BUDGETARY CONTROL AS A MECHANISM FOR PROMOTING GOOD GOVERNANCE AND PUBLIC EXPENDITURE MANAGEMENT IN THE NGWATHE LOCAL MUNICIPALITY

MOSIGI JOSIAH RABOTAPI

11881283

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Supervisor: Dr. L.B. MZINI

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DECLARATION

I DECLARE THAT THE MINI-DISSERTATION TITLED “BUDGETARY CONTROL AS A MECHANISM FOR PROMOTING GOOD GOVERNANCE AND PUBLIC EXPENDITURE MANAGEMENT IN THE NGWATHE LOCAL MUNICIPALITY” IS MY OWN WORK AND THAT ALL THE RESOURCES THAT I HAVE QOUTED HAVE BEEN INDICATED AND ACKNOWLEDGED BY MEANS OF COMPLETE REFERENCE.
DEDICATION

This mini dissertation is dedicated to my partner Sesi Modiehi and my sons, Tshepo; Ashley and Tshiamo Molifi for their amazing love, support and encouragement
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ABSTRACT

The affairs of public financial management in the local government operates within two legal frameworks, one adopted by national government and one adopted by legislatures at local level (Mikesell, 2007:36). A legislative framework for public financial management includes a vast number of legislation and public policies that have a direction bearing on the way in which financial management is dealt with in the different spheres of government. The financial affairs in the local government are guided by various legislative frameworks which regulate financial management in the three spheres of government. The Municipal Finance Management Act (MFMA) Act 56 of 2003 in addition provides guidelines for securing sound and sustainable financial management.

The need to achieve sound public financial management and assurance of acceptable and transparent levels of financial risk has become paramount. To realize the developmental mandate, the Integrated Development Plan (IDP) and budgeting are seen as the most significant tool towards effective public financial management. Government activities require funds to undertake the planned activities and such funds require special care to safeguard the public funds. This study aimed to assess the budgetary control practices in the Ngwathe Local Municipality. The objectives were realized by means of literature review, questionnaires and participant observations.

The results of the interviews with the participants (community) revealed that the public is somehow not interested in local government affairs. It was indicated that they are mostly concerned about the social affairs and the job opportunities. The interviews with the municipality revealed that the budgetary control mechanisms are effective. Budget management is a requirement that covers budget preparation, budget implementation, and budget control. The Municipality established the budget office which serves as a mediator between the municipal council and the departmental managers. A good budget is characterized by participation, comprehensiveness, standards, flexibility, feedback and analyses of cost and
revenues. However, the municipality should enhance the culture of community participation in local governance.
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CHAPTER 1
ORIENTATION AND PROBLEM STATEMENT

1.1 INTRODUCTION

This study explores the framework of public financial management (PFM) and discusses local government (municipal) budgeting. It also examines budgetary control in the Ngwathe Local Municipality (NLM). The sections below present the background of this study and the problem statement. The research objectives are also outlined below. The research methodology and the research ethics considerations are described.

1.2 ORIENTATION AND BACKGROUND

The NLM forms part of the Fezile Dabi District Municipality (FDDM) and it is regarded as a Category B municipality (Ngwathe Local Municipality (NLM), 2011). Section 157 of the Constitution of the Republic of South Africa Act 108 of 1996 (hereafter ‘the Constitution’) define the categories of the municipality. A Category B municipality shares the executive and legislative authority in their area with Category C municipality. The Category C for the NLM is the FDDM (NLM, 2011). The NLM consists of five (5) towns, namely, Edenville, Vredefort, Heilbron, Parys and Koppies as well as the rural areas as demarcated by the Demarcation Board of South Africa (NLM, 2011). The NLM is further divided into 19 wards and comprises 38 councillors (NLM, 2011).

Government allocate scarce resources to programs and services through the budget process (Government Finance Officers Association (GFOA): 1998:2) for the delivering of services to the community. Khalo (2007:187) indicates that a municipal budget differs from a budget prepared for both the national and provincial governments. The essence of the PFM is to focus on managing the public money (Moeti et al., 2007:40). It also aims to ensure that the people’s money entrusted to government is managed appropriately (Moeti et al., 2007:40). Sound PFM supports aggregate control, prioritization, accountability and efficiency in the management of public resources and delivery of services (World Bank, 2005). The PFM derives its importance from its central role in the implementation of growth
and development policy. Fiscal policy and budgets comprise a central tool for achieving institutional development objectives. The PFM as a procedure has an important impact to assess the financial performance of a municipality (World Bank, 2008:4). Section 153 of the Constitution provides that a municipality must structure and manage its administration and budgeting processes in such a way that they give priority to the basic needs of the community. Section 153 of the Constitution further makes provision for the promotion of social and economic development of local communities.

These provisions emphasise strict measures to municipalities. All these are the essence for the developmental local government. The White Paper on Local Government of 1998 (the White Paper: 1998) enforces municipalities to work together with local communities to find a sustainable way of meeting the needs of the community. The aim of the developmental local government is to impact on the lives of the communities. As stated in the White Paper: 1998, municipalities strive to achieve the following developmental outcomes;

- the provision of household infrastructure and services;
- the creation of inhabitable integrated cities, towns and rural areas;
- the promotion of local economic development; and
- community empowerment and redistribution.

Curristine, Lonti and Joumed (2007:1) point that municipalities are generally under pressure to improve on service delivery issues, for public sector performance and at the same contain expenditure growth. The affairs of public financial management in the local government within two legal frameworks, one adopted by national government and one adopted by legislatures at local level (Mikesell, 2007:36). A legislative framework for public financial management includes a vast number of legislation and public policies. The framework has a direct bearing on the way in which financial management is dealt with in the different spheres of government. The financial affairs in local government are guided by:

- the Constitution of 1996;
- the Public Financial Management Act (PFMA), Act 1 of 1999 (as amended by Act 29 of 1999);
• the Treasury Regulation PFMA which regulate financial management in the national
  and provincial government; and
• The Municipal Finance Management Act (MFMA), Act.56 of 2003.

The Municipal Finance Management Act (MFMA), Act.56 of 2003 provides guidelines for
securing sound and sustainable financial management. It focuses on the financial affairs of
municipalities and other institutions in the local sphere of government.

The need to achieve sound public financial management to assure acceptable and
transparent levels of financial risk has become paramount. To realise the developmental
mandate two tools are used. These tools are both the Integrated Development Plan (IDP)
and budgeting. Both tools are seen as the most significant tools towards effective public
financial management. Government activities require funds to undertake the planned
activities; therefore such funds require special care to safeguard the public funds
(INTOSAI, 2004:3). Local fiscal administration encompasses several tasks associated with
the delivery of government services to the citizenry, including planning the programme,
executing it, financing it, and evaluating its results (Mikesell, 2007:24).

The compiling of budgets is an integral process in any organisation’s strategic planning
activities. Chitenge (2007) defines a budget as an accounting plan which normally serves
the purpose of quantifying the objectives of an organisation. A budget must have an
agreement period that provides a consistent basis for control and performance evaluation
(Chitenge, 2007). Budget processes at local levels are at the core of a fiscal administration
system. That is where the broad financial policies and programs of government are
developed. The size of government is established, with the other functions contributory to
its operation (Mikesell, 2007:24). To achieve sound fiscal administration, the Food and
Agricultural Organisation (Food and Agricultural Organisation [FAO], 2011) highlights the
following as important in organising and administering the budget system. Budget
organising and administering processes comprise four elements for its fiscal effectiveness,
namely:

• budget centres;
• budget committees;
• budget officers; and
• budget manuals (FAO, 2011).

The respective elements are discussed in chapters two and three of this study.

A good budget is characterised by participation, comprehensiveness, standards, flexibility, feedback and analysis of costs and revenues (FAO, 2011). Budget management is a requirement that covers budget preparation, budget implementation, and budget control (Moeti, 2007:42). It is therefore important that organisations develop a sound appreciation of general budgeting principles (Chitenge, 2007). Institutions implement budgetary controls in operating mechanism processes to manage costs efficiently and effectively. These controls also allow departmental heads to forecast expense levels over a month or a quarter (Chitenge, 2007).

A budget is basically a yardstick against which actual performance is measured and assessed (FAO, 2011) and this is realized through budgetary control. Budgetary control is a process whereby the generation of revenue is planned and monitored. The expenditure is also controlled and reviewed regularly by comparing the actual with the estimates (Chitenge, 2007; FAO, 2011). Budgetary control assists management in carrying out specific functions such as planning, coordination and control. Budgetary control is intended to:

• ensure that expenditure takes place in accordance with the approved estimates;
• ensure that the public receives value for their money spent (Gildenuys, 1993:52);
• promote transparency and accountability;
• strengthen the link between policy priorities, planning, budgeting, implementation and reporting on finances; and to
• promote consistency across the implementation of the IDP, Budget, Service Delivery and Budget Implementation Plan (SDBIP), IYM and Annual Financial Statement (AFS) (FAO, 2011).
The framework and the compendium of good budget practices are intended to serve as tools to assist governments in improving their budget process (GFOA, 1998:2). A good budget process is characterized by several essential features, because these processes:

- incorporate a long-term perspective;
- establish linkages to broad organizational goals;
- focus budget decisions on results and outcomes
- involve and promote effective communication with stakeholders, and
- provide incentives to government management and employees (GFOA, 1998:2).

The process also compels management to think about the future which is probably the most important feature of a budgetary planning and control system (FAO, 2011). The process also define areas of responsibility (budget centres) towards the achievement of budget targets for operations under their personal control (FAO, 2011).

The budget practices have been developed to provide guidance to governments that want to make improvements to their budget processes (GFOA, 1998:2). Its implementation is expected to be an incremental process that will take place over a number of years (GFOA, 1998:2). This study looks at the arrangements and conformity of the NLM towards the operation of its budget control. The questions below attempt to assess how budget control can serve as a means of allocating resources to achieve the objectives of the government. The study also aims to assess whether budgetary control is a management tool for economic and fiscal planning in the NLM. Proper budget planning strives to establish mechanism for “controlling and monitoring” the use of funds to ensure that they meet stated objectives (United Nations, 1999:18). However, in spite of their importance, budgeting and budgetary control methods face challenges arising mostly from within an organisation. Against this background this study reviews the framework of budgetary control in the municipal setting for promoting fiscal accountability in the NLM. The next section outlines the challenges encountered by municipalities particularly in the NLM.
1.3 PROBLEM STATEMENT

This study focuses on budgetary control in a local government sphere. The study area is the NLM, situated in the northern part of the Fezile Dabi District Municipality. Fezile Dabi District Municipality is found in the Free State Province. Budgets are an essential part of an institution. A budget process relies on a well-integrated government activity. That involves the planning and management functions. Such functions provide better financial and program decisions and lead to improved governmental operations (GFOA, 2009:2).

Budget process implementation may be a daunting task, especially if an institution has multiple business processes, service delivery systems and operating units such as the NLM with its five towns. This section provides a list of problems encountered by municipalities during their budget processes. The respective problems are reports from the literature review conducted for this research proposal and from the auditor-general reports.

1.3.1 Institutional capacity

Managing public spending outputs is a complex endeavour (Curristine, Lonti and Joumed, 2007:1) and yet interesting to obtain good financial accolades. The responsibility for good administration lies with the political and administrative heads of local government: mayors, executive councils and municipal managers. Municipalities are found to lack the consequence for promoting performance and lack minimum competencies for officials in key positions (Hlongwane, 2012).

1.3.2 Compliance

The Supply Chain Management and Preferential Procurement Policy Framework Act, Act 5 of 2000 makes provision for institutions to adhere to the regulations provided. The report by the Auditor-General of 2009-2010 indicates that the procurement document for municipal (NLM) expenses could not be provided and the possible occurrence of irregular expenditure due to non-compliance.
The A-G reports indicate that issues of irregular expenditure incurred due to non-compliance with the supply chain management policy amounting to R2 million was not disclosed in the financial statements (NLM, 2011). Institutions are required to ensure that their financial statement to fairly present the financial position, financial performance and cash flows of a municipality. However, the municipality did not disclose the details of fruitless and wasteful expenditure in the financial statements as required by section 125 (2) (d) of the MFMA (NLM, 2011).

1.3.3 Budget documentation

Budget documentation identifies the budget stages and procedures. Municipalities tend to omit major stages during the implementation of their budget procedures (United Nation, 1999:20). The report by the Auditor-General of 2009-2010 indicates that the Auditor-General was unable to obtain appropriate audit evidence during the period under review in this regard (NLM, 2011). The audit evidence confirms the occurrence and accuracy of irregular expenditure as disclosed in note 31 of the financial statements of the Free State legislature and the municipal council on the NLM (NLM, 2011).

Hlongwane (2012) further indicates that 50% of the municipalities in the Free State province are slow to respond to the A-G’s messages and implementation of key control measures.

1.3.4 Fruitless and wasteful expenditure

The report by Hlongwane (2012) indicates that there is a growing trend of irregular expenditure in supply chain management. It is reported that the NLM encountered the following problems as they relate to irregular spending:

- The municipality incurred fruitless and wasteful expenditure as a result of duplicate annual bonus payments amounting to R86 million, and excessive overtime payments accounting to R12 million;
• Additional interests charged with respect to the late payment of instalments on long-term liabilities;
• Irregular expenditure in respect of the misuse of municipal garage cards during 2010 was not disclosed in the financial statement; and
• Contrary to sections 1, 15 and 32 of the MFMA, budgeted expenditure was exceeded on certain votes. It was not disclosed in the financial statement as unauthorized expenditure, as required by subsection 125(2) of the MFMA (NLM, 2011).

1.3.5 Oversight role

According to Savage (2009: 310) compliance with audit procedures is an important part of ensuring accountability and transparency. Sadly, in many respects Mayors did not perform their oversight role as emphasised and agreed upon by the MFMA during the period under review (Nobembe, 2011).

13.6 Service delivery

Government needs money to carry out the activities as intended by the municipal plans. Such services include electricity provision, refuse removal services and maintaining road infrastructure. In some instances Khalo (2007:186) indicates that municipalities cannot provide the community services since there are insufficient funds to cover the operational costs. Sometimes the municipalities are faced with the control of budgets. In this case a municipal report indicates that there is over-expenditure for a particular financial period as community services were not effectively delivered as outlined in the budget. Nobembe (2011) states that municipalities fail to report on service delivery issues.

Despite the challenges encountered by municipalities including the NLM, interventions are in place to unravel the challenges encountered by the state. The following interventions are aimed at contributing to effective budget control in local government sphere:
• Firstly, the Ministry of Finance planned to adopt a “hands-on approach to its financial role”. The position of the “Chief Procurement Officer was established to enforce the implementation of procurement legislation”; 
• Secondly, the Ministry of Monitoring and Evaluation attached to the office of the Presidency have initiated to evaluate the “connection between bad audit and poor service delivery”, since there is increasing rate of service delivery protest; and 
• Thirdly, the role of research and development is emphasised in the public service for assessing performance of the municipalities. A pilot study is undertaken to find “mechanism that will prevent irregular spending” and the Eastern Cape serves as a case study (Hlongwane, 2012).

Based on the problems identified above, this study explores the tools employed by the NLM in improving its budgeting processes and to promote its use.

1.4 RESEARCH QUESTIONS

The research questions of this study were set out as follows:

• What do budget, budget control, irregular spending, good governance and public expenditure management entail? 
• What strategies are in place to measure whether the budget and budget control in the NLM are realistic and implemented as intended? 
• How can effective budgetary control contribute towards good governance and public expenditure management in the NLM? 
• Can recommendations be offered for improving budgetary control processes essential to safeguarding the financial well-being of the NLM?

1.5 AIMS OF THE STUDY

From the problem statement and research questions the aims of the research study involved the following:
To give a theoretical exposition of the concepts budget, budget control, irregular spending, good governance and public expenditure management.

To assess strategies in place in the NLM to measure whether the budget and budget control are realistic and is implemented as intended.

To analyse the contributions of effective budgetary control towards good governance and public expenditure management in the NLM.

To consider the possibilities of offering recommendations for improving budgetary control processes essential to safeguarding the financial well-being of the NLM.

Budgeting involves monetary and financial planning whereas budgetary control involves analysing the results of the budget during the implementation phase. Research about significant improvements within the area of PFM in South African municipalities seems to show a gap. On daily basis, reports indicate that the fiscal status of municipalities does not reflect a final stage of their developmental mandates. Strong revenue performance enables the government to maintain budgeted operational expenditures (World Bank, 2008:6).

This study mainly concentrates on budgetary control as it is the crucial phase of budgeting. This study examines and determines the current practices in budget control among local municipalities in NLM in order to identify the challenges on budget control facing the NLM in order to bring about strategies to deal with those challenges. This study also assesses the performance of the NLM’s PFM systems, based on a performance measurement framework; accountability and monitoring processes as prescribed by the South African legislative framework; the Constitution and the PFMA and MFMA. Institutions apply a set of performance indicators to measure their goals, therefore the study analyses the effectiveness of the respective indicators used to measure whether a budget is realistic and is implemented as intended.

Furthermore the aim of the study was to assist municipalities in ensuring that expenditure takes place in accordance with the approved budget; the public receives value for their money; and to prevent unauthorized, irregular, fruitless and wasteful expenditure through application of budget control.
1.6 HYPOTHESIS

Fox and Bayat (2007:14) define a hypothesis as “a calculated, scientific prediction about the likely results of a research project”. The authors further state that hypotheses are not wild and unfounded guesses or conjectures about desired outcomes, but based on expertise and experienced (2007:14). Referring to the definition above, this study suggests the following as the hypothesis for this study: “Effective budgetary control may have a positive impact in promoting financial performance at Ngwathe Local Municipality”.

This hypothesis is informed by the important role that local governments play as a key sphere of government in advancing the goals and objectives set out in legislations and policy frameworks of the national government. In many respects this sphere of government acts a gate way for local communities to access government services.

1.7 METHOD OF STUDY

This section of this chapter focuses on the literature review undertaken as part of this study. It further explains the research methods used for data collection strategies in the conducting of this study. It is worth mentioning that this study applies a descriptive form of data analysis as it uses observations and surveys. These, in turn, are data collection strategies, namely: the literature review, empirical research, qualitative combined with an element of quantitative methods.

1.7.1 Literature review

Literature review describes theoretical perspectives and previous research findings regarding the problem at hand (Leedy & Ormrod, 2010:66). Its function is to “look again” at what others have done in areas that are similar, though not necessarily identical to one’s own area of investigation (Leedy & Ormrod, 2010:66). The researcher hereof consulted both primary and secondary sources in order to access data on budgetary control. Much work has already been written on financial management systems in both developing and developed countries, and there is extensive literature (United Nations, 1999). In this regard
books, journals, the website, articles, newspapers, legislative frameworks and governmental reports will be consulted to serve as reference sources for this study. Journals such as the Journal of Public Management; OECD Journal on Budgeting will be consulted to review the sources and articles prepared by scholars in the field of public finance.

The International Monetary Fund, the United Nations and government websites were also analysed for obtaining data on public finance. The Auditors-General's reports on government financial management were consulted. For purposes of this research the researcher consulted two auditor-general reports for the Free State Province. The publications records by the book sellers, namely: Juta and Van Schaik book sellers will be accessed in the local libraries to access enhance the scope of public finance and budgeting. The researcher also consulted influential sources to ensure that the study is of academic value to other interested researchers and academics in the same research area.

1.7.2 Empirical research

The literature review and the qualitative method were complemented by interviews. The interview assisted the researcher to ask the question to the participants of this study and to understand the framework of the interview process and for data reporting. The interviews were complemented by means of questionnaires. The researcher designed and made use of two questionnaires in this regard, one for the institution and the other for community members in the NLM. These questionnaires comprised of both open-ended and closed-ended questions. These questionnaires were characterised by Likert scaling responses.

Sampling

This study uses sampling as it assist researchers to determine the characteristics of population to be selected for to conduct research for this study (Brynard and Hanekom, 2008:54). The researcher has made use of stratified random sampling in this study. Stratified random sampling consists of the population being divided into a number who are homogeneous with regard to their characteristics (Brynard and Hanekom, 2008:54). This kind of sample is mainly used to ensure that the different groups or segments of a
population get sufficient or segments of a population get sufficient representation in the sample.

An effective budget process is inclusive as it involves all stakeholders: elected officials, governmental administrators, employees and their representatives (GFOA, 1998:2). The inclusion of the citizen groups, business leaders reflects their needs and priorities as they are served by a positive force (GFOA, 1998:2). These engagements are aimed at maintaining good public relations and in enhancing the overall impressions of both the citizens and stakeholders of government (GFOA, 1998:2). The NLM consists of various departments and departmental units responsible for budget preparation. The researcher identifies a block in the area where the community members were canvassed for purposes of this study. This assisted in ascertaining whether the community is aware of the activities that allowed them to participate in the budget control process taking place in their community.

The four administration departments of the NLM are selected as a sample population of this study, based on their functions for budget operations. The sample for this study was set out as follows:

- **Office of the Chief Financial Officer (CFO).** The CFO administers the municipal budget and is accountable to the municipal manager for managing all financial transactions within the municipal council. The interview with this official was aimed at establishing an understanding of existing coping strategies that needs to be undertaken at that level of management in order to realize effective budgetary control in the NLM.

- **Budget Officers** (five members were selected among the five towns in the NLM). A Budget Officer controls the budget administration and also acts as a liaising officer between the budget committee and the managers responsible for budget preparation (FAO, 2011). The interviews aim to analyse the effectiveness of budgetary mechanisms that the budget officers use in order to maintain fiscal adherence in the NLM.
• **Community** (30 community members were selected from the five towns of the ELM): In local government budgeting, the citizenry can be involved in each stage of the process, as a means of making the government more responsive to public interests and a means of monitoring the results of government programs (Mikesell, 2007:29). The Constitution of the Republic of South Africa makes provision for meaningful participations of community members in the public financial management. The interviews held with the selected community members were aimed at understanding the role and participation levels of the community in budgetary control in the NLM.

1.7.3 **Research ethics**

The study of public financial management consists of diverse stakeholders. It includes government officials, politicians and interest groups as well as the community being the residents of the respective municipal area. It is in the light of this understanding that a letter requesting permission to conduct the study at the NLM was drafted and submitted to the municipality to the attention of the Mayor, the Municipal Manager and the Chief Financial Officer. The researcher also ensured that permission for the accessing of the institutional reports and the participants was granted for purposes of this study. The Chief Financial Officer of the NLM was used as a gate keeper for this study. Following the submission of an approval letter from the University for the undertaking of this study to the relevant authorities within the NLM permission for all the above requests was granted.

The researcher treated all participants with respect and ensured them of confidentiality throughout his engagement with them. Data gathered during the interviews with the participants was stored using the names of each participant. For reporting purposes, the names of the participants (clinical and non-clinical respondents) were not reported in the mini-dissertation; however the researcher did make use of the coding system. The responses were reported in a collective form, thereby words like the “participants” or “respondents” were applied to reporting of the results of the interviews. The questionnaires were administered to the Chief Financial Officer, the Budget Office and to the members of the community.
The analysis of the budget control in the NLM mainly concentrated on the administrative process of managing municipal finance. As part of data collection for this study, community members interviewed were drawn from both the youth (18-35) to adult (36+) categories. The category groups identified for this study are regarded as decision makers in the local affairs issues. Furthermore, these groups become eligible participants when it comes to public participation and for the IDP and budget process. The reason behind the adherence of the ethical norms is to safeguard the research participants and to minimise the risks of fraud and wrong identity.

1.8 CHAPTER OUTLINE

Chapter 1: Orientation and problem statement.
Chapter 2: Theoretical exposition of financial expenditure management and good governance.
Chapter 3: Application of budgetary control for promoting municipal expenditure
Chapter 4: Research methodology and research results of the empirical study conducted in the Ngwathe Local Municipality
Chapter 5: Findings and recommendations.
CHAPTER 2

THEORETICAL EXPOSITION OF FINANCIAL EXPENDITURE MANAGEMENT AND GOOD GOVERNANCE

2.1 INTRODUCTION

The provision of public service in any given country depends very much on the manner in which the state manages its financial resources. Government collects these resources from a diversity of sources. There is a need for the state to determine its expenditure patterns in a national manner and to put in place systems for monitoring and controlling the utilization of funds. Government officials exist for purposes of implementing effective financial management. Today in South Africa, the public financial management (PFM) system in some of the three spheres of government remains a challenge.

The PFM system has not recorded any significant improvement between 2010 and 2011. The Auditor General of South Africa (Terence Nombembe) indicates that an amount of R20 billion was wasted in 2010 and 2011 financial year. The main causes for such wastage happened due to unauthorized; irregular; wasteful and fruitless expenditure (Magome, 2012).

This chapter presents theoretical exposition of public expenditure management and good governance. The concept of public expenditure is also defined. The objectives of public expenditure and its importance are described in the sections below. The characteristics and principles of good governance are also discussed in the paragraphs below.

2.2 BACKGROUND ON PUBLIC FINANCE AND LEGISLATIVE FRAMEWORK

The sections below outlines a brief background on public finance and legislative framework.
2.2.1 The Constitution of the Republic of South Africa of 1996

The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) expects all government departments to develop their departmental policies for managing their funds. South Africa forms part of a developing country. The departmental policy developed mostly contains the objectives to improve the quality of life of all citizens through. The Constitution also sets out the principles for the conduct of the respective departments. The sections points the requirements made by the Constitution.

*National Revenue Fund*

Section 213 (1) states that the national government must deposit all money received in to the National Revenue Fund.

*Equitable division of revenue raised nationally*

Section 214 (1) (a) talks about the equitable division of revenue rose on a national basis. The state generates a lot of income from its diverse sources; therefore such funds should be distributed equally. This is interesting because some municipalities are financially underperforming, whereas some are just small but they also receive the share as other municipalities.

*Budgetary processes*

Section 215 (1) puts emphasis on the establishment of the budgetary processes in the three spheres of government (the national, provincial and municipal). Budgetary processes promote transparency, accountability and the effective financial management of the economy, debts and the public sector.

*Fair, equitable, transparent competitive and cost effective contracting process*

The public sector depends on the contracted services. So, the Section 217 (1) encourages the public sector to ensure that the contracting process for selecting such people should be fair, equitable, transparent competitive and cost effective contracting process.
The Constitution is the supreme law of the country therefore all the actions of the executive authority should strictly adhere and comply with it. Any violation thereof will be ruled as unconstitutional and against the public interest.

2.2.2 Public Finance Management Act of 1999

The Public Finance Management Act, 1999 (PFMA) (Act No. 1 of 1999) was as amended by Act No. 29 of 1999. This is one of the most important pieces of legislation that exists to promote the objective of sound financial management. The aim of this Act is to maximize service delivery through the effective and efficient use of limited state resources to satisfy the unlimited needs of society. The PFMA has the following three salient features:

- Accountability;
- Responsibility and
- Transparency.

The former National Minister of Finance Trevor Manual outlined the key objectives of the PFMA as being to give effect to the Constitution and its key objectives are as follows:

- to modernize the system of financial management;
- to enable public sector managers to manage and be more accountable;
- to ensure the timely provision of quality information; and
- to eliminate waste and corruption in the use of state assets.

2.2.2.1 Efficient and transparent systems and risk management

Section 38(1) (a) (1) of PFMA encourages the accounting officer of a department to maintain efficient and transparent financial systems. Such systems are internal control measures which should enable them to assess the financial risk management. This calls for a risk management strategy and plans in order to identify possible risks in the institution and analysis. Risks are also monitored and evaluated to allow effectiveness and control of the situation. There is also a Risk Response Plan and committee composed of control systems and control elements and officers for implementing the process.
2.2.2.2. Collection of money due to the department

Section 38(1) (c) (1) of PFMA states that the accounting officer for a department must take effective and appropriate steps to collect money due to the department. Institutions are required to develop cost effective strategies for collecting such money. Some institutions have entered in an agreement with the retail shops to enable the public to pay their bills into such establishments.

2.2.2.3 Prevent unauthorized, irregular, fruitless and wasteful expenditure

Section 38(1) (c) (11) of PFMA encourages the accounting officer to develop a strategy for saving the public money from misuse by employees.

2.2.2.4 Economical use of state resources

The state operates within a constrained budget whereby the resources are also scarce. Therefore, Section 45 places the responsibility of effective efficient and economical use of state resources on public official. Section (45) (e) requires a public official to be responsible for the management of public resources and for safeguarding the assets within his/her area of responsibility.

2.3 FISCAL POLICY OBJECTIVES

Siswana (2007:99) defines fiscal policy as being guided by national government decisions. It concentrates on the nature, level and composition of government expenditure, taxation and borrowing, aimed at pursuing particular goals (Siswana, 2007:99). Using fiscal policy in the government enables them to steer the economy and its own functions. The instruments through which government exercises its fiscal policies are government expenditure, taxation, and loans (Visser and Erasmus, 2002:50). Regarding public sector financial management, the budget is used to as a mechanism through which governments fiscal policies are put to effect.
The budget reflects expenditure and related revenues (Vissser and Erasmus, 2002:50). Government plays a dominant role in determining the size of the economic public sector, especially through their fiscal policies. Fiscal policy is a government policy on spending. The financing of that spending is made possible through taxes (Pauw, et al., 2010:5). The objectives of the principal fiscal policy are as follows:

- Full employment;
- Maintenance of price stability;
- Steady, constant economic growth; and
- An adequate supply of collectively consumed goods.

It is indicated that a maximum (approximately 4%) of people are actively looking for employment in the country. The state is required to ensure that jobs are created for stabilising the economy. Inflation increases prices continuously. The price increase should accommodate all the types of income earners. This should accommodate both salary earners and the elderly.

2.3.1 Functions of Fiscal Policy

Siswana (2007:99) explains that fiscal policy should perform the following three functions, namely to:

- provide public goods and services;
- redistribute resources until what is considered an equitable income distribution is achieved; and
- attempt to combine strong economic growth with low rates of unemployment.

As outlined above, Siswana views a budget as a fiscal policy indication aimed at influencing service delivery. This view is supported by Moeti (2007:15) who argues that this will ensure that there is economic stability, monitoring of inflation and reduction of unemployment in the country. He further argues that fiscal policy is mainly about
government taxing and spending in order to influence economic condition such as unemployment and inflation.

2.4 PUBLIC EXPENDITURE MANAGEMENT

The sections below provide a brief outline of the concept public expenditure.

2.4.1 Outline of public expenditure

Public expenditure management focuses on the execution; accounting; control; reporting; monitoring and evaluation of public resources. It also includes the legal and organizational framework for controlling the funds allocated to the public sector. Public funds are communicated through a budget. Such a budget must undergo process planning and formulation. The budget is linked to public policy which details the priorities of the needs of the people (Siswana, 2007:202).

Public expenditure refers to the funds that are collected by national, provincial and Local governments of a country (Kalyan City Life, 2011). The funds are used to satisfy the collective social wants of the people. Pauw et al. (2009:55) further indicates that the funds obtained are used sustainably where there is financial plan for allocating the money. Public interest and benefit are taken into account in this regard. The funds collected are also used to pay for defence, development projects, education, infrastructure, law and order and general maintenance (Business Dictionary, 2012).

2.4.2 Concept of public expenditure

Every country (developed or developing, rich or poor, small or big) does need serious financial resources for its existence. All governments have to collect resources for the economy in a sufficient and appropriate manner. The collected money should be allocated and used in a responsible, efficient and effective manner. The national budget is the main instrument through which these transactions are planned and carried out. In every situation the discussion on public expenditure mainly focuses on the integral relationship between
income and expenditure. That is between the money collected directly and indirectly from the people. The money should be used in a manner that reflects the people’s preferences.

Public expenditure management (PEM) is another essential instrument of government policy. PEM is a basic means of government policy distributing and utilizing resources productively, effectively. Addison and Roe (2004: 99) indicate that public expenditure management emphasizes the importance of performance and assessment. This relates to the goals of macro-economic stabilization and economic efficiency and effectiveness in the use of public funds. Furthermore, they emphasize that the achievement of these goals should entail a broader managerial perspective. The management perspective will facilitate the financial resources and manage them along with other key resources such as personnel and information (Addison and Roe, 2004:99).

The public expenditure is classified according to the goods and service bought. The Budget Newsletter from the Gauteng provincial Treasury Department (2002) identifies three mostly used classifications of expenditure as follows:

- Compensation of employees;
- goods and service; and
- consumption of fixed capital and transfers.

Compensation of employees; and goods and services are further classified as current or liquid expenditure. The consumption of fixed capital is classified as capital expenditure for acquiring assets. From the above points it can be deduced that public expenditure management is not a stand-alone function but that it is an integral part of the broader managerial function.

2.4.3 Objectives of public expenditure

The report of the Presidential Review Commission on the Reform and transformation of the Public Service in South Africa presented to former President Mandela on 27th February 1998 contained a number of recommendations for managing public funds. Specific
references were made in respect of expenditure management. According to this report, the objectives of public expenditure and management systems are the following:

- To effectively control the fiscal expenditure aggregates in order to support macroeconomic stability;
- To achieve technical efficiency in the delivery of public goods and services, and
- To allocate public resources efficiently for delivering services.

The controls mentioned above do allow public officials to manage the risk that may arise during the implementation. All these measures exist in order to achieve the highest possible level of social welfare service delivery. They also enable the public sector to achieve the intended outputs at the lowest possible cost. The three objectives cited above are complementary and interdependent.

2.4.4 Types of public expenditure

Different economists have looked at public expenditure from different points of view. Classification of public expenditure refers to the systematic arrangement of different items on which the government incurs expenditure. The following classification is based on the viewpoints espoused by most Economists (Kalyan City Life: 2011):

- Functional Classification;
- Revenue and Capital Expenditure;
- Transfer and Non-Transfer Expenditure;
- Productive and Unproductive Expenditure; and
- Development and Non-Development Expenditure.

Public expenditure is classified on the basis of functions for which they are incurred. The government performs various functions like defence, social welfare, agriculture, infrastructure and industrial development. The expenditure incurred on such functions fall under this classification. These functions are further divided into subsidiary functions. The kind of classification provides a clear idea about how the public funds are spent.
Transfer expenditure relates to the expenditure against which there is no corresponding return. The non-transfer expenditure relates to expenditure which results in creation of income or output. The government does not get anything in return when it transfers the funds to the social services. However, such milestones contribute to the welfare of the people, especially those who belong to the low-income communities. Table 2.1 below illustrates the items for the transfer and non-transfer expenditures.

Table 2.1 Transfer and Non-Transfer Expenditure

<table>
<thead>
<tr>
<th>Transfer Expenditure</th>
<th>Non-transfer expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>-National Old Age Pension Schemes</td>
<td>-Economic infrastructure such as power, transport, irrigation,</td>
</tr>
<tr>
<td>-Interest payment</td>
<td></td>
</tr>
<tr>
<td>-Subsidies</td>
<td>-Social infrastructure such as education, health and family welfare.</td>
</tr>
<tr>
<td>-Unemployment allowances</td>
<td>-Internal law and order and defence</td>
</tr>
<tr>
<td>-Welfare benefits to weaker section</td>
<td>-Public administration</td>
</tr>
</tbody>
</table>

Source: Kalyan City Life: 2011

The non-transfer expenditure includes developmental as well as non-developmental expenditure that results in creation of output directly or indirectly. By incurring such expenditure, the government creates a healthy conditions or environment for economic activities. Due to economic growth, the government may be able to generate income in form of duties and taxes.

2.5 FUNDAMENTAL PRINCIPLES OF GOOD GOVERNANCE

The principles of good governance focuses on the state as an institution and are widely accepted as underpinning sound budgeting and financial management (The Independent Commission on Good Governance in Public Services, 2004:1). The principles of good
governance emanates from the Good Governance Standard for Public Services (The Independent Commission on Good Governance in Public Services, 2004:1).

The standard comprises six core principles of good governance. These principles aim to:

- Focus on the organisation’s purpose and on outcomes for citizens and service users;
- Allows the institutions to perform effectively in clearly defined functions and roles;
- promote values for the whole organisation and this is demonstrated by means of a good behaviour and attitudes;
- enables the institutions to take informed, transparent decisions and managing risk;
- helps to develop the capacity and capability of the governing body to be effective; and
- encourages the institutions to engage with the stakeholders and to be accountability (The Independent Commission on Good Governance in Public Services, 2004:1).

The above principles are crucial as they support fiscal responsibility, improve financial management and ensure that public funds are accounted. It also helps government resources to be used efficiently, effectively and economically. In the public service the above principles are also important because they support both external and internal auditing so that fiscal scrutiny is conducted. This results in transparency, accountability and responsibility being embedded with an institution and governance in general.

In a democratic state, the media play a crucial role as it promotes transparency and support good governance in a country or organization. It is clear from research that corruption could negatively affect a country and its people socially and politically. Socially, corruption could cause poverty because public monies should have being spent on government; projects go into individual “pockets” not to the entire population.
2.6 ELEMENTS AND CHARACTERISTICS OF GOOD GOVERNANCE

Good governance has eight major characteristics. Figure 2.1 in this section illustrates the eight characteristics of good governance.

**Figure 2.1: Characteristics of good governance**

- Consensus oriented
- Participatory
- Follows the rule of law
- Effective and Efficient
- Accountable
- Transparent
- Responsive
- Equitable and inclusive


The abovementioned principles ensure that corruption is minimized. The views of the minorities are taken into account. The voices of the most vulnerable in society are heard and included in the decision-making. It is also responsive to the present and future needs of society.
2.6.1 Participation and rule of law

Participation is a key cornerstone of good governance. Participation is often related to accountability. It entrenches representative democracies where citizens participate in government through the electoral process (The Australasian Council of Auditors-General (ACAG), 2013). It is important that institutions and processes are able to serve all stakeholders. Institutions are required to develop participatory mechanism for enabling the citizens to be part of the decision making process. The OECD (1997:6) also states that the rule of law helps to strengthen and provides assistance in ensuring that there is effective application in all parts of the country and at all levels of society. Participation needs to be informed and organized. For this there are scheduled dates for engaging with the community. It allows freedom of association and expression among the service users. Good governance encourages a fair legal frameworks that will protect the human rights particularly the vulnerable communities who were deprived the economic freedom (UNESCAP, 2013).

2.6.2 Transparency-Responsiveness, Consensus oriented-Equity and inclusiveness

To be transparent means that processes, institutions and information are directly accessible to those concerned with them especially the public. The government financial affairs are a public domain issues. It is also important that enough and relevant information is provided and understood so that the public is able to monitor government progress. The budget allocations in South Africa are made known to the public through the Ministry of Finance. Such details are televised, printed throughout national and local newspapers. Some are recorded in the entity’s annual reports and that is an open access to the public. There are also the IDP and Budget roads shows that inform the people about the fiscus.

The interesting part is that the Finance Ministry allocates a dedicated time for informing the public about the budget allocations. The financial issues are explained in all the official languages that exist in South Africa. The race, gender, language and the abilities of the public are also considered when tabling the budget. For deaf communities, the television always provides a person who speaks a sign language to comprehend the message to the
respective stakeholders. The brail technology is still a challenge, however the public institutions strive to attain the objectives and accommodate the beneficiaries (Participant observation).

The notion of good governance when the standards are not set and conduct is not satisfactory; it is referred to as bad governance. Therefore in improving and promoting good governance, the system and structures must complement each other, including the human element.

2.7 CONCLUSION

In the public services, official reports continue to reflect incidents of unauthorized, irregular, fruitless and wasteful expenditure. There are relevant Acts for ensuring proper financial management such as PFMA, MFMA, National Treasury Regulation and the Constitution. In addition, there are also officials who are responsible for expenditure management in all spheres of the public service. Poor expenditure management, particularly fiscal discipline in the public service, could hamper economic growth and service delivery, including financial irregularities and poor management. These fiscal irregularities need to be minimized by setting up effective internal control and linking planning with budgeting in order to avoid the financial abnormalities or irregularities.

To improve public expenditure management it is important that incident of unauthorized and irregular expenditure are dealt with immediately when discovered by an accounting officer, if proper internal reporting is done. PEM, fiscal discipline in particular could also be improving by managerial leaders particularly the accounting officer to discover fruitless and wasteful expenditure. Effective reporting could take place if managerial leaders could show courage and communicate the above procedures throughout their departments. Poor communication could undermine good governance and managerial leadership, including compliance with the PFMA as a model of governance in the public service.

To ensure a sound financial management system in the three spheres government, namely, national, provincial and local government is to comply with the requirements of the
Constitution (Act. No. 108 of 1996). Section 195(1) and Section 38 of the Finance Management Act No. 1 of 1999 as amended). Good governance is considered to be one of the most important requirements of sound financial management in the public sector. All the government entities should be encouraged to be innovative so as to improve the governance processes and systems for better service delivery.
CHAPTER 3
APPLICATION OF BUDGETARY CONTROL FOR PROMOTING MUNICIPAL EXPENDITURE

3.1 INTRODUCTION

In the public sector; a budget control is seen as an important management tool. Its emphasis is on ensuring that the institutions comply with both the legislative and administrative requirements. The major objective is to prevent allocated funds from being stolen or expended for unauthorised purposes. Managers are compelled to be accountable for the expenditure activities that take place in their departments. Such financial expenditure is obtained from the public pockets; therefore the money must be spent wisely. Public institutions have to set clearly defined financial management strategies for ensuring good usage of the taxpayers’ money. Such strategies should be achieved by means of effective communication and financial literacy in all levels of government and departments. This chapter, chapter 3, will therefore discuss how budgetary control should be undertaken in the public sector. The chapter also provides a framework on how governments can attain sound budget performance. It further gives guidance on the principles of sound budgeting and financial management. The prerequisites for budgetary control as well as the management thereof are described and analysed in the sections below. This begins with the description and analysis of budgetary control systems.

3.2 CONTEXTUALING BUDGET AND BUDGETARY CONTROL

All institutions need a budget to plan their finances. A budget is used for projecting future revenues and expenditures. A budget helps to know the manner in which funds are utilised within a given institution. A budget mainly serves two primary purposes, namely: to “forecast the revenues” and to “plan the expenditure” (Tassonyi, 2002:181). Municipal services depend on the money paid for the services rendered and the tax income. A municipality is a big institution with various operations and functions. A budget will assist the municipality to strategise on how they will receive the respective money and on how such funds will be allocated to different municipal units. Such allocations should be realised
by means of a budgetary control system. The municipal budget is essential to the management of a municipality (Tassonyi, 2002:183). A budget is performed in three levels with an aim to:

- Level 1: Aggregate fiscal discipline;
- Level 2: Allocation of resources in accordance with strategic priorities; and
- Level 3: Efficient and effective use of resources in the implementation of strategic priorities (The World Bank, 1998:2).

A budget is controlled both “during the preparation process” and “after the funds are utilised” (budget control during out-turn. A budgetary control system serves as an “internal control instrument” which is used for “managing public resources” (Gildenhuys, 1993:410-412). The budget control process helps to “monitor the planned expenditure” (Chitenge, 2007). The process is a continuous function and it is reviewed regularly by comparing the actual with the estimates (FAO, 2011). A budget has multiple purposes which serve as a:

- “legislative control of the executive,
- macroeconomic stability,
- allocations to strategic priorities,
- managerial efficiency; and
- a pilgrimage more than a destination” (The World Bank, 1998:1).

### 3.2.1 Forms of budgeting

Institutions prepare different types of budgets for their operations. There are five year plan budgets; the annual budgets and quarterly budgets. On top of this the municipality has to plan for the “operating budget (Recurrent Budget) as well as for the capital budget” (Tassonyi, 2002:183). The funds generated by the municipality are used for remunerating existing employees. There are permanent staff and temporary staff (mostly three-six months). Some of the services are “contracted from other agencies” (Tassonyi, 2002:183), therefore the municipality plans a budget for such payments. The institution also uses the
office stationary to implement their mandate, so there would be a budget for “materials and supplies” (Tassonyi, 2002:183).

Table 3.1 below presents the distinctions between the operating budget (Recurrent Budget) and the capital budget.

**TABLE 3.1 Comparison of types of the operating budget and the capital budget**

<table>
<thead>
<tr>
<th>Comparison of types of the Operating Budgets</th>
<th>Components of the Capital Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget type</strong></td>
<td><strong>Characteristics</strong></td>
</tr>
<tr>
<td>Line-item</td>
<td>Expenditures and revenues are related to commodities</td>
</tr>
<tr>
<td>Performance</td>
<td>Expenditures and revenues are related to workload</td>
</tr>
<tr>
<td>Program</td>
<td>Expenditures and revenues are related to public goals</td>
</tr>
</tbody>
</table>

**Source:** Tassonyi, 2002:184-186

The line item system includes a list of the expenditures according to objects of expenditure (The World Bank, 1998:11). Government services are identified by means of activities and activities “serving major objectives” (Tassonyi, 2002:183). Budgets are planned for short-term and long-term expenditures (The World Bank, 1998:12).
3.3 PUBLIC FINANCIAL MANAGEMENT DILEMMAS

The public sector faces a lot of challenges when managing public funds. The World Bank (1998:5) identified the following as problems encountered during the handling of the public purse:

- Poor planning;
- No links between policy making, planning and budgeting;
- Poor expenditure control;
- Inadequate funding of operations and maintenance;
- Little relationship between budget as formulated and budget as executed;
- Inadequate accounting systems;
- Unreliability in the flow of budgeted funds to agencies and to lower levels of government;
- Poor management of external aid;
- Poor cash management;
- Inadequate reporting of financial performance; and
- Poorly motivated staff (The World Bank, 1998:5).

Based on the abovementioned challenges this chapter outlines how the budgetary control is applied for alleviating the challenges identified above.

3.4 PRINCIPLES OF SOUND BUDGETING AND FINANCIAL MANAGEMENT

Public financial management is shaped by various factors which aim to stabilise the economy for meaningful resource allocations. The World Bank provides the eight principles of sound budgeting and financial management as follows:

- Comprehensiveness and discipline;
- Legitimacy;
- Flexibility;
- Predictability;
• Contestability;
• Honesty;
• Information, and
• Transparency and accountability (The World Bank, 1998:1).

Comprehensiveness in the budgetary control advocates that the budget officers should “keep the process simple” (The World Bank, 1998:5). As indicated above, a municipality consists of various activities which depend on each other. So the budget control will be inclusive. It will not monitor the management unit budget only, but it will look in all funds budgeted in a particular entity. In terms of legitimacy, the budget process focuses how to use the budget in a meaningful way for sustaining the funds generated. The budget process allows the managers to be flexible in the management of their budget. This allows them to direct the funds in an appropriate manner in which the value for money adhered (Participant observation).

Flexibility goes hand-in-hand with the predictability. Sometimes the activities planned cannot be attained due to service delivery delays; employee labour unrest or even as a result of insufficient funds. The manager in this regard will do the situational analysis for such interruptions and divert the budget to meaningful activities. Predictability also considers time as a crucial factor. The funds allocated are spread according to different periods, e.g. monthly, quarterly, annually. The funds must be expended within a specified time. Budgets are also allocated in terms of its priority and without duplication. In this regard, all training needs will be facilitated through the human capital (human resource) department (Participant observation).

Some budgets are made for developmental projects to benefit the low-income households. So the budget will be planned in an unbiased and honest manner. This also ensures that all employees and stakeholders are aware about the information for the budget allocations. The municipality should be transparent and accountable to the taxpayers. This means that the Municipality should at all times engage with the community by scheduling and inviting the public to the budget information sessions (The World Bank, 1998).
3.5 PREREQUISITES FOR BUDGETARY CONTROL

Every activity is founded on a particular condition. The public sector operates within a scarce resource environment. It is therefore important for such institutions to go along with the stipulated practises. The United Nations Economic Commission for Africa (2005:5-6) offers the prerequisites for the budgetary control below. The respective functions are as follows:

- Political will and commitment;
- Commitment to fighting corruption and mismanagement;
- Strong legal framework and enforcement mechanisms;
- Citizen participation;
- Addressing capacity constraints;
- A learning culture;
- Freedom of expression and of the media. and

3.5.1 Political will and commitment

The political will is a “function of the quality of the advice provided to politicians” (The World Bank, 1998:4).

3.5.2 Commitment to fighting corruption and mismanagement

Municipalities are required to develop the mechanism for fighting corruption and mismanagement. The United Nations (2003) assumes that the following can serve as measures for safeguarding the public money:

- the setting up of procedures for the adoption of the municipal budget;
- the ensuring of timely reporting on revenue and expenditure;
- the establishment of a system of accounting and auditing standards and related oversight; and
the setting up of effective and efficient systems of risk management and internal control (United Nations, 2003).

Section 39 of the PFMA of 1999 requires the accounting officer of a department to ensure that the following actions are undertaken for safe-guarding the public purse:

- They must take effective and appropriate steps to prevent any overspending of the vote of the department;
- Report the following matters to the executive authority and the relevant treasury:
  - Any impending under collection of revenue due;
  - Any impending shortfalls in budgeted revenue; and
  - Any impending overspending of the department’s vote or a main division within the vote; and
  - Comply with any remedial measures imposed by the relevant treasury in terms of this Act to prevent overspending of the vote or a main division within the vote (Visser, 2006:38).

All the above mentioned steps could allow institutions to develop corrective actions in cases there are failures during the implementation process.

3.5.3 Strong legal framework and enforcement mechanisms

Public finance is guided by certain rules and regulations. Countries “differ in technical and administrative capacity to improve transparency” (United Nations Economic Commission for Africa, 2005:13). Each country has its own governance system. There is a Constitution, the Organic laws (organisational) and the financial regulations which are developed for the management of public funds at all spheres of government.

The Constitution is known as the highest authority in the legal hierarchy. Section 153 of the Constitution of the Republic of South Africa provides that a municipality must structure and manage its administration and budgeting processes to give priority to the basic needs of the community. The organic (organisational) law serves as a tool for the establishment of
principles and regulations for managing public finances. Such laws may include supply chain management, procurement policy, petty cash management and expenditure control methods.

There are international benchmarks that are used for managing public funds. Some of these benchmarks as found through the literature consulted in this study are listed below as follows:

- International Monetary Fund (IMF): Code of Good Practices on Fiscal Transparency (International Monetary Fund (IMF), 2001);
- Organization for Economic Co-operation and Development (OECD): Best Practices for Budget Transparency (OECD, 2001);
- Good Governance Standard for Public Services (The Independent Commission on Good Governance in Public Services, 2004:1);
- The International Budget Partnership; and

International Monetary Fund

- Clarity of roles and responsibilities;
- Public availability of information;
- Open budget preparation, execution, and reporting; and

Organization for Economic Co-operation and Development
The OECD model was developed as a “reference tool in order to increase the degree of budget transparency in the respective countries” (United Nations Economic Commission
The elements of the OECDs best practices for budget transparency consists of:

- Accounting policies;
- Systems and responsibility;
- Audit; and
- Public and parliamentary scrutiny (OECD, 2001).

**Good Governance Standard for Public Services**

The Good Governance Standard for Public Services serves as a guide to help everyone concerned with the governance of the public (The Independent Commission on Good Governance in Public Services, 2004:1). The standard is applied throughout the public, private and in the independent organisations.

**The International Budget Partnership**

Managing budget requires continuous skills development to enable flexibility and commitment (Pekkonen & Malena, 2012). The International Budget Partnership, South Africa “conducts training and capacity building courses”. It facilitate the “programmes for civil society organizations” on aspects of budget analysis and expenditure tracking (Pekkonen & Malena, 2012).

**Institute for Democracy, South Africa**

The Institute for Democracy, South Africa (IDASA) Economic Governance Programme aims to democratise economic decision-making processes and resource management through sustained citizen engagement, to achieve sustainable socio-economic justice in Africa (Pekkonen & Malena, 2012).

### 3.5.4 Citizen participation and Access to information

The South African government values the public opinions to an extent that such opinions are included in the financial affairs of the municipality. The citizens have a right to know and determine how public revenues are collected and spent (United Nations Economic
Commission for Africa, 2005:5-6). The municipalities engage the community through ward meetings, imbizo, IDP and budget process. Municipalities use this for attaining sustained citizen engagement in order to achieve sustainable socio-economic justice in Africa (Pekkonen & Malena, 2012).

3.5.6 Addressing capacity constraints

The Institute for Democracy, South Africa (IDASA) Economic Governance Programme aims to democratise economic decision-making processes and resource management (Pekkonen & Malena, 2012).

3.6 MANAGING BUDGETARY CONTROL

The evolution of budgeting over the past 100 years has influenced the practice for resource allocation and use globally (The World Bank, 1998:6). Economic theorists and practitioners agree that fiscal transparency has large and positive effects on fiscal performance (United Nations Economic Commission for Africa, 2005:3). The management of a municipal budget involves the following functions as stipulated in the organisational financial policy objectives:

- Planning;
- Responsibility;
- budget setting;
- information;
- variances; and
- management information (Ray, 2003:1).

3.6.1 Planning

Tassonyi (2002:182) indicates that the annual budget is “used as a management and planning tool to guide the operations of the municipality”. The aim of budgeting is to ensure that the “economic planning” is on track and determined (The World Bank, 1998:6). The
budget process involves planning and preparation system which are essential for managing public funds. Potter & Diamond (1999) indicate that the budget planning and preparation process is “normally controlled by a central budget department located in the municipal department. The World Bank (1998:3) advocates that the budget planning should ensure that the expenditures are “closely aligned to the policy priorities” in order for the spending to “produce intended results at least cost”.

3.6.2 Responsibility

Each organisation has its own purpose for fulfilling the policy mandate. The policy mandate focuses on the “provision of good quality services and achieving value for money” (The Independent Commission on Good Governance in Public Services, 2004:7). Instilling responsibility within the management of public functions relies on the following six principles of good governance:

- focusing on the organisation’s purpose and on outcomes for citizens and service users;
- means performing effectively in clearly defined functions and roles;
- promoting values for the whole organisation and demonstrating the values of good governance through behaviour;
- taking informed, transparent decisions and managing risk;
- developing the capacity and capability of the governing body to be effective; and
- engaging stakeholders and making accountability real (The Independent Commission on Good Governance in Public Services, 2004:7).

In terms of section 39 of the PFMA of 1999 the accounting officer of a department has certain responsibilities relating to budgetary control. The responsibilities of the accounting officer seek to:

- ensure that the expenditure of the department is in accordance with the vote of the department and the main divisions within the vote; and
• ensure that effective and appropriate steps are taken to prevent unauthorised expenditure.

Responsibility is associated with transparency. Kopits and Craig (in United Nations Economic Commission for Africa, 2005:4) observed that “transparency in government operations is an important precondition for macro-economic fiscal sustainability”. Managing public funds is distinguished from the rest of the economic sectors. All the management roles of the public sector should be clear and publicly disclosed (IMF, 2001). This involves the clarification of all the employees in the municipality. Fiscal responsibility is top-down and bottom-up approach. The bottom-up approach involves all the front line and support functions.

3.6.3 Budget Setting

Budget setting concentrates on “open budget preparation; execution; and reporting” as introduced by the United Nations Economic Commission for Africa (2005:36). Budgets are communicated through documents which specify the goals of the financial activities of an institution. Budget planning helps to distinguish the revenue, expenditure, and financing. It also enables the municipalities to assess the fiscal risks during the process of budget execution.

Budget preparation
The budget preparation consists of the budget preparation framework and the budget timetable. In South Africa, the budget is prepared through the MTEF which was introduced in the financial year 1999/2000 for national and provincial governments. For local governments, the MTEF began in financial year 2001/2002 (United Nations Economic Commission for Africa, 2005:40). The implementation of the MTEF was a great success to the South African government (United Nations Economic Commission for Africa, 2005:40).
Budget execution
Budget execution looks at the procedures for the “execution and monitoring of approved expenditure; and for collection of revenue” (IMF, 2001). Budget execution relies on the element of flexibility and compliance.

Budget reporting
The initial budget process is “followed by regular variance reports” (Tassonyi, 2002:184). The expenditure is “reported regularly to the Legislature and the public” (IMF, 2001). The Public Finance Management Act, 1999 instils the conduct of public reporting of fiscal operations in all public sector entities. Sections 32 and 40(4) of the PFMA expect public institutions to submit the public financial statements. Financial reporting assists the users to:

- evaluate the operating results of the government entity for the year; and
- assess the level of services provided by the local municipality and its ability to meet these obligations as they are due (Tassonyi, 2002:186).

Three forms of reporting are mentioned below as being:
- monthly reports;
- mid-year reports; and
- annual reporting (Pauw et al., 2009: 297).

The municipal manager (MM) is required to submit a monthly report or statement to the mayor of the municipality (Pauw et al., 2009: 297). In terms of the mid-year reports, the MM must assess the performance of the municipality during the first half of the financial year by the 25 January of each year. Thereafter, the MM must submit a report about the findings of the assessments conducted to the mayor of the municipality, the national Treasury and the relevant provincial Treasury (Pauw et al., 2009: 297).

Section 121 of the MFMA requires the municipality to prepare the annual report for each financial year expended. Annually the MM together with the council must report about the financial and general performance of their fiscal policy execution. Such reports are submitted to the auditor general for auditing purposes. This process normally takes place
from the beginning of July until December or January of the following year. The council of a municipality must deal with such an annual report within nine months after the end of the financial year.

3.6.4 Information

The International Monetary Fund (IMF, 2001) outlines that the budget information is presented for all stakeholders to comprehend the financial data. Budget information “facilitates policy analysis” and “promotes accountability” (IMF, 2001). Budget information should be kept transparent. Transparency in the budget process enables the citizens to exercise oversight functions over their municipal resources. It also allows the citizens to raise their views on how the funds are spent in order to meet their needs in an equitable manner (United Nations Economic Commission for Africa, 2005:8).

Budget information is shared with the citizens by means of public participation mechanisms developed by the respective municipalities. However, some communities are not well informed about the budgets allocated in their jurisdiction.

3.6.5 Variances

Municipalities are required to develop a formal virement policy. Managers in the municipality are accountable for their departmental budgets. Municipal managers are sometimes faced with the following challenges when dealing with their budgets:

- rollover and unspent revenue balances;
- expenditure before annual budget is passed;
- unauthorised expenditure;
- irregular expenditure; and
- fruitless and wasteful expenditure (Pauw, 2009: 41).

In cases of deviations the managers are required to report such details to the budget office.
3.6.5 Management Information

The World Bank (1998:25) indicates that the lack of adequate information is one of the characteristics of weak budgeting systems. Institutions are encouraged to provide information to users (United Nations Economic Commission for Africa, 2005:13). The NLM manages its budget information through technology. The details of the budget are accessed on the municipal websites. The website also contains all the information that may be useful to the community.

3.7 CONCLUSION

Budgetary control of local municipalities must be headed by an official who has knowledge of financial management systems because it involves huge amounts of money to be spent and to be generated. Budgetary control is one of the important aspects of financial management in the public sector. Budgetary control needs an accounting officer that will adhere to the principles of ethical conduct. The accounting officer should account for the proper execution of the budget and ensure that service delivery does take place according to the planned schedule for a given financial year.
CHAPTER 4
RESEARCH METHODOLOGY AND RESEARCH RESULTS

4.1 INTRODUCTION

This chapter discusses the research methods used for this study and also presents the results based on the interviews conducted and on the research questionnaires distributed within the Ngwathe Local Municipality. The contents of this chapter are divided into two sections, namely: section A and B. Section A deals with researches methodology while section B presents the research results of the interviews conducted. Basically this chapter starts by explaining the research methods that the researcher used for collecting data in the Ngwathe Local Municipality and its community. The results are presented both in a narrative and through the use of tables to enhance readability.

4.2 THE CONCEPT RESEARCH

Research methodology is defined differently by various scholars. The section below provides a brief outline of the research methodology.

According to Adams, Khan, Raeside and White (2007) research methodology is simply a “is science behind all research”. This implies that research methodology is very central to the conducting of any research. This view is supported by Adams et al., (2007) as being the “methods that the researchers use to carry out research” and “ultimately to gather data” from the participants.

This section explains the concepts literature review and research methodology as they apply to the manner in which this study was undertaken.

4.2.1 Literature review

Literature review is about the reading of available and relevant literature (Berg, 1998:15). For this study, the researcher read the literature based on the frame work of PFMA, Constitution 1996, and MFMA, Books, Journals, Articles, Newspapers and government
Huysamen (1994) agrees with Berg (1998) when pointing out that the researcher must be “familiar with the subject matter” before conducting a research. Literature reviews enable researchers to be more focused and to avoid duplications (Huysamen, 1994). For this study literature review was conducted to understand the fundamentals of budget control and expenditure as applied in the public sector. It was also conducted help the researcher hereof to identify gaps in the research area and also to reach sensible conclusions.

Chapter 2 dealt with the theoretical framework of public expenditure management and good governance in South Africa and the obtaining best practices worldwide. Chapter 3 addressed the over view of budget control and expenditure activities in Ngwathe local municipality by means of literature review. The researcher consulted books, journals, articles, researched governmental documents as recorded in academic literature. These included articles, dissertations and theses. These writings, which are available in various university libraries around the country, were consulted in the conducting out of this study. The North West University (Vaal triangle campus library) was very instrumental in this regard and was consulted by the researcher hereof between 2011 and 2013.

The methods used in this study are explained in detail in the section below.

4.2.2 Qualitative and quantitative research

Both qualitative and quantitative methods were used in this study. This combination, which is referred to as triangulation or mixed methods, was a preferred choice for this study. Triangulation or mixed method is used for different reasons but for this study it was used mainly to obtain the truth (validity). Adams et al. (2007), explained triangulation and its purpose or rather rationale as follows: “using different methods to get the truth”. The rationale behind it is to get data very close to the truth and to get another perspective on the matter. Flick (2007) shed some light on the matter qualitative research method when he argued that “qualitative research works more with information or rather text as empirical as opposed to numbers or statistics” qualitative research is primarily for “the understanding of the situation of the participants which are very central in social science research”. In
addition, Flick (2007:2) alluded to the fact that “qualitative research is used widely in social sciences to engage with the world”.

Brynard and Hanekom (2008:37) stated that “qualitative research deals with analytical approach”. Analytical approach is aimed at assisting researchers to reach conclusions and it relies more on numbers and observations. Qualitative research uses descriptive information which the researcher gets from the participants by means of the questionnaire and interviews. In most cases researchers asks questions to participants about the subject under investigation and record their answers (Brynard and Hanekom, 2008:37).

Berg (1998:6) asserts that no method is perfect in research hence each methods reveals different aspects of empirical reality as a results multiple methods of observations must be used. In support of this view, Dejong, Monette and Sillivan (2011:01) point out that although the two methods are different they can enhance research results tremendously if used in combination. These authors view qualitative research being characterized by “words”, “pictures” and sometimes it is narrative while quantitative research is expressed by using numeric data (Dejong et al., 2011: 91).

Qualitative research emphasizes on the social aspects by trying to obtain factual data in terms of interviews in order to capture the participants’ perceptions about the issue (s) being investigated (Dejong et al., 2011:92), in the same breath qualitative is supposed to be short, sweet and straight to the point about the behaviour of the participants. Brynard and Hanekom (2008:37) sum this up by saying that they help in analysis and in broadening the knowledge about the phenomena being studied and lastly in reaching new conclusions.

For this study structured interviews were conducted using two questionnaires (for the institution and for community members in the NLM). Interviews and questionnaires will be discussed in the section below. According to Dejong et al. (2011) this kind of method is called a survey method. Collecting information using a survey (questionnaire) entails getting information from participants by giving them a questionnaire to answer the question asked and then capture or record their answers on the said questionnaire.
As stated earlier, triangulation or mixed methods provides the researcher with the chance to tap into the best of both worlds in a sense provide the best possible research results. Bergman (2008) states that triangulation helps with putting flesh on the bones of qualitative findings - macro versus micro and combining qualitative breath with qualitative depth and richness. For purposes of this study a questionnaire was used to gather information through structured interviews. Given the nature of this study structured interviews were preferred so as to ensure consistency.

4.2.3 INTERVIEWS

Structured interviews were used to collect information from participants. The interviews allowed the participants to be asked the same questions (Welman and Kruger, 1999:166) thereby ensuring consistency. This was done on a face to face basis and in the process the responses of participants were captured on the spot. According to Welman and Kruger (1999:166) this way of conducting research assists in connecting both the researcher and the participants.

This study focused on structured or standardized interviews. As stated above, this ensured that the researcher gains a good perspective from the participants and by obtaining first-hand experience on both the issue being studies and on any other which might be related to it. This broadened the knowledge horizon of the researcher and the participants who took part in this study.

4.2.4 QUESTIONNAIRE

In this study two questionnaires were used to obtain information from the participants: one for the institution and the other for community members within the NLM. The questionnaire’s format was based on likert scaling. The questions were mainly closed ended with a few of open ended questions. As far as the questionnaire is concerned it must be short and simple. A short questionnaire enabled the researcher to avoid incomplete questions. Long questionnaires tend to make the participants bored and therefore do not see a need to participate. The language proficiency should be as simple as possible to
avoid misunderstanding and save time. The questionnaires were typed in English and the researcher was able to explain the questions in Sesotho and Isizulu. The interviews were held both in August and September 2013.

4.3 POPULATION AND SAMPLE

A population refers to possible participants that the researcher intends to study (Dejong et al, 2011). A sample comprises of one or more elements taken or chosen from the population (Dejong et al., 2011). The population for this study was sourced from the NLM’s budget officers, budget committee members and from managers responsible for budget preparation. The other sample was drawn from ordinary NLM community members who are users of the services provided by the Municipality. Noteworthy mentioning is the fact that for a sample to be effectively represented it has to encapsulate all the elements or variables of the general population (Dejong et al., 2011). The budget office was consulted based on how they control the budget administration. The budget office was consulted as the liaising office between the budget committee and managers responsible for the budget preparation. The community (30 community members) were consulted living in the location of the NLM.

For this study the researcher used stratified random sampling consisting of the population being divided into a number of those who are homogeneous with regard to their characteristics (Brynard and Hanekom, 2008:54). This kind of sample is mainly used to ensure that the different groups or segments of a population get sufficient representation.

The next sections will present the research results of the study undertaken by the researcher hereof.

4.4 RESEARCH RESULTS AND FINDINGS

This study concentrated only on budgetary control as it is the most crucial phase of budgeting. The study examines and determined the current practices in budget control among local municipalities with reference to the NLM. The study also assessed the
performance of the NLM, PFM systems, based on a performance measurements framework, accountability and monitoring process as prescribed by the South Africa legislature framework (the constitution and the PFMA and MFMA). Institutions apply a set of performance indicators to measure their goals therefore the study has analyzed the effectiveness of the respective indicators used to measure whether a budget is realistic and is implemented as intended.

Furthermore, the aim of the study was to assess the municipality's budgetary control measures. The research results are presented in two folds. The first report is based on the data obtained from the NLM communities. The second report is based on the interviews held with the NLM budget committee which consisted of the budget officers and managers responsible for budget preparation.

4.5 BUDGET CONTROL QUESTIONNAIRE

The section below presents the responses of the participants of this research.

4.5.1 CHARACTERISTICS OF THE COMMUNITY RESPONDENTS

The aim of research questions was to determine the role of budget control in the NLM. Furthermore the research questions aimed to assess NLM budget control processes and to assess community participation during budget formulation, decision making and review. The respondents were required to provide their ages (community) in order to view the community active participation. The study also posed questions to find out about the marital status of the participants. These questions enabled the researcher to ascertain the level of community participation during budget formulation, decision making and review.

The results are presented in Table 4.1 below. The results are presented in a table format. The number of the participants interviewed is displayed in the middle column. The percentages are also calculated in the third column.
Table 4.1 Characteristics of NLM community

<table>
<thead>
<tr>
<th>VALUE LABEL</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GENDER</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>22</td>
<td>73 %</td>
</tr>
<tr>
<td>Female</td>
<td>08</td>
<td>27 %</td>
</tr>
<tr>
<td><strong>AGE GROUP</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18 – 24</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>25 – 31</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>32 – 37</td>
<td>2</td>
<td>7%</td>
</tr>
<tr>
<td>38 – 34</td>
<td>12</td>
<td>39%</td>
</tr>
<tr>
<td>45 – 52</td>
<td>14</td>
<td>47%</td>
</tr>
<tr>
<td>53 – 65</td>
<td>2</td>
<td>7%</td>
</tr>
<tr>
<td>65 – Over</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>MARITAL STATUS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>10</td>
<td>33%</td>
</tr>
<tr>
<td>Married</td>
<td>16</td>
<td>53%</td>
</tr>
<tr>
<td>Divorced</td>
<td>2</td>
<td>7%</td>
</tr>
<tr>
<td>Widow</td>
<td>2</td>
<td>7%</td>
</tr>
<tr>
<td>Never married</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>CATEGORY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Youth</td>
<td>2</td>
<td>7%</td>
</tr>
<tr>
<td>Elderly</td>
<td>28</td>
<td>93%</td>
</tr>
<tr>
<td>Disabled</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>10</td>
<td>33%</td>
</tr>
<tr>
<td>Employed</td>
<td>20</td>
<td>67%</td>
</tr>
</tbody>
</table>
Responses by gender indicate that 73% of the respondents are males and 27% are females. This shows that males are more concerned about the activities carried out by the NLM within the community under its jurisdiction in this regard.

Residential data
Living patterns of the participants are presented in table 4.2 below.

**Table 4.2 Type of residence**

<table>
<thead>
<tr>
<th>VALUE LABEL</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>House</td>
<td>26</td>
<td>87%</td>
</tr>
<tr>
<td>Flat</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Low Cost house(RDP)</td>
<td>4</td>
<td>13%</td>
</tr>
<tr>
<td>Informal residence</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Most of the participants reside in the old and low income household provided by the State.

Participant’s community qualifications
The respondents were asked to describe their highest levels of academic qualification.

**Table 4.3 Highest level of qualifications**

<table>
<thead>
<tr>
<th>VALUE LABEL</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never attended</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Primary</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Jc / std 8/grade 10/11</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Matric / grade 12</td>
<td>12</td>
<td>40%</td>
</tr>
<tr>
<td>Certificate</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>FET</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Diploma</td>
<td>6</td>
<td>20%</td>
</tr>
<tr>
<td>University</td>
<td>12</td>
<td>40%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

This question aimed to verify the level of literacy among the sample selected. The results indicate that 40% of participants obtained grade 12 (matric). This may be the results of
compulsory and free education for all as provided by the current South African government. This percentage is followed by 20 % with (Diploma) and 40 % with university degrees. Some of the qualifications were funded through government bursaries for achieving the millennium development goals (MDG). Education also plays an important role in this regard since education is perceived as a tool towards poverty alleviation.

*Access to municipal service*

**Table 4.4 Access to municipal service**

<table>
<thead>
<tr>
<th>Do you have access to the Following services</th>
<th>Yes</th>
<th>Partially</th>
<th>No</th>
<th>Access timed discontinued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sanitation</td>
<td>80%</td>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water</td>
<td>93%</td>
<td>7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>87%</td>
<td>13%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refuse</td>
<td>80%</td>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal offices</td>
<td>93%</td>
<td>7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Access to information**

<table>
<thead>
<tr>
<th>Meeting place/venue</th>
<th>47%</th>
<th>7%</th>
<th>46%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correspondences</td>
<td>27%</td>
<td>20%</td>
<td>53%</td>
</tr>
</tbody>
</table>

**Access to decision making**

<table>
<thead>
<tr>
<th>Tariffs</th>
<th>13%</th>
<th>13%</th>
<th>74%</th>
</tr>
</thead>
</table>

Table 4.4 above speaks for itself. The NLM community does have access to basic water as 93 % of them have access to clean running water while 87 % have access to electricity and 80% of them have access to sanitation and refuse removal. This shows that there is an acceptable service delivery level by the NLM as guided by chapter two of the South African Constitution.
Awareness and involvement of the municipal budget process

Municipalities are required to engage the community on the issues of local government affairs. Such engagements allow the public to hold the government accountable to the services rendered. Budgetary control involves a lot of activities in the municipality. Some of these activities are interactive. The entire process of elections precedes the budgetary control activities.

Table: 4.5 Awareness and involvement of the municipal budget process

<table>
<thead>
<tr>
<th>Have you over participated in the following events at the level of local government</th>
<th>Never</th>
<th>Once or twice</th>
<th>More often</th>
</tr>
</thead>
<tbody>
<tr>
<td>Election of mayor</td>
<td>67%</td>
<td>33%</td>
<td>0%</td>
</tr>
<tr>
<td>Election of ward councillor</td>
<td>54%</td>
<td>13%</td>
<td>33%</td>
</tr>
<tr>
<td>Public hearing on municipal</td>
<td>47%</td>
<td>40%</td>
<td>13%</td>
</tr>
<tr>
<td>Public meeting on municipal budget</td>
<td>53%</td>
<td>40%</td>
<td>7%</td>
</tr>
<tr>
<td>Local council session/meetings</td>
<td>54%</td>
<td>33%</td>
<td>13%</td>
</tr>
<tr>
<td>Ward meetings</td>
<td>33%</td>
<td>34%</td>
<td>33%</td>
</tr>
<tr>
<td>State of mayoral address</td>
<td>80%</td>
<td>13%</td>
<td>7%</td>
</tr>
<tr>
<td>IDP and budget meetings</td>
<td>80%</td>
<td>7%</td>
<td>13%</td>
</tr>
<tr>
<td>Imbizo</td>
<td>67%</td>
<td>20%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Many participants interviewed were not aware about the involvement of community in the municipal budget process. The figures show that 80 % of NLM community interviewed do
not or have never heard about the programme like Integrated Development Plan (IDP) and state of the mayoral address only 20 % saying they know about IDP and mayoral address. The results above may arise from the participants who lack interest on local government affairs. Some participants indicated that they do not attend the meetings because their needs are not met.

*Perception of public involvement on local government affairs*

Table 4.6 below presents the results of the perceptions of public involvement on local government affairs.

**Table: 4.6 Perception of public involvement on local government affairs**

<table>
<thead>
<tr>
<th>Have you over participated in the following events at the level of local government?</th>
<th>Very Useful</th>
<th>Useful to some extent</th>
<th>Not useful</th>
<th>Don’t know</th>
<th>Did not participate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Election of mayor</td>
<td>13%</td>
<td>7%</td>
<td>33%</td>
<td>7%</td>
<td>40%</td>
</tr>
<tr>
<td>Election of ward councillor</td>
<td>33%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>27%</td>
</tr>
<tr>
<td>Public hearing on municipal budget</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Public meeting on municipal budget</td>
<td>13%</td>
<td>30%</td>
<td>7%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>Local council session/meetings</td>
<td>20%</td>
<td>0%</td>
<td>14%</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Ward meetings</td>
<td>26%</td>
<td>40%</td>
<td>7%</td>
<td>20%</td>
<td>7%</td>
</tr>
<tr>
<td>State of mayoral address</td>
<td>7%</td>
<td>27%</td>
<td>12%</td>
<td>27%</td>
<td>27%</td>
</tr>
<tr>
<td>IDP and budget meetings</td>
<td>20%</td>
<td>13%</td>
<td>7%</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>Imbizo</td>
<td>14%</td>
<td>13%</td>
<td>13%</td>
<td>20%</td>
<td>40%</td>
</tr>
</tbody>
</table>
These figures are not shocking and they reflect the perceptions of the participants interviewed. Some of the activities do engage the community but the community does not know about the rationale of their involvement in such processes. This does not mean that the municipality consulted the communities to engage in the local affairs. This reveals a need to educate the community about local governance and to inculcate the culture of local government community participation.

Community experience during the participation of the municipal events

Table 4.7 illustrates the results for the community experience during the participation of the municipal events.

Table: 4.7 Community experience during the participation of the municipal events

<table>
<thead>
<tr>
<th>How do you evaluate your experience in participating in these events?</th>
<th>Very Useful</th>
<th>Useful to some extent</th>
<th>Not useful</th>
<th>Don’t know</th>
<th>Did not participate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local development planning</td>
<td>14%</td>
<td>6%</td>
<td>0%</td>
<td>13%</td>
<td>67%</td>
</tr>
<tr>
<td>Budget information</td>
<td>0%</td>
<td>7%</td>
<td>20%</td>
<td>13%</td>
<td>60%</td>
</tr>
<tr>
<td>Municipal approval information council review</td>
<td>0%</td>
<td>0%</td>
<td>26%</td>
<td>7%</td>
<td>67%</td>
</tr>
<tr>
<td>Public procurement information</td>
<td>0%</td>
<td>20%</td>
<td>13%</td>
<td>13%</td>
<td>54%</td>
</tr>
<tr>
<td>Service delivery and implementation of public works information</td>
<td>0%</td>
<td>7%</td>
<td>33%</td>
<td>13%</td>
<td>47%</td>
</tr>
</tbody>
</table>
Once again these figures are not surprising. The participants are less concerned about the lengthy discussions. They indicated that they are more concerned about job opportunities than anything else. The results from NLM institution are present in the following section.

4.6 INSTITUTION QUESTIONNAIRE

The results of the interviews conducted in the NLM are discussed below.

4.6.1 ORGANISATIONAL ARRANGEMENTS

The aim of this section is to learn about the functionaries involved in the budgetary control process of the municipality. The NLM was asked to mention (name) internal functionaries that are responsible for the control and management of budgetary control processes within the Municipality.

Table 4.8 Organisational arrangements

<table>
<thead>
<tr>
<th>Does the municipality have the following functionaries to manage the budgetary control?</th>
<th>Yes</th>
<th>No</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mayor</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal Council</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal Manager</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acting Financial Officer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply Chain Officer/Department</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budgetary Committee</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budget centre</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budget Manual</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budget Officer</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budget Committee</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Involvement of departmental managers: budget process</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal Auditor</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance Staff capacitated (all vacant post Finance filled)</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The NLM established internal control systems to deal with its budgetary control processes. Budgetary control function involves a lot of functionaries within the institution as presented in Table 4.8 above.

4.6.2 BUDGETING

The aim of this section is to ascertain the credibility of the budgetary control process.

Table 4.9 Budgeting

<table>
<thead>
<tr>
<th>Does the following apply to your municipality?</th>
<th>Yes</th>
<th>No</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there a risk assessment of the material items of income and expenditure included in the budget?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are major budget risks and the financial consequences reported to council?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the municipality have a process in place for an annual review of fees and charges in respect of the sources of municipal revenue?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the budget process include achieving cost reduction option for expenditure budgeting?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the municipality have an asset register that is reliable and up to date?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there a clear audit trail of changes to plans and budgets?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are budgets reviewed by management and council according to the prescriptions of the MFMA?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the budget preparation in accordance with the budget planning schedule tabled by the Mayor?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The NLM was asked to indicate whether there is a risk assessment of the items of income and expenditure included in the budget. The response offered was yes, whereby on monthly basis the NLM prepare section 71 reports of MFMA no 56 of 2003 that determines the risks.
The NLM was asked to indicate whether it does report its major budget risks and financial consequences to council as required by legislation. The response offered in this regard was yes. This means that the Municipality does submit its reports to council, to provincial and national Treasury as well as to GOGTA regarding budgetary risks and consequences thereof as demanded by legislation.

The NLM was asked to indicate if the municipality has a process in place for an annual review of fees and charges in respect of the sources of municipal revenue. The response was yes, it is done through the process of annual budget MTEF review revenue and IDP. Changes in fees and charges are informed based on the economic guidelines.

The NLM was asked to indicate whether the budget process includes achieving cost reduction option for expenditure budgeting. The response was yes. In terms of how this was done, the indication was that it is done by prioritizing service delivery with line items reducing cosmetics and by leaving only service delivery fundamentals line item e.g. maintenance, chemicals repairs etcetera.

The NLM was asked to indicate if there is a clear audit trial of changes to plans and budget. The response was yes, the municipality relied on the financial system called E-vennas which have audit trial recommendations. Section 71 of MFMA no 56 of 2003 is also used in this regard.

The NLM was asked to indicate whether its budgets are reviewed by management and council according to the prescription of the MFMA. The response in this regard was yes. This means that the Municipality’s monthly statements do get reviewed by both management and council as prescribed by Sections 71 and 72 of MFMA no 56 of 2003.

The NLM was asked to indicate whether budgets preparation is in accordance with the budget planning schedule tabled by the mayor. The response was yes. The indications was that the Mayor does table the Municipality’s budget at the end of August every year to council for approval as stipulated in Section 21 of MFMA no 56 of 2003.
4.6.3 BUDGET MANAGEMENT

The aim of this section is to assess the accountability framework for the budgetary control process. The NLM was asked to indicate if line managers are aware of their budget management responsibilities. The response was yes, each department has its own budget which is managed and controlled by the finance department of the municipality.

The NLM was asked to indicate whether its line managers are aware of their budget management responsibilities. The response was yes, each department has its own budget although it is centrally controlled and managed by the finance department.

The NLM was asked to indicate whether its budget and managerial responsibilities are aligned and linked to performance contracts. The response was yes, this was done with all directors, municipal manager and with all other line managers whose contracts are performance based.

The NLM was asked to indicate if they have delegations in respect of budget management responsibilities signed in place. The response was yes, Annual delegations of powers are reviewed.

The NLM was asked to indicate whether its line managers been involved in determining their budgets and whether they do take ownership in this regard. The answer in this regard was yes they do get invited to participate. The indication in this regard was that they sometimes do not turn up and as such decisions do get taken in their absence.

The NLM was asked to indicate whether line managers are notified of their approved budget prior to the start of the financial year. The response was yes, everyone is notified before the start of the new financial year, each manager is issued with a copy of the IDP and approved budget of the municipality, and the budget is placed on both the Municipality’s website as well as in the local newspaper.
### Table 4.10 Budget management

<table>
<thead>
<tr>
<th>Does the following apply to your municipality</th>
<th>Yes</th>
<th>No</th>
<th>Action Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are line managers aware of their budget management responsibilities (i.e. are revenue and expenditure budgets assigned to individual managers?)</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are budget and managerial responsibilities aligned and linked to performance contracts?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have delegations in respect of budget management responsibilities signed and in place?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have line managers been involved in determining their budgets; do they take ownership?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are line managers notified of their approved budgets prior to the start of the financial year?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are line managers aware of the impact of their budget management decisions on the overall municipal budget?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are line managers held accountable for variances and deviations between actual and budgeted expenditure?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are budget managements responsibilities incorporated in the performance assessments of line managers?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The NLM was asked to indicate whether line managers comply with their budget management responsibilities in terms of the MFMA. The response was *not always*. This means that in certain instances line managers do not always pull their weight in this regard.
The NLM was asked to indicate whether line managers are aware of the impact in this regard of their budget management decisions on the overall municipal budget. The answer was a no they are not made aware although they do get monthly reports which are discussed at management meeting on Mondays.

The NLM was asked to respond whether line managers are held accountable for variances and deviations between actual and budgeted expenditure. The response was negative as they did not capture, process or approve payments. These functions are a responsibility of the Budget and Expenditure Manager.

The NLM was asked to indicate whether budget management’s responsibilities are incorporated in the performance assessments of the managers. The response was negative; the Municipality does not conduct performance assessments on its line managers.

4.6.4 EXPENDITURE MANAGEMENT

The aim of this section is to determine whether all line managers are fulfilling their responsibilities and achieving value for money. The NLM was asked to indicate whether managers are aware and comply with the procurement practices according to the supply chain management policy. The response was yes, it is done through Preferential Procurement Policy Framework Act (PPPFA).

The NLM was asked to indicate whether managers are aware and whether they do comply with the procurement practices according to the supply chain management policy. The response was yes, this is done through Preferential Procurement Policy Framework Act (PPPFA).

The NLM was asked to indicate whether line managers are monitoring the expenditure and providing monthly reports with variance explanations. The response was no, as not all line managers are responsible for expenditure reports and variance explanations. This was presented as function of Budget and Expenditure Managers.
<table>
<thead>
<tr>
<th>Does the following apply to your municipality?</th>
<th>Yes</th>
<th>No</th>
<th>Action Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are line managers aware of and complying with the procurement practices according to the Supply Chain Management Policy?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are line managers monitoring the expenditure and providing monthly reports with variance explanations?</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Are efficiency and cost-effectiveness gains routinely part of the objectives of reviews?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are finance staffs routinely involved in service reviews?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are there targets to measure performance (including financial performance)</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are charging policies, subsidies and concessions justified by policy considerations and reviewed regularly?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is outsourcing part of the portfolio of ways of improving efficiency?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the organization work across departmental and organizational boundaries to achieve improvements (e.g. pooled resources)?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the organizational culture recognize and reward efficiency and cost reduction?</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Do finance staffs attend management meetings, so that they are connected to service departments?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The NLM was asked to indicate whether efficiency and cost effectiveness gains routinely part of the objectives of reviews. The response was yes, quarterly reviews are made by municipality as stipulated in Section 71 of MFMA no 56 of 2003.

The NLM was asked to indicate whether finance staff is routinely involved in service reviews. The response was yes, and that this was done through customer care and through using a secret box.

The NLM was asked if there are targets to measure performance (including financial performance). The response was yes this was done through SDBIP.

The NLM was asked to indicate whether existing charging policies, subsidies and concessions are justified by policy considerations and reviewed regularly. The response was yes; all the municipal policies are reviewed on an annual basis in order to implement the new tariffs such as: traffic, water and electricity tariffs.

The NLM was asked to indicate whether the process of outsourcing was part of the mechanisms of improving efficiency. The response was yes, the municipality use the consultants to assists in the compilation of the annual financial statement.

The NLM was asked to indicate whether the organization work across departmental and organizational boundaries to achieve improvements (e.g. pooled resources). The response was yes, it does work with other department e.g. human settlement department is monitored and supervised by the Municipality.

The NLM was asked to indicate whether the organizational culture recognized and reward efficiency and cost reduction. The response was no as there are no rewards.

The NLM was asked to indicate whether finance staff attends management meetings, so that they are linked to service departments. The response was a resounding yes Every Monday there are management meetings so that they are connected to service departments.
4.6.5 PUBLIC INVOLVEMENT

The aim of this section is to determine the public involvement in the budgetary control process. The NLM was asked to indicate whether the Municipality does involve the community in its budgetary control processes. The response in this regard was yes, it is done through IDP and budget meeting process. Furthermore, the NLM was asked about the level in which the community participate in the creation of the SMMEs. The response indicated that about 20% of the community have interest in the creation of the SMMEs.

*Communication and citizen participation techniques*

The municipality was asked to indicate techniques used to communicate with community regarding the municipal finance and budgeting.

**Table 4.12 Communication and citizen participation techniques**

<table>
<thead>
<tr>
<th>Which of the following techniques does the Municipality utilize to communicate with the respective community regarding the municipal finance and budgeting?</th>
<th>Yes</th>
<th>No</th>
<th>None</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ward meetings</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loud hailer</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDP and budget meetings</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newsletter, columns and flyers</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizen surveys</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Citizen education</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

The response was that they use of ward meetings, loud hailers, IDP and budget meetings.

*Strategies for reconnecting citizens’ involvement in municipal budget process*

The municipality was asked about strategies for connecting citizens’ involvement in municipal budget process. The response was that this is done through budget meetings and IDP.
The NLM was asked to indicate progress for public meetings formats that facilitate public participation. The response was that this is partially achieved.

Table 4.13 Strategies for reconnecting citizen’s involvement in municipal budget process

<table>
<thead>
<tr>
<th>Indicate the progress on the following support areas</th>
<th>Achieved</th>
<th>Partially achieved</th>
<th>Not achieved</th>
<th>Still progress/not planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public meeting formats that facilitate Public participation</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guides to help citizens participate effectively in meetings</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Reaching citizens through technology</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizens education</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communicating about government spending</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The municipality was asked about strategies for connecting citizens’ involvement in municipal budget process. The response was that this was done through budget meetings and through the IDP process.

The NLM was asked to indicate whether the formatting and the conducting of public meetings do facilitate maximum public participation. The response was that they do albeit partially.

The NLM was asked to indicate the progress for guides to help citizen participate effectively in meetings. The response was that this was still in progress.
The NLM was asked to indicate progress for reaching citizens through technology. The response was that this has not yet been achieved and that the Municipality’s website is not up to date. Most people do not have access to technology.

The NLM was asked to indicate progress for citizens’ education. The response was in this regard was that this was partially achieved.

The NLM was asked to indicate progress to communicate about government spending. The response was *partially achieved*.

### 4.7 CONCLUSION

This chapter provided the explanation about the research methodology and its importance. Social research was seen as important in this study as it linked the researcher with the participants who gave time to discuss their perceptions and encounters on the matters of local government. The participants also felt free to tell other related stories to the researcher. The research results revealed the importance of instilling the culture of community participation. Most communities are less concerned about what is happening within their environment. The results obtained from the institution shows commitment and accountability in the area of administration of public finances.
CHAPTER 5
THE SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION
This study aimed to understand the process of budgetary control as a mechanism for promoting good governance and public expenditure management in the Ngwathe Local Municipality. Through the data received and processed from carefully selected questionnaires completed by 30 respondents the key aim of the study has being realized. The purpose of this final chapter is to summarize the findings of this study and to bring forward the recommendations to be implemented in improving budgetary control within the Municipality. The sections below will present the summary and the recommendations to this study.

The following objectives were identified in chapter one, namely:

- To give a theoretical exposition of the concept budget, budget control, irregular spending, good governance and public expenditure management;
- To assess strategies in place in the NLM and to measure whether the budget and budget control are realistic and is implemented as intended;
- To analyze the contributions of effective budgetary control towards good governance and public expenditure management in the NLM; and
- To consider the possibilities of offering recommendations for improving budgetary control process essential to safeguarding the financial wellbeing of the NLM.

5.2 SUMMARY

Chapter one stated that local municipalities are faced with challenges of budgetary control, good governance and expenditure management. Ngwathe Local Municipality is one of the municipalities that are struggling with low control of budget and low management of expenditure which can inevitably hamper service delivery.
Chapter two placed the theme of the study in the context by focusing on the theoretical exposition of budget control, good governance and municipal financial expenditure management. In this chapter all the relevant legislation frame works, rules, Acts and values of budgetary control, good governance and expenditure management are outlined in details. Chapter three is the application of budgetary control for promoting municipal expenditure in the municipality.

Chapter four focused on the research methodology and research results of the empirical study conducted in the Ngwathe Local Municipality. The study was designed with regards to the research problems, research approach, research method and interviews. Data regarding the budgetary control as a mechanism for promoting good governance and public expenditure management in the Ngwathe Local Municipality was obtained from the office of the Chief Financial Officer (CFO) and from the budget office through structured interviews. Thirty (30) community members selected from five towns of NLM were also interviewed in the process of conducting this study.

5.3 TESTING AND HYPOTHESIS

The hypothesis that has been formulated for this study is that the current practices in budget control and good governance and public expenditure management has improved as committed between 2009 and 2010 in the Ngwathe Local Municipality. It can be stated that there is a need for workshops and training of budget officers and line managers on PFMA, MFMA, and Treasury Regulations. The hypothesis as outlined by the above statement was validated by using closed ended and open ended questions which were supplemented by semi structured interviews.

5.4 RECOMMENDATIONS

The researcher recommends the following for enhancing budgetary control in the municipal environment:
• The NLM financial staff should attend continuous workshops on PFMA 1 of 1999 (as amended by act 29 of 1999) and Treasury Regulation, MFMA no 56 of 2003 and other relevant financial regulations.

• In terms of section 38(1) (6) of the PFMA of 1999, the accounting officer (AO) is responsible for the economical, effective, efficient and transparent use of institutions resources. At the same time it is important to keep in mind that AO is also responsible for management assets, including their safeguarding and maintenance. The accounting officer must ensure that electronic and manual processes and procedures are in place for the efficient and effective discharge of the responsibilities that he / she has in terms of assets management legislations and policies (RSA,1990:89 – 90). Such include both the control system as well as the recording for each transaction. The responsibility for managing assets must be assigned to a particular programme manager or any other such designated official.

• A clear audit trial of plans and budget of the Municipality should be done as per the provisions of Section 71 of MFMA no 56 of 2003.

• It is important that all line managers do attend budget meetings, participate and take ownership. The days for a public manager to hide behind utterances such as “look I am a doctor, or an engineer, teacher or agriculturist’ and my responsibility is in line management not in the financial side of things” are gone. Section 45 of the PFMA is important and instructive in this regard as it deals with the responsibilities of officials other than accounting officers. It leaves no doubt about the fact that every official of the Municipality is responsible for proper financial management and control.

• 93% of the NLM communities have access to running water. This water is however not clean. The NLM is advised to outsource the cleaning of its water through private companies to ensure 100% purification.

• Enhancement of the ward councillors is crucial to give communities updated information of developments within their areas of residence on monthly basis. This may reduce the high rates of the service delivery protests and demonstrations.

• The municipality must develop a culture of citizen participation in its governance as a way of complementing the existing participatory governance model espoused by the national government. Participation of local community in the affairs of the Municipality must be encouraged and condition be created for its enhancement.
• Encouraging access to decision making through the implementation of the Municipality’s Integrated Development Plan could help to strengthen democracy and enhance institutional transformation because it could ensure that decisions are made in a democratic and transparent manner rather than by a few influential individuals (South Africa 2001:7).

• Public hearings on municipal budget must be encouraged. Section 23(1) (9) of MFMA no 53 of 2003 states that when the annual budget has been tabled by the mayor, council must consider all views from the local community before approving such a budget. According to the provisions of Section 23(3) the views of the community should be coordinated and collated through a committee of the council to ensure transparency and efficiency.

• The question posed to the participants on IDP and budget meetings revealed that 80% of the members of the community of Ngwathe Local Municipality did not participate in such activities. The IDP department should come up with a plan such as calling ward committee meetings, using both local community radio station and newspaper, a designated newsletter, loud hailers and the Municipal website to inform community members about both IDP and budget meetings. Road shows and competitions may also be of great assistance in this regard.

5.5 CONCLUSION

This chapter discussed the summary outline of the study. The chapter also analysed the realization of the objectives of the study. Furthermore, the study also provided the recommendations for further developments of the budget control, good governance and public expenditure management.
BIBLIOGRAPHY


APPENDIX 1 APPROVAL FOR CONDUCTING RESEARCH

PUBLIC MANAGEMENT
The Municipal Manager
Ngwathe Local Municipality
Free State Province
Liebenberg Strek, Parys,
9885

Cc: Office of the Mayor; Chief Financial Officer
Tel: 056 811 2131/ 2132/2133/ 2134
Cell: 062 326 6667
Email: ngwathe@parys.co.za

27 August 2012

REQUEST FOR PERMISSION TO UNDERTAKE RESEARCH ON BUDGETARY CONTROL: NGWATHE LOCAL MUNICIPALITY

This certifies that Mr. MJ Rabotapi, is conducting research on his masters degree. The title of his mini-dissertation is “Budgetary control as a mechanism for promoting good governance and public expenditure management in the Ngwathe Local Municipality”.

Mr. Rabotapi looks for assistance of respondents municipal employees (Municipal Manager’s Office, Office of the Member of Municipal Council (MMC) for Finance, Budget committee members, Budget officers municipal employees) and community members to co-operate in completing questionnaires and for interviews. The student intends to access the following town administration at Edenville, Vredefort, Heilbron, Parys and Koppies. The student mainly looks on budget control framework. The research conducted by the student is mainly academic and the findings of his research will be shared and presented to the academic conference and then published in the accredited scholarly journals.

Yours sincerely

Dr LB MZINI
SENIOR LECTURER and RESEARCHER: PUBLIC MANAGEMENT

Access to the Municipality towns approved

Access to the Municipality towns not approved

(Kindly provide reasons if the request is not approved)

NOWATHE LOCAL MUNICIPALITY
P.O. BOX 369
PARYS
9885

VAAL TRIANGLE CAMPUS
PO Box 1174, Vanderbijlpark, 1900 • Tel: (015) 910-3111 • Fax: (016) 910-3116 • http://www.nwu.ac.za
APPENDIX 2: EDITING CERTIFICATE LETTER

LM
Language Solutions (Pty) Ltd
(Best Language Services Ever!)

TO WHOM IT MAY CONCERN

EDITING CERTIFICATE LETTER

This serves to confirm that the academic work in a form of a mini dissertation belonging to:

Mr. M J Rabotapi

titled

EXAMINATION OF BUDGETARY CONTROL SYSTEMS AT THE NGWATHE LOCAL MUNICIPALITY

was proofread and grammatically edited by the undersigned during the period 13-16 March 2014.

Mhlongo GJ (Mr.)
Lecturer and Language Practitioner
Tel: 016 910 3430
Cell: 076 161 3118

Reg No: 2012/206688/07
P.O. Box 3656, Vanderbijlpark, 1911
Mobile 083 952 8492, Fax 086 507 5936, e-mail lebomath@yahoo.com
APPENDIX 3: CITIZEN INVOLVEMENT: QUESTIONNAIRE

Location: ..........................................................

QUESTIONNAIRE NR ..................... INTERVIEW DATE..........................

STUDENT NAME (RESEARCHER): Mr. MJ Rabotapi,

North West University (Vaal Campus)

TITLE OF RESEARCH PROJECT: Budgetary control as a mechanism for promoting good governance and public expenditure management in the Ngwathe Local Municipality

Aim of the research

- determine the role of budget control in the Ngwathe Local Municipality;
- assess Ngwathe Local Municipality budget control process;
- Assess community participation during budget formulation, decision making and review.

Instruction

Please tick (x) your answer(s) below.

QUESTION 1

BIOGRAPHICAL DATA

1.1 Indicate your gender category.

(1) Female  (2) Male

1.2 Race

(1) African;  (2) White; (3) Coloured;  (4) Asian; (5) Non-South African;  (6) Other

1.3 How old are you?

(1) 18-24;  (2) 25-31;  (3) 32-37;  (4) 38-44;  (5) 45-62; (6) 53-65; (7) 66-over
1.4 What is your marital status?
(1) Single, (2) Married, (3) Divorced, (4) Widow, (5) Never married

EDUCATION

1.5 What is your highest level of education?
(1) Never attended; (2) Primary; (3) JC/Std8/grade 10/11, (4) Matric/Grade 12, (5) Certificate/FET/Diploma, (6) University degree/Post Graduate

EMPLOYMENT

1.6 What is your employment status?
(1) Employed, (2) Self-Employed, (3) Not Employed

RESIDENTIAL DATA

1.7 Indicate the type of your residence.
(1) House, (2) Flat, (3) Hostel, (4) Low Cost Housing (RDP), (5) Shack

1.8 How many people, including yourself, are there in your household?
(1) 1, (2) 2-3, (3) 4-5, (4) 6-7, (5) 8+

1.9 How long did you live in your current home?
(1) 1-4, (2) 5-10, (3) 11-20, (4) 21-35, (5) 35 and more

EDUCATIONAL QUALIFICATION

1.10 What is your highest level of education?
(1) Never attended; (2) Primary; (3) JC/Std8/grade 10/11, (4) Matric/Grade 12, (5) Certificate/FET/Diploma, (6) University degree/Post Graduate

QUESTION 2
Access to services

<table>
<thead>
<tr>
<th>Do you have access to the following services?</th>
<th>Yes</th>
<th>Partially</th>
<th>No</th>
<th>Access discontinued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sanitation</td>
<td></td>
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<tr>
<td>Water</td>
<td></td>
<td></td>
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<tr>
<td>Electricity</td>
<td></td>
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</tr>
<tr>
<td>Refuse</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Municipal offices</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Access to information</td>
<td></td>
<td></td>
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<tr>
<td>Meeting place/venue</td>
<td></td>
<td></td>
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<tr>
<td>Correspondences</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to decision making</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tariffs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**QUESTION 3**

**AWARENESS AND INVOLVEMENT OF THE MUNICIPAL BUDGET PROCESSES**

<table>
<thead>
<tr>
<th>3.</th>
<th>Have you ever participated in the following events at the level of local government?</th>
<th>Never</th>
<th>Once or twice</th>
<th>More often</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Election of Mayor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2</td>
<td>Election of Ward Councillor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.3</td>
<td>Public hearings on municipal budget</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.4</td>
<td>Public meetings on municipal budget</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.5</td>
<td>Local council sessions/ meetings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.6</td>
<td>Ward meetings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.7</td>
<td>State of mayoral address</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.8</td>
<td>IDP and Budget meetings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.9</td>
<td>Imbizo</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### QUESTION 4

**PERCEPTIONS OF PUBLIC INVOLVEMENT ON LOCAL GOVERNMENT AFFAIRS**

<table>
<thead>
<tr>
<th>4.</th>
<th>How do you evaluate your experience in participating in these events?</th>
<th>Very useful</th>
<th>Useful to some extent</th>
<th>Not useful</th>
<th>Don’t know</th>
<th>Didn’t participate</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1</td>
<td>Election of Mayor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.2</td>
<td>Election of Ward Councillor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.3</td>
<td>Public hearings on municipal budget</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.4</td>
<td>Public meetings on municipal budget</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>4.5</td>
<td>Local council sessions/ meetings</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>4.6</td>
<td>Ward meetings</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>4.7</td>
<td>State of mayoral address</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.8</td>
<td>IDP and Budget meetings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.9</td>
<td>Imbizo</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

### QUESTION 5

**COMMUNITY EXPERIENCE DURING THE PARTICIPATION OF THE MUNICIPAL EVENTS**

<table>
<thead>
<tr>
<th>5.</th>
<th>How do you evaluate your experience in participating in these events?</th>
<th>Very useful</th>
<th>Useful</th>
<th>Not useful</th>
<th>Does not exist</th>
<th>Don’t know/ No experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>Local development planning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.2</td>
<td>Budgeting information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.3</td>
<td>Municipal council review and approval information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.4</td>
<td>Public procurement information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.5</td>
<td>Service delivery and implementation of public works information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Thank you for your cooperation*
APPENDIX 4: INSTITUTIONAL QUESTIONNAIRE

RESEARCHER: Mr. MJ Rabotapi

Aim of the research

- determine the role of budget control in the Ngwathe Local Municipality;
- assess Ngwathe Local Municipality budget control process;
- Assess community participation during budget formulation, decision making and review.

QUESTION 1

Organisational Arrangements

The aim of this section is to learn about the functionaries involved in the budgetary control process of the municipality.

<table>
<thead>
<tr>
<th></th>
<th>Does the municipality have the following functionaries to manage the budgetary control?</th>
<th>Yes</th>
<th>No</th>
<th>Action Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Mayor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2</td>
<td>Municipal Council</td>
<td></td>
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</tr>
<tr>
<td>1.3</td>
<td>Municipal Manager</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.4</td>
<td>Chief Financial Officer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.5</td>
<td>Acting Financial Officer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.6</td>
<td>Supply Chain Officer/ Department</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.7</td>
<td>Budgetary Committee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.8</td>
<td>Budget center</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.9</td>
<td>Budget Manual</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.10</td>
<td>Budget Officer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.11</td>
<td>Budget Committee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.12</td>
<td>Involvement of departmental managers (budget process)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.13</td>
<td>Internal Auditor</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1.14</td>
<td>Finance Staff capacitated (all vacant post Finance filled)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**QUESTION 2**

**Budgeting**

The aim of this section is to ascertain the credibility of the budgetary control process.

<table>
<thead>
<tr>
<th>2.</th>
<th><strong>Does the following apply to your municipality?</strong></th>
<th>Yes</th>
<th>No</th>
<th><strong>Action Required</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Is there a risk assessment of the material items of income and expenditure included in the budget?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2</td>
<td>Are major budget risks and the financial consequences reported to council?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.3</td>
<td>Does the municipality have a process in place for an annual review of fees and charges in respect of the sources of municipal revenue?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.4</td>
<td>Does the budget process include achieving cost reduction option for expenditure budgeting?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.5</td>
<td>Does the municipality have an asset register that is reliable and up to date?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.6</td>
<td>Is there a clear audit trail of changes to plans and budgets?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.7</td>
<td>Are budgets reviewed by management and council according to the prescriptions of the MFMA?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.8</td>
<td>Is the budget preparation in accordance with the budget planning schedule tabled by the Mayor?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**QUESTION 3**

**Budget Management**

The aim of this section is to assess the accountability framework for the budgetary control process.

<table>
<thead>
<tr>
<th>3.</th>
<th>Does the following apply to your municipality?</th>
<th>Yes</th>
<th>No</th>
<th>Action Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Are line managers aware of their budget management responsibilities (i.e. are revenue and expenditure budgets assigned to individual managers?)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2</td>
<td>Are budget and managerial responsibilities aligned and linked to performance contracts?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.3</td>
<td>Have delegations in respect of budget management responsibilities signed and in place?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.4</td>
<td>Have line managers been involved in determining their budgets; do they take ownership?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.5</td>
<td>Are line managers notified of their approved budgets prior to the start of the financial year?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.6</td>
<td>Do line managers comply with their budget management responsibilities in terms of the MFMA?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.7</td>
<td>Are line managers aware of the impact of their budget management decisions on the overall municipal budget?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.8</td>
<td>Are line managers held accountable for variances and deviations between actual and budgeted expenditure?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.9</td>
<td>Are budget managements responsibilities incorporated in the performance assessments of line managers?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**QUESTION 4**

**Expenditure Management**

The aim of this section is to determine whether all line managers are fulfilling their responsibility and achieving value for money.

<table>
<thead>
<tr>
<th>4.</th>
<th><strong>Does the following apply to your municipality?</strong></th>
<th>Yes</th>
<th>No</th>
<th><strong>Action Required</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1</td>
<td>Are managers aware of and complying with the procurement practices according to the Supply Chain Management Policy?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.2</td>
<td>Are line managers monitoring the expenditure and providing monthly reports with variance explanations?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.3</td>
<td>Are efficiency and cost – effectiveness gains routinely part of the objectives of reviews?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.4</td>
<td>Is finance staff routinely involved in service reviews?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.5</td>
<td>Are there targets to measure performance (including financial performance)?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.6</td>
<td>Are charging policies, subsidies and concessions justified by policy considerations and reviewed regularly?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.7</td>
<td>Is outsourcing part of the portfolio of ways of improving efficiency?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.8</td>
<td>Does the organisation work across departmental and organisational boundaries to achieve improvements (e.g. pooled resources)?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.9</td>
<td>Does the organisational culture recognise and reward efficiency and cost reduction?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.10</td>
<td>Do finance staff attend management meetings, so that they are connected to service departments</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
QUESTION 5

PUBLIC INVOLVEMENT

The aim of this section is to determine the public involvement in the budgetary control process.

5.1 Does the municipality involve the community in the budgetary control process? Yes/No

5.2 How much say does the public have in the creation of SMMEs in your municipality?

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

COMMUNICATION AND CITIZEN PARTICIPATION TECHNIQUES

<table>
<thead>
<tr>
<th>5.3</th>
<th>Which of the following techniques does the municipality utilize to communicate with the respective community regarding the municipal finance and budgeting?</th>
<th>Yes</th>
<th>No</th>
<th>Action Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.3.1</td>
<td>Ward meetings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.3.2</td>
<td>Loud hailer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.3.3</td>
<td>IDP and budget meetings</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>5.3.4</td>
<td>Newsletters, columns, and flyers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.3.5</td>
<td>Citizen surveys</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.3.6</td>
<td>Citizen education</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

STRATEGIES FOR RECONNECTING CITIZENS INVOLVEMENT IN MUNICIPAL BUDGET PROCESS

<table>
<thead>
<tr>
<th>5.4</th>
<th>Indicate the progress on the following support areas</th>
<th>Achieved</th>
<th>Partially achieved</th>
<th>Not achieved</th>
<th>Still in progress/ not planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.4.1</td>
<td>Public meeting formats that facilitate public participation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.4.2</td>
<td>Guides to help citizens participate effectively in meetings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.4.3</td>
<td>Reaching citizens through technology</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.4.4</td>
<td>Citizen education</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.4.5</td>
<td>Communicating about government spending</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thank you!!!