FINANCIAL REPORTING AS A TOOL FOR PROMOTING ACCOUNTABILITY AT METSIMAHOLO LOCAL MUNICIPALITY

by

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DECLARATION

I declare that the financial reporting as a tool for promotion and accountability at Metsimaholo Local Municipality is my own work. It is being submitted for the Master in Public Management and Governance degree, to the North West University, Vanderbijlpark. It has not been submitted before, for any degree or examination to any other university.

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OCTOBER 2012
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ABSTRACT

Sound financial management is a growing concept in the public sector, especially in local government. The South African government has put in place policies and mechanisms to create a conducive environment for municipalities to manage finances in an effective manner. The management of municipal finance is supported by a set of policies and regulations to strengthen the use of public money. Among the respective policy frameworks, the Constitution of the Republic of South Africa expects the government entities to be transparent and accountable. Here in, these financial measures are also guided by the Municipal Finance Management Act 56 of 2003 and the Public Finance Management Act 1 of 1999 (as amended 29 of 1999). Measured transparency is critically important for management public funds. Accountability is an essential element in achieving institutional goals, especially where public funds are used. Accountability allows public institutions to provide assurance to the tax payers and to their principals.

The Auditor General expects municipalities to be accountable for their financial activities through regular reporting. The Annual Report will therefore be compiled for reporting and it must include all required information. Audit Committee becomes very critical, as a structure established to guide the municipality on finances and ensure that the report is credible in every respect. Metsimaholo municipality has however been facing challenges as per the opinions of the Auditor General based on financial reporting, amongst other things.

This study involves the extent to which financial reporting serves as a tool for promoting accountability. In order to test the hypothesis, literature was reviewed to analyse and evaluate financial reporting and accountability. Empirical research was conducted to test and analyse the existence of practices, procedures and policies that promote sound financial management and their effectiveness. Data was collected through questionnaires and face
to face structured and unstructured interviews, with respondents from employees of Metsimaholo Local Municipality and community structures.

This study found among others that:

- Policies for financial reporting exist but are not fully complied with

- There is a lack of follow up with and implementation of Auditor General’s recommendations

- Audit Committee recommendations are not fully implemented

- There are no clear lines of responsibilities between councillors and officials with regard to financial management

The study concludes with recommendations to assist the municipality in committing themselves to adopt strategies towards financial reporting for improved accountability.
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CHAPTER 1

INTRODUCTION AND PROBLEM STATEMENT

1.1 INTRODUCTION AND BACKGROUND

Financial management is a very critical phenomenon and remains core to the agenda of service delivery and proper governance in South Africa. Visser & Erasmus (2002:6) define public financial management as an important tool for mobilisation, allocation and utilisation of resources effectively, efficiently and economically in order to achieve the developmental objectives of government. National, provincial and local spheres of government have a responsibility of ensuring that proper financial management is a reality. Local government is a very important sphere of government which serves the needs of the communities at grassroots directly (Van der Waldt et al., 2007:4). As emphasised by Ababio (2007:3), municipalities are in the forefront of improving the lives of the people for the better by delivering goods and services. This means that, municipalities have a bigger responsibility of ensuring the delivery of services to the people. For the mere fact that there is a direct contact with the people, it is obvious that accountability and transparency on the affairs of the municipality are important.

The Municipal Finance Management Act 56 of 2003 provides a foundation for an orderly and sound financial management principles and practices in local government. It lays down norms and standards which involve regulation, setting requirements for efficiency and effectiveness, defines responsibilities and determine frameworks for governance of finances (van der Waldt et al., 2007:192). The other important policies are the Municipal Systems Act 32 of 2000 and the Municipal Structures Act 117 of 1998 which form the basis of a transparent and accountable governance of municipalities.

Accountability is defined, according to van der Waldt (2004:46), as a process whereby a person or a group of people can be held accountable for their conduct. Author further outlines that financial accountability is more focused
on procedure and compliance. For the fact that public money is handled by officials whom are given mandate by different legislations, accountability is a basic principle of the management of public finance. It is required that the use of these finances become transparent, which is a requirement that makes reporting of activities thereof important (Pauw et al., 2009:28). Ababio (2007:5) adds that accountability can be further defined as the answerability for performance and the obligation that public functionaries have to give a satisfactory explanation to the public concerning the exercise of power, authority and resources entrusted to them. Ababio (in Kakumba and Fourie 2007:4), outlines the tenets of accountability as:

- undertaking official decisions and activities in a transparent way by capturing various stakeholder’s interest;
- optimum use of resources – taking consideration of value for money and cost-benefit analysis, with no tolerance for waste and corruption;
- adherence to ethical and professional standards and regulations;
- responsiveness to community needs as much as possible with prioritisation;
- viable mechanisms of providing feedback and information to the public; and
- effort to foster awareness and civil society participation.

It is not the responsibility of officials only to give account on municipal finances and there are different aspects of accountability. They are described by Ababio (in Kakumba and Fourie, 2007:7) as hierarchal, legal, political and professional. This simply means officials, politicians, legislation and communities play an important role in accountability.

Government institutions at all levels lack accountability and simultaneously communities demand the greater value for money. The only way to resolve the accountability crisis is to release formal, public reports which the public can utilise to obtain information about the work done (Visser & Erasmus 2002:342). Financial reports form part of the most important information that
can give clear accountability to the public, and all relevant stakeholders in governance. Financial reporting is one of the important aspects of financial management that ensures accountability and transparency in the management of public funds. The Public Finance Management Act 1 of 1999 as amended by Act 29 of 1999 further emphasises financial reporting as an integral part of sound financial management (Visser, 2006:142).

Financial reporting is undertaken through Annual Reports, financial statements and balance sheet, quarterly and monthly reports. The Auditor General, the Audit Committee, an Oversight Committee and Municipal Councils play an important role of receiving financial report and ensuring they are up to the standards as set by PMFA and MFMA. Monitoring and evaluation is central to their responsibility in municipal financial reporting. The Executive Mayor, Chairperson of Oversight Committee, Municipal Manager, Chief Financial Officer, Executive Directors and finance officers have a responsibility to ensure that finance reports are compiled according to the law, norms and standard and ensure there is feedback amongst internal and external relevant stakeholders, such as community and office of the Auditor General. They must adhere to timelines and adhere to the frameworks developed to guide the process.

This study will look at the causes of lack of accountability on financial performance of Metsimaholo Local Municipality. This study intends to engage officials and politicians on financial reporting as a tool to promote accountability and further propose probable solutions.

1.2 PROBLEM STATEMENT

Municipal finances remain a cornerstone on the delivery of quality services to communities and creation sustainable livelihoods. Therefore sound financial management must be in place to ensure that the goals and targets of the municipality are met efficiently and effectively. The specific problem of this study is to examine the lapses in accountability of Metsimaholo Local Municipality on its financial activities which tend to delay service delivery.
These lapses are as reported in reports of the Auditor-General which are made public for community comment.

Metsimaholo Local Municipality is based in the Free State Province, in Fezile Dabi District. It is composed of Sasolburg, Vaalpark, Zamgela, Deneysville, and Oranjeville. It is situated in the northernmost corner of the Free State Province, which forms part of Vaal Triangle. The municipality covers an area of 1739 square kilometres and it is inhabited by approximately 154 658 people. The population groups are African, Indian, and Coloured and white (Municipal Annual Report 2009-2010).

The Auditor General, Mr. Terence Nombembe, in Metsimaholo Annual Report 2009/2010, gave a disclaimer opinion to the municipality due to, amongst others, the following reasons:

- inadequate audit evidence on assets register which is not sufficiently detailed and accurate in respect of its infrastructure, community, housing assets nor land and buildings
- Non-compliance with standard practice
- Irregular, fruitless and wasteful expenditure

Part of the important aspects cited by the Auditor General is lack of commitment by politicians and accounting officers to give adequate information which gives clear accountability on finances. The municipality processes its reports through the internal audit committee, oversight committee, Mayoral Committee and Council, but despite all these mechanisms in place, accountability and transparency remains an area of concern. Although the legislative frameworks and policies are put in place to strengthen the financial performance in municipality, there is still a gap on transparency and accountability on financial activities.

This study aims to look at the following research problem: The extent to which Metsimaholo Municipality is able to account on its financial activities for effective and efficient use of resources and improved service delivery.
1.3 HYPOTHESIS

According to Bless & Higson-Smith (in Brynard & Hanekom 2006:21) “A hypothesis is a suggested preliminary, yet specific answer to a problem which has to be tested empirically as a concrete answer and incorporated into a theory”. As referred by the definition, the hypothesis of the study is stated as follows:

- The effective implementation of financial reporting may improve accountability for enhanced service delivery in Metsimaholo Municipality

1.4 RESEARCH QUESTIONS

The study will attempt to find answers to the following questions:

- What is the meaning of the concepts accountability and financial reporting?
- What systems and practices are at the Metsimaholo Local Municipality that undermine accountability and financial reporting?
- What are the impacts of lack of appropriate financial reporting on accountability in Metsimaholo Local Municipality?
- What recommendations can be offered to add value to improve financial reporting and accountability at Metsimaholo Local Municipality?
1.5 OBJECTIVES OF THE RESEARCH

The following are the objectives of the study:

- To provide a theoretical exposition of the concepts accountability and financial reporting
- To analyse systems and practices in Metsimaholo Local Municipality that undermine accountability and financial reporting
- To conduct research on the impact of lack of appropriate accountability and financial reporting at Metsimaholo Local Municipality
- To identify the gaps and provide recommendations to improve Accountability through Financial Reporting at Metsimaholo Local Municipality

1.6 RESEARCH METHODOLOGY

This section of the study focuses on the literature study and the empirical research that will be used to collect data.

1.6.1 Literature review


1.6.2 Empirical Research and Design

In this step, the researcher used both qualitative and quantitative methods. The concentration is on both theoretical engagements and empirical studies.
Questionnaires and interviews were used to collect data. Semi-structured interviews were held with the political and organizational actors at the Metsimaholo Local Municipality, particularly those that are accountable for financial reports and accountability, namely:

- Chairperson of Oversight Committee
- South African Municipal Workers Union (SAMWU)
- Municipal Manager
- Executive Mayor
- Chief Financial Officer
- Executive Directors
- Ward Committee Representative
- Risk Officer
- Internal Deeds manager
- Internal Audit Manager

Structured interviews (focus-groups) were also held with a sample of community members to identify areas of accountability. Ward Committees, Non-governmental Organizations, Rate Payers Organization were among the groups that were interviewed.

1.7 ETHICS

The candidate is currently the Manager for Lobby and Advocacy at the National Youth Development Agency. It is appropriate for her to observe the following ethical issues in the conduct of the research. The questionnaires were distributed blindly, without name, for purposes of responded bias.

- Obtained permission from the Municipal Manager of Metsimaholo Local Municipality to conduct the research;
- Assured all respondents of the confidentiality of their responses; and
• Informed all stakeholders that the purpose of the study is largely academic, but also that the findings may help in stimulating the enhancement of service delivery function through accountability.

1.8 PROVISIONAL CHAPTERS

Chapter 1: Introduction: Orientation and Problem Statement

Chapter 2: Theoretical exposition of concepts Financial Reporting and Accountability

Chapter 3: An overview to the extent of Financial Reporting and Accountability at Metsimaholo Municipality

Chapter 4: Research Methodology on the state of Financial Reporting and Accountability at Metsimaholo Local Municipality

Chapter 5: Summary, Findings, and Recommendations
CHAPTER 2

THEORETICAL EXPOSITION OF CONCEPTS FINANCIAL REPORTING AND ACCOUNTABILITY

2.1 INTRODUCTION

South African government has since 1994, adopted new approaches towards public administration, public performance and public service in general. This is because of the important task that government is faced with, which is that of delivering quality services to the majority of its citizens. The total population of South Africa is approximately 49 million, of which majority of this population is poor. This means more than 20 million people depend on government services. Services delivered to the people include health care, public education, public roads, refuse removal, building of houses, and basic services such as electricity, sanitation and clean water.

In order for government to deliver all the services to the majority of its citizens, a lot of money will be spent. Government collects money or revenue through different means, such as taxes, levies, donors and so on. This revenue will be put in a National Revenue Fund, and through the Minister of Finance, there shall be appropriation for these funds, whereby revenue will be allocated and distributed to all 3 spheres of government, including all those institutions that are allocated public money through legislations. When funds are allocated, it means all those who handle them must report on all financial activities they are undertaking with the funds. Most of all, the use of public funds must reflect value for money.

Government introduced a concept of Sound Public Financial Management, which compels all those who handle public money to be effective, efficient and economic. Sound Financial Management supports aggregate control, prioritization, accountability, efficient management of public resources and the delivery of services (Fourie, 2007:733). Different legislative frameworks play an important role in ensuring that there is sound financial management. The
1996 Constitution of the Republic of South Africa, the Public Finance Management Act no 1 of 1999 as amended by act 29 of 1999 are the important pieces of legislation in the public finance. More legislation for financial management had been enacted to help in safeguarding public money.

Legislations only will not be of significance if role players and responsibilities in the financial management are not identified and the roles are clarified. This will include the role of the Minister of Finance, the Auditor General, the Executive Mayor, the Municipal Manager and the Chief Financial Officer. Their roles vary from the actual execution of financial duties to the monitoring and evaluations aspect. The role of institutions responsible for monitoring and evaluation in the public finance such as SCOPA, the Public Protector and the Audit committee is important. They can serve to guide the process towards financial accountability, but also to hold public servants accountable for their actions.

It is important when the mandate of service delivery is implemented through the use of public finances; there is a clear indication of how the process unfolded, and a demonstration of whether the set objectives were met in an effective, efficient and economic manner. Information must be made available internally and externally, for those who are stakeholders to satisfy themselves if there was value for money. Financial reporting becomes significant to capture the financial activities that took place and also to clarify if objectives were met and future projections. Annual, quarterly and monthly reports play an important role in disseminating financial information. These reports are used by internal and external stakeholder, and serve as an important tool towards transparency and accountability.

Accountability in the public sector is one of the important aspects that can build relations between government and its stakeholders, that is, communities and investors. This is the only aspect that can determine whether there is satisfaction in terms of services that are delivered to the public, and if there is value for money, whereby investors or private partners can trust the
government with finances. Everyone in the public sector is expected to be accountable for their actions; this includes officials and political representatives. Accountability can be through different forms and it can be for different users of the information. Accountability can also demonstrate an ethical behaviour on the part of public servant, which is one of the dictates of Batho Pele Principles. These principles cater for transparency, courtesy, value for money and other related aspects. In this chapter, the research will look at different concepts in financial management, the legislative frameworks and role players in financial reporting and accountability.

2.2 WHAT FINANCIAL MANAGEMENT INVOLVES

The 1996 Constitution of the Republic of South Africa gives government a responsibility to ensure at all costs, the social and physical wellbeing of the people as a custodian for its citizens (Visser and Erasmus, 2002:8). The manner in which services are delivered should be in an effective, efficient and economic manner; therefore funds must be handled in such a way that they can satisfy the criteria. If not, it will mean there will be a lack of service delivery and this can cause conflict between citizens and its government. Secondly, if funds are not handled properly, government can experience gruesome threesome, which is irregular, unauthorized, wasteful or fruitless expenditure. Public finance is an important factor in government services and therefore financial management remains critical component. Financial management focuses on using limited public resources and to ensure effective use of public money and assets so as to achieve value for money in meeting the objectives of government which is service delivery (Kuye et al. 2002:100).

According to Visser and Erasmus (2002:1), Public Financial Management involves general governmental fiscal issues; however, it also covers the full spectrum of social, economic and political dimensions. One approach to this is the assumption that the fiscal operations of government are a reflection and culmination of the dynamic interaction between all these dimensions within a
particular time frame. Although, this is highly generalized, it does emphasize the importance of public financial management in contemporary society.

Financial Management is crucial to the successful running of any organization, as it relates to how resources available to the organization are utilized. In the private sector, financial management centres on the examination of alternative sources of finance, the effective utilization of such finance, and cohesion between financial and utilization decisions. In the public sector, the financial management focuses on prioritization and use of scarce resources, on ensuring effective ‘stewardship’ over public money and assets, and on achieving value for money in meeting government objectives of service delivery. This must be done in a transparent manner and in terms of all legislations. It is however important for the public sector to learn from the private sector, where success and survival of an organization depends on its financial results. This does not mean public sector must pursue profits, but rather acknowledge that public spending is an investment made by taxpayers, which should therefore be managed optimally (National Treasury 2000:3).

Fourie (in Kuye et al., 2002:100), states that legislations and policies usually emphasize financial management as the cornerstone of sound management and accountability. Gildenhuys (1997:54) emphasizes that financial management must be aimed at obtaining satisfactory solution whenever there is a conflict between stakeholders on financial matters. The author further outlines the following as democratic principles of financial management:

- The public financial decision making should always aim at the most reasonable and equitable way in which public financial resources can be allocated, as well as the most efficient and effective way in which the financial resources can be applied to satisfy the collected needs of the public
- Utilization of public financial resources must satisfy the collective public needs optimally
• That it serves as part of the tenets of participatory democracy, direct or indirect participation by the community in financial decision-making process
• That no tax or other charges can be collected from taxpayers without their consent, and this tax burden must be distributed in a reasonable and equitable manner
• That only the collective body of elected political representatives has the authority to introduce taxes, to collect them, and to decide how and on what they shall be spent. This is why financial decision-making authority cannot be delegated to executive authority or financial committees.
• The responsibility of and accountability of the elected political representatives to the taxpayers for the collection and spending of taxes and other income
• Sensitivity and responsiveness whereby political representative must be sensitive enough and respond to the collective needs of the public
• Efficiency and effectiveness which means that the execution of the budget should satisfy the public needs, not only in an economic manner, but standard must be quality driven
• Social equity which impresses on maintaining high ethical and moral standards and it requires public representatives and public officials to act with integrity.
• That all activities regarding public financial management must be handled in a transparent manner and a full account must be given to the public

Ababio et al., (2008:9) define financial management as a constitutional requirement for all three spheres of government and all institutions created by these spheres. Public financial management must adequately control the level of revenue and expenditure, and appropriately allocate public resources among sectors and programmes. This will mean putting in place sound budget plans and financial procedures in place through comprehensive,
accurate and transparent systems establishing basis for financial control and providing timely financial information.

2.2.1 Components of public financial management

Several individual components make up public financial management. Each exists as a separate function within financing function of government, however collectively they complete the framework of the financing function (Visser and Erasmus 2002:9). It is important for these components to be thoroughly understood individually, in order to understand financial management.

2.2.1.1 Budgeting

A budget is a comprehensive plan or framework which stipulates how funds will be used, buy who and when. It forms integral part of financial management. Visser and Erasmus (2002:9) outline the following basic dimensions of the budget:

- Budget is a political instrument that allocates scarce public resources among the social and economic needs of a jurisdiction
- A budget is a managerial and/administrative instrument, which specifies ways and means of providing public programs and services and establishes the costs and/or criteria by which its activities are evaluated for their efficiency and effectiveness
- A budget is an economic instrument that can direct a nation’s, state’s and even municipal entity’s economic growth and development
- A budget is an accounting instrument that holds government officials responsible for both the expenditure and revenues of the programmes which they exercise control.
**2.2.1.2 Expenditure management**

Fourie (2007:738) states that budgeting and expenditure management are related and complement each other in the way that the allocation of funds is done with the expectation that the funds are being utilized efficiently and effectively, for the purpose for which they were provided for. According to Visser and Erasmus (2002:10), expenditure management relates to the standard daily operational process linked to the execution of policy objectives stated in the budget: the spending of money. It is important that there is a proper management of the budget in order to achieve great value for money, therefore sound techniques and procedures should be utilized to ensure that available resources are used for the benefit of both the public and government.

**2.2.1.3 Accounting**

In order to ensure sound financial management, the handling of revenue and expenditure has to comply with accepted practices and principles. This will be through financial systems in which data is recorded and information is provided for reporting on the results. Accounting rests upon documentation of information, recording of information, processing of information and reporting of the information (Kuye et al., 2002:117). Meigs et al., (in Visser and Erasmus 2002:218) define accounting as a means by which economic activities are measured and described. Accounting allows information on financial activities to be gathered and shared as and when it's necessary. Accounting in South Africa has been converted from cash accounting system to an accruals system in order to gain greater insights in the country’s true financial positions. Accruals accounting focuses on transaction and other economic events that both have cash consequences when they occur. Regarding expenditure, expenses are recorded when they occur and are deducted from revenue to determine net income (Visser and Erasmus, 2002:10).
Madue (2007:307) argues that even though the Constitution call for the introduction of generally recognized accounting practices (GRAP), and uniform treasury norms and standards, it should be noted that GRAP statements are currently supplemented by generally accepted accounting practices (GAAP). GAAP provides guidelines on the types of information to be reflected in accounting statement in order for those statements to be considered comprehensive. Du Plooy et al. (in Madue, 2007:307) report that from January 2005, South African statement of GAAP have complied with the International Financial Reporting Standards (IFRS), as representation by the International Accounting Standards (IAS) issued by the International Accounting Standard Board (IASB).

2.2.1.4 Public accountability and control

For the mere fact that public resources are utilized by government, the public must get a regular account on how their money is being spent. When handling public funds, transparency and honesty must prevail. Information must be made available and all relevant institutions must be reported to, therefore it is important that internal control measures are in place. According to Schwella et al., (1996:165), public accountability is the obligation resting on public representatives to act in the public interest and according to his or her conscience, with solutions for every matter based on professionalism and participation, with divulgement as a safety measure. This point makes it clear that accountability remains central to transparency and good governance.

2.2.1.5 Performance management

It is of utmost importance for the public sector to manage its performance when executing its duty of delivering quality services to the public. Performance management will simply mean evaluating work done for the purpose of identifying challenges and dealing with them, and improving performance. Government must always demonstrate to citizens and stakeholders that performance is managed, measured and improved at all times (van der Waldt 2004: 170). Proper performance management models,
tools and techniques must be put in place in order to achieve success and productivity. Sound financial accountability is required from public servants. Based on the fact that public resources are involved, there is a high expectation of transparency when handling finances of the public, this is also provided through the Public Finance Management Act 1 of 1999. Van der Waldt (2004:363-364) implies performance management in this case will include:

- Accruals and resource accounting
- Resource or performance budgeting
- Performance measurements as such
- Performance contracting
- Performance Auditing
- Performance reporting

2.2.2 LEGISLATIVE REQUIREMENTS IN FINANCIAL MANAGEMENT

Sound financial management will require public representatives and officials to have thorough understanding and knowledge of legal requirements for handling public funds. The following legislations make it possible to utilize and account for funds and ensure that records are available for reporting purposes. If these legislations are not adhered to, it could lead to mismanagement of public funds and illegal expenditures and there might be harsh consequences for those who are found guilty.

2.2.2.1 The Constitution of the Republic of South Africa, 1996

Chapter 13 of the 1996 Constitution of the Republic of South Africa makes provision for public finances and due to the fact that it is the highest law of the land, it entrenches constitutional supremacy. It caters for the following:

- The National Revenue Fund
2.2.2.2 Financial and Fiscal Commission Act 99 of 1997

Chapter 13 of the 1996 Constitution of the Republic establishes the Financial Fiscal Commission, which makes recommendations to parliament in respect of matters pertaining to general finances (Visser & Erasmus 2002:33). The Financial and Fiscal Commission is a consultative body on fiscal matters for organs of state in all three sphere of government and it is imperative that its work is not interfered with. The Commission deals with matters such as:

- the national revenue fund;
- equitable shares and allocation of revenue;
- national, provincial and municipal budgets;
- treasury control;
- procurement;
- government guarantees, and
- remuneration of persons holding public office

2.2.2.3 Public Finance Management Act no 1 of 1999 (as amended no 29 of 1999, PFMA)

PFMA is a piece of legislation very central to financial management in the public sector. It was established to replace the Exchequer Acts and the reporting by Public entities Act, 66 of 1975. Madue (2007:308) states that PFMA is part of a broader strategy of government towards improving the quality of financial management through introduction of appropriate and proper financial management systems, sound appropriate control
mechanisms and establishing accountability arrangements for budgetary management. Visser and Erasmus (2002:56) outline the objectives of PFMA as follows:

- To regulate financial management in the national and provincial government
- To ensure that all revenue, expenditure, assets and liabilities of (that government is) those governments are managed efficiently and effectively
- To provide for the responsibilities of persons entrusted with financial management in (that government) those governments, and
- To provide for matters connected therewith

2.2.2.4 Municipal Finance Management Act no 56 of 2003 (MFMA)

The MFMA provides for a sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government. This is in order to establish treasury norms and standards for the local government and to provide for matters connected therewith.

Fourie et al. (2007:7-8) state that the White Paper on Local Government of 1998 supports the developmental role of local government and proposed a new system to address the root causes of the financial problems in municipalities, to empower municipalities to fulfil their constitutional mandate, and to balance programmes for poverty eradication and strategies to enhance growth, job creation and competitiveness. In order to meet the objectives of the Constitution, the White Paper proposed restructured system of municipal finance that is in line with the following seven basic policy principles:

- Revenue adequacy and certainty
- Sustainability
- Effective and efficient use of resources
- Accountability, transparency and good governance
Equity and redistribution
Development and investment
Microeconomic management

Fourie further clarifies that the Municipal Finance Management Act 56 of 2003 has transformed these basic policy principles into legislative requirements, and modernizes the way in which municipal finances are managed. There are key reform principles that guide financial management:

- Promoting Sound Financial Governance by clarifying roles
- Strategic approach to budgeting
- Modernization of financial management
- Cooperative government
- Promoting sustainability

2.2.2.5 Policy Guidelines for a Supply Chain Management Framework

Chapter 11 of the Municipal Finance Management Act 56 of 2003 (MFMA) establishes supply chain management regulations as a crucial component of financial management. The objectives are mainly to transform the procurement and provision functions in government into an integrated supply chain management function and to create a common understanding and interpretation of government procurement objectives.

It makes provision for the supply management policy of the municipality or municipal entity, that during procurement they must be fair, equitable, transparent, competitive, and cost-effective and comply with a prescribed regulatory framework for municipal supply chain management. Supply chain management refers to the procurement and assets disposal system of a municipality or a municipal entity. The MFMA serves to eliminate the conflict of interest between disposal of assets and procurement of goods and services.
utilizing public funds and provides for open and transparent systems (National Treasury 2006:99).

2.2.3 ROLE PLAYERS IN FINANCIAL MANAGEMENT

To promote sound financial management in municipalities, it is important to acknowledge the significant role players as dictated to by different legislations. These role players will play different roles in the different stages of the implementation of financial systems and will also take a responsibility of monitoring and evaluating processes that are followed.

2.2.3.1 Minister of Finance

The Minister of Finance is appointed by the President, and forms part of the cabinet, which means he reports directly to the President. According to Visser & Erasmus (2002:37-38), the role of the Minister can be divided into the following categories:

- Regulating the economy through monetary and fiscal policy;
- preparing and presenting the annual budget to parliament;
- administering public debt, and
- controlling public finance

The Minister receives different budget plans from departments both nationally, provincially, and from municipalities, he will then take the budget through different structures created to deal with budget projections. After tabling the budget to parliament, it will be appropriated and allocated through the Division of Revenue Act. Departments and municipalities, including government institutions are required to make their submission timeously, through specific timeframes.
2.2.3.2 Auditor General

Auditor General is one of the institutions that are established by Chapter 9 of the 1996 Constitution of the Republic, to strengthen democracy. The Auditor General Act 12 of 1995 determines the duties and functions of the Auditor General. Auditor General (AG) audits and reports on all financial accounts of national, provincial and local government as well as any person dealing with public money. Functions of the AG are:

- Audit and report on the accounts, financial statements and financial management of all three spheres of government and all other entities that are required by legislation to be audited by AG
- Audit and report on the accounts, financial statements and financial management of any institution funded from the National or Provincial Revenue fund or municipal fund, or any institution authorize by law to receive public money for public discourse
- Must submit audit reports to any legislature that has a direct interest in the audit, and to any other authority prescribed by national legislation. All reports must be made public
- He/she has the additional powers and functions prescribed by national legislation

The annual financial statements of a department or municipality must be audited first before it can be included in the annual report, otherwise they will not be recognized as legal documentation of the annual report. The AG gives different opinions depending on the information at his/her disposal, and gives recommendations on how to remedy the situation. The opinion can be an unqualified audit, qualified audit, and a disclaimer.

2.2.3.3 Executive Mayor

Section 52 of the MFMA makes provision for the Executive Mayor to give political guidance as far as financial and fiscal affairs of the municipality are
concerned. He/she therefore monitors and oversees the execution of the responsibilities assigned to the Municipal Manager, as accounting officer, and the Chief Financial Officer. The Mayor, must as part of his monitoring responsibility, submits a report to the council within 30 days after the end of each quarter on the implementation of the budget and the financial state of affairs of the municipality. Section 53 of MFMA requires the mayor to give political guidance and set priorities that must guide the preparation of the budget including the review of IDP and budget related policies (Pauw et al. 2009: 267)

2.2.3.4 The Municipal Manager

Section 60 of the MFMA defines the Municipal Manager as the accounting officer of the municipality. He/she must provide guidance and advice of a managerial and administrative nature to the political structures, political office-bearers and officials of the municipality. The municipal manager advises the council on general management functions, asset and liability management responsibilities, revenue and expenditure management responsibilities, budget preparation and implementation, to name a few. He/she must at all times give this guidance and ensures performance of the municipality by other administrative units. MM will also delegates some of the duties to the Chief Financial Officer (CFO)

2.2.3.5 Chief Financial Officer

Section 81 of MFMA provides for the CFO to be administratively in charge of the budget and treasury office and must advise the MM of the exercise of powers and duties assigned to him/her by MFMA. This must be a person who is highly qualified in the finance and accounting field, to a level of an accountant. He advises the MM on all financial matters and performs budgeting, accounting, analysis, financial reporting, cash management, debt management and supply chain management functions. According to Pauw et al., (2009:270), the responsibilities of the CFO are:
- To advise the MM on the exercise of the powers and duties assigned to him by the MFMA
- To assist the MM in the administration of the municipality’s bank accounts
- To assist the MM in the preparations and implementation of the municipality's budget
- To advice senior managers and other officials in the exercise of powers and duties assigned to them by the MFMA or delegated to them by MM

These responsibilities confirm that the CFO is one of the most important officials in the municipality; almost second in command after the MM. It is of utmost importance that he/she takes their responsibilities serious and executes them with diligence.

2.2.4 STRUCTURES FOR FINANCIAL MANAGEMENT

The 1996 Constitution of the Republic of South Africa under Chapter 9 makes provision for the establishment of institutions that strengthens democracy, such as the Standing Committee on Public Accounts (SCOPA) and the Public Protector. Amongst other things, these institutions ensure proper transparency and accountability, especially on the usage of public money intended for service delivery. For municipalities to adhere to all processes in place for sound financial management, MFMA makes provisions for the Audit Committee which will guide and advice on municipal finances and their management.

2.2.4.1 Standing Committee on Public Accounts (SCOPA)

Part of measures government put in place is The National Assembly’s Standing Committee on Public Accounts (SCOPA) which acts as Parliament's watchdog over the way taxpayers' money is spent by the executive. Every year the Auditor-General tables reports on the accounts and financial management of the various government departments and state institutions.
Heads of these bodies are regularly called to account by this committee. SCOPA may recommend sanctions against accounting officers, ranging from salary reductions to demotions to dismissals. In serious cases, SCOPA may also recommend that charges of financial misconduct be brought against officials (Kuye et al., 2002:105)

2.2.4.2 Public Protector

Chapter 9 of the 1996 Constitution of the Republic, section 181 makes provision for the President of the Republic to appoint the Public Protector as per the recommendations of the National Assembly. The objectives of the Public Protector is to investigate any conduct in state affairs, or in the public administration in any sphere of government, that is alleged or suspected to be improper or to result in any impropriety or prejudice. Therefore the Public Protector can investigate any financial misconduct of any municipality of a state institution and report on it.

2.2.4.3 Audit Committees

The Municipal Finance Management Act, chapter 14 compels all municipalities and municipal entities to establish audit committees which serve as an independent advisory body and advises the municipal council, political office-bearers, the accounting officer and the management staff of the municipal entity on matters relating to:

- Internal financial control and internal audits;
- risk management;
- accounting policies;
- the adequacy, reliability and accuracy of financial reporting and information;
- performance management;
- effective governance;
• compliance with MFMA, the annual Division of Revenue Act and any other applicable legislation;
• performance evaluation; and
• any other issue referred to it by the municipality or municipal entity

The audit committee must ensure that all financial information is compiled and discussed with the municipality before the submission of the audit report to the Auditor General. They also interact with the auditor general’s comments and recommendations when the report is released. This is one of the important structures related to financial management of a municipality or municipal entity.

2.3 CONCEPT FINANCIAL REPORTING

The task of delivering services to communities through public resources will not be successfully achieved if there is no clear report on how resources are utilized. If this kind of report is not available, a lot of discomfort can be witnessed from those who are participants in governance such as members of the public, investors, and government itself. Therefore there must be an element of transparency and accountability when handling public resources. The Constitution of the Republic, under chapter 10 emphasizes that transparency must be fostered by providing the public with timely, accessible and accurate information and that the public administration must be accountable.

Financial reporting forms part of the budget control process and is generally an accepted instrument for continuous internal financial control. In order to ensure that there is progress on objectives that need to be met, it is important for officials responsible for the budget to give progress report. The report should not only compare the actual spending with the estimates provided in the approved budget, but should also compare the physical results with the budget objectives. The institutions’ report should not only identify deviations and discrepancies but also the reasons for under-expenditure,
recommendations should be offered to put execution of the programme back on track (Gildenhuys in Ababio et al., 2008:12). The Public Financial Management Act 1 of 1999 (PFMA), as amended by Act 29 of 1999, emphasizes the importance of financial reporting as an integral part of sound financial management (Visser & Erasmus 2002:341).

2.3.1 Types of financial reports

Financial reporting in South Africa is not only confined to Annual Reports, but also monthly, quarterly and ad hoc reports and must be submitted as required in terms of legislations or based on internal policies. The purpose of any financial report is to indicate the extent to compliance with appropriations and contractual, legal, and other requirements. Internal control and public accountability requires that timely reports be issued throughout the financial year (McKinney in Visser & Erasmus 2002:342).

2.3.1.1 Monthly reports

The accounting officer is required by the PFMA to submit information to the treasury on:

- actual revenue, expenditure and transfers for that month
- projections of anticipated expenditure and revenue for the remainder of the financial year
- any material variances and a summary of actions to ensure that the projected expenditure and revenue remain within the budget

This report must be submitted within 15 days after the month end. Although it is a legislative requirement to develop and submit this report, it can also make information easily available should it be needed by any interested party including investors or the public.
2.3.1.2 Quarterly reports

Treasury Regulations make provision for quarterly reports to be submitted by the accounting officer. This report must be sent 15 days after the end of every quarter and it must outline information on all payment transfers that took place during the quarter. The National Treasury publishes quarterly, in the Government Gazette, a statement detailing the revenue and expenditure of each of the ten revenue funds, with actual performance against each vote (Pauw et al., 2009:1999)

2.3.1.3 Annual report

Annual report is one of the most important reports in the public sector financial management and performance. It serves to determine whether public funds are utilized in an economic, efficient and effective manner. It can reflect whether there is value for money for the public and if the services were delivered to the public. The report can make or break a public institution, the government department or a municipality. The public, the auditor general, SCOPA, the public protector normally uses this report to establish whether government departments and municipalities, including public institutions and municipal entities are executing their duties in a manner required by legislation.

Pauw et al., (2009:200) argue that the annual report reviews performance and achievements against the plan and budget presented to the legislature at the start of the year. Authors further emphasize that section 40 of the PFMA requires an institution to publish an annual report and annual financial statements that fairly present the following:

- the state of its affairs
- its financial results and position at the end of the financial year
• I'ts performance against predetermined objectives. The annual report and annual financial statements must also include particulars of:

  - any material losses through criminal conduct
  - any unauthorized, irregular, fruitless and wasteful expenditure
  - any criminal of disciplinary steps taken as a result of such losses

The annual report and annual financial statements should also indicate:

• the institution’s efficiency, economy and effectiveness in delivering the outputs specified in the operational plan
• any other information required by the legislature
• the use of any foreign assistance or aid-in-kind.

Financial statement must also be prepared within two months after the year end. This must include:

• a balance sheet
• an income statement
• any other statements that may be prescribed
• any notes to these statement

Siswana (2007: 230) argues that financial statements should be submitted to the Auditor General (AG) by the public institutions and entities to ensure accountability and further outlines the objectives of financial statements as follows:

• financial reporting provides information to determine whether the current year revenue is sufficient to meet the cost of providing current year services to be rendered;
• financial reporting demonstrate whether resources were obtained and used in accordance with the entity’s legally adopted budget in
demonstrate compliance with other finance-related legal or contractual requirements; and

- it provides information to assist users in assessing the service efforts, costs and accomplishments of the entity.

It is of utmost importance that all the required information is submitted within the required period in order for a public institution to account properly for its work. The Auditor general receives this report and gives his opinion to public authorities. Standing Committee on Public Accounts (SCOPA) will also play a role to give scrutiny to the report, which includes summoning accounting officers to appear before the committee and give a through account on the report submitted.

2.4 ACCOUNTABILITY AS AN ETHICAL NORM

Accountability is a central theme in most discussions about government, administration and politics. Napier (2007:376) mention that the notion accountability has gained currency in both academic and governing circles in many countries of the world, and it linked to ideas such as good governance and democratization. It is generally associated with words such as responsibility, fidelity, answerability and ethics (Seemela & Mkhonto 2007:204). It is only through proper accountability, where the public can be assured that there is progress in the delivery of services, and also if officials and politicians are working with high moral standards and proper work ethics. It is required of those given the responsibility of public services to respect the electorate and exercise honest and transparent administration, especially when dealing with public funds.

There has been an outcry in South African communities, about how government, especially local government does not reflect transparency and proper accountability in their affairs, and deliberately keeping governance information out of reach of communities. With the Adoption of Batho Pele Principles in the Public Service, the eight principles reflect how those who are responsible for public services must put ‘people first’ and ensure that there is
customer relations and satisfaction. According to Raga & Taylor (2005:1),
government and community cannot enforce ethical behaviour solely through
the utilization of ethical codes of conduct or through promulgation of plethora
of legislation. In terms of the Constitution of the Republic, 1996, all
government departments are required to be efficient which includes observing
particular ethical codes of conduct. Accountability is the fundamental
prerequisite for preventing the abuse of power and for ensuring that power is
directed towards the achievement of efficiency, effectiveness, responsiveness
and transparency.

One of the traditional cornerstones of democracy is the fact that each political
representative, as well as public official, is subject to accountability. This
means that each of them should give account in public of his/her activities. It
is generally accepted that they should display a sense of responsibility when
performing their official duties: in other words their conduct should be above
reproach so that they will be able to account for their actions in public (Cloete
in Gildenhuys, 1997:56).

Van der Waldt (2004:45) argues that the current concern with accountability
reflects that citizens are dissatisfied with government. This centres mainly on
cost on effective issues in developed countries and on abuses of power,
mismanagement and lack of basic freedoms, in developing countries. Better
accountability is seen as imposing restraints on power and authority and
creating incentives for appropriate behaviours and actions. Fox & Meyer (in
Ababio, 2007:4) describe accountability as a responsibility of government and
its agents towards the public to achieve set objectives and to account for them
in public.

In order to ensure effectiveness and efficient expenditure in the public sector,
accountability is one of the important components. Accountability is one of
the prerequisite of democracy and good governance that compels the state,
the private sector and civil society to focus on results, seek clear objectives,
develop effective strategies, and monitor and report on performance. This
implies holding individuals and organizations responsible for performance measured as objectively as possible (Fourie, 2007:741).

2.4.1 Aspects of Accountability

As mentioned earlier, accountability is not only expected from public officials, but also from public representatives, because different legislations give responsibilities and demands answers from all corners. Tengeni (in Ababio, 2007:5) states that accountability in government emanates from political, administrative, legal and financial responsibility and should include all this dimensions. It cascades from the highest to the lowest ranking functionary.

2.4.1.1 Political accountability

This is one form of accountability which is impressed upon by the element of good governance and transparency, which is pushed by the democratic system of South Africa. This is the process where the electorate or voters have the opportunity to measure the performance of government, and to return or remove it from power (Ababio 2007:6). Fourie (2007:742) defines it as regular and transparent methods of sanctioning or rewarding those who hold public trust through system of checks and balances among executive, legislative and judicial branches.

2.4.1.2 Administrative accountability

This implies systems of control, which are internal to government, including public service standards and incentives, ethical codes and administrative reviews. Accountability required that decision makers be held responsible for the exercise of authority vested in them. Not only must officials involved with budgetary matters answer for the use of funds, they must also face consequences for the misuse of public funds (Fourie 2007:742). This is mostly evident with the work that is done by Standing Committee on Public Accounts (SCOPA), which can call officials before the committee to account for the use of finances especially where there are irregularities.
2.4.1.3 Legal accountability

Legal frameworks that bind officials and public representatives were earlier discussed, and emphasis is on compliance. All institutions must adhere to these legislations, including complying with reporting frameworks. From the Constitution to the PFMA, including internal control policies, every public financial activity must follow procedure and must be within the law. Ababio (2007:6) argues that legal accountability involves the relationship of external oversight. Chapter 9 institutions which are established by the constitution of the Republic to support constitutional democracy, such as the Public Protector, Auditor General are principal among the external oversight function. These institutions ensure that individuals or groups performance complies with established standards and performance mandates.

2.4.1.4 Financial accountability

Financial accountability can make or break the public institution. It can determine whether public money is handled in an effective, economic and efficient manner. Fourie (2007:741) states that if implies an obligation on the part of persons handling resources, or holding public office or any other position of trust to report on the intended and the actual use of resources.

2.5 CONCLUSION

The use and management of public finances through established legislations and internal control measures of government departments, municipalities and government entities remains a very sensitive matter in the public sector. Sound management of public finances is critical as it can help government to deliver more quality services to the majority of impoverished citizens who depends on government to sustain their livelihoods.

To a certain extent, there is progress in terms of the work done by government, especially in municipalities. This work is guided by different
legislative frameworks in financial management, especially those that compel municipalities to create internal systems and comply with them in order handle finances. Public Finance Management Act, Municipal Finance Management Act, Supply Chain Management Frameworks are some of the important legislations that assist government financial management. More legislations and systems emphasize transparency and accountability at all costs. Financial reports are required regularly and finance officers are obliged to submit these reports that are scrutinized internally (Audit Committee) and externally by the Auditor General. It is important that financial information is available including audited financial statements, balance sheet and all other required information.

Accountability of finances of government or municipalities does not only lie in the shoulders of the chief financial officer, political representatives are also required to give account on financial activities of their institutions. It is imperative that accountability happens at all dimensions, which includes political, administrative, legal and financial. As much as financial information is required, there must also be a demonstration if services rendered are of good quality and if they can a positive change. In Chapter 3, the researcher will focus on the extent of financial reporting and accountability at Metsimaholo Local Municipality.
CHAPTER 3

AN OVERVIEW OF THE EXTENT OF FINANCIAL REPORTING AND ACCOUNTABILITY AT METSIMAHOLO LOCAL MUNICIPALITY

3.1 INTRODUCTION

Municipalities are expected to implement sound financial management systems which will not only serve to legitimize processes, but also to promote transparency and accountability. The Municipal systems must ensure that the municipality is a best practice model with regard to service delivery which has the people as its central goal. The role played by the important legislations and concepts introduced such as local government and developmental local government must be considered to ensure good governances and community participation. The important aspects of the Integrated Development Planning (IDP) which is aligned to the budget will definitely make planning and implementation of those plans an easier process. Municipalities are also expected to develop the Service Delivery Implementation Plan (SDBIP), which serves to ensure implementation of the IDP. It is important for all processes to be followed religiously and all role players must be on board and play their role. The annual report will definitely assist the municipality to ensure legality of processes and the role of the auditor general is of utmost importance.

This chapter looks at local government’s legislative and developmental role, defines the importance of IDP, SDBIP and budget as key processes towards service delivery. The chapter further explains the involvement of different role players, both internal and external, and their roles and responsibilities towards proper financial reporting and accountability within the municipality.

3.2 LOCAL GOVERNMENT IN SOUTH AFRICA

South Africa is divided into three spheres of government, which is national, provincial and local sphere. These spheres are prescribed as distinctive, interdependent and interrelated as provided for in the 1996 Constitution of the
Republic, section 40. Thornhill (2011:46-47) argue that there should be a clearly defined relationship between the three sphere in order not to impinge on their constitution obligations and capacities to fulfil their duties. Chapter 3 section 41 of the 1996 Constitution requires the three spheres to co-operate with one another in mutual trust and good faith by inter alia:

- assisting and supporting one another;
- informing one another of, and consulting one another on, matters of common interest;
- coordinating their actions and legislation with one another;
- adhering to agreed procedures; and
- avoiding legal proceedings against one another

Local government is an independent sphere of government, interrelated to and interdependent with the national and provincial governments and in order for it to have a collective voice, local government speaks from a position of strength through organized local government, as embodied in the South African Local Government Association referred to as SALGA (Raga and Nano 2011:138). According to Reddy (in van de Waldt 2007:3), local government is a direct sphere of government which is close to the people or communities. It is a level of government created to bring government closer to the people on the ground and it promotes participation of citizens in its political and administrative processes that influence their lives. This is therefore a sphere where government is closer to communities and services are directly delivered.

3.2.1 Objectives of Local Government

The 1996 Constitution of the Republic, under chapter 7, section 152 clearly outlines the objects of local government as:

- to provide democratic and accountable government for local communities;
- to ensure provision of services in communities in a sustainable manner
- to promote socio-economic development;
- to promote a safe and healthy environment; and
- to encourage involvement of communities and community organizations in the matters of local government

Since the Constitution is the highest law of the land, it is very important that the mandate of local government is met as guided by its objects as enshrined in the Constitution. The published document “the machinery of government” by the Department of Public Service and Administration 2003, states that local government consist of municipalities and it is the third distinctive, but interrelated and interdependent sphere of government. There are three categories of municipalities according to Craythorne (1997:51), namely: Category A which is a Metropolitan Municipality, Category B which is a Local Municipality and Category C which is a District Municipality.

The core mandate of municipalities is to provide adequate and quality of services to the people within its jurisdiction. Therefore service delivery should be placed very high on the agenda of all municipalities. According to Fourie & Opperman (in Pauw et al., 2009:305-306), the municipality must provide basic services such as sewerage services, refuse removal, water, sanitation, electricity and emergency services. There are other services such as Housing and Infrastructure that do not entirely fall within the mandate of the municipality; however, the municipalities must ensure that these services reach the people at all cost.

3.2.2 Service Delivery

Service delivery is in the core of objectives of the municipalities. Citizens must be provided with basic services such as housing, proper roads, health care facilities, electricity, water, to name a few. These are the services that are aimed at improving the livelihoods of community members and to ensure they participate in the economy of their locality. Van der Waldt et al., (2007:114) define service delivery as a process which involves the actual
production and provision of goods and services to the community. This will be done in accordance with the Integrated Development Plans, the Strategic Plans and within the allocated budget as approved by the municipal council. Municipal officials and politicians must ensure that all systems that support implementation of the budget in service delivery are effectively in place. The systems will include, among others, procurement systems, financial management and control systems.

3.3 DEVELOPMENTAL LOCAL GOVERNMENT

The concept developmental local government has gained serious momentum in the current settings of municipalities. According to van der Waldt et al., (2007:19), the main objective of developmental local government is to promote socio-economic development of the community, through working together to find sustainable ways to uplift the living standards of the people. This aim also finds expression in the White Paper on Local Government 1998. It is important that services are not just given to people because it’s the law, but it must be services that are of high quality standards and have positive impact on the lives of the people.

3.3.1 Characteristics of Developmental Local Government

Characteristics of a Developmental Local Government are aimed at guiding planning, coordination, participation and implementation in municipalities to ensure involvement of all relevant stakeholders and their meaningful role when services are delivered. Based on the fact that majority of communities are poor, the municipality must deliver services that have social impact. In delivering of these services, economic opportunities should be created for the maximum participation of community members in the local economy, which will later bring sustainable growth and development.

All relevant stakeholders from private, public and civil society must also be given space to participate in local governance, therefore planning must be streamlined and proper coordination of programmes and projects within the
municipalities is necessary. If not, there will be duplication of services because development and growth in communities is everyone’s responsibility. This will allow government where everyone has a shared responsibility of bringing change. All platforms created by municipal legislations must be utilized, such as Ward Committees, IDP Steering Communities, and many others. In order for communities to fully participate in municipal governance, the municipality need to ensure that there is free flow of information and capacity building to empower communities to understand the changing nature of government and new development frameworks. This can be done through training of ward communities, Non-Governmental Organizations and Community Based Organizations. This process will assist and broaden their understanding on new frameworks adopted by government and many other concepts in governance.

3.3.1.1 Maximizing social development and economic growth

It is of critical importance that the municipality meets the basic socio-economic needs of the community. Municipalities can achieve these through implementation of a series of programmes and projects that has a maximum impact in changing the lives of the people for the better. For example, the municipality can implement free basic water and electricity to cater for those who cannot afford; this will have a social impact. Secondly, the municipality needs to adopt a very progressive Local Economic Development (LED) strategy that will provide for economic participation of the people in local markets. Capacity Building, Skills Development and SMME development remain critical on these programmes.

3.3.1.2 Integrating and Co-ordination

There are various role players in municipalities who contribute differently. This includes National and Provincial Governments, parastatals, private companies and community based organizations. Their contributions need to be integrated into the main plan of the municipality, i.e. IDP and their role needs to be well coordinated to avoid overlap or duplication of activities which can
result to a wasteful expenditure and unnecessary tensions. For example, Sasol Company may put in its plans a building of a tarred road in one of the municipal roads of Metsimaholo Local Municipality as part of its contribution to the socio-economic development of the community. It is required of Metsimaholo municipality to integrate the building of the road in its plans and ensure that the role of Sasol and other stakeholders is clear from the onset.

3.3.1.3 Democratizing development, empowering and redistributing

The Municipal Systems Act 32 of 2000 makes a provision for participative governance in municipalities. Chapter 3, section 16 (1), specifically deals with community participation and defines the need for the development of a culture of community participation. Participative governance involves active participation of citizens in the decision making processes of the municipalities and the overall implementation of the service delivery projects and programmes. Matebesi and Botes (2011:6) argue that participatory governance is a set of structural and procedural requirements to realize public participation in the operation of local government, and also refers to a regulatory framework in which the task of running public affairs is not only entrusted to both government and public administration, but further involves cooperation between state institutions and civil society groups. Wang and Wart, (in Seemela & Mkhonto, 2007:204), states that public participation entails empowering people and encouraging them to decide on the rule of law, it also leads to trust in the public sector.

Participative governance therefore implies that communities need to be involved in planning and decision making processes within the municipalities. Different platforms can be used as per established mechanisms such as IDP forums, Ward Committees and Sector Committees. Councillors need to ensure that community members are involved and they also need to support community initiatives that bring development and change. For example, a community NGO can roll out an HIV/AIDS programme that is aimed the awareness and education, municipalities needs to support such good initiatives.
3.3.1.4 Leading and learning

Environment keeps on changing due to the fast way in which evolution happens. For example, communities must be up to date with new technologies, globalization and global warming. All these have an impact and communities must always find ways to sustain their economy to improve their lives and eradicate poverty. Municipalities and community members and stakeholders must create a relationship to work together in finding ways to sustain development and solutions when necessary. For example, the whole world was recently attacked by economic recession which brought serious negative impact in the socio-economic development of communities. In an article “tax revenues fall” (2009), it is reported that the Minister of Finance, Mr. Pravin Gordan, stated that South Africa’s economy shrank by an annualized 6.4% in the first quarter of 2009, after contracting by 1.8% in the fourth quarter of 2008, falling into its first recession since 1992 as depressed demand hit mining and manufacturing output. Gordan further mentions that, like the rest of the world, South Africa has not escaped the effects of global recession. The immediate implication for fiscal policy in South Africa is that, tax revenues, after adjusting inflation, are expected to decline. This would impose limitations on spending, while government’s ability to borrow from capital markets was restrained by higher borrowing costs. Therefore Municipalities and their communities need to find ways of how to remedy the situation and protect the rights of the people which are delivery of quality services.

3.3.2 Tools of Developmental Local Government

Developmental Local Government must among other things, ensure that all processes are inter-linked so that impact on performance can be maximized. Participative governance is highly promoted and the local communities must be involved in all activities of the municipality, including the finances. Van der Waldt (2004:10-11) states that participation by citizens is a key cornerstone of good governance. It demonstrates that communities are not only
beneficiaries of development, but agents of development. Through people’s participation, the municipal economy will be strong and sustainable for development because there will be ownership from all corners of society. It is of utmost importance that performance of the municipality is forever in check in order to allow improvement and quality when programmes and projects are implemented.

### 3.3.2.1 Integrated Planning and Budgeting

The Municipal Systems Act 32 of 2000 provides for a planning framework such as an Integrated Development Plan (IDP) as a guide or document that prioritize activities of the municipality that are aimed at providing quality of services to the people. According to Pauw et al., (2009: 279), the IDP’s is an instrument which guides and informs all planning, development and all decisions regarding planning, management and development in a municipality. IDP process should be linked to the budget of the municipality, which is drawn within the ambit of Municipal Finance Management Act 56 of 2003. This simply means that all activities approved within the IDP document need to be budgeted for in order for them to be implemented. IDP process will be discussed in detail in section 3.5.

### 3.3.2.2 Working together with local communities and partners

The success in the delivery of quality of services cannot only be the responsibility of the municipality, but also of communities and stakeholders. In order to implement some of programmes, the municipality needs Public Private Partnerships (PPP). This will involve the Non-Governmental Organizations, Community Based Organizations and private business. For example, some of the Multi-purpose centres in community exist as a result of a PPP.
3.3.2.3 Local Economic Development (LED)

Section 152 of the 1996 Constitution, states one of the provisions for local government as promotion of social and economic development. Local Economic Development remains critical for the municipality to carry out activities in the economic environment and to utilize valuable resources effectively by not duplicating programmes in functional areas of economic development by national departments (Breitenbach, 2006:4).

In order to achieve a sustainable development, there needs to be a strong local economic development to cater for different activities such as economic development and job creation (van der Waldt, 2007:135). Municipalities are required to develop local economic development strategies that consider the viable economic activities undertaken by different role players within the municipality. Secondly, it must look at what activities can bring revenue and who contributes in these activities. According to Ababio & Mahlatsi (2008:345), a developmental approach, local economic development is based on the concept that local mobilization of actors and resources, building a convergence of interest around the competitive advantages of localities, and building the capacity for economic actors to take up economic opportunity may arrest damaging effect, and enable exploitation of the opportunities created by market conditions. All these will be integrated into the LED document as part of plan to build a strong local economy.

3.3.2.4 Performance Management

Performance Management is a range of processes, techniques and methods used to achieve an improvement when implementing set targets (van der Waldt, 2004:39). A performance management system (PMS) needs to be established by the municipality to monitor progress and identify challenges as far as achieving goals are concerned. The municipality must ensure it sets clear targets and implementation plans (IDP’s) and links them to the budget allocations. The performance management system will also be used to
3.4 AN OVERVIEW OF METSIMAHOLO LOCAL MUNICIPALITY

Metsimaholo Local Municipality is a Category B municipality, which is defined in terms of section 155 of the Constitution as a municipality which shares municipal executive and legislative authority in its area with a Category C (district) municipality which is within the area they fall. In this case, Metsimaholo therefore shares its executive and legislative authority with Fezile Dabi District Municipality, which is a Category C municipality, defined as a municipality that has municipal executive and legislative authority in an area that includes more than one local municipality for which the district council is responsible (van der Waldt et al. 2007:8). The mission and the vision of the municipality are stated under revised IDP (2011/12: 116) as follows:

Vision

“Metsimaholo Municipality strives to be a leading municipality in delivering effective, affordable and sustainable quality services to its communities”

Mission statement

- Promoting proper planning and implementation of projects and programmes
- Setting standards
- Being accountable
- Communication
- Capacity building of staff and communities
- Having proper systems and processes
- Ensuring a sustainable, affordable and effective service delivery
The municipality has previously achieved the best in terms of service delivery mandate given to it. In an article “Mufamadi: protests legitimate where delivery is slow”, Kevin Allen of IQ (website-based & intelligence services), argues that Metsimaholo Local Municipality is not only the best performing council in the Free State, but it also rank very high nationally in terms of access to a minimum level of services, poverty level, vacancy rates in the municipality and financial governance. Kevin further mentioned that Metsimaholo is ranked 21 out of the country’s 231 local councils. South Africa has 283 municipalities in totality, and 231 forms locals.

However, Metsimaholo Local Municipality has been facing some challenges in as far as service delivery and financial reporting is concerned. Recently, workers marched on the streets, striking and demanding some of the officials to account for their actions or face suspension till there is transparency. In an article by the Weekly: “Manyoni cracks the whip in Ngwathe”, it is mentioned that South African Municipal Workers Union (SAMWU) in Metsimaholo organized a violent protest. The union demanded the dismissal of certain senior managers whom they claimed were mismanaging the finances of the municipality. These protests affected service delivery profile of the municipality and the running of municipal operations.

The kind of violent protests has been spreading to more areas within the country and government observed with concern, the damage they caused and how they affected progress in service delivery. In a report released by the Department of Cooperative Governance and Traditional Affairs (COGTA) on the State of Local Government in South Africa (2007), local government is facing serious challenges of service delivery. The following few challenges were mentioned:

- Poor communication and accountability relationships with communities
- Poor working relations between public officials and public representatives
- Mismanagement of funds
In order to avoid such delays on the implementation of the mandate of municipalities, systems, procedures and processes must be in place to monitor and evaluate progress. Many legislations such as Municipal Structures Act 117 of 1998, the Municipal Systems Act 32 of 2000 and the Municipal Finance Management Act 56 of 2003 and many other internal policies are aimed as a guide on how to effectively manage municipal resources in a transparent and accountable manner.

3.5 METSIMAHOLO FINANCIAL MANAGEMENT

A municipality is required by law to put systems in place, which will give direction and proper account on how public funds are utilized. Municipal Financial Management should be based on the three approaches which should be applied simultaneously, namely a limited resources approach, a policy implementation approach as well as a policy compliance and accountability approach (Pauw et al., 2009:254). The above-mentioned approaches can be outlined as follows:

3.5.1 The limited resource approach

This is an approach where a municipality must ensure that services are rendered to the community regardless of whether the National or Provincial government made provision for funds or not. Municipalities must always find other mechanisms to generate more money, through taxes, levies, rates and services charges to services provided from the local community. Municipalities must also work hard to convince National and Provincial government for more funding to be allocated; this can be done through sound financial accountability and reporting on previous allocations and avoidances of irregular, fruitless and wasteful expenditure. This approach requires the municipality to provide most services to the community even when funds are limited, and if funds are not able to cater for everything, then planning and prioritization of services must be put in place in a very transparent manner.
This can be done through medium-term expenditure framework, and an effective mechanism is the Integrated Development Plans.

3.5.2 The policy implementation approach

Legislations such as the Public Finance Management Act 1 of 1999 as amended by Act 29 of 1999 and the Municipal Finance Management Act 56 of 2003 have been enacted to assist government with sound financial Management. Many other policies are in place to guide all financial activities of municipalities from planning to implementation and evaluation stages. It is of utmost importance that these policies are fully implemented through legislative provisions such as the Integrated Development Plans and the Service Delivery and Budget Implementation Plans of the municipality. This means that all officials involved in the planning and implementation of these policies must have a thorough understanding, knowledge and high expertise. The municipality must employ highly skilled personnel who will adhere to all processes required by the legislation, and all stages must be followed until the Annual Report of the Municipality is signed off by the Auditor General.

3.5.3 The policy compliance and accountability approach

Sound financial management of a municipality will require compliance and accountability. It is important for the municipality to do a regular reporting on its activities, especially on finances and ensure it adheres to all requirements as dictated to by the law. There must be a linkage between implementation, compliance and accountability. If a municipality can get all these three aspects correct, it will be that National and Provincial financial provisions will be made available on time, service delivery targets will be reached and due to regular reporting, there will be transparency which will increase community’s trust in its local government. Compliance and accountability should not only be viewed as reaching deadlines and meeting minimum requirements, but it should also help develop best practice models that many other municipalities can utilize for their own financial management.
3.5.4 Municipal Planning

A municipality has an obligation to give quality of services to its citizen. In order for the services to be rendered without any disruptions, a municipality must initiate plans that will demonstrate which services and products will be rendered, how much funds are available and how they will be utilized and what impact these services will have on the sustainable livelihoods of communities. Therefore the municipality must structure and manage its administration, budgeting and planning process to give priority to the basic needs of the community and promote socio-economic development of the community (Pauw et al., 2009:260).

3.5.4.1 The Integrated Development Planning

The Integrated Development Plans (IDP) are compiled as a five-year plan adopted by a municipal council and as an instrument that guides and informs planning and development as well as all decisions with regard to planning, management and development in a municipality. The IDP is required and provided for through the Municipal Structures Act 32 of 2000 (Pauw et al., 2008:279).

The Integrated Development Planning has important five phases that are illustrated in Figure 3.1. When all five phases have been properly followed, then the IDP will be implemented and evaluated accordingly, and a review process will unfold.
Figure 3.1: IDP Phases

1. Preparation

2. Monitoring and Evaluation
   Updated analysis/Projects and needs reconciliation

3. Objectives, Strategies, Indicators & targets
   Projects & Programmes

4. Consolidate/integrate IDP & Budget

5. Approval
   Council adopts IDP & Budget

Source: Metsimaholo Local Municipality: Draft 2011/12 revised Integrated Development Plan
3.5.4.2 The Service Delivery & Budget Implementation Plan (SDBIP)

The Municipal Integrated Development Plan (IDP) is a strategic plan whereas the SDBIP is seen as an Operational Plan. This means that the SDBIP can only be developed after the approval of the IDP. IDP comprises development objective while the SDBIP is how IDP gets implemented. It involves:

- the beneficiaries
- location of project
- time schedule
- project implementation team
- cost and budget estimate
- performance management

The Municipal Finance Management Act 56 of 2003 defines SDBIP as a detailed plan approved by the mayor of a municipality in terms of section 53(1)(c)(ii) for implementation of municipality’s delivery of services and the execution of its annual budget and which must indicate the following projections for each month of:

- revenue to be collected, by source;
- operational and capital expenditure, by vote; and
- service delivery targets and performance indicators for each quarter.

The SDBIP can be viewed as a ‘contract’ between the administration, council and community in which the strategic objectives as determined by the council expressed as quantifiable outputs and outcomes that should be implemented by the officials (administration) during the next financial year. Eventually this plan also provides the basis for measuring the actual performance in service delivery against the predetermined performance indicators and the overall implementation of the budget.
Figure 3.2 below illustrates how SDBIP links with the IDP and Budget, and identifies the role of council and administration in order to have a fully aligned process.

**Figure 3.2: SDBIP integration process**

![Diagram showing the integration of SDBIP with IDP and Budget, highlighting council and administration roles.]

**Source:** Metsimaholo Local Municipality: 2010/11 Service Delivery and Budget Implementation Plan (SDBIP)

### 3.5.4.3 The Community Involvement

The new democratic dispensation in South Africa places citizens as an equal partner in governance. It means that citizens should be involved in governance matters during planning, implementation and monitoring stages. The 1996 Constitution of the Republic and the White Paper on Local Government (1998), make provision for enhanced community participation and consultation on local government matters. According to van der Waldt (2007:19-20), Developmental Local Government is government that works with the community and all those who have a role to play to promote
sustainable economic and social development, which means that local government must:

- provide community leadership;
- promote social and economic well-being;
- co-ordinate and integrate all efforts to develop the area; and
- promote and build local democracy.

Raga & Taylor (2005:19) mention that chapter 4 of the Municipal Structures Act 117 of 1998, states that a municipality must adopt or promote community participation and must also provide for the following:

- Receipts, processing and consideration of petitions and complaints lodged by community members;
- Notification and public comments procedures;
- Public meetings and hearings by the council;
- Consultative sessions with community organisations; and
- Report-back sessions

The authors further suggest that local communities must be encouraged to participate in, *inter alia*, matters such as the following:

- The preparation of the municipal budget;
- Decisions on the provision of municipal services;
- Monitoring and review of the municipality’s performance, and
- The preparation, implementation and review of the Integrated Development Plans

The municipality must therefore ensure that all community structures and groups are given necessary information on how they can participate and make a meaningful contribution towards municipal governance and service delivery. Ward Communities can play a meaningful role in the mobilization of community members to participate. Annexure D demonstrates a plan the
municipality embarked on in order to ensure public participation during the budget and IDP processes.

### 3.6 Municipal Budgeting process and cycle

Budgeting is a critical component of the financial planning, control and evaluation process of public sector entities. It is a tool used for the allocation of resources towards achieving all pre-determined objectives and it is a management tool for planning, and also a mechanism for controlling funds and ensure that the stated objectives are met (Fourie 2007:738). Furthermore, a budget is a mechanism that translates plans into action (National Treasury 2006:29). According to Pauw et al., (2009:55), a budget is a financial plan for work to be done in the public interest with public money for a specific period estimating revenue and expenditure and authorizing certain expenditures.

The Municipal Finance Management Act 56 of 2003 states that the municipal council must approve an annual budget each financial year. The financial year of the municipality starts 1 July to 30 June of the following year. The mayor must table the budget at a council meeting at least 90 days before the start of the budget year. It is important that before the budget is tabled and approved, all necessary information is scrutinized and all important aspects are considered, such as the vision and mission of the municipality, council resolutions and decisions and priorities with regards to service delivery. This means that the budget must be compiled during the initial and planning stages of the municipality. Table 1 is an example of a summarized budget process of a municipality.
<table>
<thead>
<tr>
<th>MONTH</th>
<th>ACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>July ‘10</td>
<td>• Approve and announce new budget schedule and set up committee and forums</td>
</tr>
<tr>
<td></td>
<td>• Consultation on performance and changing needs.</td>
</tr>
<tr>
<td>August ‘10</td>
<td>• Review performance and financial position.</td>
</tr>
<tr>
<td></td>
<td>• Review external mechanism</td>
</tr>
<tr>
<td></td>
<td>• Start planning for next three years.</td>
</tr>
<tr>
<td>September ‘10</td>
<td>• Update policies, priorities and objectives.</td>
</tr>
<tr>
<td></td>
<td>• Determine revenue projections and policies</td>
</tr>
<tr>
<td>October ‘10</td>
<td>• Engage with sector department, share and evaluate plans and observe national policies and the Medium Term Budget Policy Statement (MTBPS)</td>
</tr>
<tr>
<td></td>
<td>• Draft initial allocations to functions/programmes</td>
</tr>
<tr>
<td></td>
<td>• Draft initial changes to the IDP</td>
</tr>
<tr>
<td>November ‘10</td>
<td>• Consolidation of budgets and plans</td>
</tr>
<tr>
<td></td>
<td>• Executive determines strategic choices for next three years</td>
</tr>
<tr>
<td>December ‘10</td>
<td>• Finalize tariff policies</td>
</tr>
<tr>
<td>January ‘11</td>
<td>• Prepare detailed budgets and plans for the next three years</td>
</tr>
<tr>
<td>February ‘11</td>
<td>• Executive adopts budget and plans and changes to the IDP</td>
</tr>
<tr>
<td>March ‘11</td>
<td>• National Treasury issue budget circular to municipalities that provides guidelines for the preparation of the MTEF budget submission</td>
</tr>
<tr>
<td></td>
<td>• Mayor tables budget, resolutions and plans and changes to IDP at least 90 days before start of budget/financial year</td>
</tr>
<tr>
<td>April ‘11</td>
<td>• Consultation with National and provincial treasuries and finalise sector plans, water and sanitation, electricity, etc.</td>
</tr>
<tr>
<td>May ‘11</td>
<td>• Public hearings on the budget, council debate on budget and plans</td>
</tr>
<tr>
<td></td>
<td>• Council adopts budget, resolutions, capital implementation plans, objectives and changes in IDP</td>
</tr>
<tr>
<td>June ‘11</td>
<td>• Publish budget and plans</td>
</tr>
<tr>
<td></td>
<td>• Finalize performance contracts and delegation</td>
</tr>
</tbody>
</table>
3.7 Municipal financial governance

It is important for a municipality (both officials and politicians) to understand different roles and responsibilities regarding governance of municipal finances. Governance will include reporting, accountability, compliance and participation of all relevant structures and personnel. Figure 3.3 illustrates clearly the reporting structures, lines and responsible individuals with regard to financial management of a municipality. It also speaks to both internal and external stakeholders.

The figure demonstrates that all financial governance activities starts with the Chief Financial Officer, is employed to execute financial duties of the municipality. In his/her implementation of duties, which includes the drafting of the budget, he/she works closely with the finance committee. The finance committee plays an important role in ensuring that all financial duties and decisions are informed and within the legislation. An internal audit team is also in place to authenticate most financial information that needs to form part of reports on finances. Then as soon as information is gathered and prepared, the Municipal Manager, who is the accounting officer, will table the report to the Executive Mayor and the Mayoral Committee. An external audit committee has an important role of ensuring that the report is credible and it makes its recommendations to be considered by council. There is also an oversight committee, which advices council on the annual report. All the above-mentioned structures and individuals must cooperate with each other to ensure the smooth governance of municipal finances.
Fig 3.3: Structures for Financial Governance

1. Council

2. Oversight Committee

3. Audit Committee

4. External Audit

5. Executive Mayor or Committee

6. Finance Committee

7. Accounting Officer

8. Internal audit function

9. Chief Financial Officer

Source: National Treasury (2006:21)
3.7.1 Financial Reporting and Accountability

Municipalities must at all cost report on the work done for every financial year. Different reports are compiled to give information on different activities including financial activities, therefore financial reporting becomes important. Reports should be compiled and submitted to relevant authorities monthly, quarterly and annually in order to give accurate and credible information. One of the most important reports with regard to municipal performance and finance is the Annual report. Section 121 of the Municipal Finance Management Act 56 of 2003 dictates that a municipality must prepare an annual report for each financial year. The report must provide records of the activities of the municipality and its entities provide a performance against budget of the municipality and to promote accountability to the local community for the decisions made throughout the year.

The annual report will include audited financial statements and the audit report from the Auditor General. Section 188 of the 1996 Constitution of the Republic, provides for the Auditor General to audit and report on the accounts, financial statements and financial management in all three spheres of government. This means an annual report of a municipality cannot be declared official or legal if it does not meet all requirements.

3.7.1.1 The Municipal Annual Report

The Municipal Turnaround Strategy (COGTA 2008:54) states that the Auditor General (AG) measures the actual performance of public institutions and gives opinions based on audits. Audits are outlined as follows:

- **Unqualified:** This is an audit opinion without significant concerns on any other matters including audit reports with emphasis on matter (matters of information) only
• **Qualified:** The financial statements are satisfactory, except for certain information or parts thereof.

• **Disclaimer:** The audited entity could not provide information or evidence to support the information, transactions and balances in the financial statements. This opinion is highly undesirable

• **Adverse:** The financial statements are fundamentally unreliable, because the information of records on which the financial statements are based does not agree with those by the auditors. This opinion is highly undesirable.

• **Other matters:** The audit opinion is unqualified financially, but auditors had concerns which require the focused attention of the leadership, audited entities and oversight be eliminated.

In the Free State, 20 municipalities were analyzed in the report by the Auditor General (AG), Mr. Nombembe, and he mentions Metsimaholo as one of the municipalities that remained unchanged in the current audit, where he gave a disclaimer opinion. The AG further mentions that Capital assets remained the main reason for qualifications of many municipalities. Other areas that required improvement and leadership attention relate to key controls in financial management, service delivery and compliance with laws and regulations. This will assist in eliminating errors in financial statements that get corrected during the audit despite the extensive use of consultants, as well as excessive unauthorized and irregular expenditure at most municipalities (Auditor General, 2011).

### 3.7.1.2 Finance Department

Metsimaholo Local Municipality, in order to ensure that it complies with legislation, brings best practice on handling of finances and service delivery is achieved in an effective, efficient and economic manner, has established a finance department as one of the main strategic units of the municipality. The main objective of the finance department is to provide a comprehensive and
sound financial management service to the municipality (Annual Report 2009/10). The department has the following functions:

- Budget and Expenditure Management
- Financial Statement and Asset management
- Revenue collection and management

The department has the following strategic objectives:

- Formulate and implement medium and long term financial policy;
- Formulate and implement policies, by-laws and regulations;
- Formulate and implement asset management and investment policies;
- Plan and budget for implementation of costing systems;
- Budget preparation and implementation;
- Maintain and implement tariff policies and by-laws;
- Maintain and implement credit control, debt collection and indigent policies; and
- General reporting obligation in terms of the MFMA

The Chief Financial Officer of Metsimaholo Local Municipality has to ensure that all systems are in place to ensure sound municipal financial management as required by the Municipal Finance Management Act, under section 81.

3.7.1.3 The Audit Committee

The audit committee is a structure that is very important to the financial and service delivery performance of the municipality. It consists of members from both outside and inside the municipality, and must be nominated by the municipal council. Members of the committee must have expertise on financial management in the municipality and must meet at least four times a year.
Section 66 of the Municipal Finance Management Act 56 of 2003 provides for each municipality to have an audit committee, subject to subsection (6). An Audit Committee is an independent advisory body which must:

- Advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters relating to-
  - internal financial control and internal audits;
  - risk management;
  - accounting policies;
  - the adequacy, reliability and accuracy of financial reporting and information;
  - performance management;
  - effective governance;
  - compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;
  - performance evaluation; and
  - any other issues referred to it by the municipality or municipal entity

- Review the annual financial statements to provide the council of the municipality or, in the case of a municipal entity, the council of the parent municipality and the board of directors of the entity; with an authoritative view of the financial position of the municipality or municipal entity, its efficiency and effectiveness and its overall level of compliance with this Act, the Division of Revenue Act and any other applicable legislation;

- Respond to the council on any other issues raised by the Auditor-General in the audit report;

- Carry out such investigations into the financial affairs of the municipality or municipal entity as the council of the municipality, or in
the case of a municipal entity, the council of the parent municipality or the board of directors of the entity may request; and

- Perform such other functions as may be prescribed.

The committee serves as an institution that provides the council with the necessary information to make executive accountable with regard to matters of financial management (UWC 2008:3). Ababio (2007:9) states that the audit committee is established in terms of section 166 of the Municipal Finance Management Act, and is an independent advisory body which must advise council, the accounting officer and management staff. It will focus on issues of internal control and audits, risk management, accounting policies, the adequacy, reliability of financial reporting information, performance management and effective governance.

Metsimaholo Local Municipality has established an audit committee and it functions which the dictates of the act and it meets regularly to carry out its responsibilities. The Annual Report of Metsimaholo (2008/2009) further clarifies the work done by the audit committee, as signed off by the Chairperson as follows:

- Internal Control
- Internal Auditing
- Risk Management
- Evaluation of Financial Statements

The Audit Committee is therefore one of the very strategic and important committees of council and it must do its work with diligence. Pauw (2009:263) argues that the committee must review the annual financial statements to provide council with an authoritative and credible view on financial position of the municipality, its efficiency and effectiveness in terms of municipal finance management and the municipality’s compliance with the applicable legislation. Pauw further argues that the Audit Committee must provide feedback to council on issues raised by the Auditor General in the audit report
accompanying the annual report and financial statements of the municipality. However, in the Metsimaholo Annual Report (2009/2010), the Auditor General questions the work of the Audit Committee and mentions that the committee did not meet as required by the Municipal Finance Management Act. Among other issues, the Auditor General mentions the following:

- The committee did not meet at least twice during the financial year 2009/10;
- The committee did not review the quarterly reports of the internal auditors on their audits of the performance measurements of the municipality;
- The committee did not review the Metsimaholo Local Municipality’s performance management system and make recommendations in this regard to the council;
- The committee did not submit an auditor’s report to the Metsimaholo Local Municipality regarding the performance management system at least twice during the financial year.

The Audit Committee must work closely with the internal audit unit and external auditors, including the Auditor General. The committee is permitted to request information from the municipality and it can investigate the financial affairs of the municipality.

3.7.1.4 The Oversight Committee

According to Ababio (2007:9), an oversight committee considers the annual report on behalf of council. In terms of section 129 of the Municipal Finance Management Act, the council of a municipality should, not later that months of the tabling of the annual report (as provided in section 127), adopt an oversight report containing the council’s comments on the annual report on whether the council:

- has approved the annual report with or without reservations;
• has rejected the annual report; or
• has referred the annual report back for revision of those components that can be revised.

The above functions of the committee make it critical to the work of the municipality, with regards to the financial management. The different departments (especially finance) within the municipality are expected to cooperate with the committee and ensure that it is given adequate space, information and support to function smoothly and effectively.

3.7.1.5 The Supply Chain Management

Supply chain management refers to the procurement and asset disposal system of a municipality or municipal entity. The Municipal Finance Management Act, under section 111, recognizes the supply chain management as a crucial component of municipal finance management. The efficiency and effectiveness of the procurement function has a large impact across a municipality (National Treasury 2006:99). The 1996 Constitution of the Republic, section 217 (1) emphasizes that when government contracts for goods and service, it does so in accordance with a system which is fair, equitable, transparent, competitive and cost effective. In order for a municipality to comply with legislation, the Municipal Manager should ensure that necessary steps are followed in the supply chain system to minimize fraud, corruption, favouritism and unfair and irregular practices (Pauw et al. 2009:320). In terms of the revised Supply Chain Management Policy of Metsimaholo Local Municipality (2012:18), the purpose is for the policy to provide a mechanism to ensure sound, sustainable and accountable supply chain management within the municipality, whilst promoting black economic empowerment, which includes general principles for achieving the socio-economic objectives. The policy further outlines the objectives as follows:
• to give effect to section 217 of the 1996 Constitution by implementing a system that is fair, equitable, transparent, competitive and cost effective;
• to comply with all applicable provisions of the Municipal Finance Management Act including the Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636 30 May 2005 and any National Treasury Guidelines issued in terms of the MFMA;
• to ensure consistency with all other applicable legislation and any regulations pertaining to the Preferential Policy Framework Act, the Broad-Based Black Economic Empowerment Act, the Construction Industry Development Board Act, the Municipal Systems Act and the Promotion of Administrative Justice Act;
• the policy also strive to ensure that the objectives for uniformity in supply chain management systems between organs of state, in all spheres, is not undermined and that consistency with national economic policy on the promotion of investments and doing business with the public sector is maintained.

It is therefore important that the Municipal Manager together with the Chief Financial Office create an environment where the responsible staff for supply chain works with integrity and high work ethics. Among other things, the process of supply chain will include tenders, quotations, auctions and other types of competitive bidding (MFMA), therefore all external partners will participate in the process. It is important that the process is credible and partners or external stakeholders have trust in the process.

3.7.1.6 The Municipal Council

Municipal Councils consist of members elected through a municipal electoral system. The system also makes provision for proportional representation of political party candidates from the priority lists of the various registered parties. Each person who may vote for a municipal council may become a
member of a municipal council, when so elected or nominated by the appropriate political party. Employees of a municipal council are not allowed to be elected or nominated to a municipal council (van der Waldt 2007:50-51).

The council is a legislative and policy-making/formulating authority of the municipality. The 1996 Constitution of the Republic, Section 160(2) outlines the functions of council that cannot be delegated as follows:

- the passing of by-laws;
- the approval of budgets;
- the imposition of rates and other taxes, levies and duties; and
- the raising of loans

According to the draft IDP review document (2010/2011), Metsimaholo Local Municipality has 18 Wards and 36 elected councillors in the Metsimaholo Council. The composition of the council political structure is as follows:

African National Congress – 25 seats (majority)
Democratic Alliance – 8 seats
United Democratic Movement – 1 seat
Freedom Front – 1 seat
Independent Democrats – 1 seat

Metsimaholo Municipal council is expected to have at least 19 members out of 36, present at a council meeting to make decisions on strategic matters. Majority of councillors must be present at a council meeting before a vote has been taken on matters that are strategic, such as the approval of the budget and the IDP document. Pauw et al. (2009:262) argue that the council has a political oversight role, and by ensuring that senior management gives regular reports, and then council can determine how well they are managing the finances and other affairs of the municipality and to what extent are they making process in implementing and complying with financial management policies. It is of utmost importance that structures and committees on
financial management such as the Audit Committee, Internal Audit, Portfolio Committee on Finance and the finance department work very hard and submit reports on time so that the council can always take correct decisions which will be translated to as council resolutions.

3.7 CONCLUSION

Even though the municipality has almost all internal and external policies and procedures that guide and support both administrative and financial management, the municipality still face enormous challenges. To name a few:

- Public protests by community members demanding speedy delivery of services
- Violent strikes embarked on by workers unions demanding transparency on the municipal financial activities and alleging corruption
- A disclaimer opinion by the Auditor General citing many reasons relating to compliance and accountability issues.

It is very important that the municipality makes serious considerations on its financial management systems, and ensure that all internal control mechanisms implemented conform to all legislative requirements and promotes best practice. This will assist the delivery of quality of services. In Chapter 4, the researcher will conduct a survey on the state of financial reporting and accountability at Metsimaholo Local Municipality with an aim of bringing an analysis and recommendations on how financial reporting can serve as a tool to promote accountability within the municipality.
CHAPTER 4

RESEARCH METHODOLOGY ON THE STATE OF FINANCIAL REPORTING AND ACCOUNTABILITY AT METSIMAHOLO LOCAL MUNICIPALITY

4.1 INTRODUCTION

The previous chapter mainly focused on practices on municipal financial reporting and accountability. This chapter provides an exposition of the research methodology that was employed with an aim to answer the research questions. It provides a detailed explanation of concepts that were used in the research in terms of sampling methods, the method used for data collection and analysis. It also provides justification of the methods used.

4.2 RESEARCH DESIGN

According to Babbie (2004:87), research can serve many purposes. Three of the most common and useful purposes are exploration, description and explanation. In order for the goals of the research to be reached, the researcher has to employ mechanisms or put a particular process in place. According to Brynard and Hanekom (2006:36), the research design or methodology of collecting data will need a thorough planning, structuring and execution of the research in order to comply with the demands, truth, objectivity and validity. Hence the research methodology focuses on a process of research and the decisions that the researcher has to take to undertake the research project, namely:

- Which decision(s) need to be taken as the research progress?
- Which method(s) and techniques for data collection and data analysis should be selected?
- Which factors play a role in the design of a research project?
• What influence does a particular purpose of the research project have on the selection of methods and techniques?
• Which factors play a role in the process of research and how do these factors influence the methodology of the researcher?

A quantitative approach will be more deductive in nature, based on theory and aimed at explanatory research whilst a qualitative approach will be more inductive in nature, based on descriptive research. The researcher will use the mixed methods approach which includes both qualitative and quantitative method; it will combine theoretical literature engagement with empirical work (Bak, 2004:25). This method will allow the researcher to understand the respondent’s views in terms of the accountability on municipal finances and to also establish facts on systems used for financial reporting and accountability within Metsimaholo Local Municipality. In order to obtain information required, questionnaires were used for structured and unstructured interviews.

4.2.1 Qualitative method

Qualitative researchers attempt to always study the human action from the perspective of the respondents themselves and its primary goal is defined as describing and understanding rather than explaining human behaviour (Babbie & Mouton, 2001:270). In this method, the researcher is able to collect data from interviewing participants and communication becomes simpler because the interview is done person to person. The researcher will be able to study the behaviour of the participant and their daily experiences.

According to Marshall and Rossman (in Ludidi, 2009:59), a qualitative method entails the following seven sequences:

• The assumption of qualitative approaches such as the characteristics of the community;
• The logic of selecting a site, a sample, the participants or any combination of these;
The choice of overall design and data collection method such as questionnaires and interviews;
An acknowledgement of intensive aspects of field work;
A consideration of ethical issues as entailed in confidentiality and private information;
The resource needs of participants or respondents; and
Attention to the trustworthiness of the overall design that can be replicated by other researchers.

One of the most important advantages of qualitative research is that it is able to achieve inside view reality. By capturing a given respondent's frame of reference and definition of the situation, the researcher is able to understand the substance, coherence, and maintenance of views that may seem implausible to outsiders (Singleton and Straits, in Auriacombe and Mouton, 2007:443).

4.2.2 Quantitative method

This methodology is associated with analytical research and its purpose is to arrive at a universal statement (Mouton, in Brynard 2006:37). The researcher assigns numbers to observations by counting and measuring things or objects, data is produced. It is underpinned by a distinctive theory as to what should pass as warrantable knowledge and requires such as experiments and surveys to describe and explain phenomena. Method includes techniques such as observation, preliminary investigations, quantitative analysis and questionnaires.

When a quantitative approach is considered, Babbie and Mouton (2001:49) outline related themes that must be kept in mind as follows:

- An emphasis on the quantification of constructs. The quantitative researcher believes that the best, or only way of measuring properties of phenomenon (e.g. the attitudes of individuals towards certain topics)
is through quantitative measurement, i.e. assigning numbers to the perceived qualities of things

- A related topic concerns the central role of variables in describing and analyzing human behavior. In some circles, this has become known as variable analysis.
- The central role afforded to control for sources of error in the research process. The nature of the control is either through experimental control (in experimental designs) or through statistical controls (in multivariate analyses). Critics of the quantitative approach would argue that this obsession with control is another sign positivist assumption that the social sciences should be modeled according to the natural sciences.

4.2.3 Mixed Method

This is a method where quantitative and qualitative methods are both used in the study. According to Creswell et al., (2011:5), mixed method is a research design with philosophical assumptions as well as methods of inquiry. As a methodology, it involves philosophical assumptions that guide the direction of the collection and data analysis and the mixture of qualitative and quantitative approaches in many phases of the research process. As a method, it focuses on collecting, analyzing, and mixing both qualitative and quantitative data in a single study or series of studies. Its central premise is that the use of qualitative and quantitative approaches, in combination, provides a better understanding of research problems than either approach alone. The authors further emphasize the significant characteristics of mixed method. The researcher:

- Collects and analyze persuasively and rigorously both qualitative and quantitative data;
- Merges the two forms of data concurrently by combining them, sequentially by having one build on the other, or embedding one within the other;
• Uses these procedures in the single study or in multiple phases of a program of study;
• Gives priority to one or to both forms of data (in terms of what the research emphasizes);
• Frames these procedures within philosophical worldviews and theoretical lenses; and
• Combines the procedures into specific research designs that direct the plan for conducting the study

Questionnaires were used to ascertain the system used by the municipality on financial reporting and the process towards implementation and compliance with legislation. Structured and semi-structured interviews were used to allow respondents to speak for themselves and interact freely with the researcher. This was a face to face approach and the researcher allowed enough time for respondents to have a free-flow conversation.

4.3 RESEARCH INSTRUMENT

The researcher must ensure that the research questions, research problems and hypothesis that have been formulated are tested during the research. It is important to bear in mind that it is the specific characteristics of the respondents that are measured, not the individuals themselves. This means that it is the productivity of the respondent that is measured, not the quality of the respondent. Hence the instrument for measuring should be valid and reliable (Huysamen, in Brynard and Hanekom, 2006:47). Measuring instruments, reliability and validity, are applied to test the reliability of the methods of data collection.

4.3.1 Reliability

Reliability pertains to the accuracy and consistency of measures. The same instrument must be able to produce the same data at a later stage under similar conditions (Brynard and Hanekom, 2006:47). However, Barbie and
Mouton (2001:120-122) argue that reliability does not ensure accuracy any more than precision does. A number of techniques were developed in order to ensure accuracy on reliability, which are:

- **Test-retest method**

  In this method, the researcher makes same measurement more than once.

- **Split-hall method**

  The researcher makes more than one measurement of any subtle or complex social concept such as prejudice, alienation, organisational culture or social class. This procedure lays the ground-work for another check on reliability.

- **Using established measures**

  This method focuses on getting information from people using measures that have proven their reliability in previous research.

- **Reliability of research workers**

  This is where the researcher must guard against the unreliability of the interviewee by ensuring that a supervisor calls a subsample for the respondents on the telephone to verify selected pieces of information. Clarity, specificity, training and practice will avoid a great deal of unreliability.

4.3.2 Validity

Validity refers to the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration. It is a measure that
accurately reflects the concept it is intended to measure. The following criteria have been developed to ensure ultimate validity and to specify particular ways of testing validity of measures (Babbie, 2004:143).

- **Face validity**

  This is when particular empirical measures may or may not go with common agreements and individual mental images concerning a particular concept. It is that quality of an indicator that makes it seem a reasonable measure of some variable. Face validity is therefore based on the subjective judgement of the researcher and the respondent.

- **Criterion-related validity**

  This is sometimes called prescriptive validity and refers to the degree to which a measure relates to some external criterion.

- **Construct validity**

  It is the degree to which a measure relates to other variable as expected within a system of theoretical relationships. The measurement technique should uncover the information which it was designed to uncover.

- **Content validity**

  This refers to how much a measure covers a range of meanings included within a concept. This is when correctness and appropriateness of the questions are included in a questionnaire. Correctness, relevance and lucidity of the questions are tested in order to help determine whether or not the questions included are relevant to the research problem.
4.4 METHOD OF DATA COLLECTION

Data collection outlines the general plan of collecting the data. This may include survey administration, procedures, interviews or observation procedures. It includes an explicit statement covering the field controls that need to be employed. The researcher utilise a proper plan and follow a process that will ensure adequate data is collected.

4.4.1 Structured and Unstructured Interviews

The researcher uses both structured and unstructured interviews to gather information from respondents. This means that interviewing involved a face-to-face activity where there is a direct interaction between the interviewer and the interviewee. The discussions are guided through a structured questionnaire but not limited to questions on the table. The purpose was to gather the in-depth understanding and experience of the respondents with regard to municipal reporting on financial matters and processes utilised for accountability. This method of collecting data allows the researcher to explain his or her questions if the respondent (interviewee) is not clear on what is being asked (De Wet et al., In Brynard and Hanekom, 2006:40). Officials and political office-bearers responsible for financial management, compliance and reporting within the municipality were interviewed.

4.4.2 Questionnaires

Questionnaires are designed by the researcher to source information from the respondents with specific guidelines and instructions on how they should be completed. The researcher must give a complete clarity on what is expected of the respondents and the respondents will complete the questionnaire at own time. According to Brynard and Hanekom (2006:46), the advantage of questionnaires is that the respondent has time to think about the answers to the questions in the questionnaire and a large number of respondents can be reached. However, the authors caution of the disadvantage, which is that the
researcher is not on hand to explain uncertainties, which may result in biased or distorted answers by the respondents.

4.4.3 Sampling

The concept sampling refers to the selection of a particular section of the population upon which one carries out the research (Wisker, 2001:138). Sampling is the process of data collection for generating theory whereby analysts jointly collect, code and analyse data and decide what data to collect next and where to find them, in order to develop his theory as it emerges (Glaser and Strauss in Babbie and Mouton, 2001:287). The population refers to any group of individuals or objects that share a common characteristic and represents the whole or sum total of cases involved in a study. Researchers are expected to limit their observation/study to a part of the population, since it is physically impossible to obtain information from the entire population, thus sampling is applied. The authors further outline the following factors pertaining to the size of the sample to be considered:

- cost implications
- homogeneity of the population
- degree of reliability
- practical considerations method of sampling

The researcher used a non-probability sampling whereby probability of any particular member of population is unknown and the researcher relies on personal judgement. This sampling involves reliance on available subjects as well as purposive (judgemental, quota and snowball sampling). The researcher selected a sample on the basis of knowledge of a population, its elements and the purpose of the study (Babbie and Mouton,, 2004:183). The Municipal Office-bearers/politicians, officials and community groups were selected from Metsimaholo municipality. These include the Executive Mayor, the Chairperson of Oversight Committee of Finance, The Municipal Manager, The Risk Officer and the Internal Audit Manager. Questionnaires were emailed to the municipal senior managers or Executive Directors (section 57),
and community structures such as ward committees and South African Municipal Workers Union. Interviews were conducted with senior officials and politicians who were directly responsible for financial management and reporting.

4.5 DATA ANALYSIS

The researcher will collect the data and analyse it to respond to research questions. Babbie (2004:370) states that recent decades of social science research have tended to focus on quantitative data analysis techniques. This focus, however, sometimes conceals another approach to making sense of social observations. Qualitative data analysis is the nonnumeric examination and interpretation of observations and it involves a continual interplay between theory and analysis. In analysing qualitative data, one seeks to discover patterns such as changes over time or possible causal links between variables. Babbie further argues that qualitative analysis remains a useful approach to data analysis and is even enjoying a resurgence of interest among social scientists. Although qualitative and quantitative methods of analysis may appear incompatible or in competition, research often demands that both kinds are used in the same project. This therefore means the researcher with utilise both kind to ensure that enough information is gathered and interpreted properly to give acceptable result and properly reach objectives of the study.

According to Miles and Huberman (in Auriacombe and Mouton, 2007:455), data analysis consists of three concurrent flows of activity:

- data reduction;
- data display; and
- conclusion drawing and verification.

Once data collection has been completed, an in-depth analysis of the data is made by means of data filtering, mind-mapping (which can also be
during the process of data collection with a view to eliminating irrelevant data) and the integration of the views of different authors (Brynard and Hanekom, 2006:60).

4.6 ETHICAL ASPECT OF THE RESEARCH

The researcher must consider all ethical principles when conducting the study. It is important that participants understand their role in the study and are participating voluntarily without being forced. According to Babbie (2004:63), ethics are commonly associated with morality, which will define what is right and what is wrong. The author further mentions the following as important pillars of ethics in social research:

- **Voluntary participation**

  Participation of respondents usually requires them to take some time in responding to the questions and sometimes to give information about themselves. It is important that participants understand all facts in place and why the research is done in order for them to freely participate. Therefore, the respondents must be made to understand thoroughly on their role and the need for them to participate.

- **Anonymity and Confidentiality**

  Anonymity should be guaranteed in a research project whereby neither the researcher nor the readers of the findings can identify a given response with a given respondent. This usually happens when the researcher cannot identify the respondent, and the survey was done through mail. Confidentiality on the other hand, is where the researcher takes a responsibility of protecting the respondents by not identifying with them in public. The researcher must at all times guarantee what is promised to the respondent, this will benefit all parties involved and research report can be easily accepted or even adopted.
• **Deception**

This is where the researcher might not be totally honest and ethical about the research and for whom it’s conducted for. In some cases, the participants might not want to participate due to fear of being victimised when they realise some aspects of the research and the researcher might have to be unethical. The researcher must have justifiable reasons as to why they did not divulge the whole truth, and they must do it with diligence.

All the aspects that are mentioned above were considered when the research project is implemented. It is of utmost important that the researcher is as ethical enough and respondents are aware of the research and participation is voluntary. The researcher in this study has applied all ethical considerations of the research and has maintained professional standards.

### 4.7 EMPIRICAL SURVEY

Data was collected from different units of the municipality and employees (officials and politicians) participated through interviews and completion of questionnaires. Community structures also played a role in responding to the survey. The questionnaires were drafted as follows:

- Questionnaire 1 (Annexure A) was completed by municipal employees in a form of officials and councilors. For example, an official from the finance department, and a member of mayoral committee completed the questionnaire.
- Questionnaire 2 (Annexure B) was completed by community organisations which included ward committees and non-governmental organisations

Participants completed a questionnaire with both close and open-ended questions regarding the reporting and accountability within Metsimaholo
Municipality. The distribution of the questionnaire is illustrated in table 4.1 as follows:

<table>
<thead>
<tr>
<th>QUESTIONNAIRE</th>
<th>DISTRIBUTED</th>
<th>RESPONDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaire 1</td>
<td>22</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>12 Officials</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>10 councillors</td>
<td>06</td>
</tr>
<tr>
<td>Questionnaire 2</td>
<td>31</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>21 Ward Committees</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>10 community</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>organisations</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>53</td>
<td>33</td>
</tr>
</tbody>
</table>

4.7.1 Demographic analysis

Both questionnaires (1 & 2) asked questions on demographic information of participants. The questions included gender, age and years of service involved with or employed by the municipality. Table 4.2 demonstrates the fact that majority of males participated in the survey other than females. Males constituted 70% and females 30% of respondents. In terms of age distribution, majority of participants are between ages of 35-50. In terms of years of service in order to determine experience with the municipality, 40% of males had 6-10 years experience, and 40% of females had 3-5 years experience or years of service.

<table>
<thead>
<tr>
<th>Gender</th>
<th>%</th>
<th>Age</th>
<th>%</th>
<th>Years of Service</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Males</td>
<td>70%</td>
<td>18-35</td>
<td>10%</td>
<td>&lt;3yrs</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>35-50</td>
<td>70%</td>
<td>3-5yrs</td>
<td>30%</td>
</tr>
</tbody>
</table>
4.7.2 Contextual Analysis

The purpose of this section was to obtain information on the internal and external municipal processes, the machinery available and the ability of the municipality to ensure proper financial reporting and accountability. The questionnaires posed questions around the municipal policies in place for reporting, the type of employees executing reporting duties on financial reporting and their levels of skills and knowledge on all required processes and procedures. The questionnaire also posed questions on the frequency of reporting and compliance with different legislations by the municipality.

<table>
<thead>
<tr>
<th></th>
<th>50+</th>
<th>20%</th>
<th>6-10yrs</th>
<th>40%</th>
<th>11-15yrs</th>
<th>20%</th>
<th>15+yrs</th>
<th>5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Females</td>
<td>30%</td>
<td>18-35</td>
<td>40%</td>
<td>&lt;3yrs</td>
<td>30%</td>
<td>35-50</td>
<td>50%</td>
<td>3-5yrs</td>
</tr>
</tbody>
</table>

4.7.2.1 On a shared value system/code that promote ethics and batho-pele principles by municipal employees

Figure 4.1 illustrates on the existence of code of ethics within the municipality. The outer layer disagrees to existence whereas the inner layer agrees to existence. A large percentage of officials admitted that they have little information on the existence of a specific policy on code of ethics except the mission and vision of the municipality stated in the IDP document and they constituted 70%, only 30% said there might be a policy but not implemented.
About 60% of politicians said there is a code of conduct in place which speaks to ethics and values and 40% were not aware of the policy. 80% of community organisations have no idea if the municipality has any policy on code of conduct and 20 said there might be a policy.

Figure 4.1: contextual analysis

4.7.2.2 Training of municipal officials of government policies/frameworks

40% of officials believed that government (national, provincial and local) offers training on policies or any other new framework and 50% were of the view that training is provided only when necessary. However 10% strongly felt that training was seldom done to capacitate officials. 70% of politicians agree that training is offered regularly on policies, 30% stated that it is only offered when compulsory and none believed it was seldom.

4.7.2.3 On the effectiveness of PFMA, MFMA and other policies that promote sound financial management
Majority of officials, who constituted 60%, believed that the policies are effective, and 40% believed that the policies are not effective due to lack of understanding. Politicians who believed that the policies were very effective constituted 70% and 30% believed they are not effective because they are not thoroughly implemented.

4.7.2.4 Qualifications of employees responsible for financial reporting and accountability

This question dealt with the level of skills and qualification of employees responsible for finances so as to establish if they have enough capacity to adhere to legal requirements and processes as expected. Figure 4.2 demonstrates that 60% of politicians believe that employees are qualified, 70% of officials agree that the employees are qualified and the 40% community members believe that employees are qualified to execute their duties.

Figure 4.2: contextual analysis
4.7.2.5 The role of an Audit Committee

Participants alluded to the fact that a new Audit Committee has been established recently and has started work on advising the municipality on how to handle its processes especially towards the compilation of the annual report. Figure 4.3 demonstrates that 60% of officials believe that the Audit Committee is vocal and effective, 30% believes it is neutral and compromising and 10% said it was not informed because it is newly established. 70% of politicians agree that the committee is vocal and effective, 20% believes it is neutral and compromising and 10% are not aware of the work of the committee.

![Figure 4.3: contextual analysis](image)

4.7.2.6 Compliance with the Auditor-General’s reporting requirements

The question dealt with the levels of compliance by the municipality with all the reporting requirements of the Auditor General. Figure 4.4 illustrates that 50% of officials believe that the municipality is totally compliant, 30% said it is partially compliant and 20% say it is non-compliant. 40% of politicians believe
the municipality is totally compliant, 40% say it is partially compliant and 20% believe it is non-compliant.

**Figure 4.4: contextual analysis**

4.7.2.7 **On the description of tender processes at municipality**

Most politicians were entirely satisfied with the tender process in place as required by legislation. Figure 4.5 demonstrates that 50% of officials thought that the process was efficient; however, 35% believed it lacked openness and 15% said there were not enough checks and balances. 90% of politicians thought that the process was efficient, 10% thought there was lack of openness and none of the politicians believed there are not enough checks and balances. As for community structures, 20% thought that the process was effective, 50% believed it lacked openness and 30% said there were not enough checks and balances.
4.7.2.8 On the rating of the financial reporting and accountability mechanisms

On the question of rating, figure 4.6 illustrates that 30% of officials were of the view that mechanisms available were a best practice, 50% said they were normal and 20% thought they were not impressive. For politicians, 40% thought they were best practice, 40% thought they were normal and 20% though they were not impressive. As for community organisations, 20% believed they were best practice, 30% thought they were normal and 50% stated that they were not impressive.
4.7.2.9 Community involvement on the budget, IDP and other decision-making platforms of the municipality

In terms of community participation, figure 4.7 demonstrates that 70% of politicians believe that the community is highly involved with the budget review process, 60% thought that the community participate in the IDP and 50% the said community participate in monthly ward meetings. 70% of officials agree that the community is involved in the budget review process, 60% said community is involved in the IDP processes and 50% thought that the community participates in monthly ward meetings. 50% of the community organisations believe that the community participates in budget review processes, 70% said community is involved in the IDP process and 50% thought that community participate in monthly community meetings due to meetings not taking place consistently.
4.7.2.10 General Comments

The following general comments that the researcher came across are worth noting:

- Policies may exist but implementation is ineffective due to lack of understanding by officials who implement them and as a result of lack of capacity building.
- Officials who withhold information and do not cooperate with other unit in terms of submissions. Therefore reports will be tabled without support documentation.
- Lack of performance appraisal of employees causes lack of commitment and low morale by employees.
- Lack of delegation by authorities which affects the standing of officials as part of the team and some are under-utilized.
- Lack of feedback on submitted reports to authorities such as the Provincial Government, which does not give officials a clear...
4.8 CONCLUSION

This chapter analysed the research methodology that was be used to ensure that adequate, reliable and valid data is collected. Due to the nature of the project, both qualitative and quantitative methods were used to gather data. Survey instruments such as questionnaires and interviews were also utilised to collect primary data from purposively selected respondents in Metsimoholo Local Municipality. Both qualitative and quantitative methods of data analysis were used to ensure that adequate information gathered is adequate and will be able to answer to research questions. In the next chapter, the study will present the findings on the data collected and make recommendations on how financial reporting can be improved as a tool to promote accountability at Metsimaholo Local Municipality.
CHAPTER 5

SUMMARY, FINDINGS AND RECOMMENDATIONS

5.1 INTRODUCTION

In this chapter, a summary of previous chapters is provided. The chapter focuses on the realisation of the research objectives and the hypothesis. Findings of the study are tabled and discussed, and the chapter concludes with recommendations on how financial reporting can be improved as a tool to promote accountability at Metsimaholo Local Municipality.

5.2 SUMMARY OF CHAPTERS

Chapter one is an introductory chapter that provides an overview of financial reporting as a tool in promoting accountability in Metsimaholo Local Municipality. The chapter defined conceptual aspects of the study, which included the objectives of the study, the hypothesis and the research methodology. Empirical research is designed to collect data through questionnaires and interviews. The chapter gives direction on the design of the research project for it to reach its intended objectives and logical completion.

Chapter two gives a detailed exposition and discussions on key concepts within Financial Management and Accountability. Legislative frameworks that are established to regulate municipal finances, which are mostly derived from the 1996 Constitution of the Republic, then followed by the Public Finance Management Act 1 of 1999 as amended 29 of 1999 and the Municipal Finance Management Act 56 of 2003 are explored. The chapter also describes different role players, internally and externally, on the municipal finances and accountability, and further explains their roles and responsibilities. Furthermore, the accountability structures from different environments and reporting lines are outlined.
Chapter three focuses on the overview of Metsimaholo Municipality and the extent to which it implements systems that promote sound financial management and accountability. The chapter looks at the local government in its entirety, inclusive of its developmental state with an aim of exploring factors related to accountability, transparency and involvement of different stakeholders relevant to municipal finance. A detail on the Integrated Development Planning (IDP), the Service Delivery and Budget Implementation Plan (SDBIP) and the budget process are among important areas that are clearly defined. Institutional arrangements with focus on both political and administrative capacities are detailed, with the inclusion of structures such the Audit Committee, which plays a central role in guiding reporting and accountability on municipal finance.

Chapter four provides a comprehensive discussion and an overview on the empirical research methodologoly used for the study. The research design explained different methods, which includes qualitative, quantitative and mixed method. The research instruments were outlined with specific focus on the reliability and validity that were used to test reliability of the methods used for data collection. The method of data collection is outlined where structured and unstructured interviews are used and questionnaires are used to source information from respondents. Collected data was analysed and ethical considerations and limitations of the study were clarified.

5.3 REALIZATION OF THE OBJECTIVES OF THE RESEARCH

The first objective was to provide a theoretical exposition of the concepts accountability and financial reporting. The objective was realised in chapter two where all concepts were defined and thoroughly discussed.

The second objective was to analyse systems and practices in Metsimaholo Local Municipality that tend to undermine accountability and financial reporting. This objective was realised in chapter three where a detailed discussion on the financial reporting and accountability of Metsimaholo Local Municipality was undertaken.
The third objective was to conduct a research on the impact of lack of appropriate accountability and financial reporting. This was realised in chapter four, whereby data was collected through respondents from Metsimaholo Local Municipality. Data analysis and summary was provided.

The fourth objective was to identify gaps and provide recommendations to improve accountability through financial reporting. This objective of the research will be realised in this chapter.

5.4 TESTING HYPOTHESIS

The main objective of the study was to investigate financial reporting as a tool to promote accountability at Metsimaholo Local Municipality. This objective was investigated through a testing of hypothesis which is stated in chapter one, that effective implementation of financial reporting may improve accountability for enhanced service delivery. Both literature review and empirical evidence support the statement that effective implementation of financial reporting can be used as a tool to promote accountability.

5.5 FINDINGS

In order for the researcher to analyse the study thoroughly, the following research questions had to be considered to create basis for the research:

- What is the meaning of the concepts accountability and financial reporting?
- What systems and practices are at Metsimaholo Local Municipality that undermine accountability and financial reporting?
- What are the impacts of lack of appropriate financial reporting on accountability in Metsimaholo Local Municipality?
• What recommendations can be offered to add value to improve financial reporting and accountability at Metsimaholo Local Municipality?

In an attempt to address these research questions, an assessment was made on the extent to which the municipality implement financial reporting and levels of accountability. Financial reporting concepts were defined and analysed through literature review and the systems and practices within Metsimaholo were clearly explored and summary and recommendations are provided in the next sections of the chapter. The summary of findings is as follows:

• **Shared value/systems that promote ethics**

The municipality has code of conduct which specifically outlines values that guide employee behaviour and ethical conduct. However, these code of conduct remains technical and its implementation is not emphasised to employees by management or the human resource department.

• **Knowledge and application of financial policies**

Employees have a theoretical knowledge and understanding of financial policies and different frameworks in place to promote sound financial management, but there is a gap between interpretation of these policies and their implementation by specific employees, especially within the finance department. An indication is made that, although specific legislations such as Public Finance Management Act, with inclusion of treasury regulations and the Municipal Finance Management Act that guide financial controls and management, they still need further interpretation to strengthen and promote their effective implementation. Theory on its own will not ensure smooth and effective implementation of policies.
• **Skills and qualifications of municipal employees**

A sizeable number of employees dealing with finances have necessary skills and qualifications that empower them to execute their duties. A point is made though on the placement of relevant officials to relevant sections within the finance department, whereby there is sometimes a mismatch on the day to day duties executed by individual employees and their capacity and level of skills. There is also a need to regularly train officials in order to be updated with the changing environment in the public sector finance.

• **Effectiveness of the Audit Committee**

The Audit Committee has just been established and so far, it has been executing its duties as expected. The committee is composed of people with relevant qualifications and skills that will guide the municipality. A point is made though that the audit committee makes recommendations on different aspects of reporting and accountability, however, it cannot force the officials to implement its recommendations.

• **Compliance with reporting requirements of the Auditor General**

Majority of respondents were of the view that the municipal employees were not totally compliant with the Auditor General’s requirements. Reasons advanced is that some employees do not give adequate information for reporting and sometimes reports do not adhere to provided time-frames. This will result in a situation whereby the Auditor General does not receive timeous reports with required information. This is more evident with the disclaimer opinions that the Auditor General has been awarding to the municipality.
• The relationship between officials and politicians

There is a sound and complimentary relationship between officials and politicians. The politicians continue to play an oversight role and give guidance on work done by employees, however, an indication is made on the recent establishment of a mayoral committee that oversees payment of service providers. Even though politicians are of the view that the committee streamlines accountability and promotes transparency, some officials vehemently disagree and state that it is illegal and will create problems between the municipality and its service providers because sometimes payments on services rendered are delayed.

• Tender Processes

Even though most respondents believed that the process followed all requirements as per the prescripts of the legislation, there are still people who say it lacks openness and information is not timeously given to those interested to participate.

• Involvement of community structures and feedback by politicians

Community is involved in IDP and budget review processes, these are the platforms created specifically to get community views on prioritizing, planning and implementation of service delivery projects. Ward councillors also convenes ward committees and ward monthly meetings to share information with the community

5.6 RECOMMENDATIONS

Based on the findings of the study, the following recommendations are made for consideration of action:
• The municipality should consistently workshop its employees on the code of conduct that will promote a certain ethical behaviour and inculcate values. This will foster cooperation and team work between employees. It will further assist in ensuring that information handled by employees, especially on finances is handled with necessary caution and can never be misplaced or go missing because it forms part of the evidence needed for the annual reports and accountability. The Human Resource Department should consider annual workshops for employees, this will also cater for employees who joins the system in the during the year

• Continuous training and skilling of employees on financial policies is of utmost important. The municipality should make it compulsory for employees to study certain courses in order to have necessary capacity to execute their duties. A consideration must be made towards awarding employees bursaries or study loans for them to enroll themselves with institutions of higher learning in order to build their capacity and knowledge on their field of work

• A strict and clear performance management system should be put in place, whereby performance of employees can be assessed and appraised on a regular basis. This will build staff morale and it might increase levels of competence among employees. This will also ensure that there is recourse for employees who have not performed according to set key performance areas; there will always be a room for improvement and excellence to a certain extent.

• A water-tight information management system that will allow the municipality to track information and prepare it for audit reports is urgently needed. This will avoid the missing of information and it provide security to municipal information and ensure it is readily available for any type of submission or accountability
• Regular workshops should be implemented by the municipality in order to create a clear understanding on municipal systems of reporting, planning and accountability for internal and external stakeholders, which include community members. Municipality can expand its interaction instead of engaging communities only during reviews especially of the budget and IDP, whereby communities participates without thorough understanding of the exercises. This will build trust between the community and the municipality and promote ownership by the community of its local government.

• General flow information between officials, politicians and community structures in important. The officials must fully implement Batho Pele Principles, politicians must convene their monthly meetings and communities must participate in their municipal governance, which will include attending monthly ward meetings and council meetings, and make a meaningful contribution.

5.7 CONCLUSION

Financial reporting is an important tool that promotes accountability within Metsimaholo Local Municipality. The municipality will not be able to achieve clean audits if its financial reports are not in order and this tarnishes the standing of the municipality and its ability to account on the public money allocated for it to implement its service delivery project.

All the objectives of the study have been realised with limitations that were stated. Recommendations made are aimed at stimulating further research in the field but to also contribute towards improvement on certain areas, with a specific focus on financial reporting and accountability.
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APPENDICES
Annexure A

RESEARCH QUESTIONNAIRE (FOR THE EMPLOYEES OF METSIMAHOLO MUNICIPALITY)

INTRODUCTION

The researcher is pursuing studies for the Masters Degree in Development and Management and would like to solicit your assistance in completing the questionnaire as frankly as possible. The purpose is purely academic and all the information gathered will be utilised for academic purposes only. Participation is voluntary, and all the information will be treated as confidential and no identity of participants will be revealed.

Please mark appropriate block with an “X” and include all additional information in the “comments column”.

A. DEMOGRAPHIC QUESTIONS

PLEASE STATE YOUR POSITION/POST

DEPARTMENT

POSITION/GRADE       Top Management       Middle Management       Other

GENDER                Female                 Male

AGE                   18-35                  36-50                   50+

YEARS OF SERVICE IN THE MUNICIPALITY <3yrs 3-5yrs 6-10yrs 11-15yrs 15+ yrs
B. CONTEXTUAL QUESTIONS

1. Does the municipality have a shared value system/code that promotes ethical behavior?

   YES
   NO
   DON’T KNOW
   COMMENT

2. Due to new developments and changing government frameworks, how often do the municipal officials receive training in order to implement these frameworks?

   REGULARLY
   WHEN COMPULSORY
   VERY Seldom
   COMMENT

3. In your view, how effective are legislations such as PFMA and MFMA in promoting sound financial management in MLM?

   VERY EFFECTIVE
   NOT EFFECTIVE
   CONFUSING
   COMMENT
4. Do you participate in the compilation of the Annual Report?

YES [ ]

SOMETIMES [ ]

NO [ ]

COMMENT .................................................................................................................................
................................................................................................................................................
................................................................................................................................................
................................................................................................................................................

5. Do you think the municipality complies with all the requirements by the Auditor General on financial reporting?

TOTALLY COMPLIANT [ ]

PARTIALLY COMPLIANT [ ]

NON-COMPLIANT [ ]

COMMENT .................................................................................................................................
................................................................................................................................................
................................................................................................................................................
................................................................................................................................................

6. In your view, does the municipality comply with findings of the Auditor General?

FULLY COMPLY [ ]
PARTIALLY COMPLY

DO NOT COMPLY □

COMMENT................................................................................................................... 
................................................................................................................... 
...................................................................................................................

7. Do officials responsible for financial control and management have required skills or qualifications to execute their duties?

QUALIFIED □

UNDER-QUALIFIED □

UNQUALIFIED □

COMMENT............................................................................................................. 
................................................................................................................... 
...................................................................................................................

8. How would you describe the understanding of roles and responsibilities between officials and political office bearers with regards to financial management?

SOUND & COMPLIMENTARY □

NORMAL □

CONFUSING & TENSE □

COMMENT............................................................................................................. 
................................................................................................................... 
...................................................................................................................
9. How are the levels of understanding among municipal officials on their roles and responsibilities with regards to financial compliance and accountability?

INFORMED □
PARTIALLY INFORMED □
NOT INFORMED □

COMMENT ................................................................................................................
................................................................................................................
................................................................................................................

10. Which of the following best describe your audit committee?

VOCAL & EFFECTIVE □
NEUTRAL & COMPROMISING □
NOT INFORMED □

COMMENT ................................................................................................................
................................................................................................................
................................................................................................................

11. How transparent would you describe the tender process at MLM?

EFFICIENT & ACCOUNTABLE □
LACK OF OPENNESS □
NO ENOUGH CHECKS & BALANCES □
12. Is the community actively involved in the financial management and control in MLM?

OFTEN

WHEN REQUIRED

NOT INVOLVED

COMMENT

13. In promoting accountability and transparency, what kind of feedback do political office-bearers give to the community?

REGULAR & INFORMATIVE

SELDOM & DISTORTED

NO FEEDBACK

COMMENT

14. Do you reckon any improvement on how reporting and accountability on finances is done in order to ensure sound financial management?

CONTINUOUSLY IMPROVING

REMAIN THE SAME

NOT IMPROVING

COMMENT
15. Are all financial policies consulted with workers before passed through the council meeting, in order to promote total ownership and smooth implementation by all employees?

YES ☐
SOMETIMES ☐
NOT AT ALL ☐

COMMENT ..................................................................................................................
..................................................................................................................
..................................................................................................................

16. How would you rate the reporting and accountability mechanisms of MLM?

BEST PRACTICE ☐
NORMAL ☐
NOT IMPRESSIVE ☐

COMMENT ..................................................................................................................
..................................................................................................................
..................................................................................................................

Thank you for completing this survey.
ANNEXURE B

RESEARCH QUESTIONNAIRE (FOR ORGANISATIONS/STRUCTURES INVOLVED IN THE MUNICIPALITY)

INTRODUCTION

The researcher is pursuing studies for the Masters Degree in Development and Management and would like to solicit your assistance in completing the questionnaire as frankly as possible. The purpose is purely academic and all the information gathered will be utilised for academic purposes. Participation is voluntary, and all the information will be treated as confidential and no identity of participants will be revealed.

Please mark appropriate block with an “X” and include all additional information in the “comments column”.

A. DEMOGRAPHIC QUESTIONS

<table>
<thead>
<tr>
<th>NAME OF ORGANISATION/WARD NUMBER</th>
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<table>
<thead>
<tr>
<th>POSITION IN THE ORGANISATION/WARD COMMITTEE</th>
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<table>
<thead>
<tr>
<th>GENDER</th>
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<table>
<thead>
<tr>
<th>AGE</th>
<th>18-35</th>
<th>36-50</th>
<th>50+</th>
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<table>
<thead>
<tr>
<th>HOW LONG HAVE YOU BEEN INVOLVED IN LOCAL GOVERNANCE?</th>
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<tr>
<td>&lt;3yrs</td>
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</tr>
</tbody>
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B. CONTEXTUAL QUESTIONS

1. Does your organisation/structure have any kind of interaction with the municipality?

   YES


2. Do municipal officials and office-bearers uphold strong organizational values and recognize Batho Pele Principles?

YES
SOMETIMES
NOT AT ALL

COMMENT

3. Do you think the municipality is transparent and accountable to the public on its activities, especially financial matters?

AGREE
MAYBE
DO NOT AGREE

COMMENT

4. How would you rate the reporting and accounting mechanisms put in place by MLM?

VERY EFFECTIVE
5. How transparent would you describe the tender process at MLM?

- EFFICIENT & ACCOUNTABLE
- LACK OF OPENNESS
- NO ENOUGH CHECKS & BALANCES

6. In promoting accountability and transparency, what kind of feedback do political office-bearers give to the community?

- REGULAR & INFORMATIVE
- SELDOM & DISTORTED
- NO FEEDBACK

7. How does your organisation/structure participate in the local governance with regards to the following platforms:

a. IDP processes?

..............................................................................................................................
b. Budget review process?

........................................................................................................................................
........................................................................................................................................
........................................................................................................................................

Thank you for completing this survey.

For a follow up on the questionnaire, I am contactable on 082 496 1865 and pnotsi40@gmail.com
19 December 2011

North-West University Vaal Triangle Campus
Andries Potgieter Boulevard
Vanderbijlpark
1900

Attention: Prof. Ababio

RE: RESEARCH REPORT FOR METSIMAHOLO LOCAL MUNICIPALITY

The memo herein confirms that the Metsimaholo Local Municipality has granted Notsi student no.20933878 enrolled with North West University to perform a research about the Municipality.

It will be appreciated upon completion of the research, that contents of the report to be shared with the Municipality.

R. THEKISO
ACTING MUNICIPAL MANAGER
ANNEXURE D

DRAFT BUDGET, IDP and SDF Sector Plan: PUBLIC MEETINGS

Notice is hereby given in terms of Section 16 read with Section 17 of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000) and Section 22 and 23 of the Local Government: Municipal Finance Management Act, (Act No. 56 of 2003) that the Metsimaholo Local Municipality invites members of the public and stakeholders to participate in the Public meetings as indicated below for the 2011/2012 Draft Budget and IDP and Spatial Development Framework Plan Sector Plan of the IDP.

<table>
<thead>
<tr>
<th>Ward</th>
<th>Name</th>
<th>Date</th>
<th>Venue</th>
<th>Time</th>
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</thead>
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<tr>
<td>Ward 1</td>
<td>Clr S I Ramathesele</td>
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<td>17:00</td>
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<tr>
<td>(Amelia)</td>
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<tr>
<td>Ward 6</td>
<td>Clr M M Mthimkulu</td>
<td>6/04/11</td>
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<td>Clr C J Lelahla</td>
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<td>Ward 2</td>
<td>Clr N M Malika Clr M</td>
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<td>Lehutso Primary School</td>
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<td>Ward 10</td>
<td>Clr L S Lempe Clr T</td>
<td>07/04/11</td>
<td>Zamdela Hall</td>
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<td>Ward 8</td>
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<td>19/04/4</td>
<td>Zamdela Arts and Culture</td>
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<td>Centre</td>
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<td>Ward 3</td>
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<tr>
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<tr>
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The documents will be available for perusal and public comment from 1 April 2011 to 21 April 2011.

Notice is hereby given in terms of Section 21 of the Municipal Systems Act, 32 of 2000 and Section 22(2) of the Municipal Finance Management Act, 56 of 2003 that the amended IDP for 2011–2012 and SDF for 2011-2012 has been tabled and be available from 1 April 2011 to 21 April 2011. Copies of the IDP documents, draft Budget and SDF are available for inspection on the municipality’s web-site (www.metsimaholo.gov.za) and in all public libraries within Metsimaholo Local Municipality from 1 April 2011 to 21 April 2011. All comments and inputs on IDP, draft Budget and SDF should be submitted in writing in the relevant comment boxes provided at the libraries or may be sent by e-mail to the following e-mail address: sello.mokoena@metsimaholo.gov.za (IDP) or amanda.vorster@metsimaholo.gov.za or Mpho Mafoso at mpho.mafoso@metsimaholo.gov.za for SDF comments.

Any person, who cannot write, may come during office hours to a place where a staff member of the municipality named in the invitation, will assist that person to transcribe that person’s comments or representations.

Enquiries:

For IDP Comments must be made to Sello Mokoena (IDP Manager), (016) 973 8348

For Budget Comments must be made to Amanda Vorster (Budget Manager), 016 973 8377

For Spatial Development Framework must be made to Mpho Mafaso (Planning Manager) 016 973 8409
X W Mswezi
MUNICIPAL MANAGER

17 March 2011

(Notice No.: 08/2011 )

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