GOVERNMENT (CORPORATE)
GOVERNANCE FRAMEWORK

June 2008

(Commitment to Purpose)

PROVINCIAL TREASURY
PROVINCIAL GOVERNMENT WESTERN CAPE
Foreword

It is a privilege to write a foreword to a framework that deserves to be widely welcomed. With the adoption of the Government (Corporate) Governance Framework, the Provincial Government of the Western Cape has put corporate governance firmly onto the public stage.

Some of the key catalysts for strong and sustainable socio-economic growth of developing countries such as ours are foreign direct investment and responsible and transparent spending by government. Good governance has been identified as an important factor that influences both foreign investment decision-making and the degree of confidence that the general populace has in its elected government.

Corporate Governance embodies processes and systems by which organisations are directed, controlled and held to account for. It is further concerned with holding the balance between economic and social goals, and between individual and communal goals.

The aim of this Framework is to encourage the efficient use of resources towards better service delivery and, equally, to require accountability for the stewardship of those resources. It further aims to align as close as possible the interests of individuals, departments, and society as a whole.

The Framework promotes the highest standards of good corporate governance in the Provincial Government of the Western Cape and by implementing this Framework, efforts would be strengthened to dismantle the common notion of government inefficiencies established by previous legacies, inclusive of experiences of slow and incompetent public service delivery against its mandates.

The adoption of the Government (Corporate) Governance Framework marks an important milestone in the development of good corporate governance in the public sector, and I highly commend it.

Mr Garth Strachan
Minister of Finance, Economic Development and Tourism
Date: 25 March 2009
Foreword

The Provincial Treasury of the Western Cape is proud to publish this Government (Corporate) Governance Framework.

This framework is the result of a close working partnership between the Executive, the Provincial Treasury, provincial departments, the private sector and academia from top South African Universities.

The framework recognises the complexity of the very concept of corporate governance within the public sector and therefore focuses on the principles as embedded in our Constitution upon which it is based. These principles — such as transparency, accountability, fairness and responsibility — are universal in their application.

The Government (Corporate) Governance Framework includes and builds on initiatives set by the Provincial Government, in collaboration with and support of all departments, to improve general governance, financial management, internal audit, risk management, internal controls, and resource utilisation. These initiatives will significantly contribute to the eventual achievement of the desired outcome of reaching level 4 Auditable Organisation status as a first step and, ultimately, achieving world class status at a level 6 rating.

The framework contextualises that service in the Western Cape Province has to be delivered in accordance with the spirit of the Constitution of South Africa, Public Finance Management Act and other associated prescripts, thereby contributing to appropriate and timeous responses to the often critical needs of the general public.

The framework enables the Provincial Government of the Western Cape to balance governance development standards as set by developed countries as against those of a developing country, which we still are. It sets out the pathway, governance-wise, from where we are now, to where we would like to be.

The roll-out of the Government (Corporate) Governance Framework in the Western Cape Provincial Government should therefore bring about increased operational coherence within and between departments and ultimately enhanced service delivery.

Dr JC Stegmann
Head Official: Provincial Treasury
Date: 19 March 2009
Governance is providing stakeholder assurance that abilities are applied in such a manner that objectives will be achieved effectively and efficiently in an agreed ethical environment.
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# GOVERNMENT GOVERNANCE FRAMEWORK

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Glossary

ALO       Activity Level Objective
ANAO      Australian National Audit Office
AO        Accounting Officer
API       Activity Performance Indicator
BBBEE     Broad Based Black Economic Empowerment
BOD       Board of Directors
CEO       Chief Executive Officer (Private Sector)
EPI       Entity Performance Indicator
EWO       Entity – Wide Objectives
Framework Governance Framework
GF        Governance Framework
GGF       Government Governance Framework
King II   King Report on Corporate Governance for South Africa- 2002
KMO       Key Measurable Objective
KPI       Key Performance Indicator
KRA       Key Result Area
MTP       Medium Term Plan
NGO       Non Governmental Organisation
NTR       National Treasury Regulations
OECD      Organisation for Economic Co-operation and Development
PFMA      Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999)
PGWC      Provincial Government Western Cape
PSC       Public Service Commission
PPP       Provincial Public Partnership
PTI       Provincial Treasury Instructions
RPI  Result Performance Indicator

SCOPA  Standing Committee on Public Accounts
Executive Summary

The importance of good corporate governance was highlighted in the executive summary and the introduction of the Financial Governance Review, 2003. The latter document linked good governance with the securing of economic investments, it also identified seven important characteristics of good corporate governance and identified risks that international and multilateral investors may consider. Based on this, areas were identified for focused attention, which, led to amongst others, the development of a Government Governance Framework (GGF) that captures the spirit of the PFMA and other financial management reforms.

The development of a GGF for the PGWC was an effort to integrate all existing governance processes into one Framework ensures that strategic objectives will be achieved by getting maximum outputs with minimum (often limited resources) inputs whilst operating in an ethical environment. The Framework will also have built-in review processes, so that it would continuously strive and improve governance excellence.

Extensive research and various consultations with experts and academia consistently confirmed that governance in the public sector is different from the private sector and good corporate governance principles of the private sector cannot be applied, as is, to the public sector. In an effort to distinguish governance in the public sector from governance in the private sector the Government of the Netherlands used the term Government Governance. A term, which, after being subjected to the consultation processes, would be incorporated into the GGF.

Following extensive research and consultations, the results were documented in draft v3.11. The reaction in all instances was positive that this GGF is a first for South Africa and could assist in ensuring governance excellence in an ethical environment thereby laying the foundation for the reaping of benefits, both locally and internationally.

During 2005/06 the GGF was presented to and well received by the Top Management in all provincial departments and to the four audit committees. The various audit committees endorsed the framework and a number of departments proceeded to improve their existing

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2 The GGF draft V3.11 notes all the institutions that participated in the consultation process and includes academia of three universities and members of the panel of imminent persons of NEPAD.
governance practices by developing governance response strategies based on the Framework.

The Framework endeavours to enable management to follow all the processes from selecting a strategic objective to the actual achievement thereof, its planning, reporting, monitoring, evaluation and oversight. This integrated approach thus would enable decision makers to select the best possible options to achieve objectives, implement controls that are designed to mitigate pre-identified risks and to receive the correct information timeously in order to track progress made and to make timely interventions when required.

In response to the input received from departments the Framework was updated, and a pocket guide was developed to provide practical guidance to improve government governance.

Below is a graphical representation of the model on a very high level:

Government Governance (High Level) Model
The above Framework focuses on three main principles, i.e. firstly, the Relationship between Stakeholders, namely the public and non-governmental entities etc., the Provincial Parliament (legislative), the Provincial Cabinet (Executive) and the Public Service (Administration); secondly, Governance Processes, namely strategic leadership (gives direction and strategy), management stewardship (determine structures, relationships and monitor performance) and controls, assurance & oversight (monitor compliance and accountability) and thirdly, Governance Environment, which consist of 5 audit categories, each to be broken down in specific functional application areas.

The developed GGF will reflect the above governance model and be augmented with a practical manual that would define and assist with performing governance processes which is aligned with legislative requirements. Once the Framework is fully implemented it would result in a uniform, integrated and cooperative guide to operations across all departments, with the ultimate outcome of accelerated service delivery and continuous efficacy and efficiency in public spending and utilisation of resources. References in the model to relevant Acts and prescripts would further contribute to ascertain the correct information and would greatly assist in the developing of future regulations or instructions.

Any governance model can only be sustainable if it is regularly subjected to review and constantly updated with relevant information including research results for best practices. This requires an ongoing process and a manual that allows for amendments without redesigning everything from the beginning. Although the initial steps will be to align it with international best practices, the ultimate aim will be for it to become the best practice for others, by ensuring a continuity improvement cycle within the Framework. This will be achieved through the Risk Management and Internal Audit services, which is prescribed to not only audit the effectiveness and adequacy of controls and risk management systems, but also governance processes.

CULTIVATING ETHICAL VALUES

A governance model is a prerequisite for cultivating and establishing an ethical value system that supports excellence and ensures that principles such as accountability, transparency, fairness etc, are exercised.

The GGF will therefore form the basis upon which an ethical value system for the PGWC will be cultivated and established. This value system will support governance excellence and principles of accountability, transparency, fairness, value for money, service delivery and
overall efficiency improvement\(^3\). In order to determine the required ethical value system that would express the spirit of iKapa Elihlumayo, Batho Pele and AsgiSA, the current corporate ethical value system need to be determined, and to select the changes required to enhance or to make changes to this value system.

Although the process of cultivating an ethical value system is a time intensive process, the end result would be a value system that portrays a specific Government (corporate) Identity that is pre-determined/measureable and not based merely upon general observations and misconceptions of government as so often expressed by the media.

**BUILDING INTERNAL HUMAN AND SOCIAL CAPITAL**

Determination and cultivation of a specific ethical value system would be ineffective if it is not linked to the building of internal Human and Social Capital, a process that would enhance and contribute towards a sustainable ethical culture in the long-term. This link is a constant focus point in the Framework as human resources are the most important contributors of governance improvement and will be aligned with the strategy developed by the Department of the Premier as a strategic focus of iKapa Elihlumayo.

**INTEGRATION WITH OTHER PROCESSES**

Governance processes that are driven by principles and values cannot be limited to pre-selected focus areas. It flows through all activities that are performed daily and it is embedded in the attitude and aptitude of the employees performing these activities. The cultivation of a corporate identity that reflects the culture of PGWC relies on processes that would enable and promote such cultivation. Furthermore, the deliberate cultivation of a predetermined culture would require identifying functional application areas, principles and the environment of these activities. The development of the GGF therefore also includes the development of a Governance Universe. To allow for seamless integration, the Governance Universe forms an integral part of the PGWC Risk Universe.

The net benefit of the development of such a Governance Universe is that once the risk assessments of departments are completed, the identified risks are not only mapped against the departmental Risk Universe in order to identify the most critical risks, but it can also be mapped against this Governance Universe to reflect possible governance risks, which in most instances will require strategic and not necessarily audit intervention. The Governance

\(^3\) Bertok, Janos. 1999 OECD Supports the Creation of Sound Ethics Infrastructure: OECD Targets Both the “Supply Side” and “Demand Side” of Corruption. Public Personnel Management 28(4) Winter 1999
Universe provides an overall view of all the governance processes which will thus provide the selection of the best cause of action in any given situation

CHANGE MANAGEMENT

A change management strategy pertaining to the GGF was also developed to ensure that the latest developments, occurring outside the government sector, are considered for incorporation into the Framework and ultimately into the governance processes as daily performed by the Departments within the PGWC.

WAY FORWARD, CHALLENGES AND RECOMMENDATIONS

The GGF should be regarded as a key development, which would result in the PGWC making important progress to ensure the continuous strive towards integrated and coordinated governance excellence within the province.

The progress made thus far serves as an indication that the design, as reflected in the draft Framework, covers all the processes of a sound governance system as required by the public sector, and also allows for the incorporation of important insights as the process unfolds. This Framework withstood the scrutiny of a wide variety of experts during the consultation process.

The GGF is currently being consulted with all relevant internal stakeholders and especially with the Department of the Premier as partner for Internal Human and Social Capital Building and Governance Driver.

The next logical approach would then be the development of an implementation plan, inclusive of a change management strategy, whilst at the same time attention must be given to keeping the GGF updated in terms of international developments. The said implementation plan of the GGF should be compiled with the aim of making the implementation a natural process that is normally found where natural progression takes place. It should have the experience as the “natural next step”.

In this regard the Framework facilitates a seamless implementation process by providing detailed guidance in a separate Pocket Guide. Therefore it should be possible to encourage implementation and to monitor progress using this approach.

The GGF and intended ethical value audit will ease the way for the building of a “corporate identity” for the PGWC. A process to determine the specific value system that Provincial
Government wants to cultivate must be endorsed by the Cabinet and all employees in the Provincial Government. It is very important to develop a value system that everyone wants to commit to. This value system must be determined and cultivated and it should have the character of being timeless. Close co-operation will be sought with the development of the iKapa Eihihumayo, Batho Pele and AsgiSA initiatives.

The GGF, as the way government operates within a specifically predetermined ethical environment, should be included in current Senior Management courses and would require training manuals. This training could be broadened to the training of middle and junior management and also included in the orientation programs for new employees.

Current literature is clear that governance starts at the “Top”. The political environment within which government operates is unique and therefore it would require that political leaders be exposed to the way the Framework enables the departments to operate. If the Framework is implemented to full effect, it would enable political leaders to align their policies to the capabilities of the departments to deliver on those policies.

Although this Framework is not a “quick fix”, it is an important process to build social capital, and to apply that social capital in an ethical manner. Application must also be in such a way that it provides assurance to stakeholders that agreed objectives would be reached in a cost effective manner, that systems exist to ensure that problems are timeously detected, and that appropriate interventions will be applied long-term. Achieving this requires commitment to the process of governance excellence by management.

Once successfully implemented within the PGWC, consideration can be given to adapting the Framework to make it applicable to assist municipalities.

Lastly, it is important to note that, as confirmed by Dr. Chris Stalls, a member of the Panel of Eminent Persons of NEPAD, this initiative to develop and implement a GGF, has positioned the PGWC in a leading position of critical and much needed development in government governances within the African continent. However, commitment to implementation would safeguard against losing this lead.
CHAPTER 1: INTRODUCTION

QUICK OVERVIEW

<table>
<thead>
<tr>
<th>Financial Government Governance in PGWC</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ The lack of a formal Governance Framework results in large-scale failures.</td>
</tr>
<tr>
<td>➢ Governance Excellence is aligned with PFMA, King II, COSO and prescripts.</td>
</tr>
<tr>
<td>➢ Government Governance is more than compliance and/or fraud prevention.</td>
</tr>
<tr>
<td>➢ The Governance Framework provides a practical guide to ensure that objectives can be reached effectively and efficiently in an ethical environment.</td>
</tr>
<tr>
<td>➢ The Governance Framework will provide assurance to foreign investors.</td>
</tr>
<tr>
<td>➢ Governance excellence will ensure the success of initiatives such as Batho Pele, Ikapa Elihlumayo and AsgiSA.</td>
</tr>
<tr>
<td>➢ The Governance Framework assists management to understand the complexities of government and ease the managerial burden.</td>
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</tbody>
</table>

BACKGROUND

During 2003, Provincial Treasury took the initiative to develop a governance framework suited for the public sector. The purpose was to improve existing governance practices by implementing agreed governance principles. A GGF (v3.11) was developed and has been subjected to close scrutiny via a governance awareness campaign during 2005/06. A number of departments responded by having governance workshops and subsequently implementing relevant governance principles. This document reflects the input received from participants during these processes and aims to provide a user-friendly document that can assist officials aiming to improve existing governance practices when performing their duties.

There is no single model of sound governance. Different legal systems, institutional frameworks and traditions have contributed to the fact that ranges of different approaches have been developed around the world.  

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(Page 8)
The PFMA promotes the objective of good financial management, in order to maximise delivery through the efficient and effective (economic) use of limited resources.\(^5\)

It further appears that common to all sound governance regimes, are the high value and degree of priority placed on the interest of stakeholders who place their trust in organisations to use their investments/funds wisely and effectively.\(^6\) It is important to make sure that relevant lessons are learned from the continuous debate on corporate governance when developing a GGF for PGWC.

Governance is more than the effective prevention of irregularities, fraud, financial misconduct etc. And it is not just about compliance and control; it is also about a framework of principles that facilitate the organisation’s ability to achieve its long-term objectives efficiently and effectively. It is also about maintaining specific performance over the long-term\(^7\) and it is about assurance that all these activities are done in an ethical environment.

It appears that in a large body of literature the term ‘good governance’ is mainly used when sound fraud prevention plans and “whistle blowers” protection strategies exist. The framework defined in this document is based on the view that governance entails much more than just preventing fraud (etc.) and therefore chooses to focus on the positive elements related to the governance excellence.

Current literature is clear that governance starts at the “Top”. The political environment within which government operates is unique and therefore it would require that political leaders be exposed to the way the Framework enables the departments to operate. Providing that the Framework is implemented to full effect, it would enable political leaders to align their promises to the capabilities of the departments to deliver on those promises.

However, the content in this document do not provide a “quick fix”, but facilitate the important process of building social capital; applying that social capital in an ethical manner and in a way that provide assurance to stakeholders that agreed objectives would be reached in a cost effective manner by using systems that ensure problems are timeously detected and

\(^5\) Foreword by Trevor Manuel PFMA Act 1 of 1999 (as amended by act 29 of 1999)
\(^7\) Speech by Wayne Cameron, Auditor-General of Victoria: 15 August 2003.
corrected with appropriate interventions. Achieving this requires prolonged commitment to the process of governance excellence by management.

1. VALUE OF GOVERNANCE EXCELLENCE

It is not possible to quantify the value of every benefit associated with sound governance. However, there appears to be consensus globally that sound governance provides assurance to stakeholders when they entrust their stewardship over resources to someone else. These assurances are based on experiences such as the fact that objectives are achieved efficiently, effectively and economically as previously planned. It provides stability, encourages growth and contributes to sustainability.

1.1 Investment Value

International flows of capital enable countries to access financing from a much larger pool of investors. If countries are to reap the full benefits of the global capital market, and if they are to attract long-term “patient” capital, they need to ensure that their governance arrangements are credible and well understood across borders. Even if countries do not rely primarily on foreign sources of capital, adherence to sound governance practices will help improve the confidence of domestic investors, may reduce the cost of capital, and ultimately induce more stable sources of financing and contribute to sustainable development. It is therefore important to develop and implement a GF that enables the public sector to embrace these processes. Government needs investors that are not concerned with the financial return on their investments, but rather on outcomes/results that express value on their benevolent investments.

1.2 Stakeholder Value

With reference to the PFMA and King II the system of governance relating to government is not exempt from the effects of the relationship among the participants. It is therefore crucial that government consider who the participants in the governance system are and how the relationships amongst them will affect the quality of the governance system. In Chapter II the relationships between stakeholders, with regard to PGWC, are briefly identified and discussed.

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Governance excellence provides proper incentives for the board and management to pursue objectives that are in the interests of stakeholders and should facilitate effective monitoring, encouraging officials to use resources more efficiently. Government governance is only part of the larger economic context in which organisations operate, which includes, for example, macro-economic policies and the degree of competition in product and factor markets. A governance framework also aligns the legal, regulatory, and institutional environment. In addition, factors such as business ethics and corporate awareness of the environmental and societal interests of the communities in which it operates can also have an impact on the reputation and the long-term success of a company.

*The success of initiatives such as Batho Pele, iKapa Elumlumayo, AsgiSA and “Contract with the People” is dependant on the extent to which the PGWC focuses on achieving governance excellence when performing its daily activities.*

### 1.3 Failure in Governance

Failures can always be contributed to some cause and although not all causes can be prevented from happening, most could be prevented or controlled if proper structured governance systems were in operation. Examples of failures when endeavours to achieve governance excellence are absent can be linked to:

- Inadequate internal control system and non disclosure;
- Dominance of individuals;
- Lack of action by management and politicians to challenge financial information;
- Poor reporting activities as a result of absence of proper reporting criteria;
- Lack of appropriate action when financial misconduct becomes apparent;
- Lack of practical and achievable strategic objectives and the effective monitoring of the progress made;
- Deficiencies with regards to values/principles & ethics; and
- Lack of exercising proper oversight and accountability
2. PURPOSE OF THE FRAMEWORK

This GGF was developed to ensure sound governance that contributes to striving for excellence in service delivery within the PGWC. The GGF deals with defining the elements of the Framework as it relates to the public sector in general and specifically to the South African environment. It is accepted that sound governance in the public sector is paramount if this sector aims to meet the needs of its stakeholders/citizens. The importance of deliberately developing governance is likewise accepted. This document identifies the key and critical elements that can be regarded as the minimum requirements to achieve and sustain sound governance. The development, implementation and/or application of the Framework have to be an ongoing process to ensure constant striving towards sustainable governance excellence.

In this Framework, excellence in governance refers to a determined effort to provide assurance that predetermined objectives would be achieved as planned, by obtaining maximum outputs with minimum inputs whilst operating in an ethical environment. Although GGF deals with the public sector within the South African context, it is specifically aimed at the need for governance excellence within the PGWC.

The previous version, (V3.11), was Phase 1 of developing a Government Governance Framework.

This Framework is Phase 2 and based on reviews of phase 1 and subsequent evaluation of the current governance practices as exercised by the PGWC, the identification of recommendation and adjustments required, ensuring improvement in governance. It also forms the background for the development of a practical implementation guide to implement improvements to existing governance.

Governance in the public sector implies that the Government is entrusted by the public to deliver service for the benefit of/or on behalf of the public, that would meet their needs and ensure the vesting of the rights imbedded in the Constitution. To provide these services government sometimes make use of other stakeholders/partners/contractors etc. to strengthen its own efforts.
When implementing a governance culture it is important;

- to recognise the role of the stakeholders
- define the functional application areas necessary to assist those responsible to provide assurance of excellence in governance;
- understand the Governance Environment within which these functional application areas operate; and
- identify and select the applicable ethical values necessary to ensure governance excellence in each endeavour.

Simply put, governance requires a force to drive it, ways to achieve it, an environment within which to operate and recognised principles that underpin it.

This document aims to assist managers to understand the complexity of government governance when striving to meet predetermined objectives, and to ease the managerial burden by enabling them to select the correct mechanism in the most applicable environment when performing their daily duties, while at the same time providing excellent service in an ethical environment.

*The process of developing a Governance Framework is the first important step in ensuring that there is agreement in the understanding of the business activities that are required for successful service delivery in the public sector. It would identify and establish a shared set of values and ethics and would form a firm basis to restore the trust of stakeholders that the public service is able, and willing to deliver the required services on time, every time.*

Most certainly this process would further strengthen the efforts to dismantle the common notion established by the legacies of the past that public service is slow to deliver, incompetent to perform its tasks and the last resort of employment for those wrongly labelled by the private sector as not equipped to perform their tasks.

This GGF further enables managers to anticipate results, to continually focus their attention towards results achievement, measure performance regularly and objectively; learn from this information; and to make adjustments to improve efficiency and effectiveness.

Governance is about working smarter for better results, better-informed decisions, better public policies and better service delivery. Ultimately, it is about effective stewardship of
resources of all types throughout the Provincial Government with greater attention to service delivery for stakeholders.

It all translates into **maximum output with minimum input whilst operating in an ethical environment**.

Lastly, the GGF will form the basis from which existing managerial practices within the PGWC can be investigated, analysed, benchmarked and organised in such away that striving towards governance excellence can become a daily reality.
CHAPTER 2: STAKEHOLDERS IN THE GOVERNANCE FRAMEWORK

QUICK OVERVIEW

<table>
<thead>
<tr>
<th>Government governance and stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Ensures that Services is delivered in accordance with the Constitution, PFMA and other prescripts.</td>
</tr>
<tr>
<td>➢ Is continuously influenced by the relationship between PGWC and its stakeholders.</td>
</tr>
<tr>
<td>➢ Provides the tools to determine the form and content of information to be provided to citizens that lack the ability to access the activities of government departments.</td>
</tr>
<tr>
<td>➢ Enables PGWC to respond appropriately and timely to its stakeholders.</td>
</tr>
<tr>
<td>➢ Enhances the effectiveness and efficiency of objectives of the cluster system.</td>
</tr>
<tr>
<td>➢ The GGF identifies duplications and contradictions between prescripts and contributes towards improvements.</td>
</tr>
<tr>
<td>➢ Enables the relationships between government and others to deliver service and ensure the effective and efficient use of available resources during political changes.</td>
</tr>
<tr>
<td>➢ Enables management to sustain achievement of objectives even though the political changes can have a limited effect on the lifetime of a specific objective.</td>
</tr>
<tr>
<td>➢ Governance excellence will ensure the success of initiatives such as Batho Pele, Ikapa Eihlumayo and AsgiSA.</td>
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<tr>
<td>➢ The Government Governance Framework assists management to understand the complexities of government and ease the managerial burden.</td>
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INTRODUCTION

The dynamics of governance in the public sector are different than those present in the private sector. This makes it difficult to implement governance excellence in government in a similar way to the private sector. The OECD notes that it is also noticeable that government has been enforcing governance through legislation in the private sector.⁹

However, the same enforcement of governance did not take place within the public sector. With the NEPAD focus the Financial Government Governance is becoming increasingly relevant.

It appears that during the initial stages of the development of governance globally, the emphasis was placed on preventing fraud and financial misconduct and protecting stakeholders’ interests. Recent development shows a change of focus to excellence in governance that ensures that stakeholders’ interests are not only protected against fraud, but also that their expectations of effective and efficient services are not in vain. This demands governance excellence in every area of government activities, something that is only possible if deliberately planned and implemented.

The interaction between the different stakeholders is the driving force behind corporate governance excellence. The interaction between those that have the power and those that they empower will determine the levels of governance exercised.

The relationship between the stakeholders and government is a significant factor and resulted in the GGF that provides for the building of a governance culture of excellence, where assurance can be given that goals will be achieved effectively, efficiently and economically in an ethical environment.

The Constitution places the obligation clearly on Parliament and the Provincial Legislators to ensure the systems used are adequate in design and implementation to safeguard citizens’ rights embedded in the Constitution and that they as such receive similar protection as shareholders in the private sector.

3. STAKEHOLDERS

PGWC has a variety of stakeholders each with their unique expectations based on their relationship with government. The choice of who can be a stakeholder is a limited one for government. By definition the majority stakeholders are the citizens that can vote for a specific “government”/political party during an election, an option not available to government who cannot select citizens to be stakeholders. This section briefly describes
some of the stakeholders government has, to emphasise this diversity and accompanied complexities.

3.1 Voters

The main stakeholders in PGWC are its citizens who have a voting power that they can exercise every five years. As citizens they can also be regarded as investors whose taxes are their regular investment in government. It can be argued that their interests need the same protection as those of a shareholder in the private sector. Where shareholders can withdraw their investments from an organisation, voters cannot withdraw their dependency on PGWC for services. The Constitution does not allow government to be selective and to provide only services to those citizens whose’ votes it received.

Exercising the power by casting an informed vote requires knowledge and an understanding of the results achieved. However, the majority of citizens within the province are limited in their ability to assess the results achieved by a government. The GGF provides the mechanism for PGWC to identify the information available at different levels that can be communicated to those with limited abilities to assess government’s performance. At the same time it also allows government to engage in processes to develop the ability of the citizens to understand and access government’s activities. Having said this, it must be noted that the diversity of culture, skill and language add to the complexity of such an endeavour especially in a cultural environment where large number of citizens lack the ability to read and write their own language. The complexity should not prevent PGWC, but rather enforce it to consider these options in a process to build the social capital of the province.

When citizens are skilled in making informed decisions, the dynamics of the relationship between stakeholders enhances the accountability of government for the governance processes applied.

Mechanisms to hold government accountable for its actions are imbedded in the Constitution and assigned the role of the Public Service Commission, Parliament and oversight bodies. Although SCOPA appears to be very active in conducting enquiries, recommendations to recover unauthorised expenses from responsible officials are yet to occur. It can be argued that accountability will be enhanced when the majority of citizens have the knowledge and understanding to make informed assessments of government’s activities. The GGF enables the assignment of accountability during various stages of process execution. As such it
allows PGWC to exercise accountability on appropriate levels and to respond appropriately when accountability issues manifest.

### 3.2 Service Delivery

There are limited resources available for PGWC to deliver adequate service to the stakeholders. It appears, if trend is becoming more apparent, where a yearly decline in resources is experienced whilst at the same time the requirement for additional services increases. Having the GGF documented and implemented enables PGWC to make effective and efficient changes in a timely manner to address limitations in the availability of resources and to provide services that meet the changes in demand. In addition PGWC will become more attractive to foreign investors whose investments can accelerate growth and development. Outside investors are willing to invest where governance excellence prevails, especially those investors who are willing to support development without expecting a return on investment other than the assurance that funds provided will be applied towards pre-agreed goals and objectives.

### 3.3 Partnerships

Partnerships between the PGWC and others (NGO's, PPP, BBBEE etc.) in delivering services bring a specific emphasis to the development of a GGF. These partnerships are essential in service delivery and it is important that government exercises care when establishing and maintaining these relationships. Having these partnerships is critical when changes in government occur because the partners have the ability to sustain service provision during these changes.

Consideration should be given to provide assistance to those partners that do not have the ability to exercise governance by assisting them to develop, document and implement such a system. Where partners do have their governance processes, PGWC should ensure that it is aligned with its own. The GGF provides the basis for providing assistance and for assessing governance process employed by partners.

### 3.4 Judiciary

The media has contributed to the awareness that the majority of the citizens lack access to the judiciary, because of a variety of reasons of which financial means is but one. The GGF
will contribute by ensuring services are provided timely and in the prescribed manner, thereby at least limiting the need for citizens to call on the courts for assistance.

3.5 Government

Government consisting of Parliament (Legislator), Cabinet (Executive) and Administration is responsible at various levels to ensure that services are provided to citizens as mandated in the Constitution.

Radical changes every five years in Parliament, Cabinet and to a lesser degree of AO's have a direct influence on governance excellence and impact the continuity in service delivery and ultimately the interest of stakeholders and citizens. These influences can be negative if not carefully executed. The GGF will coordinate roles, responsibilities, and accountabilities and ensure that the lifespan of critical objectives are not unduly limited as a result of constant changes that are peculiar to the political environment and in doing so, enhancing governance excellence.

3.6 Prescripts

As indicated in its foreword, the PFMA promotes the objective of good financial management, in order to maximise service delivery through the efficient and effective use of limited resources. However, there are a number of existing legislation and other prescripts also bearing impact on the activities of a department.

The GGF provides a consolidation of all activities that are performed as a result of these various prescripts. The possibilities exist that prescripts become outdated/non-relevant and lose effect because the original intention with which it was designed and applied is no longer applicable. The GGF could contribute to identifying weaknesses and contradictions that might exist between prescripts and assist in designing improvements to prescripts that can keep pace with all changes in the country/province and that can enhance government’s capability to provide services in response to these changes. It also reflects the cumulative effect of the various prescripts on the endeavours to provide effective and efficient services and a document where the relevant prescripts can be found.

10 Foreword by Trevor Manuel PFMA Act 1 of 1999 (as amended by Act 29 of 1999)
3.7 Cluster System

The revamp of the current Cluster System of the Western Cape government is an attempt to establish a new way of managing by implementing the principles of co-ordination and integration in order to address the Western Cape’s developmental challenges which is defined in the Growth and Development Strategy. The premises in this regard are to establish a measurable government service delivery methodology as the ultimate working concept. This systemic approach to address our developmental challenges necessitates sound governance practices, methodologies and institutions as baseline requirements to address our Growth and Development Strategy.

Introducing and implementing the Provincial cluster system is aimed at improving the effectiveness of service delivery by co-ordinating similar projects within the departments. The co-ordination will be the responsibilities of lead departments. The system aims to provide coordination to minimise the cost of service delivery by reducing the duplication of similar services across the various departments. The aim is also to develop communities by providing a comprehensive improvement to services compared to the scattered activities by departments.
The GGF is comprehensive in nature and incorporates processes that can identify and develop risk response strategies that can prevent risks, such as improving certain communities whilst others are left devoid of development, from occurring.

The GGF will contribute towards the effectiveness and the efficiency of the cluster system, because the transversal nature of its contents and processes can be applied by all departments. This will contribute to all departments operating in a similar manner yet allowing separate and diverse activities to manage the individual peculiarities that are unique to the core business of each department.
CHAPTER 3: PRINCIPLES AND VALUES OF THE GOVERNANCE FRAMEWORK

QUICK OVERVIEW

<table>
<thead>
<tr>
<th>Government governance</th>
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<tr>
<td>➢ Individual values systems impact an organisation.</td>
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<td>➢ Having codes of conduct does not ensure values are observed.</td>
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<tr>
<td>➢ Values must be applied in predetermined application areas.</td>
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<td>➢ Adherence to values must be continually monitored.</td>
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<tr>
<td>➢ Corporate culture must be deliberately cultivated.</td>
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<tr>
<td>➢ Government is compelled to observe at least the values reflected in the Constitution.</td>
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<tr>
<td>➢ Values must be agreed with stakeholders.</td>
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<td>➢ Many factors influence the selection of applicable values.</td>
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The principles contained in the GGF must be regarded as the value system adopted and fostered by all in PGWC. It represents the attitude and spirit with which important and mundane activities are daily performed by personnel. It is the standard by which service delivery is conducted both internally and externally and express.

The risk is that each employee contributes his/her own value system without necessarily considering the impact on the organisation. Having relevant codes does not ensure principles/values are observed. A process is required to determine when a specific principle/value become applicable and relevant and to monitor adherence. The GGF incorporates processes that allow a specific value/principle, regarded as appropriate for the specific services, to be determined and to be applied during the execution of the specified activity. This allows management to purposefully embark on a process to cultivate and maintain a desired corporate culture and to monitor progress made in this regard. This is a
slow and often tedious task but it appears from global reports that the effort is out-weighed by the value realised in the long-term. The legacy of the past and corrective actions taken by Government the last decade, play a significant role when trying to establish a corporate culture. Failure to cultivate a corporate culture leads to a situation where the value system that emerges at a given time is the one pertaining to the individual that performs the action. It is therefore important that Government determines the desired value system and deliberately cultivates a specific "corporate identity" that proclaims clearly how it conducts official business. In a multi-cultural society Government dare not risk having the value system of the individual performing the activity being regarded as that of Government.

4. SELECTING KEY VALUES

The selection of key values for governance is influenced by a variety of factors such as diversity in culture, worldview, accepted business practices and environment, to name but a few. The legacy of the past also brings to the front certain ethical and moral values that should be considered by government when determining its value system.

The real challenge for sound governance is not simply to define the various elements of effective governance, but to ensure that they are holistically integrated as an important element of a coherent corporate approach by individual departments, and that they are well understood and applied throughout the PGWC.

If implemented effectively, sound governance should provide management with the ability to provide effective and efficient services in an ethical environment. However, it is generally accepted that values are poorly observe in a command and control environment and therefore management by values are globally regarded as the preferred manner to maintain values.

Against this background the specific values are incorporated in the GGF.

4.1 Accountability

Accountability is fundamental to our democratic system of government as it is embedded in section 195(e) of the Constitution and assigned to the PSC to ensure compliance.
The GGF require of those involved, to identify and articulate their responsibilities and their relationships; to consider who is responsible for what, to whom, and by when; to acknowledge the relationships that exist between stakeholders and those who are entrusted to manage resources; and to deliver required outputs and outcomes whilst sharing a common value system.

Key components of sound accountability require a clear understanding and appreciation of the roles and responsibilities of the relevant participants in the GGF, importantly, those of the responsible Minister(s), AO and CFO.

Public sector reforms involve direct relationships between stakeholders and service providers, and greater flexibility in decision-making. It strengthens the need for accountability, regardless of the manner in which way it is determined.

It is apparent from literature that, where public money is concerned, there is a need for improved accountability of Ministers to the Parliament, especially in view of the significant responsibility involved.

Central to the World Bank's mission to fight poverty is effective governance that can assure accountability. The Bank regards accountability as an essential foundation of the global financial architecture. There is general consensus regarding the importance of accountability in any governance system. It is clear that accountability means that people should be held responsible for the way they discharge their responsibilities. Accountability presumes that positive actions would be rewarded and that bad and/or negative actions should release a negative response towards those that did not achieve the predetermined results.

### 4.2 Conflict of interest

As indicated by literature, a person in public service cannot serve two masters. Government needs to have explicit guidelines about what constitutes conflicts of interest and what to do about it whenever these occur or might occur. Example of conflict of interest, e.g. ENRON, HIH Insurance: “Enron’s board worst failure, governance experts overlook the dual role of the companies CFO who reaped $30m by simultaneously running limited partnerships business with ENRON. – Should have been a red flag to the board. Having your CFO on both sides of a transaction reflects badly on the judgement of management.”
Government officials are exposed to so many situations where conflict of interest may occur that declaring interest should be the normal way of operating. Declaring interests safeguard officials of being involved in and/or blamed for serving their own interest when taking important decisions. The GGF provides the mechanism that enables the identification of those processes where the declaring conflict of interest is applicable and to implement controls to ensure compliance in this regard.

4.3 Transparency

The Constitution mandates the PSC to ensure that government exercises transparency by providing the public with timely, accurate and accessible information. There appears to be consensus globally in the public and private sectors that transparency is the foundation for ensuring observance of all governance principles and without such the pressure to adhere to principles diminishes resulting in difficulties to achieve governance excellence.

The GGF includes transparency into the value system to ensure openness when providing stakeholders with information regarding the decision-making processes and actions of public sector agencies in managing their activities. Being open, through meaningful consultation with stakeholders and communication of complete, accurate and transparent information, contributes in creating opportunities where effective and timely action can be taken, thus enhancing processes of scrutiny.

Transparency, as described above, is also essential to help ensure that public bodies are fully accountable and is therefore central to sound governance overall. Future trends in governance practices will probably require greater transparency, as the use of the Internet and other electronic media will aid continuous disclosure, particularly of financial performance.

It should be appreciated that information is the currency of sound governance, and underlies both the principles and frameworks of governance. Therefore, public sector institutions should develop quality information systems, systems that communicate widely the corporate objectives, the plans and strategies to achieve them. These imperatives also point to the requirement for sound records management, particularly in electronic form, which also puts a focus on privacy, security and accountability concerns. The GGF enables PGWC to collate

\[\text{11 The Shabir Shaik trial is a typical example why declaring interest is so important}\]
relevant information at predefined stages to ensure that meaningful, understandable and reliable information is provided to the public.

The legacy of the past places a demand on the public sector to ensure that the nature of transparency is not only informative, but also educational to enable citizens to acquire ability that will allow them to make better-informed decisions when assessing results achieved by the public sector.

4.4 Integrity

Integrity is based on honesty and objectivity, and high on the standards in the stewardship of public funds and the management of a department’s affairs. It is dependent on the effectiveness of the control framework and on the personal standards and professionalism of the individuals within the department. Integrity is reflected in decision-making practices and procedures and in the quality and credibility of its performance reporting. It is a key element in the development of social capital and the value placed on it should constantly be made clear to all. The GGF includes this value and provides the mechanism to identify and monitor the critical areas where these values are of particular importance.

4.5 Stewardship

Another common value of the GGF is stewardship. Public officials (Ministers, public servants and office holders) exercise their powers on behalf of the nation. The resources they use are held in trust and are not privately owned. Officials are therefore stewards of those powers and resources. This requires that they ensure financial sustainability and the efficient and effective management of resources, as well as maintaining less tangible factors, such as the trust placed in government as a whole. The mechanisms provided by the GGF ensure that these factors are being considered during the planning and execution phase of the activities and thereby allowing officials to be real stewards of the resources entrusted to them.

4.6 Leadership

Effective public sector governance requires leadership from those entrusted to govern. The GGF requires clear identification and articulation of responsibility and a real understanding and appreciation of the various relationships between the organisation’s stakeholders and those who are entrusted to manage resources and deliver required outcomes. In the public sector, this necessitates lucid and unambiguous communication with the Minister and clearly
stated government priorities, including a clear understanding of the governance framework by all involved. Leadership is a quality that excels on education, experience and personal qualities and those entrusted to lead should be worthy to do so.

4.7 Commitment

Public sector governance excellence requires a strong commitment by all participants to effectively implement all elements of financial governance. The GGF is very much people oriented, involving better communication; a more systematic approach to corporate management; a greater emphasis on corporate values and ethical conduct; risk management; relationships with citizens and clients; and accentuate quality of service delivery.

4.8 Sustainability

The principle of sustainability is especially important within the South African context where development is paramount and the resources to address the variety of factors confronting the National Government and Provincial Government are limited. The GGF as a tool for management ensures the application of a strategic plan that can be current and at the same time contains objectives for the medium and long term. It can ensure they embark on achieving objectives that are sustainable and that can form the basis in the future for planning, growth and development. In this way, the current backlogs can be alleviated and all efforts can be assigned to reaching objectives in a timely, efficient, effective and economical way.

4.9 Fairness

The Constitution, assigns to the PSC the responsibility to ensure that the public service operates in such a manner that it is fair, equitable and without bias. It is of important value when management performs the balancing act between processes that allows for the diminishing of bad legacy of the past whilst at the same time retaining the positive and achieved objectives that developed as a result of the same past. The value system of the GGF incorporates fairness and the Framework allows management to perform this balancing act when required.
4.10 Effectiveness Efficiency, Economical

The section 195 (d) Constitution assigns to the, PSC the objective to ensure that the public service operates in such a manner that it is effective and to standard of professional values. The role of these values in a governance Framework is more important than reflected in the Constitution. The GGF facilitates the successful application of these values, ensuring that resources are applied in an optimum manner and that maximum results are received from every input that is made in achieving objectives. It ensures that more services can be delivered at the same cost and that recourses are optimally used and progress being monitored.

4.11 Responsibility towards purpose

The GGF provide management the opportunity to exercise responsibility towards purpose when governing under constrains as is apparent in the South African context. The Framework empowers management to limit unnecessary changes to previously determined objectives while at the same time sensitising management to consider the future value of new objectives before including them in the different plans. It provides the means to sufficiently scrutinise the future role and value of a specific objective. Once this has taken place, responsibility towards purpose becomes a reality and one of the cornerstone values that can ensure the successful achievement of objectives. Neglecting this value may cause the failure of achieving important objectives because changes are implemented without duly considering the plans of the past.

4.12 Honesty

Honesty is one of the universal values incorporated into the value system of the GGF that appears to be applicable to all persons in all activities when performing their duties and/or when they are involved in delivering services. This provides the foundation for the governance culture to be cultivated and maintained. It appears that without it all other values lose their role and become unreliable. Honesty is a personal trait and a critical element when development of social capital is performed. GGF relies on this value especially in circumstance where funds are limited to implement controls that can sometimes be very costly.
The key principles mentioned above are only a few of those available to government to determine the nature of the “corporate identity” it wishes to cultivate. It is only a suggested list to stimulate possibilities of those that will be required to make the decision in this regard.

The GGF enables management to determine which values they consider to be important, how to cultivate them and what controls should be developed and implemented to ensure these values become part of a specific “corporate” identity which they wish to cultivate.

4.13 Public Service Principles

Public service principles have become crucial in the achievement of goals, as PGWC chooses to lose its monopoly on service delivery when it accepts the principle of partnerships. A well performing Provincial Government would be an asset and can be regarded as critical for sustainable development. The public sector is exposed to constant changes, as demands and pressures change and therefore continued improvement can only be achieved successfully if activities are grounded at all levels on a solid and sustaining base of values (principles). As such principles form the foundation of the value system and express the fundamental beliefs. It is important to note four basic sets of principles that are implemented in the GGF as guidance to departments:

- **Respect for democracy** that recognises that authority lies with democratically elected officials who are accountable to parliament and thereby to the citizens. A well performing public service takes its democratic responsibilities seriously, constantly providing ministers, Parliament and the public with full and accurate information on the results of its work.

- **Deliver Quality Services** that require government employees to provide high quality; impartial advice on policy issues while committing to the design, delivery and continue an improvement of programmes and services.

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12 Results for Canadians: A management framework for the government of Canada. Presidents message 14 Jan 2004
- **Ethical Environment** (integrity, trust and honesty etc.) that forms the personal cornerstone of governance excellence and democracy. They require the public servants to support the common good at all times and recognise the need for openness, transparency and accountability in what they do and how they do it.

- **Respect for the individual** that requires that everyone should be treated with respect, decency, responsibility and humanity. In a well performing workplace, they show themselves in respect, civility, fairness and caring. Organisations driven by values support learning and are led through participation, openness, communication and a respect for diversity.

Principles are regarded as the compass and therefore need ongoing attention, and all policies, systems and interaction amongst public servants, parliamentarians and citizens – must be aligned with them. The GGF provides a mechanism to allow this alignment and to have continued dialogue and reinforcements that remains a key challenge for PGWC.

The unique environment in which the PGWC operates emphasizes the importance of incorporating into the GGF a unique value system and the principles underlying such values that relate to the peculiar circumstances within the province. This will ensure the ongoing attention and continued reinforcement of the PGWC and allows management to ensure that values become noticeable in the daily activities.
CHAPTER 4: MANAGEMENT CHALLENGES

QUICK OVERVIEW

Government governance

- Government operates in a complex environment.
- Management should change the perception that government is ruled by incidents to ruled by management efforts.
- Governance allows management to respond proactively rather than re-actively.
- Governance provided the mechanism to consider designing, delivering, reporting on its activities and monitoring when planning service delivery.
- A cornerstone of results-based management is to plan extensively and then to monitor the execution of the plan in such a manner that corrective action can be effectively taken when required.
- Evaluating results can empower management.
- Developing meaningful performance indicators is a prerequisite foundation for result based management.
- Management must maintain a healthy balance between investing in new service improvements and maintaining the integrity of existing programs.
- Governance excellence is a shared responsibility between the different spheres of government.

INTRODUCTION

Government operates in a complex world and one must recognize the synergy between macroeconomic and structural policies. One key element in improving economic efficiency involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders. Its operations must adapt to new realities, ranging from economic and political globalisation to demographic challenges, shifting public priorities and changing structures. Having a GGF allows Government to synchronise the roles and relationships between, the stakeholders (citizens, etc.), Parliament (Legislator), Cabinet...
(Executive Authority) and the Departments (Administrators). The complexities within which government operates are simplified by applying the GGF and as such assist PGWC to avoid the appearance that government is ruled by dealing with incidents rather than by management’s efforts\(^{15}\); being re-active rather that pro-active.

The Framework enables PGWC to face the future challenges such as balancing first world governance developments and the accompanied governance expectations of foreign investors with the fact that it is a developing third world country set against the backdrop of years of colonialism and apartheid which had an astounding impact on the perceptions of its citizens. This is by no means an easy task, yet it remains a necessary one, which the GGF helps to accomplish.

5. MANAGEMENT COMMITMENTS TO CONSIDER

The GGF focuses on four main areas that play a crucial part in the direction which management takes.

5.1 Citizen Focus

The GGF provides mechanisms to consider designing, delivering, evaluating, reporting on its activities and monitoring when planning service delivery to citizens. This is an important aspect of the Framework as indicated in many remarks made in speeches publicised on the Internet made by government officials in countries like Canada and Australia when conveying their views on governance.

Initiatives such as Batho Pele, iKapa Elihlumayo, AsgiSA have little value if it does not result in an improved and sustainable service delivery to its citizens. The GGF equips management with a process so that the objectives of these initiatives can be achieved successfully.

The PGWC is faced with a unique dilemma. On the one hand it has well developed metropolitan areas where the expectations for service can be regarded as that of a first world citizen, who want to access government services via one window information technology. This requires infrastructure and keeping up with global developments. On the other hand, the province has many rural areas where services are required, but where the

literacy level is that of a third world citizen with limited knowledge or a limited need for first world infrastructure.

The PGWC has to perform a balancing act between the diverse needs of its citizens, an act more important that in most third world countries where the citizens are a more homogenic group. This balancing act would place unique demands on the quality of resources required by government. It would be wise to take note of the Canadian emphasis when they focus to continuously balance three things, ensuring fairness, equity and reasonable treatment to protect broad and diverse interests of its citizens; providing effective and responsive service to clients; and exercising sound stewardship for the taxpayer by keeping a close eye on program affordability and cost effectiveness. The GGF enables government to address this dilemma by providing a mechanism whereby different objectives can be compared and prioritised and in doing so avoid the risk of regressing to the level of most third world countries where governments are dependent on aid provided by foreign relief organisations to prevent large portions of citizens from starvation.

The balancing act should also include balancing the power given by the voters with being accountable to the voters for results. Within the South African context it is important where the Constitution determines that Parliament represent the citizens. The GGF places PGWC in the unique position to balance the power given with being accountable to the citizens and to prevent the misuse the power. It ensures that power given to individuals is balanced with being accountable.

Partnerships that exist across departmental boundaries across different levels of government with non-governmental organisations and the private sector to provide services are perceived to be the correct focus when benchmarked against other countries. The GGF incorporates an approach that can be universally applied across departmental boundaries. The implementation would create a similar way of managing that can result in the mutual understand between departments of each other’s core activities.

5.2 Managing for results

In developed countries management for results is based on citizens’ concern for value obtained for taxes paid. Whilst a portion of the citizens are concerned about the value they receive for taxes paid the majority is concerned about the service they perceive to be rightly theirs. Whichever may be the case the fact remains that service delivery is an important issue and therefore, so is managing for results.
A cornerstone of result-based management is to plan extensively and then to monitor the execution of the plan in such a manner that corrective action can be effectively taken when required. The GGF allows for developing objectives during different stages of the planning process. It also focuses on determining evaluation criteria and linking measurement indicators to track progress against plans.

Literature indicates that when organisations evaluate the result of their work they find that the information transforms and empowers them. Being able to measure and evaluate results is a prerequisite to deliver programs and services of quality. Within the GGF evaluations and reports are designed to measure performance in key aspects of programmes and not only on employee levels. This contributes to governance excellence that requires the following:

- to clearly define the results to achieve;
- pre-determining the resources needed;
- monitoring the progress made according to predetermined key indicators
- exercising responsibility and accountability during the process; and
- Making timely adjustments when instances occur that effect the predetermined outcomes.

The Framework determines the way performance is measured. In the end, it would contribute towards quality in governance and effective and efficient service delivery. It contains guidance on how strategic plans can be linked to activities and how progress made can be tracked against plans.

Development of performance indicators in the Framework is a prerequisite foundation for result-based evaluation. Measurable Indicators must be developed on all levels of planning and be interdependent. KPI must be developed that measure performance against predetermined criteria and not only collate information. The GGF provides the development of these indicators and links the indicators to objectives in a manner that allows them to be mutually supportive of each other.

The Framework links performance based management on employee level with performance-based management on service delivery activities regardless of whether the activity is aimed at external or internal services. Financial government governance imbedded in the Framework requires that the Provincial Government exercise accountability towards those
responsible for achieving results, and provide assurance that analysis is unbiased and that both good and bad performances are transparent.

5.3 Responsible spending

With the GGF the PGWC can strike a balance between investing in service improvement, maintaining the integrity of existing programs and developing new programs, whilst coping with budgetary constraints. This is possible because the Framework can accommodate an integrated view on spending that assesses the integrity of existing programs and that support given to national priority setting.

It enables wise spending on things that matter most to the citizens in the province, normally a complicated task. Resources can be reallocated and programs restructured when indicated by predetermined criteria. It allows for ending a program when the need ends. The Framework identifies information that is relevant and adequate by designing monitoring and reporting structures. Therefore, it enables management to make sound decisions and limits any negative impact on the citizens that might occur because of changes.

Financial and non-financial performance information must be linked with the cost of actual or expected results. Responsible spending depends on proper risk management to establish adequate systems of internal control. These activities are accommodated in the framework and result in providing spending proposals that are well rooted in policy and that contribute to achieving objectives as indicated in the different plans. It embraces the rigorous enforcing of public accountability and the best of current management practices.

National priority settings can be integrated with services required by the residents within the province. Officials working using GGF can identify the best opportunities to consider whether program results are consistent with policies and priorities, if all risks are properly identified and if strategies are in place to mitigate them. It allows for the consideration of alternative programs that might improve performance and service delivery, based on comparable information.

Responsible spending will always require difficult choices, choices between investing in new initiatives or investing or reallocating funds to maintain the integrity of existing programmes and assets. While investment in new programs always attracts more attention, maintaining the integrity very often forms the basis of governance excellence as it provides a sense of
stability and sustainability. The Framework provides the mechanisms to provide stability when new programs are implemented to make way for more effective programs.

5.4 Objectives of Governance Excellence

Governance excellence is based on the following:

- Establishing clear roles and responsibilities throughout the organisation and ensure that these roles are understood by everyone;
- Construct relationships and accountabilities based on these roles;
- Aim to become an effective governing body;
- Have effective monitoring arrangements, which reflect a balance between the interest of Parliament, executive authority and the autonomy of the governing body and/or management.
- Provide effective communication;
- Ensure transparency through good external reporting; and
- Maintain a systematic and integrated risk management system.

Governance excellence is a shared responsibility, between provincial departments, private associations, companies, investors and other parties committed to improving governance practices a requirement for governance excellence as indicated by OECD principles.\(^\text{16}\)

It also provides the structure through which the objectives of the PGWC are set, and the means of attaining those objectives and monitoring performance are determined.\(^\text{17}\)

The Framework enables the PGWC to rise to the governance challenges that provide real stakeholder value by focussing on the needs of the citizens, and at the same time operates within predetermined public service values. It would enable Government to manage for results, improve responsible spending and achieve the objectives of governance excellence.


CHAPTER 5: FUNCTIONAL APPLICATION AREAS

QUICK OVERVIEW

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<tbody>
<tr>
<td>➢ Strategic leadership, Management &amp; Stewardship and control assurance are regarded by most authors as the three main functional application areas to ensure sound governance.</td>
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<tr>
<td>➢ Those assigned with governance responsibilities must establish strategy and direction.</td>
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<tr>
<td>➢ Governance requires developing performance indicators that can be easily linked to relevant objectives.</td>
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<tr>
<td>➢ Strategic planning must be based on a rolling process to ensure continuity in service delivery during times of political change in the public sector.</td>
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<tr>
<td>➢ Governance can only be assured when positions are filled with best qualified personnel through-out the sector.</td>
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<tr>
<td>➢ Plans must be linked to each other.</td>
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<td>➢ Effective and integrated control framework ensure governance excellence</td>
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<td>➢ Organisational structure must be linked to plans.</td>
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<td>➢ Clear roles and responsibilities must exist and communicated to all.</td>
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<td>➢ Roles and responsibilities must enforced service delivery and not necessarily structured based.</td>
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<td>➢ Performance management system is crucial to ensure governance and must therefore be continually assessed to ensure it is relevant and contribute to the successful achievement of objectives.</td>
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<td>➢ A system of internal control must continually ensure that aching of objectives is safeguarded against the negative impact of risks occurring.</td>
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<td>➢ Delegation must be designed to ensure objectives can be achieved in the shortest time possible and therefore assigned to the correct levels within the department.</td>
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INTRODUCTION

This section defines functional application areas or managerial processes that are incorporated by the GGF to enable employees in the Province to discharge their duties in a manner that has been recognised as being an important cornerstone in governance excellence by public sector agencies across the globe. With the GGF, management involves themselves in processes to move toward their objectives against the background of a clear understanding of the department’s predetermined value system.

Governance processes are defined in a variety of publications some of which are listed in the bibliography. It appears that most of the leading experts divide and group the governance process into three main processes. The GGF recognised this as best practise and is therefore divided into three main groups. The first group, Strategic Leadership refers to those activities that determine where the organisation is going, what it is going to do, when it is going to do it, why it is going to do it and for how long it is going to do it.
The second main group is Management and Stewardship consisting of two sub groups. The first being Structure and Relationships that refers to those activities that require resources and which determines who are going to do what, how they are going to do it, and who will be informed of what and when. The second sub group is called Performance Measures and refers to those activities that regularly assess whether the organisation is doing what it has planned to do, if the progress being made is according to plan and expectations, and if risks are properly managed. The last main group, Control Assurance, refers to those activities that determine who is accountable and/or responsible for what and to whom, and if they comply with the prescribed policies and procedures, regulations, instructions and applicable laws. Independent internal and external sources should provide assurance in this regard.

The elements allocated to these groupings vary in their application according to objectives, scale of activities, size of departments and the particular managerial approach. Although they appear to be independent activities, performing each will bear an impact on the rest. Therefore, the GGF are focused on cultivating specific Governance that can only be successful when the activities contained in these elements are not performed in isolation of each other, but interdependently of each other.

6. STRATEGIC LEADERSHIP

Strategic Leadership in the GGF refers to the awareness and commitment of managers at all levels to establish and sustain a “results orientated environment” where modern management practices are supported by strong and effective functional advice, corporate planning and resource allocation and reallocation processes and mechanisms.

6.1 Strategy and direction

This group of functional application areas in the GGF require that those with governance responsibilities establish the department’s strategy and direction. This includes the setting of objectives, developing overall strategic policies to governing day-to-day operations and overseeing the implementation of these policies whilst at the same time developing measurement indicators to monitor the effective and efficient achievement of objectives.
Governance excellence requires thorough planning for the long-, medium- and short-term. It requires knowing in advance what needs to be performed to achieve the planned objectives, what the cost will be and how progress should be measured. It is about being well prepared while performing the required activities to achieve objectives. The GGF is based on this planning principle and enables management to be informed of what needs to be performed for the years planned and what the cost will be. It accommodates planning to the smallest detail when required to and yet, also being prepared to provide clear information about future objectives required to meet objectives and reliable estimates of the related costs.

Political stability will allow planning for the longer term that in turn would contribute to stability towards achieving the objectives enabled by the successful application of the GGF. Both medium- and short-term goals and objectives need to be supported by specific strategies for their achievement.

A strategic plan should contain clear information on what the direction is in which the department will move, what the objectives are and what measurable objectives should be achieved along the way at specific times, thus ensuring the main objectives are ultimately achieved as planned. The GGF ensure that strategy, policies and other directions be clearly specified, communicated and understood by those responsible for their implementation.

Strategy should include long-, medium- and short-term objectives that are aimed at the needs and expectations of the stakeholders and should provide clear strategies for their achievement. Objectives should be explicit about performance indicators and linked to cost, funding and time schedule.

The practical guide provides guidance on the development of each of the following elements in the strategic process in a manner that links the different objectives in each plan to one another. In this manner it becomes possible to determine and to quantify the effect of each activity to the related objectives contained in the separate plans. Management are enabled with the GGF to make appropriated decisions regarding any occurrence on any level of plan or on any stage of the execution of the plans. Linking the objectives is a crucial aspect in the Governance Process that contributes towards striving for governance excellence.

Important in the striving towards excellence is developing performance indicators for all relevant objectives contained in the separate plans. These performance indicators should be easily identified with the different objectives and should also be supportive of each other. Performance indicators should be developed in such away that they are supportive of each
other and that higher indicators can be deducted for those on lower levels. This means that the same performance is measured throughout the strategic process.

The following table provides an overview on the different plans in the strategic processes and the corresponding measurable objective and performance indicators. These distinctions enhance the understanding and application of the strategic processes and avoid confusion.

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The different plans and inter-relationships are discussed in the following paragraphs.

This table in the GGF adds a new dimension to current practices by defining different name conventions for different plans. Even if these naming conventions were implemented over a period of time it would greatly assist to distinguish between different objectives of the different plans. Speaking of a KRA or API immediately refers to a specific plan without making verbal reference to the plan.

6.2 Strategic plan

The Strategic Plan should contain objectives for five or more years ahead. This element in the managerial process ensures that objectives are sustainable and that continuity exists in the service delivery process. It is important that the strategic plan is linked to the budget, is time bound and contains high-level key Entity-Wide Objectives (EWO). It forms the basis for the Medium Term Plan (MTP) and all the relevant activities that flow from it.

The Strategic Plan change when the business focus of a department changes, which normally results in new objectives, and then only after thorough consideration has been given to previous plans and the influence the changes will have on future planning.

It must be noted that the strategic objectives bear a direct impact on the organisational structure and should therefore contain the expected impact on the existing structure. This
impact can only be adequately assessed once the whole planning cycle has been completed and all activities required to achieve the objectives have been determined.

The Strategic Plan also defines the value system that is expected to support the activities that are planned in achieving the objectives. The Strategic Plan focuses mainly on the Entity-Wide Objectives (EWO) for a department. The EWOs should be subjected a high-level risk assessment to determine possible risks that might occur. Addressing these risk results in establishing KRA’s for each year in the medium term. The KRAs are the measurable objectives for the MTP.

6.3 Medium Term Plan (MTP)

The MTP is a medium-term plan that contains the KRA for each entity wide objective. The MTP is a mechanism for generating a limited but also focused set of medium–term strategic priorities that are shared by all spheres of government implementation.  

Developing departmental planning along these lines can only be beneficial and contributes to aligning Provincial activities with those of National Government. The annual plan reflects in a compounded way; the activities, procedures and the policies applicable to ensure that the system on internal controls is adequate and effective. It is applied to ensure that the objectives would be achieved, and that progress is evaluated on an ongoing basis against predetermined plans for the medium-term. It is directly linked to the budget (MTP), reflects the required organisation structures and forms the basis for all the managerial activities for the next 3-5 years.

It should confirm the risk strategy selected by management to constrain risk identified for each objective. Ideally, it should form the basis of a risk assessment to ensure that management develop a system of controls to mitigate identified risks.

The annual plan must also provide/indicate the required control measures that should be implemented in the system of internal control.

KRA’s that are linked to a budget and are therefore budget-specific and should be contained in the plan that must be time bound to ensure that management can constantly measure progress during the year. It therefore should determine reporting structure, contents and frequency of reports.

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18 a planning framework for Government; Document issued under signature of Frank Chikane: Director-General Presidency.
The KRA’s should be subjected a high-level risk assessment to determine possible risks that might occur. Addressing these risk results in establishing Key Measurable Objectives (KMO) for each year in the short-term tem. The KMO’s are the measurable objectives for the Annual Business Plan.

### 6.4 Annual Business Plan

The Annual Business Plan supports the MTP in matters of detail to ensure that the MTP can be effectively implemented on a yearly basis and it defines the various specific processes required to achieve the objectives for the year. It contains report requirements and details the organisational structure, roles and relationships to ensure that objectives are achieved as planned. It also refers to the specific interrelations between the various elements in the model and to the degree each are considered essential to achieving the objectives. In an effective Annual Business Plan the KMO’s are clearly linked to the MTP and the strategic objective.

The KMO’s should be subjected a high-level risk assessment to determine possible risks that might occur. Addressing these risk results in establishing Activity Level Objectives (ALO) for each year in the short-term tem. The ALO’s are the measurable objectives for the Operational plan.

### 6.5 The Operational plan

The Operational Plan contains the ALO for each KMO for a specific year. These activity levels are subjected to risk assessment to determine what activities are required to ensure the achievement of ALO’s. The plan links each activity to a specific ALO. The plan is used to develop a system of control to ensure risk pertaining to the ALO’s and activities are mitigated and to ensure the objectives are achieved as planned.

From this plan, each activity is assigned to the organisational structure and subjected to the elements and governance environment expressed in the Framework to ensure that progress can be monitored, control be exercised, accountability be assigned and resources be effectively and economically used.

### 6.6 Strategic Assets, HR & IT Plans

The GGF links the Strategic Assets, HR and IT infrastructures to the planning process to form the basis when determining the resources needed for delivering any service. However,
by nature these resources are expensive. As an example the GGF allows for the incorporation of other initiatives such as the “Baseline Implementation Guide\textsuperscript{19}” provided by suggest the following five steps to HR planning: (1) assessing the human resources needed by a department; (2) assessing the human resources supply to meet this need; (3) analysing the differences between the resource needed and the supply available; (4) develop a strategy to meet all the HR needs of the department; (5) monitor and evaluation.

The GGF allows management to determine the correct timing to use other guides provided by other departments. The GGF is developed as a mechanism that gives a total approach and overview from the conception of a long-term objective (goal) to the final activity required to achieve such the objective. Therefore it can be applied to determine the specific point and area when other guides can be used. It encourages the seamless integration of other guides and requirements and as such provides a clear understanding of the contribution different guides make towards the accomplishment of objectives in a department.

The Framework is the link between all the initiatives and activities required to be able to achieve objectives. It synchronises all the processes into a meaningful unity in a manner that allows all personnel to discharge their responsibilities effectively and efficiently. It allows management to avoid failing to synchronise all the required processes with strategic objectives on a regular basis, which often leads to a situation where resources are not suited to achieve the objectives effectively and efficiently and therefore governance excellence would not materialise. This can result in additional cost to making required changes in assets including the retraining of personal or the use of contractors to supplement the lack in skills and resources to achieve predetermined objectives.

The GGF is based on the general consensus in the private sector that governance excellence is only achieved when positions are filled with the best-qualified persons from the top of the organisation to the bottom.\textsuperscript{20} This is one fact amongst several others, which appears to have crystallised over the last few years when governance in the private sector was subjected to scrutiny. Clear consensus is expressed in publications that there is a direct link between the level of qualifications of employees and the quality of Governance. Employing poorly qualified persons results in poor governance and ultimately in poor service delivery. The GGF is based on this direct relationship between the qualification of people

\textsuperscript{19} Baseline Implementation Guide Part 2: DPSA. (p 29).
\textsuperscript{20} Saucier, Guyline (Chair). Beyond Compliance: Building a Governance Culture. Final Report; Joint Committee on Corporate Governance November 2001. (p8)
employed and the level of governance that can be achieved. No system can provide the experiences and discretionary ability developed over years that comes with employing the best people available at a given time.

7. MANAGEMENT & STEWARDSHIP

Public sector governance as approached in this Framework encompasses how a department is managed, its functional structures, its culture, its policies and strategies, and the ways in which it deals with various stakeholders. Governance often is a combination of legal and organisational structure and management requirements, aimed at facilitating accountability and improving performance. All this is linked in the Framework to the strategic plan and is one of the cornerstones for calculating the budget required to achieve objectives.

Guidelines, regulations, structures and systems can provide a robust and useful framework, but it is only through the actions and decisions of departments and their staff that their benefits can be realised. The GGF allows the actions to be combined into a powerful unit that leads to successful achievements of objectives.

Stewardship in the GGF can be rigorously exercised and relates to implementing an effective and integrated control framework – sound procedures, practices and competencies – to support the organization and individual managers in their achievement of citizen focused results, while ensuring highly effective management of public resources. It promotes the ability to assess each activity and the impact it has in mitigating risk and/or its contribution to the effective and efficient service delivery. It allows for alternatives to be considered and as such ensures that available resources are maximised in their usage.

7.1 Business Processes

Business process is the means by which government allocated resources to be able to achieve objectives. This element in the GGF forms an important cornerstone on the way to achieve departmental objectives. If considered, developed and applied carefully it can contribute to the effectiveness of processes. On the other hand if neglected it can become one of the major contributors to ineffectiveness. The GGF enables management to develop and implement business processes based on risk assessment to ensure the effective and efficient use of resources when striving to achieve objectives whilst at the same time managing possible risks. The Framework identifies existing processes that are reflected in policies and procedure manuals and evaluates the effect it can have on specific objectives.
Based on this, evaluating possible problems can be identified and adjustments can be made to ensure relevant objectives can be successfully achieved.

The GGF allows PGWC to move away from a control-dominated environment towards service delivery orientated government. It moves the focus from enforcing policies and procedure at the cost of service delivery by focussing on service delivery and ensuring that policy and procedure are adapted to maximise service delivery. The GGF enables management to develop guidelines and appropriate flowcharts, which indicate key controls without preventing effective and efficient service delivery. With the GGF care is exercised to ensure that changes in operational plans do not undermine earlier risk assessment processes and accompanied control measures.

The GGF can ensure that business processes reflect interdependencies within the department and that the processes assign accountability and responsibility appropriately. In ensuring management excellence, policies and procedures are reconsidered whenever changes and events occur that can effect the achievement of objectives.

7.2 Structure and Relationships

The GGF link the structures and relationships of the department in such a manner that resources assigned to achieve strategic objectives are placed in relation to one another and in manner that allows for the exercising of control and the meaningful flow of information throughout the organisation. It ensures the optimal use of resources and can play an active part in preventing duplication of activities. It is based on assigning and exerting accountability and cultivates the understanding and awareness by each employee of how his/her duties relates to the achievement of specific objectives. The Framework can greatly reduce the risk of forcing new objectives to be accomplished by personnel who were originally employed to achieve other objectives.

7.3 Organisational Structure

The organisational structure is linked to annual plans and strategic plans. Changes on these plans have a direct influence on the organisational structure. It also reflects the skill available and required to achieve short-term (Operational Plan) and medium – term objectives (MTP) and the future skills requirements to meet strategic objectives in the long-term. It must be noted that objectives in many cases can be skill specific, and adequate attention should be given to such skills when changes in objectives are considered. It utilise existing potential by
developing objectives mindful of the current structures and relationships and allows for making seamless changes when required to do so. Department structures are aligned with objectives instead of aligning objectives with structures. It causes management to regularly assess the contribution existing structures to effective achievement of objectives. It assists management to be objective driven and to avoid being structure driven and to develop structures that can adapt to the constant changes in government environment.

The GGF provides the opportunity to determine training requirements and that are an integral part of any organisational structure that aims to achieve objectives and that anticipates probable changes in objectives. One of the risks facing the departments is to become structure driven and not objective driven, a risk that has been well noted and addresses within the private sector over the last decade.

7.4 Standards of Behaviour

The GGF links activities with appropriate standards of behaviour, including the value system regarded by management to be essential in achieving the objectives. It ensures that relevant values and principle are identified throughout, from the planning through to the execution phase. Within the GGF requirements in this regard can be continually identified developed, adjusted and implemented to ensure governance excellence. The GGF provides those activities that are value/principle intensive to be identified and linked to specific values. The GGF therefore enables departments from having values/principles to reflecting values and principles when performing activities where importance of the value/principle is relevant. In doing so a specific culture and corporate identity can be cultivated where all personnel is aware of its own unique role and contribution when executing their duties daily.

7.5 Roles and Relationships

The GGF requires roles and relationships to be clearly identified and communicated to all. This is one of the processes that are required when responsibility is assigned and accountability exercised. Failing to identify and communicate roles and responsibility will ultimately lead to poor service delivery to name but one of the negative results. The GGF is based on the fact that roles and relationships determine the nature, timing and method of information flows in the organisation. The Framework provides that explicit role definitions of key participants in the governance process are identified, developed and implemented. It assists to the development of the control and accountability structures established to facilitate communication, action and monitoring on objective and activity level.
7.6 Reporting Structure

The Framework ensures that reliable information is available on a timely basis and at the correct management levels, to assist strategic decision-making and ensure effective and efficient governance. Reporting structure developed within the Framework is based on predetermined measurable objectives in the different plans and ensures that progress is monitored timely and corrective actions instigated without unnecessary delays.

Monitoring systems developed within the GGF ensures that relevant information is collated and distributed regarding performance and compliance with various requirements, and enable management to track progress made, in achieving objectives, against plans. The reporting structure ensures that relevant information flows up, down and across all levels in the departments in timely manner to allow for effective decision-making.

The GGF enables management to develop an objective and or purpose for each report indicating the relevance of the information for strategic and operational decision-making and to ensure that information contained in the reports, is reliable. It keeps the personnel on all levels aware of how their actions are contributing towards the achievement of objectives.21

8. PERFORMANCE MEASURES

In the GGF Management must determine the content and frequency of reports regarding performance in general. Clear criteria can be developed and applied to measure the performance of staff, relevant stakeholders i.e. suppliers/private partnerships as well as the progress made towards achieving objectives. With the GGF, departments can design monitor systems to track performance against agreed on goals, money allocated in the budget, assigned tasks, risks and other relevant management activities. The design feeds into the current budget control prescripts and mechanisms and form the basis for the information required in

21 Open book management.
the personnel performance management system. Information required by management to allow for timely monitoring and reporting, can easily be identified with the GGF. Diversions from planned outcomes can be timely and appropriately dealt with and meaningful answers to tough question can be identified. Explicit information required evaluating accountability issues can be identified.

8.1 Regular Financial Statements

In the GGF the current financial requirements by Treasury can be aligned with planning on all levels. This includes the tracking of progress made against budget and predetermined plans. The Framework also allows evaluating the business processes and control measure, and other management policies and employed to be evaluated in financial terms and to make required improvements. The Framework enhances the current budget control process with governance control processes by viewing inquiries from a governance perspective. Financial statements and other financial reporting prescripts are enhanced by the GGF that allows financial results to be approached from a governance perspective and to ask governance related questions such as what process are currently developed to ensure that the future occurrence of a specific result are avoided or that changes that leads to under spending can be prevented or timely addressed when it occurs.

Governance excellence imbedded in the Framework also depends on financial reporting that is designed to reflect operational cost of objectives. Such statements allow for critical management decisions that ensure cost effective and efficient service delivery.

8.2 Balance Scorecard

The GGF regards the balance scorecard as a future consideration to be developed. It will enhance current performance measures employed because it is a mechanism that allows for financial measures and operational measures to be complimented with client service delivery satisfaction processes and the departments’ innovation and improvement activities. It can also be implemented to report on the triple bottom line i.e. social, environmental and economical.

22 The point in case being par 12-7 that deals with under spending in the “Memorandum to the President’s Coordinating Council of July 2004, Province of the Western Cape”. There is not a single indication in any of these paragraphs that Governance related questions or evaluations were considered or how in the future similar problems can be addressed from a governance prospective. It appears as if the lack of resources and finances are the only considerations given. The emphasis in Financial Government Governance Framework balances the achievement of objectives with the reliance on finances and resources.
The balance scorecard is a management system (not only a measurement system) that enables a department to clarify its vision and strategy and translate it into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed the balance scorecard transforms strategic planning from an academic exercise into the nerve centre of a department.

8.3 Performance Management

Once a Department has analysed its strategic objectives in the GGF, identified all the stakeholders and defined/determined all the process and activities required to achieve the objectives it has to design appropriate ways to measure progress towards those objectives. Many things are measurable and one can spend a lot of time in reporting on measurements taken. However, performing measurement on things does not make them key to a Department’s success.

Performance indicators in the GGF are quantifiable measurements, agreed to before hand that reflects the critical progress made towards objectives. It is important that those PIs are carefully developed and reflects progress made towards objectives. It means that coherent data collection and reporting systems should be co-ordinated, integrated and designed to meet predetermined criteria and enable management to track progress against plans on all levels of the organisations activities. The GGF requires such measurement to indicate ‘performance' that conveys not only what were done but also how well it was done in relationship to other indicators. The GGF regards it as critical to limit performance indicators to those factors that are essential to a department’s success and to limit the number applicable to a department. A limited number of performance indicators to keep everyone’s attention focussed on achieving the same objectives. This requires spending enough time on developing performance indicators. It is important that performance indicators can be tracked through all the processes implemented in achieving objectives and that critical process are identified and monitored to ensure that activities are performed according to predetermined plans.

Well-developed performance indicators are the focus of GGF and will keep all concerned focussed on the important processes and the progress made towards them when they are regularly communicated as indicators and standards by which daily progress towards objectives can be measured. It is therefore important to develop performance indicators on
the different level of planning. The different performance - indicators develop in the Framework are conducive and inter-dependent on each other.

Based on best practices, the framework includes naming convention for performance indicators in the different plans. The API in the operational plan must measure the same performance as the KPI, RPI and EPI with the only difference between the indicators being the level of detail, the time period and frequency. Confusing the performance indicator with a specific plan will be avoided when these different naming conventions are implemented in the future. The following table indicate the various performance indicators relevant to specific plans.

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8.4 Risk Management

While some risk encourages innovation and better performance, uncontrolled risk can lead to adverse exposure or losses and prevent a department from meeting objectives. The GGF regards assessing risks as a major component of an effective control structure and a critical phase during the development of Strategic Plans, the MTP, the Annual Business Plan and Operational Plans. It forms the basis for the development of KRA’s, KMO’s and ALO’s

The public sector carries the burden of additional risk to the normal financial risk, i.e. there is also political risk, loss of confidence, social risk, environmental risk and public safety risk. The Enterprise Risk Management Framework (ERM) would ensure processes are developed that mitigate risk and will identify the residual risk exposure to which management is subjected. The GGF interfaces with the ERM as it is currently implemented in the PGWC.

Risk management is primarily the responsibility of the Accounting Officer. Effective governance requires the identification of business risks, identifying potential opportunities

23 PFMA Section 38 (1)(a)(i) Act 1 of 1999 (as amended by Act 29 of 1999)
and ensuring the establishment, by management, of appropriate processes and practices to manage all risks associated with the organisation’s operations.

The goal should be to embed a culture of risk management in organisations so that the consideration of risks and any risk mitigation strategies, become second nature. This is particularly important because the nature and significance of risks change in the public sector as the role of the public sector itself changes. The lack of suitable risk management practices generally features in examples of poor administration that are highlighted in audit reports from time to time. The Framework applies the ERM at critical stages through the planning and execution phase of activities ensuring excellent service delivery.

9. CONTROL

The GGF regards control as a process, affected by management designed to provide reasonable assurance that risks are mitigated to ensure the achievement of objectives. It assigns the responsibility to all employees to ensure that controls are operational and effective. However, the ultimate responsibility and accountability for controls rests with management. The GGF provides the mechanism for management to develop and implement cost effective controls and to evaluate existing controls to determine their suitability. Striving for absolute assurance is neither cost effective nor possible. In the Framework, controls that are implemented must commensurate with the nature of business, an acceptable level of risk tolerance and program delivery requirements. Changes in program requirements and programs result in a review of implemented controls to ensure the controls are adapted to meet the requirements brought by the changes.

9.1 Compliance and Accountability

Government’s approach to controls and compliance with legislation and prescripts should be integrated with its overall approach to risk management to allow it to effectively determine and prioritise functions and activities to be controlled. The Framework enables PGWC to move towards a service delivery focus and away from a control focus. When focussing on
service delivery, controls are evaluated according to the purpose and the contribution it makes to service delivery. The control is adjusted when applicable. When focusing on controls, compliance becomes the main focus with the result that service delivery always suffers in the process to ensure compliance.

Accountability and responsibility are assigned in the GGF at the correct levels in the department and exercised. Assigning responsibility and accountability without holding people to account is ineffective and fosters a culture where the view is entertained that nothing will happen if things are manipulated for personal purposes.

In healthy governance environments, accountability always starts at the top, which results in a trickle-down effect throughout the organisation into effective and appropriate accountability at all levels of the organisation. This should be aimed at administration and politicians, who very often move between departments without having the decisions they made quantified and evaluated to determine their effectiveness and efficiency. The GGF is an approach that will allow the “top” to discharge their duties in such a manner that meaningful information to be supplied to the satisfaction of all oversight role players.

The manner in which the Framework assigns accountability at determined levels allows for real empowerment that can unleash hidden potential and creative improvement to systems to surface to the benefit of government, yet at the same time it exercise control when such potential and creativity surface to ensure that any negative impacts are avoided.

9.2 Delegations

Effective government governance as implemented in the GGF requires that decisions not only seem to be fair and accountable but are indeed so. Mechanisms are established to ensure that the PGWC act with integrity, in a timely and responsible manner, complies with legislation and that deviations are addressed as soon as they occur.

Responsibilities and accountabilities can be well understood to those affected because of the manner in which the GGF determines on what level it should be assigned. It provides ability to diligently monitor and enforce accountabilities over those inside the departments and over those outside the departments that have been affected by contract with the department. It enables PGWC to take appropriate action that is swift and that demonstrates the importance for the department to hold people responsible and accountable while at the same time being fair.
9.3 Policies and Procedure

Government should maintain, and have freely available, all current management policies, procedures and standards covering all administrative matters, internal controls, financial management, human resources, information technology, risk management strategies and operational policies. The GGF provides the mechanism to determine the relevant policy and procedures at a given moment on a process and to determine the impact and/or possible changes that might be required to ensure service delivery does not suffer. It links policies and procedures to activities and ultimately to strategic objectives. The GGF ensure that existing policies that fail to promote effective and efficient service delivery are timely identified and improved. It enables management to avoid the trap of having generic policies that impact negatively on achieving objectives that are normally planned within specific areas.

9.4 Assurance Providers

The GGF enables PGWC to include verifiable information in annual reports, some of the key aspects of governance, and operations within the province and in so doing extend the advantage of using independent assurance providers past that of the normal financial reporting.

In doing so, stakeholders on all levels are informed of achievements in an unbiased way and are therefore enabled to fairly evaluate government’s performance against expectations and/or promises.

The following features inform stakeholders about the financial governance, management and performance:

- Information about governance arrangements, including internal audit and audit committee activities.
- A meaningful narrative about performance of the organisation over the year compared with expectations including comments about future years.
- Information about the external interest of governing members together with adequate disclosure of relevant transactions.
- A good standard of financial statements.
Details of the organisations risk management strategy and how the organisation manages its risks.

Other matters of public interest.

Value placed on the reports of Independent Assurance Providers.

Principle-based standards and related policies in the GGF can adequately encapsulate the intention of the standard setters and regulators. As a result, where standards and regulations are principle-based rather than rules-based, it is more difficult to introduce schemes that are designed to manipulate financial results. Sound governance imbedded in the Framework ensures that the role of independent assurance providers are maximised.

9.5 Audit Committee

“The audit committee is a vital part of your company’s governance structure. It is crucial that you have confidence in their integrity and commitment, and that they have confidence in yours. An independent and fearless audit committee will report accurately back to you on the true state of the company.”

Audit committees are a crucial part of any accountability model. The committee should be chaired by an independent member and should have a majority of independent members. All members should have sufficient skills to discharge their responsibilities effectively. They should be familiar with the organisation’s arrangements to make an effective contribution.

The GGF regard it as important that the committee is totally independent. In this regard it is wise to note the remarks made by the Auditor General of Victoria (Australia) when he expressed his concerns about the loss of independence when members of a department form part of the audit committee. This important issue has a major effect on good corporate governance. The GGF is based on this view and would require in the near future that current prescripts that require only the majority members to be independent are reconsidered. Independence appears to be an important instrument in the hands of PGWC to provide assurance that systems developed and implemented ensure sound governance practices.

A crucial component of the Framework is an effective audit committee, that can/does/will provide a complementary vehicle for implementing relevant control systems and to

24 Better Practice Guide p24
incorporate sound risk management plans. It can assist Accounting Officers to meet their statutory and fiduciary duties by overseeing risk management, reviewing accounting and reporting structures, monitoring internal controls and performance, and ensuring compliance with controls. An effective audit committee can also improve communication and coordination between management and internal, as well as external, audit. There is no shortage of “better practice guides” for audit committees.

An audit committee’s strength is its demonstrated independence and power to seek explanations and information, as well as its understanding of the various accountability relationships and their impact, notably on financial performance. In particular, it can ensure that accepted audit recommendations are followed up and properly considered, which greatly improves both internal and external audit effectiveness.

The questions about possible conflicts of interest, auditor rotation and selection of auditors are central to the roles and responsibilities of audit committees as part of the corporate governance framework. One challenge is, therefore, how to strengthen those roles to enhance Committees’ effectiveness and credibility in the eyes of both internal and external stakeholders. This comes with authority, support and commitment.

In order to maintain independence, most authoritative commentators recommend that, in the private sector, either the audit committee comprised of only independent directors or at least include a majority of independent directors. The fundamental position taken in the GGF is that an audit committee should be in a position to discuss matters with the auditors without the constraint of having senior management on the committee. This principle must be applied within the government sector where short- and medium-term political pressures are reality and very often exercised to the detriment of governance excellence. It is therefore essential that Audit Committee members are totally independent from the department’s activities.

The GGF regards the essential requirement of an audit committee member include common sense, wide experience, good judgement, a general understanding of the role of an audit committee, healthy scepticism, an ability and willingness to ask difficult questions that challenge management’s actions and not to put up with unintelligible ‘techno speak’.

The GGF is based on the understanding that the audit committees should adopt a formal written mandate that is approved by Cabinet and that sets out the scope of the committee’s responsibilities. Such a formal agreement should charge the audit committee with the
responsibility to provide a formal sign-off on issues relating to audit independence. Central to such responsibility is an imperative to be informed about audit issues, including the work of both internal and external audit, as well as being in a position to assess both management and audit performance.

Separate evaluations should be regularly performed on the effectiveness of the Audit Committee.
CHAPTER 6: GOVERNANCE SPECIFIC ACTIVITIES

QUICK OVERVIEW

Government governance

- The governance environment consists of all those factors and activities that are essential to establishing governance excellence.
- Management must understand the interrelationships and interdependencies of the activities in the governance environment.
- The governance environment is aligned with the COSO framework and risk management methodology of PGWC.
- The governance environment allows departments to develop responses that are departmental specific and based on the individual situations in departments.
- Information and communication is a cornerstone in the operational activities in a department.
- Control activities must be developed and implemented in a manner that supports effective service delivery and must be continually monitored and adjusted to improve service delivery.
- Monitoring activities must ensure that progresses are tracked against plans and that corrective action is taken timely when required.
- The governance environment provides an organised ‘menu’ of activities that departments can select and combine to suit their specific requirements when improving existing governance practices.
- It is not possible to select a generic combination of activities that could be applied across all departments.

GOVERNANCE ENVIRONMENT

The functional application areas in the GGF have a Governance Environment that consists of all those factors and activities that are essential to establishing governance excellence. These activities are intermingled, mutually dependent, and supportive of each other. They do not operate in isolation and can therefore be understood as tools or mechanisms by which management execute their responsibilities, which they have defined and that are contained in the various functional application areas explained in Chapter IV.
The governance environment forms the foundation of the framework, it is the basis of the whole governance process on which the interrelationships between all activities rest. Without the foundation the framework will be reduced to activities that are performed in isolation very often resulting in crisis management, the loss of perspective, managing incidents rather than predetermined plans, the loss of effectiveness/efficiency and all culminating in the escalation in cost.

This Framework draws from work done by others, including COSO, CoCo and the Internal Audit Methodology recently developed in Provincial Government of Western Cape. It incorporates relevant practices as implemented and reported by The Canadian Government and Australian Government (ANAO).

The governance environment reflected in the GGF can be regarded as the minimum requirements in a governance framework and can be expanded during future developments. The different elements will also vary in importance from department to department depending on the character of the objectives. The relevance, implementation and development of each element would be determined by the nature of the service delivery, specific legal requirements and the specific leadership, management and control preferences exercised by AO’s under the authority of the relevant Ministers.

The Framework organises the activities in a way to assist management to understand the interrelationships and interdependencies of the activities and thereby empowers management to keep track of important processes in an effort to ensure governance excellence. These functional application areas are discussed separately to assist the understanding of each in practice and hopefully alleviate any confusion that appears to exist in large organisations regarding activities that sometime appear to be performed in isolation.

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25 Criteria of Control Framework by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). Originally initiated by the American Institute of Certified Public Accountants.
26 Guidance on Criteria of Control (CoCo). Developed by the Canadian Institute of Charted Accountants
27 TBS, Treasury Board Secretariat Canadian Government
28 The Better Practice Guide is a publication of the Australian National Audit Office CANBERRA.

JUNE 2008
It is important to have these activities identified as this contributes to a uniform governance excellence that can only be beneficial to PGWC and to the various stakeholders.

10. CONTROL ENVIRONMENT

Governance takes place within a specific control environment where management and employees establish and maintain an environment throughout the department that sets a positive and supportive attitude toward internal control. This section of the Framework addresses the “soft issues” in the managerial processes that are at most times hard to evaluate with regard to influence and existence, and difficult to control and monitor. Yet, there appears to be global consensus on the impact it has on the daily operations within any organisation. Several key factors that affect the accomplishment of objectives that fall within this category are identified here. These factors enable management to consider whether a positive control environment has been achieved. The pocket guide which provides detail regarding these factors is a starting point, it is not all-inclusive, and should serve as guidance in developing a specific environment as determined by management. It contains assistance with the implementation of the following areas that forms part of the control environment:

- Governance culture;
- Moral and ethical values;
- Commitment to competence;
- Purpose;
- Capability;
- Control Self Assessment.
11. CONTROL ACTIVITIES

The Framework has as its basis internal control activities, which are expressed in policies, procedures, techniques, and mechanisms that help ensure that management's directives to mitigate risks that were identified during the risk assessment process are carried out. Control activities are an integral part of the planning, implementing, and reviewing processes. They are essential for proper stewardship and accountability for government resources and for achieving effective and efficient program results.

The Framework reflects control activities occurring at all levels and functions of the department. They include a wide range of diverse activities, such as approvals, authorizations, verifications, reconciliations, performance reviews, security activities, and the production of records and documentation. The framework allows management to focus on control activities in the context of the directives to address risks associated with established objectives for each significant activity (program or mission) and therefore, consider whether control activities relate to the risk-assessment process and whether they are appropriate to ensure that management's instructions are carried out. The framework eases assessing the adequacy of internal control activities, to determine whether the proper control activities have been established, whether they are sufficient in design effectiveness and the degree to which those activities are operating effectively. Governance excellence requires it be done for each significant activity. This analysis and evaluation should also include controls over computerized information systems. Using the Framework, consideration can be given whether established control activities are relevant to the risk-assessment process and if they are being applied properly.

The GGF allows departments to put into place control activities that may vary considerably from those used in another department. This difference may occur because of the (1) variations in missions, goals, and objectives of the department; (2) differences in their environment and manner in which they operate; (3) variations in degree of departmental complexity; (4) differences in departmental histories and culture; and (5) differences in the risks that the departments face and are trying to mitigate. It is probable that, even if two
departments did have the same missions, goals, objectives, and departmental structures, they would employ different control activities. This is due to individual judgment, implementation, risk appetite and management. All of these factors affect a department's control activities, which should be designed accordingly and should contribute to the achievement of the department's missions, goals, and objectives.

Given the wide variety of control activities that departments may employ, it would be impossible for this tool to address them all. However, there are some general, overall points to be considered by management, as well as several major categories or types of control activity factors that are applicable at various levels throughout practically all provincial departments. The Framework provides basis on which selections of control activities can be made and assists in developing unique controls when required by circumstances. This range of control activities can be divided into directive controls, preventive controls, detective controls and corrective controls and focus on the following:

- Compliance with laws, regulations contracts and prescripts;
- Safeguarding of assets;
- Accomplishment of objectives;
- Reliability of information;
- Effective and efficient use of resources.

These can be regarded as a point of departure, it is not all-inclusive and not every point or subsidiary point may apply to every department or activity. Even though some of the function's points may be subjective in nature and require the use of judgment, they are important in assessing the appropriateness of the department's internal control activities. In addition, there is some control activity factors specifically designed for information systems.

There are two broad groupings of information systems control, general control and application control. General control includes the structure, policies, and procedures that apply to the department's overall computer operations. It applies to all information systems, i.e. mainframes, minicomputer, network, and end-user environments. General control creates the environment in which the department's application systems operate. There are six major factors or categories of control activities that need to be considered by the user when evaluating general control: entity-wide security management program, access control, application software development and change, system software control, application control segregation of duties, and service continuity. The GGF ease the burden of identifying and
selecting the most appropriate control in a given situation without suppressing individual expertise within management when they apply these controls.

12. INFORMATION AND COMMUNICATION

Management must have relevant, reliable information, both financial and non-financial, relating to external as well as internal events to manage and control its operations. The Framework makes it possible to identify the information that should be recorded and communicated to management and others within the department who need it. It allows management to determine the format and time frame of the information required to assist them to carry out their internal control and operational responsibilities. As such the Framework ensures the effective use of information and prevents spending resources on collating information that do not really contribute towards management processes. In addition, the Framework enables management to make sure that the forms of communications are broad-based and that Information Technology Management contributes towards useful, reliable and continuous communications. The Framework puts management in the position to consider the appropriateness of information and communication systems to the department’s needs and the degree to which they accomplish the objectives of internal control. It allows management to ensure that uniform norms and standards are set within departments and therefore in the province as a whole.

The pocket guide provides a list of areas which can be considered to ensure that information is valid, accurate, complete and time bound.

- Information collating and distribution
- Internal and external communications
- Forms and means of communication
- Norms & Standards – Legal and analytical
- IA reports
- Corporate culture
13. ENTERPRISE RISK MANAGEMENT

Based on best practices researched the Framework regards effective risk management that is based on regular information on which to perform competent judgments, as mandatory when aiming for governance excellence. It incorporates the understanding that the precondition to risk assessment is the establishment of clear, consistent management goals and objectives at both the entity level and at the activity (program or mission) level. The Framework enables departments to set the objectives in the various plans and to identify the risks that could impede the efficient and effective achievement of those objectives at the entity level and the activity level. It provides for an assessment of the risks that the department faces from both internal and external sources. Risks have been identified and are analysed for their possible effect. The Framework requires management to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations. The Framework provides a meaningful way for objective setting, risk identification, risk analysis, and management of risk during times of change.

The GGF enables management to determine its risk strategy and considers the likelihood and impact, the relation to risk tolerances and the costs versus benefits, and only then, to design and implement response options. The consideration of risk responses and selecting and implementing a risk response are integral to enterprise risk management. Effective enterprise risk management requires that management select a response that is expected to bring risk likelihood and impact within the entity’s risk tolerance.

Risk responses fall within the categories of risk avoidance, reduction, sharing and acceptance.

- Avoidance responses take action to exit the activities that give rise to the risks.
- Reduction responses reduce the risk likelihood, impact, or both.
- Sharing responses reduce risk likelihood or impact by transferring or otherwise sharing a portion of the risk.
Acceptance responses take no action to affect likelihood or impact.

As part of enterprise risk management in the GGF, management considers potential responses from a range of response categories for each significant risk and entity. This gives sufficient depth to response selection and also challenges the status quo. Having selected a risk response, management recalibrates the risk on a residual basis. Management considers risk from an entity-wide, or portfolio perspective. The Framework links with the ERM that is currently in a process of implementation within PGWC.

The ERM framework discusses in detail areas such as entity wide objectives (EWO), activity level objectives (ALO), Risk identification, monitoring implementation, manage risk during change. The information contained in Pocket Guide regarding ERM does not duplicate the ERM framework, but provides guidance towards the implementation in the governance process including fraud prevention and whistle blowers programs.

14. MONITORING ACTIVITIES

Monitoring is the final internal control standard incorporated into the GGF. It ensures that internal control monitoring assesses the quality of performance over time and that the findings of audits and other reviews are promptly resolved. This section in the Framework enables management to consider the degree to which the continued effectiveness of internal control is monitored, both ongoing monitoring activities and separate evaluations of the internal control system, or portions thereof. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that managers and supervisors know their responsibilities for internal control and the need to make control and control monitoring part of their regular operating processes.

The Framework draws management’s attention to separate evaluations as a way to take a fresh look at internal control by focusing directly on the controls effectiveness at a specific time. These evaluations may take the form of self-assessments as well as review of control design and direct testing. In addition, monitoring includes policies and procedures for ensuring that any audit, review findings and recommendations are brought to the attention of...
management and are resolved promptly. It enables and reminds managers to consider the appropriateness of the department’s internal control monitoring and the degree to which it helps them accomplishing their objectives. The Pocket Guide lists some of the monitoring activities that the frame requires management to consider:

- Monitoring of financial statements;
- Monitoring of key operations;
- Monitoring of compliance;
- Monitoring of performance/conformance;
- Monitoring of governance environment;
- Monitoring implementation of report resolutions.

Even though some of the functions and points may be subjective in nature and require the use of judgment, they are important in establishing and maintaining good internal control monitoring policies and procedures.
CHAPTER 7: THE GOVERNANCE UNIVERSE

QUICK OVERVIEW

Government governance

| ➢ The governance universe provides an organised view of all the functional application areas, principles/values and activities. |
| ➢ The universe facilitates the seamless identification of governance response required in particular circumstances. |
| ➢ The universe allows management to align their skills, experience and decision making with sound governance practices. |

The governance universe organises all management activities and processes into a meaningful whole. It aims to bring about a comprehensive understanding of the individual aspects and the possible combinations of choices and strategies management can follow.

15. INTEGRATION WITH OTHER PROCESSES

The financial government governance processes are driven by principles and values that cannot be limited to pre-selected focus areas. It flows through all daily activities and it is embedded in the attitude and aptitude of the employees performing these activities. The Framework provides cultivation of a corporate identity that would reflect the culture of PGWC and relies on processes that would enable such cultivation. Furthermore the deliberate cultivation of a predetermined culture would require identifying functional application areas, principles and the environment of these activities. Therefore, GGF includes Governance Universe. To allow for seamless integration the Governance Universe forms an integral part of Risk Universe. The diagram, on the following page reflects the Governance Universe.

The Governance Universe allows management to easily identify the appropriate area that is applicable during a particular management process. It also provides an overall view of the functional application areas principles and environment related to the GGF. The relationship between a specific element and the rest of the Universe is reflected and in a similar manner
the relationship between a principle and/or a governance environment activity is also reflected within the rest of the Governance Universe.

The Governance Universe comprises all those activities in the GGF that can assist management to strive towards governance excellence. Although they are grouped in a particular way and individually discussed in earlier chapters, it must be noted that combined interaction of all these processes and activities determines the degree of excellence that will be achieved. Having identified these different activities and processes, allows management to take appropriate action to cultivate governance excellence, and to make alternative choices should a previous decisions failed to deliver the required result. It brings an understanding of the interaction between various management activities and the variable effect that can be achieved by alternative actions.
The Governance Universe incorporated in the GGF brings an understanding to the management processes that will create a healthy balance between Financial Management and Financial Governance. Ultimately, the financial results reflected in Financial Statements are the direct consequence of processes that have been employed or in some instances that have not been employed.

Governance entails more than financial management decision, as it incorporates a vast number of other management activities as are apparent in the GGF. The combined effect of all these activities will ensure financial government governance excellence or rather that objectives are achieved effectively and efficiently in an ethical environment.
CHAPTER 8: CONTINUOUS IMPROVEMENT

QUICK OVERVIEW

<table>
<thead>
<tr>
<th>Government governance</th>
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<tbody>
<tr>
<td>Governance processes must be improved continually, with internal changes and best practices.</td>
</tr>
<tr>
<td>Governance is therefore an ongoing process.</td>
</tr>
</tbody>
</table>

KEEPING PACE WITH GOVERNANCE DEVELOPMENT

As indicated in the first chapter, Governance has been a growing concern for the last decade and will continue to be so in the years to come. Therefore, it is important that efforts to establish Governance excellence in PGWC are sustainable by including processes that ensure the Framework is continually updated with global developments and specific developments within the Western Cape Province.

16. INTERNAL CHANGES

The GGF needs to be constantly updated with internal developments based on changes in objectives, potential risk and recommendations as a result of other investigations. The following diagram provides an overview of the manner in which these changes will be approached and use to enhance the GGF.

Reports received from separate evaluations such as Risk Assessment and Internal Audit and will be reviewed to identify possible Governance related issues. If analysis of the reports reflects a shortcoming related to governance issues processes the specific area or areas i.e. strategic, structural relationships, performance measures, control assurance will be addressed. Where and when applicable the Framework will be adjusted and the guidance updated to ensure that similar occurrences can be proactively avoided.

The Framework provides a mechanism when developing and implementing prescripts. The following provides a schematic view of the above process.
17. EXTERNAL CHANGES

The GGF should also be regularly updated with changes that occur outside the government environment.

A Change Management Process pertaining to the Governance Framework was developed to ensure latest developments occurring outside the government sector are considered for incorporation into the framework and ultimately into the governance processes as daily performed by the Departments within the PGWC.

Changes detected during the initial stage, will be compared with the existing Framework to determine if it is adequate to address the demands caused by the changes. Should it appear that the framework cannot adequately address the demands, the required adjustment will be made. A departmental health check will be done to determine if any gaps exist as a result of the changes and the adjustment in the framework. Should a gap be
identified changes will be recommended to the department to improve their application of the framework. Changes accepted and implemented by the department will be monitored to ensure that is cost effective and efficient to determine if any additional training is required to improve financial governance.

The whole process of identifying changes through research and reports received will then be restarted.
CHAPTER 9: THE PLANNING PROCESS IN THE GOVERNANCE FRAMEWORK

QUICK OVERVIEW

<table>
<thead>
<tr>
<th>Government governance</th>
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</thead>
<tbody>
<tr>
<td>➢ Government Governance requires a structured planning process that meets the requirements of using governance practices.</td>
</tr>
<tr>
<td>➢ The planning process must be based on the rolling-plan concept.</td>
</tr>
<tr>
<td>➢ Sound government governance can not be established when having “fixed” five year planning cycle.</td>
</tr>
<tr>
<td>➢ The planning process in this section provides a guide to assist with the development of implementing a rolling-plan cycle.</td>
</tr>
<tr>
<td>➢ It is accepted that top management across all departments have to be involved in developing a planning a rolling planning cycle that are mutually supported by all.</td>
</tr>
<tr>
<td>➢ Planning are always departmental specific and must include consideration of the key stakeholders of each department, departmental core objectives &amp; services and expected future changes relating to the environmental, social and economical factors that bears a direct impact on core objectives.</td>
</tr>
</tbody>
</table>

The purpose of this section is to provide an overview of the planning process. During phase II a practical guide will be compiled to assist with the application of the Framework in departments. Governance excellence is determined by how well the planning processes have been performed. It starts with determining long-term objectives and then selecting the activities required to achieve these objectives over the determined time period. In its basic form it means having objectives that are broken down into the different activities that must be performed to achieve the objectives. It is important to give thorough consideration to each activity that is required to achieve an objective. It is when the activities are performed that resources are required and the manner in which they are performed that will determine the effectiveness, efficiency and the ethical environment, all of which culminating in projecting a typical corporate identity. By nature long-term objectives in the public sector require a vast number of activities to be performed over a period of time. The duration of activities can seldom be constricted to the financial year-ends as their start date and end dates very often expand over two or more years.
The GGF utilises four different plans that supplement each other to determine the most effective and efficient manners to start and end activities. The following table provide a view in this regard.

<table>
<thead>
<tr>
<th>Plan</th>
<th>Period covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Plan</td>
<td>&gt; 5 years</td>
</tr>
<tr>
<td>Medium Term Plan</td>
<td>3 – 5 years</td>
</tr>
<tr>
<td>Annual Business Plan</td>
<td>1 – 2 years</td>
</tr>
<tr>
<td>Operational plan</td>
<td>Current year plus 1</td>
</tr>
</tbody>
</table>

These plans are progressively evolving in nature and each plan is dependent on the achievement of objectives contained in the preceding plan. This means that for each year in a five year cycle, detail contained in the Operational Plan for the current year and the following year could be continued in the second year, and so on. The current years activities will pave the way for the activities required in the following years’ that will ultimately result in the achievement of objectives in the strategic plan.

The principle is not to move the detail in the strategic plan forward, but to plan and to execute the plan in such a manner that objectives contained in the strategic plan will be achieved in year five. This means achieving the planned objectives in the preceding years as indicated in the relevant plans. The GGF will enable the departments planning for five years and could still be struggling in year five with achieving objectives of the first year. In this manner the progress made can be monitored regularly.

The GGF requires four basic essentials during the planning progress; what the department wants to achieve (objectives); do they make as planned (performance indicators); are they doing the right things in the right manner (activities); and are they in line with budget? It is also important at any given moment to be able to distinguish between these basic essentials. The following diagram reflects this process.

As stated earlier, it is when the activities are performed that resources are required and the manner in which they are performed that will determine the effectiveness, efficiency and the ethical environment, all of which culminate in projecting a typical corporate identity. Without a mechanism to plan the performance of activities the governance excellence will stay out of
reach. The following matrix provides an overview of how each activity is planned to ensure effectiveness, efficiency and an ethical environment.

<table>
<thead>
<tr>
<th>Controls ACT 1</th>
<th>Organisational Structure</th>
<th>Control Environment</th>
<th>ERM</th>
<th>Information &amp; Communication</th>
<th>Control Activities</th>
<th>Monitoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Require</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Process</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy &amp; Procedure</td>
<td>Policy 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reporting Relationship</td>
<td>Report 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standards Of Behaviour</td>
<td>Standard 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organisational Structure</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Resource</td>
<td>Budget</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

It is only once this planning phase has been completed that a realistic assessment can be made if the objectives reflected in the different plans are to be achieved within the budget constraints. The planning process facilitates the consideration of alternatives such as moving an objective to the next year or developing other activities or revaluating the risk tolerance employed in ten Departments. This process of planning provides the basis of costing activities as well as the accompanied internal control measures implemented.

The detail regarding the matrix that requires the consideration during the planning phase is contained in **Pocket Guide**

The GGF give the department comprehensive and total approach to all the critical activities. It improves decision making processes and reduces guesswork. It provides a mechanism to answer important questions during the planning process and a mechanism to provide detail to the level of assurance that objectives at any given moment are achievable or not. Management is thereby enabled to take appropriate action on any level end to evaluate the impact of such action on the total process. It also provides management with the capability to pre-empt any risks that could occur as the result of changes or the failure of activities as a direct result of errors in planning.
The following diagram provides a total picture of the GGF.

It provides a global view of how the processes flow and feed into each other and it is apparent from this view that inter-dependencies exist that are critical for achieving governance excellence. Performing these activities in isolation will be detrimental to any process that strives towards excellence.

18. IMPLEMENTATION PROCESS

The framework provides the background and explanation for the information organised in the Pocket Guide and can be used by management for implementation. The purposes the implementation guide is to enable management to implement the framework starting with those areas that are receiving their attention at the time. This creates a situation where current activities can be automatically aligned with governance practices during the normal cause of the day-to-day operations. It further enable management to keep track of the level of progress made and allow them to use the guide as a reference document to keep track of the linkages between the various components of the Framework. It would also allow PGWC to systematically implement the framework in a coordinated manner across all the
departments. The implementation process can also be enhanced by aligning business- and operational plans by using the guidelines provided in **Pocket Guide**.

This systematically approach allows the implementation to take place and to make adjustments when required, without loosing the momentum of implementation or slowing down the progress made. The differences between departments are obvious and it can be assumes that some departments will be able to proceed at a faster pace with implementation than other departments. With the implementation guide, it is therefore possible, to have a coordinated implementation initiative on the one hand and at the same time allowing those departments that are ready, to continue the implementation process without being negatively influence by those that proceed at a slower pace. This enhances a seamless implementation process and synchronising the update of the framework at the same time.

The implementation guide further allows those responsible for coordinating the implementation to monitor the progress made by departments in a standardised manner. The **Pocket Guide** also enables the department to consider various output indicators that can be considered to develop measuring indicators and performance indicators on throughout the different plans. Although Pocket Guide C does not provide all the detail that can be applied during the alignment process, it can form the basis to develop alignment schedules that are uniquely developed to meet the requirement of individual departments. Therefore, it provides a guide rather that a prescript, and should be changed by individual departments to develop their own alignment practices.

*This process is ideally suite when the different plans are applied as rolling plans that are annually reviewed and updated, rather that new plans that are developed every year.*
CHAPTER 10: ALIGNMENT THE CURRENT BUDGET PROCESS

QUICK OVERVIEW

<table>
<thead>
<tr>
<th>Government governance</th>
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</thead>
<tbody>
<tr>
<td>➢ This section only provides a high level overview of the current budget processes</td>
</tr>
<tr>
<td>➢ Terminology between the budget process and the framework needs to be aligned</td>
</tr>
<tr>
<td>➢ This section recognised the challenge facing those responsible for the budget process and those responsible for preparing strategic plans, to develop aligned strategic plans and budget process that meet the requirements of government governance.</td>
</tr>
<tr>
<td>➢ Budget processes aligned with strategic plans must provide information to stakeholders (citizen) in such a manner that they can evaluate the activities of government and held government accountable for deviation to pre-approved plans and budgets.</td>
</tr>
<tr>
<td>➢ Good government governance demands transparency regarding alignment of budget and planning and practices that allows timely corrective action to be taken when needed.</td>
</tr>
<tr>
<td>➢ Government governance requires stakeholders to be actively informed in a manner that considers their understanding or lack of understanding.</td>
</tr>
<tr>
<td>➢ This section shows the current alignment from which it could be possible to develop improved governance practices relating to the budget and planning process</td>
</tr>
</tbody>
</table>

This section aims to provide a high level overview of how the GGF will generate information that would feed into the current processes. The detail of the relationship between the Framework and current process will be addressed during phase two. Currently documents like the Annual Reporting Guidelines issued by National Treasury and the Provincial Treasury guidelines for Preparing the Annual Budget are comprehensive in nature and would be compared in detail when the implementation guide of the GGF is developed.

29 Budget Circular No 2 - 2005/06
The GGF enables departments to enhance current processes that are mainly budget driven. Implementing the Framework allows financial control currently exercised to be improved with Governance Processes and therefore the result is Financial Government Governance.

Implementing the Framework will require an initial alignment with the current processes and possible changes in the future. Terminology in the current process also differs from those used in the Framework and will require changes. Meaningful changes can only take place once a mutual understanding exists between all role-players. In the meantime it would be beneficial to use different terminology to distinguish the different processes. This chapter provides an overview of the current process and how the GGF will feed into these processes.

19. **PLANNING, BUDGETING AND REPORTING FRAMEWORK FOR PROVINCIAL DEPARTMENTS**

The point of departure in this process is the five years electoral cycle functioning in the Republic of South Africa. The electorate gives by vote a mandate to the president and the cabinet to implement the majority party’s election manifesto. This process is trickled down process to provincial and local government.\(^\text{30}\)

The overarching goals and objectives of the new government are translated into Strategic Goals Strategic Objectives and Measurable Objectives that are contained in the Strategic and Performance Plan. These plans are developed within the resource envelope specified by the current Medium Term Economic Framework (MTEF). An annual performance plan is developed that reflects the measurable objectives and performance targets for the current fiscal year and the next two years. Annual performance agreements of Accounting Officers are directly linked to the annual performance plan and the annual budget. In essence this should make the accounting officer responsible for the implementation of the Annual performance plan agreement and budget.

\(^{30}\) Budget Circular No 2 - 2005/06 (p 17).
The Medium Term Economic Framework

**Year 0**

The framework and definitions regarding the strategic and performance plans emphasise the aim in producing such a plan so as to detail the department’s strategic priorities by focusing on strategically important issues. The following diagram shows how the different components of the proposed document fit together.
Aligning the GGF with the current strategic planning, performance management, budget and review and reporting process is an important action to make progress towards governance excellence. The current financial control would be enhanced with an integrated management process contained in the GGF. The following diagram on the next page reflects the integration between the GGF and the current processes.

It is important to note that the GGF is based on the principle of having all objectives and performance measurements linked, and performing detailed planning process for each activity. Ultimately it is the activities that are financed and where governance excellence is apparent. The GGF provides the mechanism to determine if the budget allocated is adequate and to make informed changes when reallocation of budget is required or when objectives and activities need to be reconsidered.
The mechanisms provided for planning in the GGF allow management to have a realistic perception of the probability that objectives can be achieved; it provides a firm hold on all the processes with the potential to make timely adjustments when demanded by unplanned changes. It provides an expense control to ensure that the objectives are achieved effectively and efficiently and it provides the means to identify those activities and processes that are closely linked with principles and values that ultimately result in the cultivation of an ethical environment and a “government” identity.

Phase two will focus on the development of a practical guide where the current processes can be enhanced by improvements that finally result in one integrated governance process.