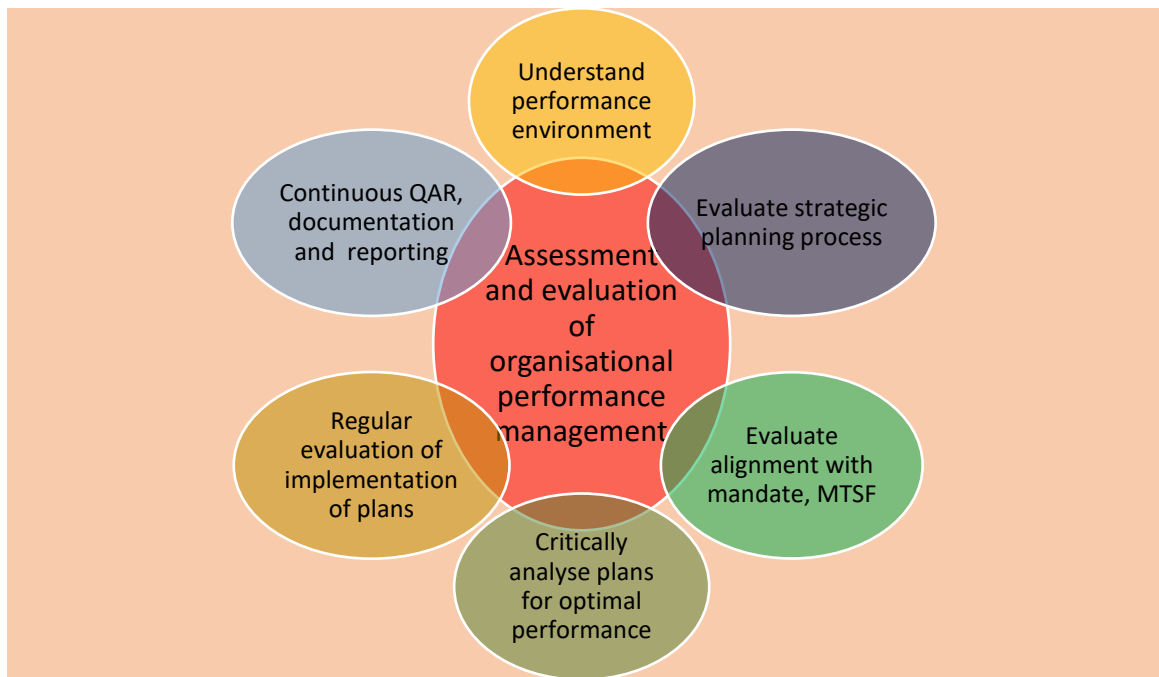


Figure 1 Elements of the Conceptual Procedural Framework for the Evaluation of OPM

(Source: Own compilation)

Abbreviations: QAR - Quality Assurance Review; MTSF - Medium Term Strategic Framework

A high-level overview of the framework is provided in Figure 2 below.

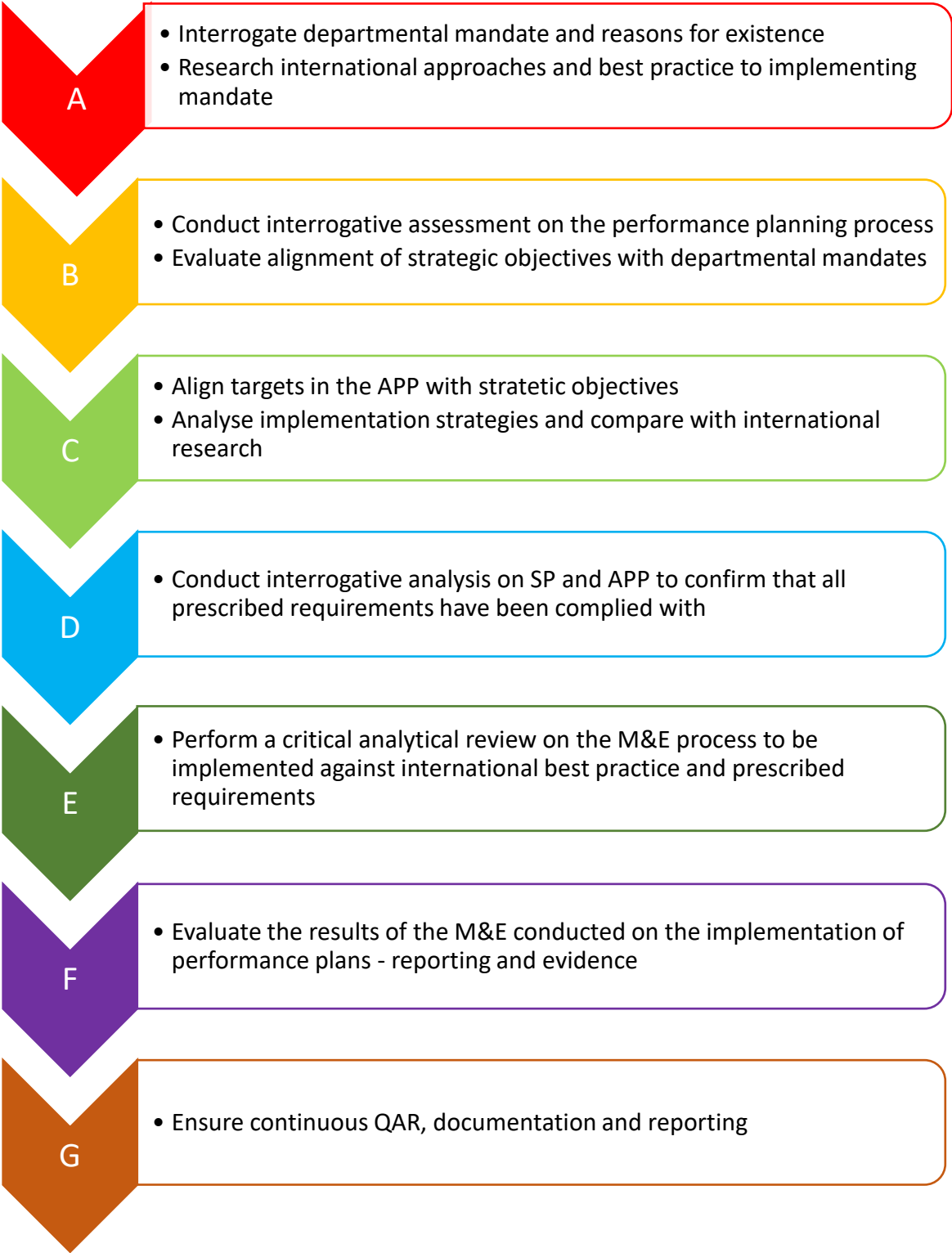


Figure 2 High-level overview of conceptual procedural framework

(Source: Own compilation)

6 Extended performance procedures on procedural framework

This procedural framework represents the conceptual work of the researcher. The framework was developed based on a practical approach and includes a number of internal auditing objectives and related procedural steps designed to conduct an audit of OPM. The objectives and related procedures are tabulated below.

Objective 1: Interrogate departmental mandate and reasons for existence

The mandate and reasons for the establishment of the national department are intended to achieve an impact on a targeted sector of the public through the delivery of goods and services to that public. The entire organisational management process of the department is therefore driven by the impact that government intends to create on the target public.

The IAA should create the foundation for effective internal auditing of the performance management of the department by obtaining a thorough understanding of the reasons for the establishment of the department as well as the founding prescripts such as relevant legislation and organisational mandates. The IAA must also ensure that internal auditors fully understand the impact that the plans and operations of the department are intended to create on the target public. Without a sound grasp of the above, the auditing of OPM may be inadequate and may not comply with the necessary quality standards.

Procedural framework

The following procedures may be considered:

- i. Obtain all documents referring to the mandate and reason for establishment of the national department. These documents include, but are not limited to, acts of parliament, regulations, the Constitution of the Republic of South Africa, National Development Plan (NDP), the Nine-Point Plan and the President's State of the Nation Addresses. Government's priorities are informed by the policy conferences of the ruling party.

- ii. Engage the Strategic Planning Unit (SPU) to confirm that all possible documents referring to the mandate and reason for the establishment of the department have been obtained by the IAA.
- iii. Create electronic or hardcopy files (as relevant) to properly safeguard and maintain these documents in an organised, methodical manner.
- iv. Critically analyse the information to obtain a deep and comprehensive understanding of the mandate and reason for establishment of the national department. Answer the questions: Why was the national department created? What goods or services will it deliver to the public?
- v. Evaluate whether the department has determined the impact that will be created at the end of the MTSF period. Answer the question: What change will the delivery of goods and services create on the target public? Is this impact aligned to government's intention?
- vi. Critically evaluate the desired impact to assess whether it is adequate to drive optimal organisational performance.
- vii. The IAA should hold workshops within the IAA to enhance and entrench its own understanding of the founding prescripts, reasons for establishment, the mandate of the department and the planned impact on the targeted public.
- viii. Invite senior departmental officials, including the DG and the SPU, to deliver presentations to the IAA.
- ix. Attend the strategic workshops and discussions of the department to obtain more information and corroborate the information already collected.
- x. Request approval to attend executive meetings, even if only as an observer, to obtain further strategic information and information on the policy direction of the national departments. It is possible that such a request may not be granted, however, executive management may allow attendance at specified meetings only. Such an arrangement is also acceptable.

Objective 2: Understand the organisational performance environment

Effective internal auditing of OPM of the national department requires the IAA to acquire a thorough understanding of the department's performance environment. This environment normally incorporates complex relationships and practices because of the diversified nature of the various social environments that make up the department's target public. The IAA must be fully cognisant of the diversified nature of the performance

environment and develop internal auditing approaches and procedures that fully consider this diverse environment. In addition, the performance environment also refers to the related international environment and the interventions that may have been implemented by the international community in addressing the needs that the department seeks to satisfy.

Procedural framework

The following procedures are suggested to obtain a sound grasp of the local and international performance environments:

- i. Obtain the research information and results of any analytical exercises undertaken by the national department on the research information, from the Research and Development (R&D) Unit and any other relevant units of the department.
- ii. Obtain information on the processes and procedures followed by the national department in conducting the research and arriving at the research conclusions.
- iii. Obtain information from other recognised and accredited institutions such as higher education institutions or the Department of Planning, Monitoring and Evaluation (DPME) on the appropriate methodology to be followed in conducting such research.
- iv. Conduct a critical evaluation of the methodology followed by the department against the methodologies proposed by recognised outside institutions in order to establish the appropriateness of the department's methodology.
- v. The results of the analysis should enable the IAA to determine whether the IAA is able to rely on the research undertaken by the department. Should the IAA conclude that it cannot rely on the research, the DG of the department should be advised of this in a formal internal auditing report, with full information and reasons.
- vi. Thereafter the IAA should conduct its own research on the performance environment. This may necessitate acquiring external expertise to assist in the project.
- vii. Research should also identify various solutions to providing optimal service delivery by the department.
- viii. Undertake a comprehensive comparative analysis of the different solutions to isolate those which most closely resemble the local performance environment.
- ix. Identify the solutions best suited to be implemented by the national department.

- x. If reliance can be placed on the research methodology and results of the department, conduct a limited verification exercise to corroborate the research and results.

Objective 3: Conduct interrogative assessment on the performance planning process

The planning process of the national department results in the development of the SP and the APP. The IAA should therefore obtain a thorough understanding of the department's planning process in order to conduct effective OPM evaluations.

Procedural framework

The following procedures are recommended:

- i. In order to conduct a comprehensive evaluation of OPM in the department, the IAA should be involved in the strategic planning processes from inception.
- ii. Observer status granted to the IAA management will suffice for this purpose.
- iii. Obtain a thorough understanding of the performance planning processes of the organisation.
- iv. Determine whether the planning processes are headed by the correct levels of leadership in the organisation.
- v. Ascertain whether the planning processes include participation by all relevant employees.
- vi. Determine whether the national department adopts a top-down approach where the goals and key strategic objectives are developed by the departmental leadership through an interactive process.
- vii. Confirm that political input and input from government direction such as the Constitution, government priorities, the NDP, government's medium-term strategic framework and the Nine-Point Plan are included in the planning process.
- viii. Perform procedures to ensure that the strategic objectives are sufficiently high-level in nature to result in effective departmental performance as opposed to mediocre, average performance. The IAA should be able to advise the department where analysis reveals that goals, strategic objectives and plans do not promote optimal performance.

- ix. Perform procedures to ensure that the department does not simply plan for compliance to satisfy audit requirements thereby compromising optimal service delivery.
- x. Confirm that planning is not undertaken from a template perspective by ensuring that the strategic information of the department is used to complete the templates and not that completion of the templates is used to drive organisational strategic planning.
- xi. Perform procedures to verify that correctly completing templates is a consequence of the strategic planning process but not the driving factor. Achieving the intended impact on the target public should be the driving factor of departmental planning.

Objective 4: Assess alignment of strategic plan objectives with mandate

Departmental strategic objectives should be tightly aligned to the mandate so that the required goods and services are optimally delivered to the target public to achieve the desired impact. The auditing of OPM necessitates evaluating the formulation and alignment of strategic objectives with departmental mandates and government imperatives.

Procedural framework

The following procedural guidance is recommended:

- i. Obtain the draft strategic objectives formulated by the department from the unit responsible for strategic planning - normally the SPU.
- ii. Determine whether the strategic objectives cumulatively result in the accomplishment of the mandate of the department.
- iii. Confirm, by performing auditing procedures, that the strategic objectives cumulatively reflect the government policy priorities reflected in the NDP, MTSF, cabinet priorities and other related policy directives.
- iv. Confirm that the strategic objectives will cumulatively result in effectively achieving the planned impact on the target public.
- v. Perform procedures to ensure that the strategic objectives enable a high level of performance by the department. Use prior and related information to undertake such an evaluation. The following procedures may be considered: Determine

whether the department returned any monies to the NT for the previous year. If so, this indicates that either service delivery was not optimal, the targets were poorly crafted or some unforeseen circumstance arose that prevented the achievement of the planned targets.

- vi. Determine whether all planned objectives/targets were achieved in the previous year by utilising the full budgetary allocation. If so, consider areas where the efficiencies may be improved so that a higher level of output could be achieved with the available funding.
- vii. If all targets were achieved and monies were returned to NT, it would mean either that the department had developed mediocre, low-level targets or that it had implemented mechanisms to perform much more efficiently during the year. Should this be the case, determine whether these situations were thoroughly investigated to drive optimal organisational performance.
- viii. Should the entire budget have been utilised without achieving all planned targets, the IAA should focus attention on what went wrong in order to avoid a repetition.
- ix. Establish whether the SP was costed.
- x. Determine whether a zero-based approach was applied when costing the plan.
- xi. Re-perform the costing to ensure that the costing is neither too low nor too high but is reasonable for the purposes required.
- xii. Establish that a comprehensive budget has been drawn up that is aligned with the SP. A budget must include both revenue and expenditure projections.
- xiii. All projections must be based on scientific methodology that enables accurate projections.
- xiv. Compare the department's budget to the budget baseline figure to determine the reasonableness of the SP costing noting that government does not allow for deficit planning.
- xv. Perform procedures to ascertain that the plan is affordable as per the budget baseline amounts made available by NT.

Objective 5: Assess alignment of targets in the annual performance plan with strategic objectives

The planning process of the department requires that strategic objectives be broken down into annual targets. For this purpose, departments prepare the APP. Strategic objectives are unbundled into yearly targets over the medium term. The first year of the five-year SP

normally represents the APP for the current year. The APP details the targets for each strategic objective, that are to be achieved by the department in a specific financial year. Annual targets are then broken down into quarterly targets in the APP.

Procedures must therefore be performed by the IAA to determine whether the annual targets cumulatively result in the achievement of the strategic objective. Similarly, procedures must be performed to ensure that the quarterly targets cumulatively result in the achievement of the annual target.

Procedural framework

The following procedures are recommended to audit the alignment of strategic objectives and targets:

- i. Determine that all strategic objectives have been included in the APP.
- ii. Ascertain whether the annual targets for each strategic objective are exactly the same as reflected in the SP.
- iii. Ascertain that the quarterly targets cumulatively add up to the annual target.
- iv. Determine that the quarterly and annual targets are achievable and represent a high level of performance as opposed to mediocre, average performance.

Objective 6: Analyse implementation strategies and compare with international research

Both the SP and the APP include detail of the manner in which targets are to be achieved. The IAA should be in a position, from the intensive research work conducted and background information obtained, to determine whether the strategies and activities to be implemented contribute to achieving strategic objectives and targets in the most economical, efficient and effective manner, considering local conditions.

Procedural framework

The IAA may execute the following procedures:

- i. Conduct a detailed assessment on whether the quarterly and annual targets are tightly aligned with the relevant strategic objective.

- ii. Establish whether the APP is clear on the procedure that is to be followed to achieve the stated targets.
- iii. Evaluate the reasonableness of these procedures and whether the procedures represent achieving the targets in the most optimal manner.
- iv. Assess whether the procedures will be implemented economically, efficiently and effectively.
- v. Determine, from the comprehensive information collected and analysed, whether the procedures to be implemented by management are the most appropriate by considering the existing local conditions.
- vi. Conduct an analytical review on the procedures to assess whether all planned targets will be effectively achieved.

Objective 7: Conduct interrogative analysis on the strategic plan and annual performance plan

The Presidency, through the (DPME) and the NT have both provided comprehensive guidance in the form of the Framework for Managing Programme Performance Information (FPPI), Policy Framework for the Government-wide Monitoring and Evaluation System (GWMES), Performance Information Handbook (PIH) and other publications on OPM. National departments are required to follow these guidelines in their organisational planning and M&E processes, whilst not restricting the ability of the department to consider innovative approaches to achieve optimal performance.

Procedural framework

The IAA may consider the following procedures in assessing compliance with the required prescripts:

- i. Obtain the publications from DPME and NT referred to above and any other guidance documents. The SPU may be of assistance to the IAA to ensure that all relevant documents have been obtained.
- ii. Acquire a thorough understanding by critically analysing the requirements. If necessary, the IAA may enhance its understanding of the requirements by inviting the relevant specialists to workshop these to the IAA.

- iii. Create analytical documents that interpret the requirements methodically and logically. The use of process flowcharts and other analytical tools is encouraged.
- iv. Acquire a full understanding of the terminology used in the guidance documents. If necessary, obtain external expertise to explain the guidance and terminology used.
- v. Undertake procedures to confirm that the SP and the APP are aligned with the guidance provided.
- vi. Specifically analyse that the strategic objectives, targets and indicators are specific, measurable, achievable, relevant and time-bound (SMART).
- vii. Consult international literature and best practice to establish whether strategic objectives are well-crafted and promote optimal performance and service delivery.

Objective 8: Critical analytical review of monitoring and evaluation processes

National departments are required to report the actual performance achieved against planned performance on a quarterly basis to the departmental executive, parliament, NT, DPME and AGSA. The quarterly performance reporting is termed performance information (PI). Several assurance providers conduct an evaluation of the quarterly PI reported by departments. It was noted above that several assurance providers conducting the same evaluation is inefficient since all of them demand the same information. The various assurance providers also demand the time of the same employees to provide information and explanations on the same issues. Consequently, duplication of effort, wastage of time and resources, frustration of departmental employees and fatigue emerge. Assurance providers should therefore embrace combined or coordinated assurance and collaborate to develop an assessment tool that will satisfy all of them. It is suggested that the assessment tool should be a comprehensive, all-encompassing audit programme.

One assurance provider should assume the lead in the evaluation process and all other assurance providers should contribute to the planning, approach and methodology adopted. All assurance providers should also have free and open access to all the information and records pertaining to the evaluation by the lead assurer in order to place reliance thereon. Assurance providers should also be allowed to contribute to the evaluation exercise, thereby encouraging collaboration and joint audits. Contribution may take the form of making available resources, systems or conducting quality assurance

processes through a collaborative process. All assurance providers should commit to the normal confidentiality and disclosure requirements. They should furthermore assess the approach and methodology of the lead assurance provider so that reliance can be placed on the work of the lead assurance provider.

Procedural framework

The adoption of combined/coordinated assurance and the proposed leading role of the IAA require consideration of the following procedures:

- i. Determine whether the national department has developed a formal M&E policy, framework and strategy that are applicable to the entire department.
- ii. Evaluate the policy, framework and strategy to determine alignment with DPME and NT guidelines and evaluate against international best practice.
- iii. Obtain expertise from outside of the IAA, should this be required, to evaluate the M&E policy, framework and strategies.
- iv. Analyse the M&E processes adopted by the department.
- v. Compare the processes with the DPME and NT guidance as well as with international best practice.
- vi. Establish whether the M&E processes adopted by the department enable optimal performance.

Objective 9: Evaluate the results of the quarterly monitoring and evaluation conducted

All departments are required to manage, M&E performance on an ongoing basis. In this regard, management is required to implement measures to ensure that the department is progressing towards the actual achievement of planned targets. Departments are required to undertake formal assessments of actual performance against planned performance on a quarterly basis, as prescribed by both the DPME and NT and to prepare quarterly PI reports. The DPME and NT have provided guidance on the M&E processes and on preparing the quarterly PI report.

Procedural framework: planning procedures

The following procedures are recommended:

- i. With the involvement of other relevant assurance providers, prepare a plan and schedule for the evaluation of the quarterly PI reported by the department.
- ii. Perform procedures to confirm that the requirements of all assurance providers have been considered and included in the plan.
- iii. Identify the resources that will be required to undertake the assessment. If necessary, resources may be drawn from all assurance providers which will further entrench combined/coordinated assurance and collaboration.
- iv. Utilise highly skilled personnel to manage and/or supervise the evaluations to be conducted.
- v. The managers and supervisors may be required to provide on-site training to the persons conducting the evaluations.
- vi. Engage with the unit responsible for M&E to agree to the timeframes and dates on assessments to be conducted.
- vii. Table the plan and schedule of assignments at the management meeting to obtain concurrence.
- viii. Table the plans and schedule at the Audit Committee meeting for concurrence and approval.
- ix. Thereafter prepare a standard communication to all units, through the M&E unit, to explain fully the nature, scope and extent of the evaluation assignments to be undertaken.
- x. Identify the information that is expected from management to enable the IAA to perform the assignments.
- xi. Inform management of other requirements and/or any other interactions required with management.
- xii. Send a reminder to all relevant units, including the M&E unit, at least seven days prior to commencing the assessment of the quarterly PI, attaching the standard communication that was originally sent out.
- xiii. Arrange with the M&E and departmental units to obtain the PI reports and the portfolio of evidence (POE) for evaluation.
- xiv. Conduct the evaluation in a systematic, methodical manner according to the plan.

Procedural framework: performance procedures

The following processes are suggested:

- i. Determine the manner in which the evaluations will be conducted.
- ii. Finalise the sampling methodology to be used.
- iii. Undertake an impact assessment to identify the units that have the greatest impact or pose the biggest risks to organisational performance.
- iv. Using the sampling methodology, identify the PI and POE that is to be assessed.
- v. Commence the evaluations with the units that have the highest impact or pose the greatest risk to organisational performance, considering the time constraints that are always faced.
- vi. Determine whether the quarterly PI duplicates the targets in the APP for the quarter under evaluation.
- vii. Establish that a 'status of achievement' has been recorded against each target for the quarter.
- viii. Evaluate fully the reasons provided for non-achievement or partial achievement of planned targets and the corrective action to be implemented.
- ix. Assess whether the corrective action will result in the full achievement of the planned target without comprising the achievement of any other planned target, considering the resources and time available and the complexity of achieving the planned target.
- x. Evaluate the evidence provided to support those targets recorded as fully or partially achieved.
- xi. Ensure that the evidence conclusively proves that the targets have been achieved as reported.

Objective 10: Continuous quality assurance review, documentation and reporting

All internal auditing work performed must comply with high quality standards. This means that internal auditing work must be performed by internal auditors with the requisite skills and knowledge, that supervision occurs throughout the process and that all work performed must be fully and comprehensively documented in internal auditing working papers.

Chief Audit Executive responsibilities

The Chief Audit Executive (CAE) should undertake the following in respect of all processes, procedures and steps executed in the internal auditing of OPM:

- i. Compile relevant assessment (audit) programmes for every section to be evaluated. This framework presents a basic guidance for the development of audit programmes.
- ii. Undertake a critical written analysis of all documents and information received.
- iii. Subject the analyses and their results to a quality review process.
- iv. The quality review may include professionals and experts in the subject matter from outside the IAA, in addition to the supervisory and managerial reviews conducted within the IAA.
- v. The availability of electronic processing equipment and software makes a strong case for collating, organising and maintaining information in electronic format whilst ensuring that data is backed up and stored safely at an off-site location.

Procedural framework: Documentation

The following procedures are recommended:

- i. Throughout the evaluation processes the IAA should keep full and proper records of all information obtained and analysed.
- ii. Where possible, obtain electronic documents.
- iii. Always back up electronic documents and keep copies of these documents safely in an off-site location.
- iv. Working papers should document all engagements with the auditee employees including matters discussed and queries raised as well as all work performed.
- v. Working papers and all documentation obtained should be safely kept in a systematic, organised, methodical manner following a referencing framework.
- vi. The information from the working papers should be used to prepare the draft internal auditing evaluation report.

Procedural framework: Supervision, quality assurance and reporting

The following procedures are suggested:

- i. All internal auditing work should be continuously supervised throughout the entire process by skilled supervisors who have the requisite knowledge and skills for the area being assessed.
- ii. The CAE should also conduct a quality and technical review of all internal auditing work performed.
- iii. Working papers should be signed by the preparer, supervisor and CAE to confirm that all work was performed according to the highest quality and professional standards.
- iv. The draft internal auditing evaluation report is prepared by the internal auditors performing the evaluation.
- v. This report should also be subjected to the same process of intense supervision, quality and technical review.
- vi. Supervisors and CAEs should ensure that all reported findings are fully and conclusively supported by corroborating evidence.
- vii. The file copy of the internal auditing report should be cross-referenced to the working papers and the supporting evidence for ease of reference.
- viii. Engage the M&E unit and other assurance providers to review the work done after the draft report has been quality-reviewed.
- ix. Obtain management responses on all matters reported and include these in the internal auditing report.
- x. Thereafter, formally communicate the results of the evaluation exercise to the auditee, management and the audit committee by means of a formal internal auditing report.

General procedures throughout the assignment

- i. Create working papers for all work done.
- ii. The working papers should record the internal auditing objectives, the procedures performed, the findings and the conclusions of the internal auditor.
- iii. Prepare internal auditing files for all documents collected and working papers generated.

- iv. Each file must include a contents page that clearly identifies the file contents.
- v. Follow a standard referencing methodology to reference all documents collected and working papers.
- vi. Cross-reference the working papers to the documents and/or supporting evidence.
- vii. Internal auditors performing the assignment should initial all working papers and supporting evidence.
- viii. Create a repository of all information collected and working papers created so that the information is available to all internal auditors in the future. Additionally, considering that this framework encourages the combined/coordinated assurance approach to the auditing of OPM (IoDSA, 2016), all other assurance providers should be able to access the information and documentation.

7 Conclusion

The development of a framework for the auditing of OPM of national departments was one of the outcomes of this study. This framework consists of an approach as well as a set of recommended practical procedures for the auditing of OPM from start to finish – an end-to-end approach. The framework is not, however, a policy document and should not be regarded as one. All departments are encouraged to formulate and formalise internal auditing policies as may be required. Finally, the procedural framework may be used by CAEs to develop appropriate internal auditing programmes for the auditing of OPM.

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9 Table of acronyms

| Acronym | Explanation |
|----------------|---|
| AGSA | Auditor General of South Africa |
| APP | Annual Performance Plan |
| AR | Annual Report |
| CAE | Chief Audit Executive / Head of Internal Audit |
| DG | Director General |
| DPME | Department of Planning, Monitoring and Evaluation |
| FPPI | Framework for Managing Programme Performance Information |
| GWMES | Policy Framework for the Government-wide Monitoring and Evaluation System |
| IAA | Internal Audit Activity |
| IIA | Institute of Internal Auditors |
| M&E | Monitoring and evaluation |
| NT | National Treasury |
| OPM | Organisational Performance Management |
| PI | Performance Information |
| PIH | Performance Information Handbook |
| POE | Portfolio of Evidence |
| SP | Strategic Plan |
| SPU | Strategic Planning Unit |
| Unit | Branch, Chief Directorate or Directorate within a national department |