BUDGETING AS A POLITICAL PROCESS: A CASE STUDY OF DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY

BY

OE SEOPE

(STUDENT NUMBER: 16720504)

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DECLARATION

I declare that the work entitled “Budgeting as a political process: A case study of Dr Ruth S Mompati District Municipality” is my original work. I have not copied work from whatever other students or from whatever other source except where due reference or acknowledgement is explicitly made in the text, nor has any part been written for me by another mortal.

Signature: ___________________________ Date: ___________________________

Odirile Edwin Seope
ACKNOWLEDGEMENTS

I like to convey my earnest gratitude to God for strength and direction.

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This dissertation is dedicated to my late Dad, Kelapologile Simon Seope and my late sister Kgomotsego Gladness Sehere.
ABSTRACT

The reason for studying budgeting as a political process is to appraise various theoretical methods for addressing matters of human rights, entitlements, political accountability and community participation in relation to the budget process; as well as to establish the relationship between the political deployment and their effect on the budget process.

This research focuses mostly in the processes embarked on during the budget preparation process in the Dr Ruth Segomotsi Mompati District Municipality and will deliberate this process from initiation until acceptance, as well as approval of the budget with more focus on regulations and legislative requirements.

The review of the budget preparation process of the District Municipality was to determine the impact of legislation on the entire budget process and compliance with the legislative requirements.

Key findings in the case study were that the budget allocation was not related to its own strategic priorities and operational plans and the municipal staff members had limited academic qualifications to perform its key actions. Provincial government contribution in the municipal budget cycle is inadequate, bring about a lack of configuration of government priorities and a minimal use of resources. Grants and subsidies are not confirmed in advance so that this funding can be budgeted for as prescribed in the Municipal Finance Management Act, 56 of 2003.

These findings lead to the recommendation for management to be involved in the process of municipal budgeting and that monitoring is crucial. The approved strategic and operational plan must lead the budgeting process.

All MFMA circulars from national and provincial treasury are similarly essential in giving direction and update of the modern changes concerning budget preparation process. The recommendation is that these circulars be taken into consideration during budget compilation; and that they are obeyed to not only in terms of direction, but to ensure that budget formats and reporting requirements are met.
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<td>Department for International Development</td>
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<td>DrRSM</td>
<td>Dr RUTH SEGOMOTSI MOMPATI</td>
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<tr>
<td>IDP</td>
<td>Integrated Development Plans</td>
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<td>MFMA</td>
<td>Municipal Finance Management Act</td>
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CHAPTER 1

CONTEXTUALISATION AND PROBLEM STATEMENT

1.1 Introduction

Budgets are the monetary records of the goals to be accomplished and reflect the resource allocated to achieve the aims (Razaki & Lindberg, 2012)

Budgeting is a central action of the municipal office. A budget serves as a planning document, which is dependent on the stipulated objectives.

In the current period of national economic instability, it has become imperative for municipalities to use their fiscal resources efficiently and effectively. The resources that are available in municipalities should be channelled towards fulfilling the important essentials of the public as efficiently as possible; appropriate budgeting and its actual implementation are said to play a vital role in this endeavor.

This study places much emphasis on the Municipal Finance Management Act (Act 56 of 2003); given that its aim and objective is to improve financial management in local sphere of government, and the politics of budget formulation and execution. It is crucial to understand the process of budgeting and procedures employed during the process so that one can understand how the government finances are used.

Santiso (2005) is of the opinion that in order to be able to successfully encourage more responsibility from the executive, legislatures need support in understanding complex budget issues and processes. Qomoyi (2008) defines a budget as a statement of finance comprising estimates of income and outflow of funds over a certain period of time; a tool at the disposal of the municipal council allowing it to guide the economic, social, and political and other undertakings of its community in order to realise prearranged goals and objectives. Municipal budgets are established to cover a three-year budget period, which forms the medium term planning framework (Qomoyi, 2008). Razaki and Lindberg (2012) state that municipal budgeting is considered as a highly complex issue that calls for simplification.
1.2 Background to the Research Problem

Qomoyi (2008) said a local government budget is an instrument at the disposal of the council, enabling it to guide the economic, social, political and other activities of its community in a certain direction in order to realize goals and objectives. Prior to 2006, budgets were incremental (one-year) and built on the preceding year’s budget. The budgeting and development processes were not incorporated, often operating totally separately. According to the report from the National Treasury budgets were “presented in considerable aspect, obstructing effective policy and preparation processes and making consultation unwieldy; revenue and capital estimates were unrealistic, resulting in poor service-delivery performance and disappointing community expectations; and there seemed to be slight or no connection to a comprehensive long-term fiscal or financial strategy”.

The reforms of the Municipal Systems Act (32 of 2000) could not be properly applied with such archaic budgeting practices. After 2000, municipalities adopted long-term integrated development plans (IDP) that were not linked to budgetary resources based on unrealistically high revenue projections. Municipalities were unable to implement such IDPs, as there were not enough funds in their budgets.

The Municipal Finance Management Act (56 of 2004) addresses these deficiencies by requiring all councils to approve new methods to budget preparation, monitoring and execution. These methods must be well-thought-out in combination with the requirements of the Municipal Systems Act and the Property Rates Act (4 of 2004), as the budget and the IDP must be brought into line every year and all taxes and revenues must be adopted with the budget.

The municipal budget is a legislative requirement of all municipalities. It provides the plan for the allocation of finances for the implementing of the municipality’s activities.

It also provides the fiscal framework in which all the resources are apportioned to achieve the Municipality’s objectives within a given year.

Under the existing legislation preparing the municipal budget and the IDP are separate processes that are closely linked; interacting together and informing each other. The two link closely as tools that help municipalities achieve their developmental responsibilities. In doing so they meld the planning relationship between the municipality’s proposed delivery programme and the annual budget.
The IDP linked to the budget process is expected to meet the following important principles pronounced in National Budgeting Policy (2007):

- “Thoroughly integrates the strategic, organisational and financial aspects of the policy process in regard to the dimensions of planning implementation and monitoring.
- Is concerned with budgeting for consequences and outputs as well as inputs.
- Encourages public participation that helps make the distribution of finances clear and provides the base for the publication of reachable information on the use of finances.”

In practical terms this requires the collaborative planning and management of both the IDP and the budgeting processes within the municipality. Effective linking relies on pro-active management. The linking of activities within joint time frames is crucial. The timing is predominantly determined by the budgeting process that is a key determinant of the structuring of the timing of phases of the IDP. The close co-operation of the Municipal Manager, the Financial and the IDP Manager (or whoever drives the IDP and budget processes in the municipality) is crucial in making sure the alignment is made between the processes. According to Lindberg & Razaki (2012) the municipal or local government budgets are influenced by members of municipal council and departmental heads. Each person may have reserved projects that could lead to fruitless resource apportionment and outright of municipal assets. Personal ego gratification and satisfying vested parties may hinder the goal of effective and municipal governance. The responsibilities of the mayor is to oversee the preparation of the annual budget; give political guidance over the budget process and the priorities that should guide the budget and to make sure that the municipality performs its statutory functions in the limits of the approved budget (SALGA,2011).

1.2.1 Appropriation of funds for expenditure

According to MFMA section 15 (a) (b) a municipality may, except where otherwise provided in the act, incur expenditure only in terms of an approved budget; and within the limits of the amounts appropriated for the different votes in an approved budget.

The council of a municipality should for every financial year approve an annual budget for the municipality before the start of that particular financial year. The mayor of the municipality must present the annual budget at a council meeting at least 90 days before the beginning of the budget year (MFMA section 16 (1)(2)).
1.2.2 The importance of budgeting in municipalities

The criteria for controlling costs ahead of time are set by budgeting. Budget permits consistent appraisals of projected costs to actual prices during a given financial period. It is important that the Council has a clear picture in terms of where it stands financially. Budgeting must also be performed in order to institute the tax rates for a municipality. It guarantees accurate planning of projects, services and estimated revenues. Budgeting offers a channel to communicate the strategies and responsibilities of council to the public in general, the provincial, national government or to other stakeholders (Qomoyi, 2008).

1.2.3 Approaches to municipal budgeting

1. *Incremental budgeting:* Lindberg and Razaki (2012) mention that “incremental budgeting permits small changes to be made to the preceding budget based on current environments.” It is stress-free to apply; however budget figures may not be exposed to enough examination.

2. *Performance based budgeting:* According to Lindberg and Razaki (2012) “performance based budgeting resources are apportioned based on anticipated performance levels of specific programs.” To apply it in practice is challenging; most municipal services are required by legislation regardless of whether they are “efficient”.

3. *Participatory budgeting* rate of services is channeled by the opinions and behavior of local residents. This is a challenging approach to apply in real life; participating residents may not be representative of the public and/or may only reflect their own wishes, not what is paramount for the rest of the public (Lindberg and Razaki, 2012)

4. *Zero based budgeting:* Lindberg and Razaki (2012) suggest that each directorate budget requisitions must be reasonable, starting from a zero base. It is a very lengthy process of budgeting; many services are ratified by law, making a zero-base impracticable.

5. *The Hybrid Approach:* Lindberg and Razaki (2012) indicate that it is an amalgamation of two or more budgeting frameworks. Municipal staff members can utilise the best features of designated approaches or those approaches that best tie the requirements and competences of the constituency.
1.2.4 Budget processes and Budgetary Law

According to the MFMA section 21, the mayor of a municipality must co-ordinate the processes for preparing the annual budget and for reviewing the municipality’s IDP and budget-related policies. This ensures that the tabled budget and any revisions of the IDP and budget-related policies are mutually consistent and credible; At least 10 months before the commencement of the budget year, a schedule of key deadlines is presented in the municipal council stating the mandatory time frames for the following phases:

- the preparation, presentation and adoption of the yearly budget
- the annual review of
  (i) the IDP in terms of section 34 of the Municipal Systems Act;
  (ii) and the budget-related policies;
  (iii) the presentation and approval of any adjustments to the IDP and the budget-related guidelines; and
- when preparing the annual budget, the mayor of a municipality must take into account the municipality’s IDP;
- Accept all reasonable steps to assure that the municipality revises the IDP in terms of section 34 of the Municipal Systems Act, holding into account realistic revenue and consumption projections for future years;
- Take into account the national budget, the relevant provincial budget, the national government’s fiscal and macro-economic policy, the annual Division of Revenue Act and any understandings made in the Budget Forum;
- consult
  (i) The relevant district municipality and all other local municipalities within the expanse of the district municipality, if the municipality is a local municipality;
  (ii) All local municipalities within its arena, if the municipality is a district municipality;
  (iii) The relevant provincial treasury, and when requested, the National Treasury; and any national or provincial organs of state, as may be ordered;

From a rights viewpoint, understanding politics and authority are critical to the advancement of government responsibility and citizens participation in budget processes. Participation is understood both as a right in itself and as a means of increasing the equitable outcomes of
policy decisions. Transparency participation and enhanced mechanisms of accountability are commonly acknowledged as important objectives. Studying the politics of the budget process means investigating the conducts in which the dissemination of authority within the process affects the subsequent distribution of public resources.

A municipal council is required to develop mechanisms to consult with the community and community organizations in exercising and performing its powers and functions. Every municipality is expected to promote and make conditions for public participation in the integrated development planning process, the application and inspection of its performance management system, the monitoring and critique of its execution; the formulation of the budget and strategic decisions regarding the provision of services.

1.3 The Problem Statement
The Dr Ruth Segomotsi Mompati District Municipality incurred expenditure not budgeted for and incurred expenditure in excess of the limits provided for in the votes of the approved budget, in contravention of Section 15 of the MFMA as stated in the Auditor General report of 2012/2013 financial year.

A set of structural modifications has taken place in this area and new legislative frameworks have been presented including those referring to fiscal management. Understanding the statute relevant to preparing budgets, ensures that one is fully mindful of what the statute law calls for. The local government is fairly a new arena of government. It is probably about 15 years old. A bunch of changes has taken place in this area and new legislative frameworks have been presented including those referred to fiscal management. Municipalities are faced with huge backlogs, inadequate revenue collection, corruption and fraud, poor financial management system and lack of highly skilled personnel this comes as a result of political interference in administration issues.

1.4 Research Aim(s)/Objective(s)
The main aim of this research is to assess the impact of budget analysis as a political process and treasury regulations on the municipal budgeting process.

The specific objectives of the study are as follows:

- To appraise various theoretical methods for addressing matters of human rights, entitlements, political accountability and community participation in relation to the budget process.
• Analyse the developing perceptive of the budget process as a political, rather than a purely administrative process.
• To establish the balance between political pressure and the budgeting processes in municipalities.

1.5 Research Question(s)/Hypothesis
Do the treasury regulations and legislations improve the budgeting process in municipalities?

In support of the main research question the following are the research sub-questions:

• What is the relationship between politics and budget process in municipalities? To what level is the correlation of these two variables?
• Is there enough capacity to deal with politics and budget related challenges?

1.6 Research Limitation(s)/Delimitation(s)
This study only focuses on the Dr Ruth Segomotsi Mompati (DrRSM) District Municipality; local municipalities are not included in this research.

1.7 Definitions of key concepts
Allocation: A municipality’s share of the local government’s equitable share referred to in section 214(1)(a) of the Constitution.
Budget: a financial plan for acquiring resources and using them to achieve objectives
Budget Policy: means a policy of a municipality affecting or affected by the annual budget of the municipality. It is further described as an overall plan to guide present and future council and action regarding the coordination of revenues and expenditures.
Integrated Development Plan: is a document used as a planning tool listing service delivery objectives according to their level of priority. It is a five year plan attached to the term of council.
Medium Term Revenue and Expenditure Framework: it is a three-year budget period, which reflects figures for the actual financial year plus for the next two outer years.
1.8 Provisional Chapter Outline

This study is divided into five chapters.

Chapter 1: Introduction

The introductory chapter offers a particular account of the intents and objectives, problem statement, research questions and hypothesis, significance and limitations/delimitations of the study.

Chapter 2: Literature Review

The literature review and it provides both theoretical and empirical literature in relation to this study. It also includes a critical evaluation of all previous research and how it relates to the study.

Chapter 3: Methodology

A detailed explanation of the evaluation techniques implemented in this study. In this chapter, the model aligned with the theoretical framework is specified and some relevant empirical studies. Moreover, the source and definition of the variables used will be explained in detail.

Chapter 4: Results and Discussion

The estimation and interpretation of the results of the different tests conducted in the previous chapter are presented.

Chapter 5: Conclusion and Recommendations
1.9 Summary
The idea of budgeting in the government sector is now adopting international practice. The government sector has speedily altered the philosophies of budgeting for the aim of monitoring the undertakings of organisations such as municipalities or public entities that function as corporate units within the parameters of the government sector.
CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

In this chapter the basics of budgeting will be discussed, including topics such as the significance of budgeting and the advantages of accurate budgeting, time frames and it outlines an effective budget planning system.

According to Qomoyi (2008) budget is “a financial statement comprising estimates of revenue and expenditure over a certain period of time; an instrument at the disposal of the council enabling it to guide the economic, social, and political and other undertakings of its community in order to realize predetermined goals and objectives”.

According to IDASA (2006) municipal budgets are presently set up to extend a three-year budget period, which constitutes the medium term revenue and expenditure framework. Budget tables show figures for the previous, current financial; year, plus the next two years. The subsequent two years are planned or estimated amounts, which is why the theoretical account is reviewed and modifications are produced every year (IDASA, 2006).

During the tabling of the annual budget, the amounts and the related information are presented, which comprises of measurable performance objectives, suggested adjustments to the IDP, and the suggested salaries and allowances of political office bearers and councillors, municipal manager, chief financial officer and other senior managers. This is in conformity with the necessities for the reporting on local government budgets (IDASA, 2006).

2.2 The importance of budgeting in municipalities

According to Qomoyi (2008) the following are some of the qualities of developing and applying a realistic budget:

- Budgeting offers a vehicle for collaborating the strategies and undertakings of council to the cosmopolitan community, the provincial government or to other stakeholders.
- Budgeting should also be made in order to install the tax rates for a municipality
- Budgeting sets ethics for governing expenditures ahead of the fourth dimension
- Budgeting assures realistic planning of programs, services and projected revenues is undertaken
- Budgeting approves stable evaluations of anticipated costs to actual costs during a given financial period.

2.3 The benefits of Budgeting

According to Qomoyi (2008) a decent budget system contributes several benefits to the organization’s management system including the following:

1. Control

Control sets restrictions for staff members; gives authorization to senior management to recognize nonconformity from plans and individual obligations.

2. Motivation

A decent budget system allows staff members to part take in performance target setting and to have the benefit of immediate feedback on their performance through budget reports.

3. Evaluation

Another advantage of budgeting is that it offers an objective basis for rating performance.

4. Monitoring business progress

With budget information, organizations front-runners and personnel can realize their progress toward achieving goals.

5. Improved decision making

Other budgeting systems are well-thought-out exclusively for decision making because they present fiscal data to decision-makers in a reliable, comprehensive format that makes decisions easier. This data enables financial managers to scrutinize the organisation’s present state of affairs and make decisions.

2.4 The objectives of budgeting

According to Qomoyi (2008) municipal budgets have the following purposes:

- To expand programs and financial planning
- To make available for the administration of fiscal control and
- To give the necessary data for beneficial and efficient management decisions.

2.5 The context of municipal budgeting
The municipal budgeting adoption is one of the most critical roles of the municipal council. The financial plan and its circumstances are inspected in the context of the vision of the municipality, the aims must be integrated in the IDP, the rates and taxes, service charges and other taxes that the public would be obligatory to pay to the municipality as well as the delegation of authority to nominated employees to spend money approved in the budget (Moodley, Reddy & Sing, 2003).

2.6 Participants in Municipal Budgeting
According to Lindberg and Razaki (2012) the appropriate participants in most municipalities include the council administrators, councillors, mayor, municipal treasury officers, municipal heads of department, and voters who are also taxpayers. Spending directorates must give better service and more funding for their areas, whereas finance department employees and policy makers are basically “guardians” who have to ensure that the accessible funds are not exceeded. “It is imperative that budget participants are conscious of and use the principled guidelines embedded in the theories of agency costs, agency responsibilities and moral hazard, and the role of information asymmetry in their decisions and advocacies, so as not to waste the municipality’s resources”. Government contracting often consists of “moral hazard”, which occurs in any cognitive process in which the best economic interest of at least one of the parties may be better served by dereliction of duty or outright dishonesty. To make sure that different budget players are properly carrying out their prescribed roles as “agents of the taxpayers, some mechanism of accountability has to be established and enforced”.

2.7 The politics of budget preparation and execution
Norton and Elson (2002) are of the opinion that there is a rising agreement that public spending management is a political, rather than a purely technocratic, process. Learning the politics of the budget process critically means scrutinizing the ways in which the dissemination of power within the budget process affects the subsequent dissemination of public resources.
The budgets of municipal directorates are commonly tremendously influenced by municipal council members and senior managers. Individuals may have small projects or peeves that could direct to ineffective resource apportionment and outright misuse of municipal assets. Elson and Norton (2002) alleged that effective and efficient municipal governance may be delayed by individual ego gratification and satisfying vested parties. Furthermore, councillors or board members are regularly not properly skilled to make effective and efficient fiscal resource apportionment decisions. Senior managers are generally not well skilled in the processes of budgeting. These individuals may not approach the process systematically, which in turn could result to irrational demands for expenditure line items (Elson & Norton, 2002).

According to Department for International Development (2007) authority relations form part of the budget process and political inducements can clarify the disjuncture amongst prescribed rules and informal practices. Although technical developments can assist in resolving skills gap, political inducements often clarifies why technical capital are not effectively deployed or utilised responsibly. In turn, political inducements are formed by the nature of political systems, the degree of political rivalry and the extensiveness of political responsibility. One needs to have a better understanding of the real incentives of the numerous players.

2.8 Importance of Understanding Political dynamics

DFID (2007) is of the opinion that thorough budgetary systems are critical to make improvement in decreasing deficiency and addressing disparities. They are dominant to government’s capability to distribute services and reduce deficiency. Thorough budgetary systems are crucial in combatting corruption and builds operative government with the required degree of competence, awareness and accountability. Public budgeting is an essential responsibility of government and the budget processes comprise an extensive variety of patrons beyond government, including parliament. Therefore, improved political understanding of budget systems can assist to:

- Improvement assists effectiveness

Operative government fiscal resources management systems are necessary to best support effectiveness. Vigorous of fiscal management and responsibility systems are crucial in ensuring that support capitals are utilized effectively for the planned objectives (DFID, 2007).
Superior analysis of political risk is required; political influence is the crucial threat to the effectiveness expectedness and sustainability of budget support. However, even though there are abundant technical analyses of the Public Financial Management 1 of 1999 Act (PFMA) systems, political scrutiny of budgetary processes continue immature. More political scrutiny assists in evaluating the viability of the government to obligation to the public and the degree of fiduciary risk which includes dishonesty (DFID, 2007).

Adequate understanding of the political economy of the budgetary part is particularly crucial to the maturation of the commonwealth scheme. The politics of the budget reviews are useful pecker for monitoring political risk, designing syllabi to mitigate those risks and preventing corruption. These syllabuses are also crucial in gauging the credibility of government’s partner who helps in the implementation of the PFMA (DFID, 2007).

- Minding the gaps

Political affairs issue in knowing how budget organisations function in practice and how they vary over time. There can be a massive gap between the strict processes and casual practices (DFID, 2007).

2.8.1 Impact of political factors affecting budgetary systems

According to DFID (2007) there is a need for better understanding of the true motives of the different participants, as occasionally poor operational systems accommodate influential people very well. Not all serious things belong together, they don’t essentially strengthen each other, certain budgetary flaws are more agreeable to a sudden improvement than others, particularly in the short run, and minor successes can quickly put down.

While technological advances can help to resolve capacity constraints, political motivations frequently clarify why technical resources are not positioned effectively or used responsibly. Thus, political incentives are shaped by the nature of political systems, the degree of political competition and the breadth of political accountability (DFID, 2007).

Supremacy associations and political underlying forces regulate how budget resolutions are fixed and how policy is carried out. Political inducements shake the procedure of making and applying budget policy. The budget is the resolution of political discussions that reflect underlying authority struggles between contending social forces. The excommunication of the unfortunate from these operations is a significant feature of social elimination (DFID, 2007).
2.9 Political oversight over the budget Process

According to Section 53 (1) (a) of the MFMA the mayor of a municipality should give political supervision over the budget process and the priorities that should precede the formulation of the budget. The Mayoral Budget Committee has a substantial part to play in the budgeting process.

Budgeting is mainly about the primacies and the choices that the Municipality has to take in deciding how to meet the agreed set of policy objectives by better service delivery. Political oversight of the financial plan enables the municipality to manage pressure among competing policy main concerns and financial realities.

In terms of the management structure of DrRSM:

- Council approves the revised IDP and Final Budget
- The Budget Steering Committee (BSC) brings together the budget document and report in line with the MFMA, links business plans to resource allocations, manages departmental hearings and gives guidance on policy options (MTREF, 2007)
- The Mayoral Budget Committee, Finance Portfolio Committee and Budget Conferences consider the budget proposals before tabling to Council and reviews departmental inputs with municipal priorities.
- The Mayoral Committee gives political oversight and recommends the revised budget and final budget to Council.

2.10 The budgeting process and community participation

The financial year for South African municipalities commences from 1 July to 30 June of the next year. Agreeing to the MFMA, the mayor of a municipality is accountable for coordinating the procedures for making the budget and for reviewing the municipality’s integrated development plan and budget-linked insurances. Directly after the mayor has tabled the annual budget, the municipal manager should make public the annual budget in concert with whatever substantiating documentation and invite representations in connection with the budget for the local community (Yusuf, 2004).

According to Yusuf (2004) the council of the municipality should then reflect any ideas brought forth by the public, stakeholders and any other entity of government that may have arranged submissions on the budget. The mayor is then afforded a chance to respond to the submissions and, if essential, review the budget and table proposed adjustments for
consideration by council. The municipal council must then adopt the yearly budget for the
municipality before the beginning of the fiscal year.

2.10.1 Public Participation in the Budget Preparation Process
Yusuf (2004) brings to our attention that before the execution of the MFMA in 2004 it was
not binding to engage the community in the budget process. The MFMA was applied in a
phased approach that began in July 2004 and therefore affects the formulation of the budget.

Yusuf (2004) is of the opinion that in breaking down the budget process it seems that
presently engagement with the community adopts the variety of data dissemination and
audience rather than participation. The first consultation with the community is in the IDP
Representative Forum meeting in December to deliberate the strategic management of the
Municipality. This meeting detects issues for the IDP and presently the IDP is only
associated with the capital budget and not with the operating budget. It seems that not much
time is awarded for discussion of the entire budget in this gathering. The Municipality has a
mostly top-down approach with the development of the budget made out by officials and
council members. The IDP Representative Forum meets in March once the draft budget has
already been drawn up and the final draft is only taken to the community in April. This does
not allow for adequate time for honest participation and for contributions made by the public
to be considered badly.

2.10.2 Integration of the IDP Review and budget preparation process
The draft budget was issued and various public consultation gatherings were kept back to
obtain representations and submissions. In terms of Section 16 and 17 of the Municipal
Systems Act (MSA); ward committees, residents, community organizations and other
stakeholder organizations were invited to take part in the DrRSM’s budget process.

The draft budget was made available on the municipality’s website, and hard copies were
made available at municipal offices, municipal notice boards and the various local
municipalities within the district (MTREF: 2007). All budget documents in the prescribed
format (electronic and printed) were submitted to the National Treasury and the relevant
Provincial Treasury in accordance with the MFMA, to give opportunity for their inputs
(MTREF, 2008).
2.11 Schedule of Key Deadlines.
In terms of Section 21 of MFMA the mayor must table the schedule of key deadlines 10 months before the start of the budget year as a requirement and an important part of planning for the next budget year. When setting up this schedule, municipalities can go over their previous budget process and ascertain from the mistakes made in the yesteryear.

The mayor must table the schedule in Council 10 months prior to commence of the budget year (Afrec, 2005).

TABLE 1: SCHEDULE OF KEY DEADLINES

<table>
<thead>
<tr>
<th>Month</th>
<th>Mayor and Council / Entity board</th>
<th>Administration – Municipality and Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>Mayor starts planning for the next 3-year budget in accordance with the MFMA Section 53. Preparation includes a recap of the previous year’s budget process and completion of the Budget Evaluation Checklist.</td>
<td>The accounting officer and senior officials of municipality and entities begin planning for the next 3-year budget in accordance with the MFMA Sections 68 and 77. Accounting officer and senior officials of municipality and entities review options and contracts for service delivery in accordance with the MSA Section 76-81.</td>
</tr>
<tr>
<td>August</td>
<td>Mayor tables on Council the schedule of deadlines, putting the timetable for preparing, tabling and approving the budget, reviewing the IDP (MSA Section 34) and budget</td>
<td>Accounting officer must assist the Mayor to get the schedule of key deadlines and align the IDP and Budget process.</td>
</tr>
</tbody>
</table>
related policies and consultation processes at least 10 months before the start of the budget year in accordance with the MFMA Sections 21, 22 and 23 and the MSA Section 34 as amended.

Mayor set up committees and consultation forums for the budget process.

<table>
<thead>
<tr>
<th>August/ September / October</th>
<th>Council through the IDP review process determines strategic objectives for service delivery and development for the next 3-year budgets, including review of provincial and national government sector and strategic plans. Entity board of directors must approve and submit proposed budget and plans for the next 3-year budgets to the parent municipality.</th>
<th>Budget office of the municipality and entities determine revenue projections and projected rate and service charges and drafts initial allocations to functions and departments for the succeeding financial year later on taking into account the strategic objectives. Engages with Provincial and National sector departments on sector specific plans in alignment with municipal programs (schools, libraries, clinics, water, roads and so on)</th>
</tr>
</thead>
<tbody>
<tr>
<td>September / October</td>
<td>Council considers municipal</td>
<td>Accounting officer must</td>
</tr>
<tr>
<td>October/ November</td>
<td>Entity board of directors takes the good words of the parent municipality and submits revised budget</td>
<td>Accounting officer reviews and drafts initial changes to the IDP, Municipal Systems Act Section 34</td>
</tr>
<tr>
<td>--------------------</td>
<td>------------------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>November/ December</td>
<td>Council finalizes tariff (rates and service charges) policies for the following fiscal year, MSA Sections 74 and 75. Mayor table municipal budget, budgets of entities, resolutions, plans and proposed revisions to IDP.</td>
<td>Accounting officer must submit draft budget and programs for the following fiscal year to the Mayor for tabling. Accounting officer publishes tabled the budget, plans and proposed revisions to IDP, invites the local community to comment and then submits to the National and Provincial Treasury and others. Accounting officer must advise the relevant municipalities of projected allocations for the next 3 budget years</td>
</tr>
<tr>
<td>Month</td>
<td>Activity Description</td>
<td>Comments</td>
</tr>
<tr>
<td>-------</td>
<td>--------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>January</td>
<td>Accounting officer reviews proposed national and provincial allocations to the municipality for incorporation into the final budget.</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>AO incorporates the recent mid-year review and any corrective measures proposed as part of the oversight report for the previous years audited financial statements and annual report.</td>
<td>AO incorporates the recent mid-year review and any corrective measures proposed as part of the oversight report for the previous years audited financial statements and annual report.</td>
</tr>
<tr>
<td>March</td>
<td>AO incorporates any changes in prices of bulk resources as communicated by 15 March, MFMA Section 42.</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>AO must assist the Mayor in revising the budget documentation in accordance with consultative processes and taking into account the results from the third quarterly review of the current year.</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>Public hearings on the budget, and council debate. Council must consider the views of the local community, NT, PT, and other national and provincial organs of state and</td>
<td>AO must assist the Mayor in preparing the final budget documentation for consideration for approval at least 30 days before the start of the budget year taking into account consultative processes and any other new information of a material nature.</td>
</tr>
</tbody>
</table>
municipalities.
The mayor must be offered an opportunity to reply to submissions during consultation and table amendments for council consideration.
Council must consider approval of the budget and plans at least 30 days before start of the budget year, MFMA Sections 23, 24 and MSA Chapter 4 as amended
Entity board of directors to approve the budget of the entity no later than 30 days before the start of the financial year, taking into account any hearings or recommendations of the council of the parent municipality, MFMA Sections 16, 24, 26 and 53.

| June | AO submits to the mayor no later than 14 days after approval of the budget, the draft SDBIP and annual performance agreements required by Section 57 (1) (b) of the MSA Accounting officer of the municipality and entities publishes |
2.12 Problems with Budgeting In Practice
According to Hansen, Otley, Van der Steder (2003) there are problems with budgeting in practice and these problems are talked about infra:

The present use of budgetary control is principally ascribable to its capacity to intertwine together all the different threads of an organization into a complete design that assists many different designs, mainly performance planning and ex post evaluation of actual performance vi's-a`-is the plan.

2.13 Fiscal Governance and Public Budgeting
According to Department for International Development (DFID) (2007) a political understanding of fiscal governance and public budgeting is important as well:

- The appreciation of how political aspects and governance dynamics impact the prospects for pro-poor change;
- Promote and support “safe enough” reforms in public financial management and accountability; and
- Recognize front-runners of pro-poor change, toughen checks and balances and provide request for sound financial governance from within and outside government.

DFID (2007) further notes that political governance and budget politics affect the procedure and reform of public financial management systems. The research findings mentioned that the budget is a political process, politics makes a deviation. Budget politics drive public budgeting and shape the rules of budgeting.

Furthermore, it is so important to key out the legislative rules and informal practices shaping the budget processes and the organizational and political setting in which budgetary systems are embedded; also to assess the trajectory of change and the agents of change in the budget process and lastly to get sure that the budget offices are adequately prioritized, realistically sequenced and tackle the causes of weak public budgeting (DFID, 2007).
2.14 Public Budgeting In the South African Context

According to Shabalala (2005) use of public budgeting in South Africa dates as far back as 1806. Originally the key emphasis was on employee related costs. The modest size of the then public service made it possible for the budget estimate documents show the names of all the employees and their respective salaries. These figures were compiled in a line item format.

Marais (1989) indicated that in 1871 in the Cape Colony, the budget breakdown entailed the following expenditure items: Establishment, Rent, Transport and Contingencies. The budget was input-driven and little care was paid to the objectives to be achieved. The continuous desire to improve on public budgeting resulted in a number of changes being introduced. One such change was the introduction of the budgeting system called budget by objective.

Budgeting by objectives was introduced before 1976/77 financial year by Treasury on a trial basis to five parts. Prior to this, the item budgeting system was used. Funds were distributed to the certain items to be bought. It did not mull over the objectives to be reached as a result of that specific expense (Marais, 1989).

Budgeting by objectives was premised on the fact that the objectives of the service are explained, the source of funding is turned over, the financial responsibility entity is designated and the monetary value of the services is itemized

2.15 Formats of Budgeting

According to Shabalala (2005) the format of budgeting is: “the scheme or classification of the budget. It gives the layout of information used in the capturing of budgets”. Three various approaches of budgeting namely, line item budgeting, program budgeting and performance budgeting

2.15.1 Line item budgeting

The line item budget is a financial plan of estimated expenditures expressed in terms of the kinds and quantities of objects to be purchased and the estimated revenues needed to finance them during a set period, normally one year (Shabalala, 2005)

It is categorized by expenses listed in broad categories. It focuses on what is to be acquired rather than what services are to be provided (Shabalala, 2005).
Line item budget has a number of advantages and disadvantages that can be recognized. The advantages of line item budgeting are as follows:

(i) It is understandable: “-A layman is able to move through the document and understand what the intention for the numbers that are budgeted. The terminology used is easily interpreted” (Shabalala, 2005).

(ii) It makes decision-making easy: Management can make decisions easily as it possesses a constant combination of details. It should be argued that those conclusions might not automatically be precise, particularly if it was to be entirely based on the line item figures (Shabalala, 2005).

(iii) It is worthwhile as a financial control instrument: Once the finances are approved, the budget is apportioned accordingly. As the expenditure is made, it is offset against its allocated item allocation (Shabalala, 2005).

(iv) It is vital to apply: Most of the expense items are allocated special codes, which are then used to recognize the expense in the schema. Transfer Payment items are financial resources earmarked to be transferred out of the organisation to another structure such as a non-governmental organisations or municipalities. Only single transfer code is assigned to this item (Shabalala, 2005).

(v) It is easy to apply uniformly across entities: The best method of financial dominance in government is a single uniform system of comparing 'apples with apples'. It is capable to deliver a unchanging method of matching the expenses of government entities without compromising the uniqueness of each government entity (Shabalala, 2005).

Line item budget has a number of disadvantages that can be distinguished. A brief discourse of the disadvantages of line item budgeting is as follows:

(i) It does not ensure that funds have been expended for the purpose of what they were originally intended: For example, spending items within a specific standard expenditure its allocated budget may be re-assigned during the fiscal year through the agitation process. This means that an allocated budget of a certain expenditure item may be cut down or increased during the fiscal year (Shabalala, 2005).

(ii) It does not notify the reader about the anticipated outcomes: Outcomes are not spelt out in the line item budget document. It develops the monitoring of the critical
successes very difficult. It only reflects over or under-spending and not the tone of the outcome (Shabalala, 2005).

(iii) It does not necessarily facilitate good decision-making: Decisions based on figures of spending monies or unspent monies may be really deceptive. They do not take into account the usefulness or efficiency of the organization. The strategic plan of the establishment and the priorities of government for that specific financial year do not inform the conclusions of the allocations (Shabalala, 2005).

(iv) It does not challenge policy or management concerns, but muddles with the buying decisions: Policies and programs of the government must notify departmental apportionments. They must monitor the outputs of the entities and also the costing thereof (Shabalala, 2005).

(v) It is technological in its approach thus letting managers to abandon their responsibilities: In this system budgeting is taken as the affair of the finance officers. Managers tend to abandon their accountability and leave the task to the finance practitioners. The strategic and operational plans are never aligned to the budgeting process (Shabalala, 2005).

Shabalala (2005) states that the objective of public budgeting is to secure the most cost effective allocation of the inadequate funds. It is manifest that the line item budgeting format was not addressing this target.

2.15.2 Programme budgeting

Shabalala (2005) stated that program budgeting is designed to concentrate on making budget decisions based on important policy questions that refer to the allotment of resources between competing activities and also to optimize the anticipated outputs in line with the defined organizational objectives.

Program budgeting was considered as an improvement that escaped the difficulties of performance budgeting. Program budgeting allows all the programs or projects addressing the same objective to be put together as one program with various related subprograms (Shabalala, 2005).

The key to combining the activities inside the programs should be steered by how the undertakings to be performed are linked to each other (Shabalala, 2005).
The mandate of the entity, which is run by the government’s policies, should guide the division of the strategic plans into undertakings that direct the functions of an organisation. Policy main concerns of government should guide the creative activity of a program (Shabalala, 2005).

Objectives that are clearly spelt out and that emanate from the strategic intention of an entity and the expected deliverables should form the groundwork for setting up programs of an entity (Shabalala, 2005).

Expense items are combined into standard items. Program budgeting has adopted the positive components of the line item arrangement.

A brief discourse of the advantages program budgeting is as follows:

(i) It gets a clear affirmation of the intended final results (objectives) as an inbuilt component of the budget document: The anticipated spending actions will certainly be pointed by the predicted outcome. Spending is thus goal-oriented (Shabalala, 2005).

(ii) Its presentations are organized around major programs of the organization, i.e. there is a programmatic format with undertakings gathered around goals: Undertakings are gathered about the related goals of the specific expending organisation and therefore the central targets of the entity (Shabalala, 2005).

(iii) The benefits as well as the costs of the major programs are exhibited: The expected benefits to be educed out of the natural actions are considered against the costs to be incurred (Shabalala, 2005)

(iv) It anticipates new program resource demands for a stated period: Improved preparation is guaranteed as it allows it to make more accurate projections and outcomes (Shabalala, 2005).

(v) Information is well arranged to expedite resource distribution and decision making by executives: Executives makes conversant decisions on the allotment of resources. It is able for instance to find which plans are worth pursuing as all the expected benefits against the anticipated prices would have been weighed (Shabalala, 2005).

A brief discussion of the disadvantages programme budgeting is as follows:

(i) It is a compound system: Few spending institutions are able to correctly apply this system. It requests a certain layer of ability, thus as to successfully reap the benefits (Shabalala, 2005).
(ii) It is a time consuming process: It is not easy to identity some of the benefits within one program. Activities in, for example, communication are difficult to connect to the anticipated outputs as a figure of factors having an impact on effective messaging (Shabalala, 2005).

(iii) The exercise tends to be ritualistic if management does not drive it: The assignment transforms the individual responsibility of the finance officers who in return reduces the process to a mere repetitive administrative task (Shabalala, 2005).

(iv) It is not easy to monitor the stated objectives set out to be achieved: the success rate of some objectives can be built over a longer period than the financial year being reviewed (Shabalala, 2005).

2.15.3 Performance Budgeting
According to (Shabalala, 2005) performance budgeting approach seeks to show a clear kinship between the input of resources and the output of services. Performance budgeting lengthens the program budgeting model by containing quantitative data by doing work. Similarly to program budgeting, performance budgeting divides the program into sub program and into a line item format.

Performance data are applied yearly in the formulation of the budget as the groundwork for increasing or lessening the number of employees and the related functional expenses of a given directorate required to render the service (Shabalala, 2005).

One of the advantages of this approach to budgeting is that an element of accountability on allocated resources is presented into the operating environment. Budgets are able to serve as a monitoring tool against the set standards or projects (Shabalala, 2005).

Performance monitoring assumes that the entity has a clearly defined strategic plan with measurable objectives related to its strategic priorities. It also assumes that targets to be accommodated inside the assigned time frame are spelt out. Managers are also required to put down into performance agreements to ensure that the strategic objectives of the entity are achieved (Shabalala, 2005)

Every bit in the program budgeting approach, expending institutions are categorised into projects. It is output-oriented. Outputs of an entity are measurable thus allowing easy monitoring and appraisal (Shabalala, 2005).
The success of performance budgeting relies upon the capability of the spending institution to evidently explain the measuring instruments and the areas to be monitored. An institution that does not have the capability to monitor the implementation may not fully identify the benefits of performance budgeting (Shabalala, 2005).

The disadvantages of performance budgeting are:

(i) Improper selection of performance indicators may apply the whole exercise futile: Measured outputs that will not bring in the set out objective results in a futile activity and a dissipation of resources (Shabalala, 2005).

(ii) Political principals tend not to be in favour of performance criteria that would be promoted for public scrutiny: Political principals tend not to survive the process leading to the end of the performance criteria and therefore make the whole process meaningless (Shabalala, 2005).

(iii) Environmental factors under which performance takes place are not always static: Some of the performance standards that may have been agreed upon prior to the start of the financial year can be affected by some socio-political changes such as the number of students per teacher. Updated statistics of the available learners and the available resources may result in a redirect examination of what can be realistically achieved. If appropriate observing practices are in place this weakness can be better managed and described (Shabalala, 2005).

(iv) Some of the performance bars are difficult to supervise and measure to ascertain out the success rate of the spending entity: Measuring the success rate of an informed public may be an arduous task to achieve than simply assessing the end products. An entity may have arrived at the number of stories it had set to lay out over a specified period. This, however, may not measure the anticipated effects, which the program seeks to achieve (Shabalala, 2005).

2.16 The Budget as a Process

- *The budget is a dynamic process.* Government budgeting refers to the organizations and practises through which conclusions are arrived at and imposed regarding the allocation and management of public resources. A thorough budget cycle usually takes three years. At any given instant, three budget processes are proceeding at the same time (i.e. Preparation for the year to come, the implementation of the current
year’s budget and reporting and auditing on the previous year), multiplying the interactions (DFID, 2007).

- **The budget is a complex system.** It is a routine which involves different role players at different stages (preparation, approval, execution, audit and oversight) and in interlocked sub-systems. Budget sub-systems include planning, programming, treasury, cash management, public procurement, central oversight, internal control, government accounting, external auditing and legislative oversight (DFID, 2007).

- **The budget process has to accommodate a range of competing demands and is subject to inherent tensions.** The principal targets of government fiscal management systems are to attain collective fiscal discipline, operating effectiveness and allocated efficiency. For example, budget principle and evidence suggest that fiscal discipline is best achieved by centralizing the budgetary system in the executive branch under the close supervision of the Ministry of Finance and its central budget office. However, excessive management decisions in public budgeting have a habit of hampering financial transparency and accountability. It deteriorates external analysis and statutory oversight, and describes chances for resident involvement (DFID, 2007).

- **Key issues in understanding the budget process.** The national budget is a document that, once adopted by the legislature, gives government the authority to raise revenues, incur debts and effect expenditures in order to achieve certain goals. Since the budget regulates the basis and application of government fiscal resources, it takes on a key part in the function of government, achieving monetary, political, social, lawful and managerial operations (DFID, 2007).

2.17 The Budget as an Arena

- **The budget is an orbit of political conflict between contending interests.** The result of this conflict mostly regulates the importance of money apportioned to dealing with deficiency. Achieving sustainable budgetary improvement requires engaging with a comprehensive set of formal role players and informal arenas beyond government, each with different authorities and psychological powers to influence the budget (DFID, 2007).

- **Improving the process of budgeting is not only about endorsing change, but also defeating resistance to change.** The financial plan produces winners and losers. Possible losers unavoidably fight the reorientation of government spending and
protect the position quo. They generally have conferred benefits and excessive inspiration over the apportionment of resources (DFID, 2007).

- *The interactions between actors and institutions define the budget arena.* Each player is moved by a dissimilar set of inducements, abilities and faces different interests and constraints. These recurrent dealings occur during the various stages of the budget process and are duplicated yearly (DFID, 2007).

- *These interactions can result in process and outcome failures.* Process failures are concerned to the making and implementation of budget policy. Outcome failures are those referred to budget performance and financial outcomes (DFID, 2007).

2.18 The legislative framework

Local government is to a large extent governed by the five bits of legislation:

(i) *The Constitution of South Africa* encourages the idea of developmental local government. Part 152 (1) (e) stipulates that one of the objects of local government is to inspire the contribution of communities and community organizations in the issues of local government.

(ii) *The Municipal Structures Act* establishes community participation by checking that the executive committee should report on the participation of communities in municipal matters and should make sure public participation and consultation and report the effects thereof on decisions taken by the council.

(iii) *The Municipal Systems Act* defines the legal nature of a municipality as the political structures, the government and the community of the municipality, thus valuing the community as a vital component of the municipality. Chapter 4 of the MFMA is devoted to community participation stating that the municipality must foster participation in the integrated development planning (IDP) process; the valuation of its public presentation through performance management; the budget process; and strategic decisions around service delivery.

(iv) *The MFMA* requires that immediately after the annual budget is tabled in a municipal council, the accounting officer of the municipality must make public the budget and all supporting documentation, and invite the local community to submit commentaries on what is held back in the budget.

(v) *The Municipal Property Rates Act (4 of 2004)* has a direct impact on communities as property-owners and grants for a process of community participation. Section 4 of the Act states that before a municipality takes over its rate policy, it must travel along
a process of community participation in accordance with Chapter 4 of the Municipal Systems Act.

2.19 Theoretical Perspective
To understand the processes of budgeting it is vital to see the complementary processes of policy and planning. The main subjects at all stages are those of the usefulness of the government sphere in endorsing reliable outcomes or events. (Elson & Norton, 2002).

The process of apportionment of resources to various foundations and aims is essentially a political, rather than purely technocratic one. Any attack to direct the capacity of budget allocation without looking at political process is therefore unlikely to be of assistance; (Elson & Norton, 2002).

The problem of budget allocation cannot be distracted from macro-economic and revenue issues and efficiency or effectiveness in the employment of funds. A wide agreement of public expenditure systems and the institutional cultures that condition them is fundamental in order to initiate strategies for modification and improvement; (Elson & Norton, 2002).

It must never be automatically assumed that allocations convert accurately into budgetary results. The money really spent and by whom, on what items and for what purpose is usually seen during the cognitive operation of budget implementation. This fleshes out the ground of business beyond the legislature, Departments of Finance and spending organizations down through the concatenation in the functioning of departments and local government. Bureaucrats implement discretion in the allocation and usage of resources throughout the budget cycle and at every level from the ‘top’ of central government through to the abrupt end of contact with service users and citizens (Elson & Norton, 2002).
2.20 Conclusion

According to MFMA every municipal council is bound to utilize cash in hand for every fiscal year ending 30 June in its budget. Therefore Member of Mayoral Committee responsible for financial matters must make sure that a pre-community consultation (draft) annual budget is arranged as prescribed at least 90 days before the commencement of the relevant budget year and published in a paper circulating in the municipality for public scrutiny and commentary. Written comments must be submitted within a set period. The dates agreed on by the council for public hearings along the pre-community consultation (draft) annual budget must be set.

Municipalities should make certain that their anticipated revenues are realistic and attainable, the tariffs and taxes levied should take into consideration the affordability levels of the residential area, the backlogs in infrastructure are to be addressed and provision must ensure the sustenance of existing assets.

The following chapter will deal with the research methodology required to direct the research questions and objectives.
CHAPTER 3
RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction
This chapter validates the choice of a case research design for this research. The first part gives the description and justification for the research’s design. The second part delineates the information sources and clarifies the procedures for data accumulation and analytic thinking. The third section presents details on the stages involved to minimize bias and error in the research. The last part is a discourse of the researcher’s role in this field.

3.2 Definition of Qualitative research
Kruger et.al (2005:207) says “qualitative data are based on meanings expressed through language and other symbols. Qualitative studies can be successfully employed in the description of groups and arrangements by studying courses that do not fit into particular theories”.

According to Leedy and Ormrod (2005) qualitative research study respond to problems in connection with the nature of occurrences, with the intent of identifying and considering the occurrence from the partaker’s level of opinion. It is likewise referred to as the “interpretative, constructivism or post positivist approach.”

Qualitative research is concerned with developing explanations of social phenomena. It targets to help us to see the social universe in which we exist and why things are the way they are (Hancock, Ockleford & Windridge, 2009)

3.2.1 Characteristics of Qualitative Research

- The focal point is the diversity of ways in which people or groups of people perceive reality (Hancock et.al, 2009).
- Takes into account the complication of different perspectives (Hancock et.al, 2009).
- “Using people’s accounts as data rely on behaviour in natural contexts; then there is usually no manipulation of variables.”(Hancock et.al, 2009).
- Reports of experience are emphasized for collection of data which cannot be shown numerically.
• The description and rendering of data may lead to the evolution of fresh ideas or philosophy, or to an appraisal of an organizational operation

• A flexible, developing but methodical research process

3.2.2 Limitations of Qualitative Research

The subjectivity of the question could lead to difficulties in instituting “the reliability and robustness of the accesses and information”. It is really difficult to identify or avoid the researcher’s prejudice; the telescope is also defined as an answer of the in-depth nature of the research (Molema, 2006).

3.3 Research Design for this study

Research design is describes as the deliberate preparation of environments for the scrutiny and gathering of information in a way that point to combine relevance to the research purpose with an economy of operation” (Rudasingwa, 2006). The research plan is “the design that include experiments, interviews, observation, and the analysis of records, simulation or some combination of these.

Van der Nest (2006) mentions that the research design should “be a deliberate planned arrangement of the conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose”.

Mouton (2001), interprets a research design and methodology as a plan or blueprint of how the researcher intends to conduct their research study. This study applied a combination of empirical and theoretical methods to gather date to substantiate the reasons for the research objectives. As indicated by Mouton (2001) the research design aims to answer the question of whether an intervention is necessary or has been implemented in an effort to answer the research questions.

3.3.1 Case Study

According to Southerland III (2007) research of a case study is frequently classed as part of a collection of qualitative research traditions and can contain a mixture of courses. Case study research may be explanatory, descriptive, historical, evaluative, qualitative or quantitative. Each type of case study serves different purposes. In this case the research uses an exploratory, qualitative case study design. The event study method for this research is fitting because the findings and conclusions set the program for future query.
3.3.2 Documentary Analysis

Documents employed in this research, are analyzed for the function of scientific inquiry. Documentary analysis is used as a technique of data accumulation; the documents used in this research were the municipality’s yearly reports with the Auditor General’s report. The advantages of documentary analysis are as follows:

(i) Confession. An individual is more likely to own up in a document than in interviews or questionnaires (Delport, de Vos, Fouche & Strydom, 2007).
(ii) Reasonably cheap. Even though the cost of documentary analysis is “influenced by dispersion and availability of documents”, documentary analysis is more cheaper than a survey (Delport et.al, 2007).
(iii) Unreachable topic. Unique fundamental significance of documentary analysis is that it is the only technique in which the researcher does not need to establish personal contact with the participant (Delport et.al, 2007).
(iv) Non-action. Creators of documents do not foresee that their documents will be examined at an advanced point, not like surveys where partakers are mindful that they are being studied (Delport et.al, 2007).

3.3.3 Focus group

According to Delport et.al (2007) a focus group is a prearranged conversation made to find opinions on a certain field of importance in a “permissive, non-threatening environment”.

Focus groups are of vital significance because a focus group has the power to make relevant information that is related to the research; there is a reliability of interaction among group members to offer data and lastly the focus group “creates a broader, richer understanding of the phenomenon being considered” (Delport et.al, 2007).

The key motives for using a focus group in this research are;

(i) The group provides “self-contained studies” in that they function as a central basis of information;
(ii) The group is used as a “supplementary source of data in subjects that depend on primary methods such as survey”, and
(iii) Lastly, focus groups are used in “multi-method” works that combine two or more ways of information gathering where the primary methods regulates the work of others (Delport et.al, 2007).

This was of assistance to the study because the group divulged more information unlike when people are approached in their personal capability. Participants were more liberal because they were of the belief that they won’t be scammed.

3.3.4 Interviews

Exhaustive interviews are commonly employed in “exploratory research” to recognise the cardinal aspects in a certain country, the target being to prepare interrogations about the country of business. Exhaustive interviews were utilised in this research. The questionnaire was applied as a data collection instrument. The roles of exhaustive interview are as follows:

(i) It evaluates possible solutions,
(ii) The exhaustive interview discovers the limitations of a research problem,
(iii) It also acquires details from the occurrence of the research
(iv) It brings about the process of the study with the support of explanation of the outcome.

3.4 The Context of the Study

This research focuses on budgeting as a political process in DrRSM. This study covers the 2012/2013 financial year.

3.5 Data Collection Methods in Qualitative Research

Information was gathered by means of a questionnaire and in-depth interviews.

In a structured interview, the interviewer questioned a participant a collection of inquiries from a previously assembled questionnaire, face to face and registered his or her answers. The audience is limited to the questions, their phrasing and their order as they look at the schedule, with relative little freedom to deviate from it.

The data were gathered by way of individual interviews.

The researcher visited the respondents in their work. Individual flexibility is of substantial significance. When carrying out these interviews the interviewer was in full restraint of the
audiences, and the response gained from the participants was of a gamey calibre. Telephonic interviews were used in data collection. With telephonic interviews the advantage is the speed of completion of data aggregation.

Consultations were conducted to garner the judgments of the municipal officials. These consultations were conducted with fifteen people selected by the council, senior management, middle management and junior employees within the municipality. Group and documentary interviews were also carried.

Flexibility and adaptability are of big advantage in individual interviews. The interviewers are totally in charge of the interview. Should the interviewees be cagey, the interviewer can try to earn their trust. The reactions in personal interviews are of eminent calibre.

Personal interviews have a greater response rate than telephonic interviews. Hence the researcher physically conducts the interviews; the prospect of the respondents evades the interview is less.

A group interview was utilised and its advantages are;

According to Kruger, Mitchell and Welmet (2005) interviewing a group give sources of data that can be obtained speedily at a cheaper price. They can be conducted within a broad variety of backgrounds and a massive number of respondents can be chosen.

Interviews can be conducted with participants who are not capable to fill in the questionnaires (Kruger et.al, 2005).

Kruger et.al (2005:203) writes “Focus groups enable the participants in the group to talk about their thoughts and experiences in a manner that a consensus of beliefs regarding the research problems can be achieved”.

3.6 Design of the Instrument

The researcher conducted the consultations with a sample of a population to ascertain around the distribution of characteristics, positions, or feelings. In deciding to survey a group of people, the researcher arrived at one vital assumption, that a characteristic or belief can be reported or measured accurately by self-report. In utilizing interviews, the researcher relied completely on the faithfulness and exactitude of partakers’ reactions. Organized interviews normally include different questions that have designed response categories; some closed
questions were used in the inquiry. The questions were scrutinized for unfairness, arrangement, transparency, and face validity.

3.7 Sampling

Sampling is reflected as an influential instrument for precisely quantifying characteristics and views of a population. Thither is a likelihood of abuse of this tool by researchers who do not have an understanding of the restrictions of different sampling procedures. Probability samples that are well constructed give the researcher the ability to gather information from a diminished number of members of the population taken from a large population. A probability sample enables the researcher to calculate statistics that argue the accuracy of the data (Fairfox country department of systems of human services, 2003).

Stratified random sampling includes categorizing members of the population. It provides precise estimations if the population surveyed is more dissimilar from the categorized groups. It likewise permits the researcher to regulate desired levels of sampling exactness for each group, and it offers administrative efficiency (Fairfox country department of systems of human services, 2003). Interviews were used to collect the opinions of the Municipal staff. These consultations were conducted with fifteen people selected from senior management staff, middle management staff and junior staff members within the municipality. Group and documentary interviews were also carried out.

3.8 Method of data analysis

Descriptive statistics were applied in this work as it is touched with the description or summary of the data received from a group of single units of depth psychology. Content analysis was used as a data analysis. In content analysis “the researcher measures the frequency and salience of particular words or phrases in the consistency of the original text in order to identify keywords or repeated” (Namey, E., Guest, G., & Thairu, 2007). Content analysis is conceived to be effective and dependable. Occurrences are created on the number of junctures where respondents say a certain topic/title. Coding of occurrences was used in the data analysis of this research.

3.9 Ethical Consideration

The researcher acquired the following ethical consideration when carrying out the research study, as suggested by Kruger et.al (2005):
Right to their secrecy. The interviewees were assured of their concealment; and their identity will stay obscure.

Participation of the researcher. Researcher guarded contrary to manipulating respondents or treating them as objects rather than human beings. Unethical tactics were not employed during the consultations.

Informed consent was obtained. The researcher must obtain the required permit from the interviewers after they accept thoroughly, honestly and truthfully informed them about the purpose of the interview.

Minimal risk. Psychological health, or social risks to participants should be minimized by applying procedures that are consistent with sound research design and do not unnecessarily expose participants to take chances. Jeopardy to the study group as a whole should also be considered.

Justice. The researcher will make sure that any risks and rewards of information gathering are circulated evenly among the partakers. Should there be any rewards of participating in the research they will be contributed equally and if at that point is nothing given to the participants who might be regarded a risk as it will apply to everybody participating in the inquiry.

3.10 Summary

The chapter outlined the experimental methods of research used in the study. It generally described the justification behind the methodology, how the research study was piloted and what measures were taken to ensure the validity of the information.
CHAPTER 4

DATA ANALYSIS AND FINDINGS

4.1 Introduction

Qualitative research design was utilized in this subject area to address the aims of the research. Chapter three addressed the advantages of using qualitative research; methods of data collection were addressed together with the ethical considerations of the research. This chapter outlines the description of the participants and the analysis of data gathered from the participants.

4.2 Summary of the respondents’ characteristics

Participants from DrRSM were selected in accordance with stratified sampling. In stratified random sampling members of the organization were categorized according to their areas of specialization, namely: Junior officials, Middle Management officials and Senior Management staff; these staff members were interviewed collectively and individually. The sample comprised of fifteen staff members. The researcher managed to get cooperation from all participants; each directorate within the organization had a participant.

4.3 Data analysis and interpretation

This section presents the result of this research intended at collecting the opinions of the employees in DrRSM with regards to budgeting as a political process.

4.3.1 RESULTS

TABLE 2: I AM ATTACHED TO THE DEPARTMENT

<table>
<thead>
<tr>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Services</td>
<td>2</td>
<td>13.33%</td>
</tr>
<tr>
<td>Budget and Treasury</td>
<td>7</td>
<td>46.67%</td>
</tr>
<tr>
<td>Engineering</td>
<td>2</td>
<td>13.33%</td>
</tr>
<tr>
<td>Community Services</td>
<td>3</td>
<td>20.00%</td>
</tr>
<tr>
<td>Economic Development and Tourism</td>
<td>1</td>
<td>6.67%</td>
</tr>
</tbody>
</table>
From Table 2 the results indicate that 46.67% of the participants are attached to the Budget and Treasury component; 20% are attached to Community Services; 13.33% attached to Engineering; 13.33% attached to Corporate Services and 6.67% attached to Economic Development, Tourism and Agriculture.

**TABLE 3: ARE CONSULTATIVE PROCESSES FOLLOWED DURING THE BUDGET PROCESS?**

<table>
<thead>
<tr>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>8</td>
<td>53.33%</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
<td>26.67%</td>
</tr>
<tr>
<td>Disagree</td>
<td>2</td>
<td>13.33%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>1</td>
<td>6.67%</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

53.33% of the respondents strongly agree that consultative processes are followed during the budget process, 26.67% agreed that consultative processes are followed during the budget process, on the other hand 13.33% disagreed with the statement that consultative processes are followed during the budget process while 6.67% strongly disagreed that consultative processes are followed during the budget process. From these findings, it can be concluded that only few people are not aware of the consultative processes during the budget process.

Budget hearings were held with individual departments to discuss their requested budgets and for them to motivate their needs for the required funding. Departments explained their requests and motivated their needs for funding. These meetings involved the heads of departments as well as managers and project managers. All comments and recommendations made at the hearings were noted by the budget office and followed up.
TABLE 4: IS THE MFMA FULLY IMPLEMENTED IN TERMS OF THE BUDGET PREPARATION PROCESS IN DRRSM?

<table>
<thead>
<tr>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>5</td>
<td>33.33%</td>
</tr>
<tr>
<td>Agree</td>
<td>3</td>
<td>20.00%</td>
</tr>
<tr>
<td>Disagree</td>
<td>6</td>
<td>40.00%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>1</td>
<td>6.67%</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

From Table 4 the results indicate that 40% of the respondents are of the view that the MFMA is not fully implemented in terms of the budget preparation process in DRRSM, 6.67% strongly disagrees, 33.33% strongly agree that the MFMA is fully implemented in terms of the budget preparation process in DrRSM, while 20% also agree that the MFMA is fully implemented in terms of the budget preparation process.

In conditions of the analysis undertaken the DrRSM has not fully complied with the MFMA as well as national treasury regulations. As politics play a major part in the governance of this municipality.

TABLE 5: I AM A ROLE PLAYER IN THE BUDGET PROCESSES OF THE DRRSM DISTRICT MUNICIPALITY

<table>
<thead>
<tr>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>3</td>
<td>20.00%</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>13.33%</td>
</tr>
<tr>
<td>Disagree</td>
<td>10</td>
<td>66.67%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
66.67% of the respondents disagree that they are role players in the budget processes of their organisation but 20% strongly say they are role players in the budget processes while 13.33% also say they are role players in the budget processes of the DrRSM District Municipality.

To ensure greater coherence and consistency in intergovernmental planning and service delivery, role players within national, provincial and local government have to develop a shared understanding and agree on development priorities, objectives and programmes.

**TABLE 6: DOES THE DRRSM FULLY COMPLY WITH THE PRESCRIPTS OF THE MFMA IN TERMS OF THE BUDGET PREPARATION PROCESS?**

<table>
<thead>
<tr>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>2</td>
<td>13.33%</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>13.33%</td>
</tr>
<tr>
<td>Disagree</td>
<td>10</td>
<td>66.67%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>1</td>
<td>6.67%</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

From Table 6 the results indicate that, 66.67% of the participants disagree that their organisation fully comply with the prescripts of the MFMA in terms of the budget preparation process; 13.33% strongly agree that their organisation fully comply with the prescripts of the MFMA in terms of the budget preparation process and 13.33% said that the organisation fully complies with the prescripts of the MFMA in terms of the budget preparation process while 6.67% strongly disagree that the organisation fully comply with the prescripts of the MFMA in terms of the budget preparation process. From Table 6 it can be concluded that the municipality does not comply with the prescripts of the MFMA in terms of the budget preparation process.
TABLE 7: I UNDERSTAND WHAT BUDGET PROCESSES ARE

<table>
<thead>
<tr>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>1</td>
<td>6.67 %</td>
</tr>
<tr>
<td>Agree</td>
<td>5</td>
<td>33.33%</td>
</tr>
<tr>
<td>Disagree</td>
<td>7</td>
<td>46.67%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>2</td>
<td>13.33%</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

From Table 7 the results indicate that 46.67% of the respondents disagreed that they have an understanding of the budget processes, 33.33% agreed that they understand budget processes and 13.33% strongly disagree that they do not have an understanding of the budget processes are while 6.67 strongly agree that they have an understanding of budget processes.

TABLE 8: I BELIEVE THE BUDGET PROCESSES OF THE DRRSM DISTRICT MUNICIPALITY ARE UNFAIR OR FAVOUR CERTAIN COMMUNITIES:

<table>
<thead>
<tr>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>9</td>
<td>60.00%</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>13.33%</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>6.67%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>3</td>
<td>20.00%</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

From the results presented in Table 8, 60% of the participants strongly agree that the budget processes are unfair as they favour some communities, 20% strongly disagreed that the budget processes are unfair while 6.67% disagreed that the budget processes are unfair. The participants are of the persuasion
that the communities are served along the basis of discrimination. For example if most of the council members are from a certain country then that community will always be done first before the others. On that point is no consistency in the municipality; service is not equally given up in the communities due to political influences from councillors in certain regions.

TABLE 9: TO WHAT EXTEND DOES BUDGETING CHALLENGES AFFECT SERVICE DELIVERY?

<table>
<thead>
<tr>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large extent</td>
<td>10</td>
<td>66.67%</td>
</tr>
<tr>
<td>Limited extent</td>
<td>3</td>
<td>20.00%</td>
</tr>
<tr>
<td>Average</td>
<td>2</td>
<td>13.33%</td>
</tr>
<tr>
<td>No extent</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

66.67% said budgeting challenges affect service delivery to a large extent and 20% are of the view that budget challenges affect service delivery to a limited extent while 13.33% said budget challenges affect service delivery on average.

The question of how the spheres of government can go about planning and working better so as to provide a more seamless and expanding delivery of public services through the country remains a challenge. Part of this challenge probably informs the on-going quest across the spheres of government to find innovative ways to share planning, programmes and project-based information with one another.

TABLE 10: POLITICS ARE MAIN DRIVERS OF BUDGETING PROCESSES

<table>
<thead>
<tr>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>11</td>
<td>73.33%</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>13.33%</td>
</tr>
</tbody>
</table>
73.33% of the respondents strongly agree that politics are main drivers of the budgeting processes, 13.33% agreed that politics are main drivers of budgeting processes and 6.67% disagreed that politics are main drivers of the budgeting processes while 6.67% strongly disagreed to the mentioned statement.

In the budget process, political representatives would pursue to maximise the gains from cooperation (i.e. Looking for budget allocations for their constituencies), while minimizing the associated costs. Political organizations can likewise take on a role creating (dis) incentives for cooperation, or implementing and enforcing policy agreements over time.

**TABLE 11: DO YOU THINK MUNICIPAL COUNCILLORS HAVE ADEQUATE SKILLS TO LEAD THE BUDGETING PROCESSES?**

<table>
<thead>
<tr>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>1</td>
<td>6.67%</td>
</tr>
<tr>
<td>No</td>
<td>14</td>
<td>93.33%</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

From Table 11 the results indicate that 93.33% of the respondents are of the view that municipal councillors do not have adequate skills to lead the budget processes while 6.67% of the participants disagree that the municipal councillors have adequate skills to lead the budget processes.
TABLE 12: DOES THE MUNICIPALITY ADDRESS THE NEEDS OF THE COMMUNITIES AS OUTLINED IN THE INTEGRATED DEVELOPMENT PLANNING

<table>
<thead>
<tr>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>4</td>
<td>26.66%</td>
</tr>
<tr>
<td>Agree</td>
<td>3</td>
<td>20.00%</td>
</tr>
<tr>
<td>Disagree</td>
<td>7</td>
<td>46.67%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>1</td>
<td>6.67%</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

From Table 12 the results showed that 46.67% of the respondents disagree to the statement that the municipality addresses the needs of the communities as outlined in the IDP, 26.66% strongly agree that the municipality addresses the needs of the communities as outlined in the IDP and 20% agree that the municipality addresses the needs of the communities as outlined in the IDP while 6.67% strongly disagreed that the municipality addresses the needs of the communities as outlined in the IDP.

Departments submitted their project plans and the IDP office and Budget Office prioritised the projects and evaluated which plans need to be implemented during the new financial year and which can be implemented later. At this stage some projects were removed from the capital list for the new financial year and the following two years to meet affordability levels.

TABLE 13: THERE IS A LINKAGE BETWEEN THE BUDGET AND THE IDP

<table>
<thead>
<tr>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>2</td>
<td>13.33%</td>
</tr>
<tr>
<td>Partially</td>
<td>4</td>
<td>26.67%</td>
</tr>
<tr>
<td>No</td>
<td>8</td>
<td>53.33%</td>
</tr>
</tbody>
</table>
53.33% of the respondents disagree to the statement that there is a linkage between the budget and the IDP, 26.67% are of the view that partially there is a linkage between the budget and the IDP and 13.33% say there is a linkage between the budget and the IDP while 6.67 % does not know if there is a linkage between the budget and the IDP.

Departments submitted their project plans and the IDP office and Budget Office prioritised the projects and evaluated which plans need to be implemented during the new financial year and which can be implemented later. At this stage some projects were removed from the capital list for the new financial year and the following two years to meet affordability levels.

**TABLE 14: THE MUNICIPALITY HAS ADEQUATE CAPACITY TO DEAL WITH THE EXISTING CHALLENGES OF BUDGETING**

<table>
<thead>
<tr>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>4</td>
<td>26.67%</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>13.33%</td>
</tr>
<tr>
<td>Disagree</td>
<td>9</td>
<td>60%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100%</td>
</tr>
</tbody>
</table>

From Table 14, it is evident that 60% of the participants disagreed that the municipality has adequate capacity to deal with the existing challenges of budgeting and 26.67% strongly agree that the municipality has adequate capacity to deal with the existing challenges of budgeting while 13.33% agreed that the municipality has the adequate capacity to deal with the existing challenges of budgeting. From the above table it can be concluded that the challenges relating to budget process are as the result of unskilled employees who cannot perform their duties as expected.
TABLE 15: BUDGET CHALLENGES AT THE DrRSM DISTRICT MUNICIPALITY INCLUDE THE FOLLOWING:

<table>
<thead>
<tr>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corruption</td>
<td>4</td>
<td>26.67%</td>
</tr>
<tr>
<td>Over spending</td>
<td>5</td>
<td>33.33%</td>
</tr>
<tr>
<td>Irregular expenditure</td>
<td>1</td>
<td>6.67%</td>
</tr>
<tr>
<td>Fruitless and wasteful expenditure</td>
<td>4</td>
<td>26.67%</td>
</tr>
<tr>
<td>Unauthorised expenditure</td>
<td>1</td>
<td>6.67%</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

From the information in Table 15 it is evident that the leading budget challenge is over spending 33.33%, corruption, fruitless and wasteful expenditure at 26.67% respectively and lastly irregular and unauthorised expenditure at 6.67%.

TABLE 16: ALL BUDGET OFFICIALS IN DRRSM HAVE THE NECESSARY SKILLS TO ADDRESS THE REQUIREMENTS OF BUDGETING:

<table>
<thead>
<tr>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>3</td>
<td>20.00%</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>13.33%</td>
</tr>
<tr>
<td>Disagree</td>
<td>10</td>
<td>66.67%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
From Table 16, the results show that 66.67% of the respondents disagree that all budget officials in their organisation have the necessary skills to address the requirements of budgeting, 20% strongly agree that all the budget officials in the organisation have the necessary skills to address the requirements of budgeting, while 13.33% agree that all budget officials have the necessary skills to address the requirements of budgeting.

TABLE 17: IT IS IMPORTANT FOR THE MUNICIPALITY TO HAVE A BUDGET RELATED POLICY

<table>
<thead>
<tr>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>11</td>
<td>73.33%</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>13.33%</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>6.67%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>1</td>
<td>6.67%</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100%</td>
</tr>
</tbody>
</table>

From Table 17 the results show that 73.33% of the respondents strongly agree that it is important for the municipality to have a budget related policy, 13.33% agree that it is crucial for the municipality to have a budget related policy and 6.67% disagree that it is important for the municipality to have a budget related policy while 6.67% strongly disagree that it is important for the municipality to have a budget related policy.
4.4 Linking the analysis to the research questions

1. What is the relationship between politics and budget process in municipalities?

To what level is the correlation of these two variables?

In the budget process, political representatives would pursue to maximise the gains from cooperation (i.e. seeking budget allocations for their constituencies), while minimizing the related costs. Political organisations can also play a role creating (dis)incentives for cooperation, or implementing and enforcing policy agreements over time.

The municipal council’s role in the budget process is intrinsically linked to its representative, policymaking, oversight roles and functions. Specifically, legislatures such as the municipal council are measured by their effectiveness in performing the representative, legislative and oversight functions. Therefore, these key functions define the involvement of the municipal council in all legislative processes relevant to the budget process. The budget process is arguably one of the key processes of governance that requires active involvement of the municipal council.

While the executive and administrative structures are primarily responsible for the preparation and execution of the budget, the municipal council is equally obliged to ensure that the entire budget process promotes transparency, accountability, responsiveness.

The municipal council ensures that the budget process is a political and democratic exercise rather than purely a technocratic exercise. The municipal council must also ensure that the budget process is not reduced to balancing income and expenditure but more about the best way of addressing the needs of the public with available financial resources.

2. Is there enough capacity to deal with politics and budget related challenges?

There is still a need for further capacity building for councillors, ward committee members, and the community, particularly regarding the municipal budget process, the relationship between the capital and operating budget, how income is generated, and how to influence resource allocation decisions and taxation policies.
4.5. Summary
This chapter gives the summary of the participants’ characteristics from various directorates, who were interviewed to attain their opinion on budgeting as a political process in their respective directorates. From the information gathered most of the participants were of the opinion that the budget processes are in place, but the challenge is that they are not applied.

Lack of communication between senior management and other employees causes dysfunctional policies and operations of the internal controls in their several sections. The unskilled employees who are appointed to take responsibility of the budgeting system resulted in ineffectiveness of budgeting and internal controls in their institution. In conclusion, the participants stated that most of the important operational vacancies are not occupied, which results in absence of leadership in their various sections.
CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The purpose for studying budgeting as a political process is to review numerous theoretical methods for addressing matters of human rights, entitlements, political accountability and citizen participation in relation to the budget process; as well as to institute the association amongst the comrades’ deployment and their effect on the budget process. From the research conducted the main problem identified is that most of the critical positions in the municipality are political appointees.

The questionnaires were distributed to collect data as well as the interviews were conducted to the employees of the municipality. The descriptive statistics was employed to analyse the data collected. After the completion of this study it can be concluded that budgeting is a political process.

In this chapter the researcher gives the summary of the findings linked to the research problem.

5.2 Summary of the findings

5.2.1 The municipality studied has not fully complied with the MFMA as well as national treasury regulations.

5.2.2 Respondents disagreed that they are role players in the budget processes of their organisation.

5.2.3 Most of the participants do not understand the budget processes.

5.2.4 Respondents believe the budget processes of the DRRSM district municipality are unfair or favour certain communities.

5.2.5 Budgeting challenges affect service delivery.

5.2.6 Municipal councillors do not have adequate skills to lead the budget processes.

5.2.7 The municipality does not address the needs of the communities as outlined in the IDP.

5.2.8 Politics are the main drivers of municipal budgeting processes.
5.3 Recommendations

5.3.1 On the problem of non-compliance with the MFMA it is recommended that National and Provincial Treasuries should help and support a municipality’s compliance with the MFMA, and must be of assistance to build a municipality’s capability and aid to recognise and resolve its fiscal problems where essential.

5.3.2 On the problem of non-participation of role players in the budgeting process it is recommended that greater coherence and consistency in the budget process, the municipality should ensure that role players within the municipality develop and improve a common understanding and decide on development priorities, aims and projects.

5.3.3 On the problem of lack of understanding the budget processes it is recommended that the officials should be trained and equipped in relations to the budget processes.

5.3.4 On the problem of favouritism in the budget processes it is recommended that Council Members ought to attempt to attend to the best interest of the community from which they are voted, by means of recommending municipal programs that are community centered, driven and implemented, recognizing any diversity in the ward.

5.3.5 On the problem of budgeting challenges affect service delivery it is urged that the provincial departments should synergize its planning and budget routine to supply information to the IDP and assist intergovernmental planning. Stages to extend the budget process and better link the policy, planning and budgeting enable the government to consider policy priorities earlier in the budget cycle.

5.3.6 On the problem of lack of skills of the key participants in the budgeting process it is recommended that there should be skills development for councillors, ward committee members, and the public, specifically regarding the municipal budget process.

5.3.7 On the problem of the municipality not addressing the demands of the communities as outlined in the IDP it is recommended that for the intergovernmental developer planning to become real, participants across the municipality need to attain the relevant information available at the right time in a means that is rational and valuable throughout the municipality. Right to use information needs to take place in the process of the plan preparation and revision, instead of when the plans have been completed. Obtaining the
correct data at the right time relates very much to the yearly process of prioritization, budget allocation and implementation in the municipality.

5.3.8 On the problem of politics as main drivers of the budget process it is recommended that Council Members (Politicians) must promote transparency and should be clear and true about their activities and should welcome community inquiries.

5.4 Conclusions

The MFMA changes the way that municipalities get ready, screen and execute their financial plans. It unmistakably sets out what ought to be in the financial backing, and in addition the records that strengthen the budget.

The budgets must set out the expected income, distinguish the wellsprings of that income, and demonstrate the consumption foreseen over the three-year period. The centre of the MFMA is to fortify the municipality's ability to work viably

The Municipal Financial Management Act (Act 56 or 2003) obliges a vital way to deal with planning that incorporates having reasonable income desires to guarantee that the goals set out in the budget are met and obliges that municipality spending plans assign assets in accordance with the vital needs of the municipality.

Successful financial management can help municipalities to change over their local expanses into better places to live and work. Good financial administration is the strategy to local provision in that local activists and ward committee members should understand municipal financial management and financial plan so that they can involve councillors on greater discussions about expenditure and development priorities.

After approving the budget, municipal employees may only expend moneys that conform to the budget. The distributed approved budget reports to the public whether the municipality’s resources are being utilised in line with the municipality’s approved aims and objectives.

The municipal officials must ensure that the important role of the budget document as a legal and financial control tool is effectively communicated to all concerned. The budget document should suffice as a forecasting instrument for the hereafter, while discovering the current position of the municipality’s long-term plan.
The MFMA was acquainted to change financial planning and administration, and expand limit inside of local government to accomplish better execution in service delivery. The municipal spending plan ought to be drawn up and actualized as per the MFMA.

IDP is a document used as a planning tool listing service delivery objectives according to their level of priority. It is a five years plan attached to office term of council. Each year of that five years there will be a need for IDP review to revisit priorities and check what has been achieved and whether the level of priorities are still the same. The IDP must be carefully considered in terms of what can realistically be delivered so as not to raise false hope in the minds of the community and other stakeholders. To do this, municipalities can utilise their Medium Term Revenue and Expenditure budgets to provide realistic estimates of available sources of revenue and required expenditure to deliver services. The MTREF budget is then prepared based on the strategic direction provided in the IDP.

It can be seen therefore that the IDP should not contain anything that is not realistically achievable and conversely the budget should not include anything that is not part of the approved strategic direction of council.

The public should be involved as much as conceivable in determining what should be the expenditure priorities for their area of residence. Ward councillors and ward committees should report to ward meetings about the extensive budget plans and consult the citizens about programmes and projects that will affect them.

Local community based organisations should participate in IDP and budget consultation gatherings to discuss efficient and cost-effective service delivery.

Compliance with local government regulations and legislation must be seen as going beyond mere compliance to helping to achieve better performing local government and ultimately assisting the country in achieving its true potential.

Council must approve credible budgets, with realistic revenue and expenditure estimates. In accomplishing this objective, councilors will consider a longer-term view that will make financial stability possible in their municipality. Council must budget for the maintenance and replacement of operating equipment to ensure sustainable service delivery. In addition, council must determine the capital budget for the medium term, and must consider the projected future operational costs of these authorized capital projects. Long-term borrowing must be closely examined, together with contracts exceeding three years, and proposals to
participate in a municipal entity. Councilors must scrutinise and monitor performance on the budget and SDBIP through quarterly performance reports tabled by the mayor.

As councilors take on greater responsibility in monitoring municipal financial management under the MFMA, they will exercise greater diligence in the financial affairs of the municipality. Councilors have an increasingly disciplined role of accounting to their communities for the municipality’s service delivery and financial performance.

With respect to the dynamics of capacity challenges at the municipal level, it is recommended that:

- Capacity-building efforts should be comprehensive and sustainable, instead of quick fix, short-term solutions.
- Capacity-building interventions should holistically coordinate individual, organisational and institutional level dimensions of capacity building in a particular municipality over the medium term. Instead of focusing disproportionately on training, support programmes should include technical support for new systems, business process redesign and change management, based on an assessment of the municipality:
  - Individual: officials must have the necessary technical skills, knowledge, experience and competencies to fulfil their particular functions. This means appointing the correct person to the correct post (adherence to recruitment, selection and any minimum competency requirements) and ensuring that officials then receive training (both accredited and non-accredited) relevant to their areas of responsibilities to ensure continued workplace effectiveness.
  - Organisational: municipalities should be supported in compiling realistic IDPs, implementing functional and effective performance management systems, and knowledge management policies, to enhance organisational memory and data management and to ensure accurate and relevant reporting. Critical vacancies must also be filled and workable strategies for staff retention be implemented. Skilled individuals must be appointed to vacant positions for which affirmative action candidates cannot be found, and audits should be conducted of municipal positions that fall outside the approved organisational structures.
  - Institutional: greater differentiation and flexibility is required in the design of the local government fiscal framework. A differentiated approach is needed for the
assignment of functions to municipalities, based on their capacity to effectively manage them. Once a municipality has proved its ability to provide a specific basket of services, decisions can be made regarding expanding the range of services provided by such a municipality. Where service delivery failures persist, such services should be removed from municipalities. Furthermore, the establishment of a coordinated capacity-building function across all local government departments is recommended. These actions must be complemented by simplified, streamlined and coordinated reporting requirements for local government and clearly defined roles and responsibilities for national and provincial departments. To assist rural municipalities, the value and practicality of an assistance programme should be explored, aimed at attracting and retaining scarce skills in these areas (similar to the scarce skills payments made to doctors in rural areas).

- To improve municipal capacity, the medium and senior management of the municipality need to be stabilized urgently, through greater insulation from political interference in the retention of skills and in the recruitment process. The link between actual performance of managers and the renewal (or not) of performance contracts should be strengthened. The human resource function within the municipality needs to be proactive in identifying possible incentives for retaining scarce skills and ensuring that roles and responsibilities are clearly defined within municipal job descriptions. This challenge will only be solved through increasing the pool of available people to fill vacant positions.


Medium-Term Revenue and Expenditure Framework. 2007/2008. Capital and Operating Budget. Dr Ruth Segomotsi Mompati District Municipality


Norton, A. & Elson, D. 2002. What’s behind the budget? Politics, rights and accountability in the budget process. Overseas Development Institute


Report on local government budgets. 2006. Idasa, May


ANNEXURE A RESEARCH QUESTIONNAIRE

PART 1: PERSONAL PARTICULARS; THE COMPONENT UNDER WHICH YOU ARE ATTACHED AND THE MFMA IMPLEMENTATION

Please mark only ONE option per question (the most appropriate or regular)

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>I am attached to the component:</td>
<td>5.</td>
<td>Does the DrRSM fully comply with the prescripts of the MFMA in terms of the budget preparation process?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Corporate Services</td>
<td>□ Strongly agree</td>
<td>□ Strongly agree</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Budget and Treasury</td>
<td>□ Agree</td>
<td>□ Agree</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Engineering</td>
<td>□ Disagree</td>
<td>□ Disagree</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Community Services</td>
<td>□ Strongly disagree</td>
<td>□ Strongly disagree</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Economic Development and Tourism</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| 6. | I have an understanding of what budget processes are: |
|    | □ Strongly agree |
|    | □ Agree |
|    | □ Disagree |
|    | □ Strongly disagree |

| 2. | Are consultative processes followed during the budget process |
|    | □ Strongly agree |
|    | □ Agree |
|    | □ Disagree |
|    | □ Strongly disagree |

| 3. | Is the MFMA fully implemented in terms of the budget preparation process in DrRSM |
|    | □ Strongly agree |
|    | □ Agree |
|    | □ Disagree |
|    | □ Strongly disagree |

| 7. | I think the budget processes of the DrRSM District Municipality are unfair or favour certain communities: |
|    | □ Strongly agree |
|    | □ Agree |
|    | □ Disagree |
|    | □ Strongly disagree |

<p>| 4. | I am a role player in the budget processes of the DrRSM District Municipality: |
|    | □ Strongly agree |</p>
<table>
<thead>
<tr>
<th>Question</th>
<th>Options</th>
</tr>
</thead>
</table>
| 8. To what extent does Budgeting challenges affect service delivery?    | □ Large extent  
□ Limited extent  
□ Average  
□ No extent |
| 9. Politicians are main drivers of budgeting processes                  | □ Strongly agree  
□ Agree  
□ Disagree  
□ Strongly disagree |
| 10. Do you think municipal councillors have adequate skills to lead the budgeting processes? | □ Yes  
□ No |
| 13. The Municipality has adequate capacity to deal with the existing challenges of Budgeting: | □ Strongly agree  
□ Agree  
□ Disagree  
□ Strongly disagree |
| 14. Budget challenges at the DrRSM District Municipality include the following: | Corruption  
Over spending  
Irregular expenditure  
Fruitless and wasteful expenditure  
Unauthorised expenditure |
| 15. All Budget officials in DrRSM have the necessary skills to address the requirements of Budgeting: | □ Strongly agree  
□ Agree  
□ Disagree  
□ Strongly disagree |
<table>
<thead>
<tr>
<th></th>
<th>The municipal address the needs of the communities as outlined in the IDP</th>
<th></th>
<th>It is important for the municipality to have a budget related policy:</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.</td>
<td>□ Strongly agree □ Agree □ Disagree □ Strongly disagree</td>
<td>16.</td>
<td>□ Strongly agree □ Agree □ Disagree □ Strongly disagree</td>
</tr>
<tr>
<td>12.</td>
<td>There is a linkage between the budget and the IDP</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Yes □ Partially □ No □ Don’t Know</td>
<td></td>
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ANNEXURE B
INTERVIEW SCHEDULE FOR FOCUS GROUP DISCUSSION

Interview Questions

1. Municipal Finance Management Act Implementation:

1.1 Is the MFMA fully implemented in terms of the budget preparation process?

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1.2 How has the adoption of the MFMA influenced financial planning and budgeting at Dr Ruth Segomotsi Mompati District Municipality?

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2. Budgeting Guidelines:

2.1 What types of budget guidelines are provided to departments?

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

2.2 What information is provided in the guidelines?

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

3. Departmental Budget Proposals:

3.1 What process is followed after budget proposals have been received from the departments?
3.2 Are departmental budget requests reviewed for errors and compliance with the guidelines after submission?

3.3 Does the Budget Office request the departments to describe the consequences of not funding each item on their proposal?

4. Budget Hearings:

4.1 When are budget hearings held?

4.2 Who is invited to the budget hearings?

4.3 What is the purpose of conducting budget hearings?

4.4 How do the budget hearings influence the budgeting process?
REQUEST FOR PERMISSION TO CONDUCT A RESEARCH STUDY

I am currently studying for the Masters in Business Administration with North West University, and I am expected to conduct a research study as a requirement for the degree. May I therefore, request your permission to conduct this study in Dr Ruth Segomotsi Mompati District Municipality.

The Topic for my research is – Budgeting as a political process: The case study of Dr Ruth Segomotsi Mompati District Municipality.

This is a Qualitative, descriptive study as it involves the use of research questionnaire and interview schedule of focus groups to collect data and to analyse the budgeting as a political process in Dr Ruth Segomotsi Mompati District Municipality.

Hope you find this in order

Yours faithfully

ODIRILE SEOPE
SENIOR ACCOUNTANT