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-RESEARCH ARTICLE-

DETERMINANTS OF NON-COMPLIANCE WITH CONTROL ACTIVITIES IN SOUTH AFRICAN GOVERNMENT DEPARTMENTS

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─Abstract─

This research holds considerable importance as it exposes core deficiencies within compliance frameworks and proposes actionable solutions aimed at fostering improved governance and service provision in South African governmental entities, specifically within the Eastern Cape Department of Rural Development and Agrarian Reform (ECDRDAR). It critically assesses the role and effectiveness of Internal Control Units (ICUs) in promoting compliance and operational accountability within the ECDRDAR. The study adopted a purposive sampling technique to select participants and employed a quantitative cross-sectional survey comprising 150 respondents through interviewer-administered questionnaires. The findings uncover both relational and predictive factors underlying non-compliance, including ineffective dissemination of compliance protocols, limited staff training, constrained autonomy of ICUs, and inadequate managerial backing. The study underscores the pivotal function of compliance in facilitating efficient public service delivery. The results advocate for data-driven policy interventions that prioritise capacity-building initiatives, effective communication, reinforced independence of oversight mechanisms, and robust strategic leadership. These reforms are vital for enhancing compliance standards, improving service outcomes, and restoring public confidence in governmental institutions.

Keywords: Internal Control Units, Compliance Support Structures, South Africa, Rural and Agrarian Reform, Public Service.

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INTRODUCTION

Public sector institutions in South Africa continue to face persistent barriers in delivering essential public services (Geqeza & Dubihlela, 2024). The 2025 report issued by the Auditor-General of South Africa identifies the mismanagement of public funds as a major contributor to ongoing inefficiencies in service delivery. Government departments repeatedly engage in unauthorised, irregular, wasteful, and fruitless expenditures, indicating systemic failure to comply with relevant financial legislation and internal control frameworks that regulate the acquisition of public goods and services. Key legislative instruments such as the Public Finance Management Act 1 of 1999 (amended by Act 29 of 1999) and the National Treasury Regulations of 2000 are intended to guide procurement and fiscal governance practices.

Alkhurayji et al. (2025) argue that the consequences of non-compliance include significant financial losses, which divert resources initially earmarked for achieving institutional objectives towards mitigating these losses, thereby diminishing service delivery capacity. Similarly, Van Antwerpen and Ferreira (2016) emphasise the necessity of improving service delivery through enhanced staff training to enable public employees to execute their duties competently. Moreover, effective public service provision depends on organisational structures composed of adequately skilled personnel who are supported in fulfilling their responsibilities (Makanyeza et al., 2013).

To address these deficiencies, ICUs were introduced within government departments to mitigate non-compliance with statutory and financial control frameworks. These legislative mechanisms are central to the financial governance and procurement practices of public institutions. The ICU's mandate is to support the internal audit function in ensuring adherence to financial regulations and control processes, thereby reducing the potential for fund misappropriation (Al-Hawatmeh & Al-Hawatmeh, 2016). Within the ECDRDAR, the ICU operates within the finance division, where it plays a pivotal role in safeguarding compliance procedures, reducing financial risks, and preventing fiscal mismanagement. Its function is strategically aligned with the finance division's broader objective of achieving departmental goals and operational targets (Coetzee et al., 2024).

Despite the ECDRDAR's statutory obligation to uphold an effective internal control system that promotes the prudent and efficient use of public funds for service delivery (Sebola et al., 2016), irregular expenditure remains widespread (Dlomo, 2017). Instances of non-compliance with procurement guidelines persist across public sector operations (Procurement, 2011). Factors contributing to these lapses include poor adherence to prescribed control activities, lack of institutional support for ICU functions, weak dissemination of compliance protocols, inadequate employee training, and compromised independence of the ICU. These challenges undermine

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comprehensive compliance with regulatory frameworks, increasing the likelihood of service delivery failures (Mabunda et al., 2023). Although international literature offers insights into public sector compliance issues, studies focused on the South African context remain limited. This research seeks to fill that void by highlighting the role of compliance in enhancing service delivery effectiveness.

Achieving efficient public service provision is integral to addressing South Africa's deep-rooted socioeconomic disparities (Sebola et al., 2016). In response, this study investigates the underlying factors contributing to non-compliance with control mechanisms in governmental departments. Its specific objectives include identifying and analysing the primary causes of non-compliance, assessing the efficacy of existing internal control systems, and presenting strategic recommendations to improve compliance and governance practices. Recent audits underscore the urgency of these efforts. For example, the Auditor-General's 2022/2023 report revealed over R166 billion in irregular expenditure, primarily due to weak enforcement of internal controls. A prominent case includes the Limpopo Department of Health, where poor procurement oversight resulted in mismanagement of personal protective equipment (PPE) funds during the COVID-19 pandemic (Glasser & Wright, 2020). Comparable patterns have been observed in other provincial departments, reinforcing the widespread nature of these governance challenges.

The value of this research lies in its potential to reconcile policy intentions with practical implementation by uncovering institutional shortcomings and recommending actionable reforms. Its outcomes not only inform internal control and compliance strategies within the ECDRDAR but also provide a framework for replication across other government departments striving to improve governance and public service delivery in South Africa.

LITERATURE REVIEW

The Lack of Management Support towards the ICU Role

Management's commitment to upholding the provisions of the PFMA and implementing recommended measures to mitigate financial mismanagement illustrates its formal endorsement of the ICU's mandate (Geqeza & Dubihlela, 2024). Such endorsement enhances the morale of ICU personnel, fostering a sense of assurance and reinforcing the perception that their functions contribute meaningfully to departmental performance. Nevertheless, in operational reality, management often neglects to address known compliance deficiencies, thereby exposing the department to ongoing fiscal mismanagement and enabling the recurrence of financial irregularities. A further contributor to persistent non-compliance is the inadequate dissemination of compliance protocols across all levels of staff.

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Lack of Communication and Dissemination of Information

The Information and Communication component within the COSO framework highlights the necessity of ensuring that pertinent, accessible, and dependable information is made available to enable individuals to carry out their responsibilities effectively and promptly (Channar et al., 2015). In practice, however, there is a significant communication gap concerning the structure and procedures related to compliance support. Many finance staff remain unaware of the ICU's functions and responsibilities, resulting in a limited understanding of its role within the department. This lack of clarity impedes employees' ability to perform their duties in alignment with regulatory expectations, frequently culminating in breaches of PFMA provisions.

A notable contemporary challenge arises from the accelerated digital transformation of public financial management systems. Digital platforms, including South Africa's Integrated Financial Management System (IFMS), are designed to improve transparency and promote accountability. Nonetheless, their success is often compromised by inadequate user adoption, limited institutional capacity, and vulnerabilities in cybersecurity infrastructure (Agbor, 2019). These deficiencies affect not only compliance levels but also expose financial systems to fraud and data security risks. The COSO framework offers a structured basis for identifying and mitigating such risks, with specific focus on risk assessment and ongoing monitoring. However, integrating digital solutions necessitates modifications to accommodate risks unique to technological environments. For example, evidence from Estonia demonstrates the critical importance of embedding cybersecurity protocols into internal control systems to secure digital processes (Agbor, 2019). Likewise, Kenya's experience with digital tax platforms illustrates the essential role of continuous staff training and skills development in ensuring that public officials are equipped to oversee digital control mechanisms effectively (Mabunda et al., 2023).

Another pressing development is the handling of large-scale data within public financial decision-making processes. Although digitalisation has led to the generation of extensive data sets that could enhance governance, the absence of formalised data governance strategies and limited analytical capabilities often constrains their utility. These realities point to the necessity for public sector bodies to align digital innovation with the core principles of the COSO framework, ensuring that technology strengthens, rather than weakens, internal control systems. Within the South African context, achieving this alignment requires not only investment in technological infrastructure but also targeted efforts in capacity building and the formulation of context-specific guidelines to facilitate the effective implementation of the COSO framework in a digital environment. Addressing these dimensions can support the evolution of internal control systems to meet the demands of modern public sector governance.

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Inadequate Employee Training

According to (Sommerville, 2007), training constitutes a structured process through which individuals acquire the necessary knowledge to function effectively within their professional environments. This process has a direct influence on employee conduct across the organisation (McClelland, 2002). Nevertheless, when training provisions are inadequate, they tend to adversely affect employee satisfaction and diminish overall performance, thereby placing the standard of service delivery at risk (Lashley & Best, 2002).

Lack of ICU Independence

Independence is assessed based on the degree to which duties can be executed without external influence or conditions that might impair impartiality (Coetzee et al., 2024). In practice, however, the ICU appears constrained in fulfilling its mandated responsibilities. Organisational structures place ICU personnel under the authority of the Chief Financial Officer (CFO), introducing a latent risk of managerial interference in ICU functions. Such interference compromises the integrity of compliance processes, perpetuates instances of non-compliance, and heightens the risk of misappropriating public funds. These conditions ultimately undermine the effectiveness of service delivery.

Comparative Insights from International Studies on Internal Controls in Public Sector Governance

In comparative terms, nations such as Kenya and Nigeria have encountered parallel obstacles in establishing effective internal control mechanisms within their public sectors, largely stemming from fragile institutional structures and limited operational capacity (Ryu & Chae, 2023; Wi Chung & Chae, 2024). Conversely, countries like Estonia and Denmark have implemented strong internal control frameworks aligned with global best practices, which have contributed to elevated compliance rates and enhanced public confidence in governmental institutions (Abdullah et al., 2018). These international comparisons offer a valuable reference point for identifying deficiencies and areas for reform within the South African context. Through the integration of theoretical frameworks and empirical findings, this study seeks to advance the understanding of the factors underlying non-compliance and to develop strategic approaches aimed at reinforcing internal control systems. In doing so, it aspires to support more effective governance and greater financial accountability.

Theoretical Framework

This research is grounded in principal-agent theory, which conceptualises the dynamic between parties wherein the principal delegates responsibilities to the agent for execution on their behalf (Geqeza & Dubihlela, 2024). Within this theoretical

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framework, agency theory posits that ICUs are instituted in the ECDRDAR to support the Accounting Officer (AO) in managing internal control functions and to provide a reasonable level of assurance regarding the department's operational effectiveness, thereby reinforcing public confidence in the stewardship of taxpayer funds (Abdulkadir & Alifiah, 2020). This alignment with agency principles is also evident when departments proactively compile financial reports to demonstrate transparency and accountability.

Consistent with this theoretical foundation, the establishment of the ICU serves to reassure oversight authorities that the department maintains adequate internal controls, effective risk mitigation strategies, and sound governance structures (Fashami et al., 2020). Accordingly, the theory is pertinent to this study, as ICUs function in the role of agents, while the government assumes the role of principal. The government relies on these units to enforce regulatory compliance and financial control measures, aiming to curtail unauthorised, wasteful, fruitless, and irregular expenditures. Nonetheless, the ICU's capacity to enforce these controls is constrained by limited autonomy and authority, which impairs its ability to ensure full adherence to financial governance standards.

Research Methodology

The study adopted a quantitative research design, employing a structured questionnaire as the primary data collection instrument. The target population comprised the ECDRDAR's central office along with its seven district branches. Participants were selected through a purposive sampling strategy, wherein inclusion was limited to individuals with a minimum of two years' experience working within the ICU at the ECDRDAR. A total of 150 ICU personnel formed the final sample for data collection. Given the subjective nature of purposive sampling, there exists the potential for bias, particularly if selection criteria are inadequately defined or certain characteristics of the population are overlooked. To mitigate this risk, the researcher adhered strictly to predefined selection parameters. Additionally, a pre-test of the questionnaire was conducted to enhance both the validity and reliability of the instrument. Although purposive sampling inherently limits the generalisability of findings beyond the selected participants, due to its criterion-based approach, the chosen sample size can still be considered appropriate. This is particularly relevant in quantitative research, where a minimum of 30 respondents is generally deemed acceptable for statistical analysis (Eichler et al., 2018). Hence, the sample size employed in this study is considered sufficient to represent the intended population.

Data Analysis

To minimise potential bias during data collection, the researcher ensured that all participants met the established eligibility criteria. Subsequently, a total of 150

interviewer-administered questionnaires were distributed to the selected respondents. All 150 surveys were completed and returned, resulting in a full response rate of 100 percent. The data gathered through the questionnaire were analysed using SPSS software, with the findings presented through descriptive statistical methods, as detailed in the subsequent sections.

RESULTS AND DISCUSSION

Descriptive Sample Means

The analysis employed three core measures of central tendency—mean, median, and standard deviation—to interpret the results. As noted by Kanyosa and Magasi (2025), the mean is commonly utilised to rank or prioritise items, whereas the median reflects the central point within a distribution. These statistical indicators were applied within the context of a five-point Likert scale. On this scale, a mean score of 3 denoted a neutral or moderate position. Mean values exceeding 3 (specifically 4 and above) indicated agreement, while values below 3 were interpreted as disagreement. The computed mean scores corresponding to the five assessed variables are presented in Table 1.

Table 1: Factors Leading to Non-Compliance of Control Activities

	1	2	3	4	5	Total Agreement
ICU Lacks Management Supported	13%	22%	12%	35%	21%	55%
The Role of ICU is Not Clearly Communicated to All Departmental Employees	9%	19%	15%	36%	23%	58%
Employees Lack Adequate Training	6%	10%	33%	43%	9%	52%
ICU Lacks Independence	6%	14%	18%	40%	22%	61%

Reliability and Validity of the Results

To assess the reliability of the survey instrument, Cronbach's Alpha was employed. According to McNeish (2018), data reliability refers to the extent to which collected information is accurate, comprehensive, and relevant to the concept being investigated. Cronbach's Alpha was utilised to evaluate the consistency with which different items within the questionnaire measured the same underlying construct. The instrument demonstrated strong internal consistency, yielding a reliability coefficient of 0.90, which indicates a 90 percent level of dependability. The detailed results of the reliability analysis are displayed in Table 2. Kerlinger and Lee (2000) assert that a reliability coefficient of 0.60 or above represents an acceptable standard of reliability. In light of this benchmark, the data obtained in this study were deemed to possess sufficient reliability for analytical purposes.

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Table 2: Cronbach's Alpha Values for the Reliability Test

Constructs	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items
FLNCA	.862	.863
Note: FLNCA= Factors Leading to Non-Compliance of Control Activities		

CORRELATION ANALYSIS

To evaluate the validity of the survey findings, a correlation analysis was conducted. The Pearson correlation coefficient (r) was employed to identify and measure the strength and direction of linear relationships among the variables. This statistical approach also enabled the assessment of the significance of associations between constructs. The primary construct under investigation was the set of factors contributing to non-compliance with control activities. The outcomes of this analysis are summarised in Table 3. The inter-item correlation analysis for the factors contributing to non-compliance with control activities revealed correlations ranging from weak to strong, observed at two levels of statistical significance ($p = 0.05$ and $p = 0.01$). Overall, the analysis indicated a positive relationship among the items, thereby supporting the validity of the survey results.

Table 3: Factors Leading to Non-Compliance of Control Activities

Correlations							
	Means	**SDV**	**ICUIS**	**ICUS**	**ICUCF**	**ICUAT**	**ICUIO**
ICUIS	2.65	1.253	1				
ICUSM	3.18	1.293	.148	1			
ICUCF	3.44	1.282	.211*	.715**	1		
ICUAT	3.40	.979	.064	.239*	.276**	1	
ICUIO	3.57	1.161	.248**	.119	.219*	.289**	1

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).
NOTE: ICUIS = ICU has incompetent staff; ICUSM = ICU is not supported by the Management; ICUCF =
ICU role is not clearly communicated among the finance staff; ICUAT = ICU staff lacks adequate training;
ICUIO= ICU staff independence and objectivity is impaired.

FACTOR ANALYSIS

As explained by Yong and Pearce (2013)Yong and Pearce (2013), factor analysis is based on the premise that observable and measurable variables can be consolidated into a smaller set of underlying factors that account for shared but latent variance. This statistical technique facilitates the simplification of extensive datasets by clustering related items into coherent and interpretable categories. In this study, Principal Component Analysis (PCA) was utilised, applying the orthogonal Varimax rotation method in conjunction with Kaiser Normalisation, consistent with the

methodology adopted by Dubihlela and Chauke (2016). PCA served to extract significant factors that satisfied the minimum eigenvalue threshold of 1.00, as detailed in Table 4: Total Variance Explained. The Varimax rotation with Kaiser Normalisation further aided in identifying factors that met the extraction loading criterion of 0.40. As presented in Table 4, five components were identified with eigenvalues equal to or greater than 1. The percentage of total variance explained by each extracted factor is displayed in the "% of Variance" column. For example, the first component alone accounted for 23 percent of the overall variance among the five examined variables. Collectively, the five factors explained 61 percent of the total variation within the dataset, indicating a statistically meaningful result.

Table 4: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	9.384	31.280	31.280	9.384	31.280	31.280	6.895	22.982	22.982
2	4.017	13.391	44.671	4.017	13.391	44.671	3.563	11.878	34.860
3	2.203	7.345	52.016	2.203	7.345	52.016	3.002	10.007	44.867
4	2.032	6.774	58.790	2.032	6.774	58.790	2.838	9.459	54.326
5	1.642	5.474	64.264	1.642	5.474	64.264	2.030	6.766	61.092

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation Converged in 10 Iterations.

FACTOR LOADINGS AND EXTRACTION

Yong and Pearce (2013)Yong and Pearce (2013) describe factor loading as a key analytical tool within factor analysis used to assess the strength of the relationship between individual variables and their underlying components. In this study, the identified components and their associated rotated loadings are presented in Table 5, highlighting only those values deemed meaningful for interpretation.

The extraction process was based on communalities, with all eigenvalues below one excluded from further consideration. Following rotation, the sums of squared loadings—representing both explained variance and eigenvalues—were derived and adjusted. PCA was employed to aid interpretability, during which minor coefficients were suppressed and eigenvalues under 1 were omitted by applying the Varimax rotation to the loading matrix.

As detailed in Table 5, seven variables were retained for further analysis, guided by the application of these methodological procedures. The primary objective was to isolate item loadings exceeding 0.40, which were considered sufficiently strong for interpretative purposes. Components containing two or fewer items were excluded, as they failed to demonstrate a meaningful association. The final output, as illustrated in

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Table 5, resulted in a seven-factor solution with a clear and interpretable structure, where all retained loadings surpassed the 0.40 threshold. The subsequent section describes the individual items and statements that correspond to each factor. To determine the latent constructs underlying the data, the analysis focused on identifying thematic similarities among the highest-loading variables.

Table 5: Rotated Component Matrixa

Factors					
	1	**2**	**3**	**4**	**5**
Assurance of Financial Reliability and Integrity	.863				
Assurance of Operations Efficiency	.852				
Assurance of Effective Role in Departmental Activities	.829				
Assurance of Correct Accounting Data	.827				
Assurance that Financial Fraud is Prevented	.800				
Assurance of Accurate Financial Information Provided that Support Strategic Managerial Decisions	.799				
Assurance that Better Service Delivery is Attained	.769				
Assurance that Departmental Funds are Safeguarded	.671				
Assurance that Monitoring Procedures are Established	.653				
Improvement of Governance		.838			
Mitigation of Financial Risk		.769			
Improvement in the Functioning of Controls		.768			
Compliance with Controls		.700			
Prevention Irregular Expenditures			.891		
Prevention Wasteful and Fruitless Expenditures			.877		
Prevention Unauthorized Expenditures			.860		
Validity of Payments Made				.888	
Validity of Subsistence and Travel Allowance Payment Claims				.836	
Compliance of Commitment (Orders)				.797	
Validity and Correctness of Personnel-Related Claims				.506	
ICU is not Supported by the Management					.902
The Role of the ICU is not Clearly Communicated among the Finance Employees					.832
ICU Employees' Independence and Objectivity is Impaired					.776

After ten iterative rotations, the component matrix achieved convergence, yielding a stable factor structure as reflected in Table 5. The analysis identified a seven-item solution, with factor loadings distributed across five distinct components:

1. Provision of Assurance Services: This component encompassed nine items, each linked to the ICU responsibility in delivering assurance services. High loadings were observed for items such as ensuring financial reliability and integrity (0.86), improving operational efficiency (0.85), establishing a proactive role within departmental activities (0.83), maintaining accurate accounting records (0.83), preventing financial fraud (0.80), providing accurate financial data to support strategic

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decision-making (0.80), enhancing service delivery (0.77), safeguarding departmental finances (0.67), and implementing appropriate monitoring procedures (0.65). Due to their collective emphasis on assurance functions, this factor was designated "Provision of Assurance Services."

2. Need for Managerial Support: Four variables loaded onto this factor, each emphasising the necessity of management involvement in supporting ICU functions. These included obtaining management support to strengthen governance (0.84), mitigate financial risk (0.77), improve the effectiveness of internal controls (0.77), and promote compliance with prescribed measures (0.70). Given the strong dependency on leadership involvement, this component was termed "Need for Managerial Support."

3. Preventative Measures for Financial Mismanagement: This component comprised three items centred on the ICU's preventive role in mitigating financial irregularities. Specifically, the items referred to the ICU's role in preventing irregular expenditure (0.89), avoiding wasteful and fruitless spending (0.88), and curbing unauthorised expenditure (0.86). As these items emphasised risk prevention, this factor was labelled "Preventative Measures for Financial Mismanagement."

4. Weak Monitoring and Evaluating Control Activities: This factor included four items reflecting the ICU's oversight in verifying financial processes. Key aspects included the necessity for management backing to ensure payment validity (0.89), validation of subsistence and travel allowances (0.84), adherence to purchase order procedures (0.80), and accuracy checks on personnel-related claims (0.51). Due to their alignment with oversight and verification roles, this factor was named "Weak Monitoring and Evaluating Control Activities."

5. Lack of Independence: The final component comprised three variables highlighting challenges to the ICU's autonomy. These included the absence of managerial support (0.902), limited awareness of the ICU's role among financial personnel (0.832), and perceived impairment of ICU staff's independence and objectivity (0.78). Given the overarching concern regarding compromised autonomy, this factor was designated "Lack of Independence."

ANALYSIS OF VARIANCE

Analysis of Variance (ANOVA) is a widely employed statistical technique that enables researchers to evaluate whether different sample groups originate from populations with similar mean values. It is particularly useful for testing the homogeneity across multiple data categories and assessing their statistical significance (Alwan & Kanaan, 2024). In this study, a one-way ANOVA was utilised to examine whether the observed differences in the results were statistically significant. The analysis specifically focused on job position and years of work experience as the only demographic

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variables, as other categorical factors were excluded due to their lack of statistical relevance. Descriptive statistics, including the mean and standard deviation, were calculated for the dependent variables within a 95% confidence interval.

Table 6: ANOVA

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

The findings indicated a statistically significant variation in mean values across job positions (One-way ANOVA, $F = 13.692$, $df = 4,105$, $P < 0.001$). Similarly, a significant difference was observed in the average years of work experience across the sample (One-way ANOVA, $F = 16.141$, $df = 2,107$, $P < 0.001$). To identify specific group differences, a Tukey post hoc test was performed, which revealed statistically significant disparities between the entry-level group and other positions. These included differences between entry-level and State Accountant ($P = .001$), Senior State Accountant ($P = .001$), Assistant Manager ($P = .002$), and Manager or higher ($P = .001$). To investigate further the differences among the groups based on years of experience, a Tukey post hoc analysis was conducted. The results revealed statistically significant distinctions in the dependent variable—years of experience—between the 0–1 year group and both the 2–5 years and more than 5 years groups, with p-values of .001 for each comparison. Other variables were excluded from the analysis as they did not yield statistically significant outcomes.

Table 7: Tukey HSD Working Position

(I) What is your designation (working position)?	(J) What is your designation (working position)?	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Entry Level	State Accountant	-.893*	.174	.000	-1.38	-.41
	Senior state Accountant	-1.041*	.182	.000	-1.55	-.54
	Assistant Manager	-1.118*	.204	.000	-1.68	-.55
	Manager or Above	-.851*	.221	.002	-1.46	-.24
*. The mean difference is significant at the 0.05 level.						

Finding

The findings indicated that insufficient employee training, limited ICU autonomy,

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ineffective communication of compliance procedures among finance personnel, and inadequate managerial support are the primary relational and predictive factors contributing to non-compliance with control activities. These results carry significant implications for agency theory, managerial practices, departmental operations, institutional policies, and the broader systemic framework.

PRINCIPAL-AGENT THEORY IMPLICATIONS

This theoretical framework explores the conflicts of interest that may arise between principals (such as the government) and agents (such as employees or operational managers). Instances of non-compliance with control activities reflect several core issues within this framework:

Information Asymmetry: Ineffective communication of compliance procedures creates an imbalance of information between the government and its employees, potentially resulting in actions that do not align with departmental objectives.

Moral Hazard: A deficiency in employee training and a lack of managerial support may foster risk-averse or non-compliant behaviour, thereby weakening the efficacy of internal control systems.

Agent Accountability: Limited autonomy of the internal control unit suggests an impaired ability to monitor agent activities adequately, thereby diminishing accountability structures necessary for ensuring that employee actions are consistent with departmental expectations.

MANAGEMENT IMPLICATIONS

From a managerial perspective, the findings highlight specific deficiencies that, if addressed, could enhance compliance and reinforce internal control systems.

Improving Communication: Management must establish transparent and consistent communication pathways to ensure that compliance procedures are clearly conveyed and understood across all tiers of finance personnel.

Training and Development: It is essential to implement regular and structured training programmes aimed at developing employee competencies necessary for the effective application of internal controls.

Support for Internal Control Units: The effectiveness of internal control functions is compromised by limited independence and insufficient institutional support. Management should guarantee that these units are structurally autonomous and equipped with adequate authority and resources to operate effectively.

Promoting a Culture of Compliance: Cultivating an organisational culture that

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emphasises the importance of internal controls can foster behaviour that is consistent with institutional objectives, thereby improving compliance outcomes.

DEPARTMENTAL IMPLICATIONS

The department's operational dynamics underscore the role of institutional norms, values, and structural arrangements in shaping organisational conduct. Several deficiencies have emerged from the findings.

Legitimacy Issues: The evident lack of management backing for internal control units may convey to both employees and external stakeholders that compliance lacks strategic importance, thereby undermining the organisation's legitimacy.

Institutionalisation of Practices: Deficient communication and insufficient employee training reflect a failure to embed internal control protocols within routine organisational processes. There is a pressing need to institutionalise these practices to ensure long-term adherence and effectiveness.

Copied Demands: The department may benefit from benchmarking its internal control and compliance frameworks against established industry standards. Adopting such externally validated practices can foster consistency and enhance procedural rigour.

Regulative Forces: The internal control unit’s limited autonomy reveals a broader weakness in the regulatory infrastructure. Strengthening enforcement mechanisms and ensuring robust structural independence are necessary to uphold and sustain compliance.

POLICY AND PRACTICE IMPLICATIONS

The findings—namely poor communication of compliance procedures, insufficient employee training, limited independence of the ICU, and a lack of management support—reveal fundamental structural and governance deficiencies requiring immediate intervention. These issues not only compromise the effectiveness of internal control systems but also hold substantial implications for the development of robust public financial management frameworks.

Poor Communication of Compliance Procedures

Implications for Policy: Policy frameworks should prioritise the establishment of clear, consistent, and standardised communication strategies to convey compliance procedures. Ambiguities or inconsistencies in communication frequently result in misinterpretations and irregular implementation, which contribute to non-compliance. Developing accessible policy guidelines and utilising digital communication platforms can help to mitigate these challenges.

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Implications for Practice: From a practical perspective, the regular dissemination of information regarding compliance updates—through structured workshops, internal circulars, and digital alerts—is critical. Incorporating feedback channels will also enable staff to gain clarity and better internalise compliance expectations.

Inadequate Employee Training

Implications for Policy: The absence of sufficient training reflects a broader systemic failure to prioritise capacity-building within public sector reform agendas. Policy directives should institutionalise mandatory, skills-based training programmes for finance personnel, with an emphasis on current developments such as digital finance tools and risk mitigation practices. Dedicated budget allocations for continuous learning initiatives will further support this institutionalisation.

Implications for Practice: On a practical level, training initiatives should aim not only to enhance procedural understanding but also to cultivate a culture grounded in ethical responsibility and accountability. Approaches such as peer learning, mentorship schemes, and collaboration with accredited external training providers can significantly enhance the development of staff competencies.

Lack of ICU Independence

Implications for Policy: The limited autonomy of ICUs indicates a structural governance weakness that compromises the impartial execution of compliance oversight. Policy reforms should mandate structural realignment, ensuring that ICUs report directly to autonomous bodies such as the Auditor-General or an independent oversight authority, rather than internal management.

Implications for Practice: In operational terms, maintaining ICU independence requires safeguards around decision-making authority, staffing autonomy, and control over resource distribution. Measures such as instituting whistle-blower protections and promoting transparency in ICU activities can further reinforce trust and institutional integrity.

Lack of Management Support

Implications for Policy: Policy measures must underscore the essential role of leadership in promoting a culture of compliance. This can be achieved by embedding compliance-related metrics into managerial performance assessments and enforcing accountability for non-compliance within leadership structures.

Implications for Practice: Practically, management must visibly and consistently engage in compliance-related efforts. This includes active involvement in staff training, public endorsement of ICU mandates, and modelling a tone of accountability that cascades throughout the organisation.

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BROADER SYSTEMIC IMPLICATIONS

Erosion of Governance Structures: The findings indicate underlying weaknesses in governance structures, where ineffective communication, inadequate training, and insufficient independence collectively impair the implementation and oversight of internal controls. If left unaddressed, these deficiencies may sustain a cycle of inefficiency, financial mismanagement, and potential corruption.

Policy Fragmentation: The absence of a cohesive policy framework to simultaneously address communication, training, and independence issues has led to fragmented efforts in the execution and supervision of compliance activities. A comprehensive policy overhaul is therefore required to incorporate these elements into a harmonised and integrated compliance framework.

Increased Risk of Fraud and Mismanagement: The lack of strong ICU structures and limited managerial backing heightens the vulnerability to fraudulent activities, poor resource management, and waste. These risks directly compromise the quality of public service provision and hinder the achievement of development objectives.

Need for a Cultural Shift: Resolving these systemic issues necessitates a transformation in organisational culture, whereby compliance is internalised as a fundamental aspect of ethical governance rather than perceived as a procedural obligation. Promoting such a cultural change is essential to reinforcing accountability and institutional integrity.

CONCLUSION AND RECOMMENDATIONS

Drawing upon the study's findings, which identified key contributors to non-compliance—including inadequate staff training, limited independence of ICUs, ineffective communication of compliance procedures among financial personnel, and insufficient managerial support—the following practical strategies are proposed:

Develop Comprehensive Compliance Frameworks: A consolidated compliance framework should be formulated, encompassing structured communication channels, systematic training programmes, and autonomous oversight mechanisms. Training initiatives must be robust and tailored to enhance employees' technical competencies and conceptual understanding. Cross-functional training should be introduced to improve awareness of departmental interdependencies and associated risks. Technological tools ought to be leveraged to optimise communication efficiency and streamline training delivery.

Enhance Oversight and Monitoring: The establishment of independent audit committees is essential to strengthen ICU governance and ensure conformity with recognised international standards. Active support from leadership is vital and should

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include the allocation of sufficient resources and the incorporation of compliance benchmarks within managerial performance assessments.

Foster Leadership Accountability: To promote a culture of responsibility, compliance indicators should be embedded within performance appraisals and incentive systems for leaders. The adoption of external benchmarks and regulatory frameworks will assist in formalising and sustaining best practices throughout the institution.

Capacity Building: Investment in continuous professional development is necessary to keep pace with the changing compliance landscape, especially in areas influenced by digital transformation. A formal structure should be established for regular compliance audits, complemented by partnerships with external specialists to reinforce ICU operations and offer more precise guidance.

Adopt a Holistic Approach: A systemic perspective is required to effectively address these challenges. Integrating internal control reforms into broader governance efforts—such as national anti-corruption agendas and public sector modernisation strategies—can lead to more sustainable compliance and improved institutional governance.

By addressing these critical areas, institutions can not only reduce non-compliance risks but also strengthen their financial oversight and governance capacities.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

While this study adds meaningful insights to both academic literature and practical governance discourse, several limitations must be acknowledged. Firstly, the research was confined to the finance division of the ECDRDAR, thereby limiting the scope and generalisability of the results. Future studies should consider including various government departments across South Africa with established ICUs, thus enabling broader applicability of the findings. Moreover, the current study employed a quantitative methodology. Subsequent research may benefit from a mixed-methods approach, combining quantitative analysis with qualitative insights obtained through interviews or focus groups involving senior management. This triangulated approach could yield a more nuanced understanding of the contextual and behavioural dynamics surrounding compliance practices. Although the sample size of 150 finance personnel was adequate for the study's scope, future investigations should aim for more extensive samples, incorporating staff from multiple departments, government entities, and local municipalities. Such efforts would enhance the statistical robustness and relevance of the findings. Despite these limitations, the study makes a valuable contribution by illuminating the role of ICUs in financial governance within the South African public sector—an area that remains underexplored in existing literature.

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