



**PROMOTING EFFECTIVE FINANCIAL ACCOUNTABILITY IN LOCAL
GOVERNMENT IN THE NORTH WEST PROVINCE: DEVELOPING
OPERATIONAL GUIDELINES FOR MUNICIPAL
PUBLIC ACCOUNTS COMMITTEES**

THELO STEPHEN BOTLHOKO

Thesis submitted in fulfilment of the requirements for the degree

DOCTOR OF

PUBLIC MANAGEMENT

in the

Faculty of Management Sciences

Department of Government Management

at the

Central University of Technology, Free State

Promoter: Dr L Laubscher

NOVEMBER 2017



DECLARATION OF INDEPENDENT WORK

I, Thelo Stephen Botlhoko, student number [REDACTED] hereby declare that this thesis for the DOCTOR OF PUBLIC MANAGEMENT degree at the Central University of Technology (Bloemfontein) is my own original work and has not been submitted by me or any other individual at this or any other university and it complies with the code of academic as well as policies, procedures, rules and regulations of the university. I also declare that all reference materials, used for this study, have been properly acknowledged.

.....
SIGNATURE OF STUDENT

DATE:

TABLE OF CONTENTS

ACKNOWLEDGEMENTS.....	1
ABSTRACT.....	2
ABBREVIATIONS AND ACRONYMS.....	5
KEY CONCEPTS.....	7
CHAPTER ONE: GENERAL BACKGROUND TO THE STUDY.....	10
1.1 INTRODUCTION.....	10
1.2 PROBLEM STATEMENT.....	13
1.3 RESEARCH QUESTIONS.....	14
1.4 AIM AND OBJECTIVES OF THE STUDY.....	16
1.5 RESEARCH METHODOLOGY.....	17
1.5.1 Research approach.....	17
1.5.2 Research paradigm.....	17
1.5.3 Research design.....	18
1.5.4 Literature review.....	21
1.5.5 Instrumentation.....	21
1.5.5.1 Semi-structured interviews.....	21
1.5.5.2 Questionnaires.....	23
1.5.6 Data analysis.....	24
1.5.7 Population and sampling.....	25
1.5.8 Validity and reliability of data measuring instruments.....	26
1.6 ETHICAL CONSIDERATIONS.....	27



1.7	LIMITATIONS OF THE STUDY.....	27
1.8	LAYOUT OF CHAPTERS.....	28
1.9	SUMMARY.....	30

CHAPTER TWO: LITERATURE REVIEW: CONCEPTUALIZATION OF MUNICIPAL FINANCIAL MANAGEMENT AND ACCOUNTABILITY IN SOUTH AFRICA.....31

2.1	INTRODUCTION.....	31
2.2	CONCEPTUALIZATION OF MUNICIPAL FINANCIAL MANAGEMENT AND ACCOUNTABILITY IN SOUTH AFRICA	32
2.2.1	Financial management and accountability.....	32
2.2.2	Local government budget and expenditure.....	34
2.2.2.1	Expenditure for programme.....	37
2.2.3	Public accountability.....	41
2.2.4	Ethics and accountability.....	48
2.2.5	The nature and scope of accountability.....	50
2.2.6	Transparency for accountability.....	54
2.2.7	Status of governance and accountability in the local sphere of government.....	56
2.2.8	Measures for cost containment.....	64
2.2.8.1	Non-priority spending.....	64
2.2.8.2	Spending on unfunded/underfunded mandates.....	68
2.2.8.3	Discretionary funds	69
2.2.9	Benefits to councillors and mayors.....	71



2.2.10	The principle of good governance.....	72
2.2.11	Policy for accountability in financial management	76
2.2.11.1	Public financial management policy implementation.....	77
2.2.11.2	Policy interpretations and analysis.....	78
2.2.11.3	The development of policy implementation guidelines.....	78
2.2.11.4	The monitoring of policy implementation.....	78
2.2.11.5	The evaluation of progress on policy implementation.....	79
2.2.11.6	Financial policies of the public manager.....	79
2.3	SUMMARY.....	80

**CHAPTER THREE: LEGISLATIVE AND POLICY FRAMEWORK FOR
EFFECTIVE MUNICIPAL FINANCIAL MANAGEMENT
AND ACCOUNTABILITY IN SOUTH AFRICA.....84**

3.1	INTRODUCTION.....	84
3.2	LEGISLATIVE AND POLICY FRAMEWORK FOR EFFECTIVE MUNICIPAL FINANCIAL MANAGEMENT AND ACCOUNTING.....	85
3.2.1	Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)	85
3.2.2	Municipal Finance Management Act, 2003 (MFMA) (Act 56 of 2003)	86
3.2.3	Public Finance Management Act, 1999 (Act 1 of 1999)	87
3.2.4	The Auditor-General Act, 1995 (Act 12 of 1995)	88
3.2.4.1	Internal and external auditors.....	90
3.2.4.2	Internal audits.....	91
3.2.4.3	External audits.....	91



3.2.4.4	Financial or attestation audits.....	91
3.2.4.5	Performance audits for accountability.....	92
3.3	TYPES OF GOVERNMENT AUDITS.....	93
3.3.1	Audit outcomes.....	95
3.4	FINANCIAL REPORTING.....	96
3.4.1	Reports on performance of municipal grants.....	97
3.4.2	Annual reports.....	98
3.4.3	Different types of reports.....	100
3.4.3.1	Internal reports.....	100
3.4.3.2	External reports.....	101
3.4.3.3	Interim reports.....	101
3.4.3.4	Performance measurement reports.....	102
3.4.3.5	Non-financial performance reports.....	104
3.5	FINANCIAL STATEMENTS.....	104
3.6	THE INTERGOVERNMENTAL FISCAL RELATIONS ACT, 1999 (ACT 97 OF 1999)	105
3.7	SUPPLY CHAIN MANAGEMENT FOR LOCAL GOVERNMENT.....	108
3.7.1	Supply Chain Management Policy	109
3.7.2	The implementation of Supply Chain Management Policy.....	110
3.8	MUNICIPAL REGULATIONS ON COMPETENCY LEVELS.....	111
3.9	STANDARD CHART OF ACCOUNTS (SCOA).....	111
3.9.1	The objective of the regulations.....	112



3.10	THE RESPONSIBILITIES OF THE MUNICIPAL COUNCIL AND THE ACCOUNTING OFFICERS.....	113
3.11	BUDGET AND REPORTING REGULATIONS.....	114
3.12	SUMMARY.....	115

CHAPTER FOUR: OPERATIONAL GUIDELINES FOR PROMOTING EFFECTIVE ORGANIZATIONAL CONTROL AND FINANCIAL ACCOUNTABILITY: THE ROLE OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEES IN THE NORTH WEST PROVINCE.....			119
4.1	INTRODUCTION.....	119	
4.2	OPERATIONAL GUIDELINES FOR PROMOTING EFFECTIVE ORGANIZATIONAL CONTROL AND FINANCIAL ACCOUNTABILITY: THE ROLE OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEES (MPACs) IN THE NORTH WEST PROVINCE.....	120	
4.2.1	Oversight Committee.....	120	
4.2.2	Audit Committee.....	122	
4.2.2.1	Audit Committee and risk management.....	123	
4.2.2.2	The report of the Audit Committee.....	125	
4.2.3	Internal Audit Unit.....	126	
4.2.4	Municipal Budget and Treasury Office.....	127	
4.2.5	Budget Steering Committee.....	129	
4.2.6	Supply Chain Management Unit.....	129	
4.2.6.1	Supply Chain Management Committee system.....	130	



4.2.6.2	Bid Specification Committee.....	131
4.2.6.3	Bid Evaluation Committee.....	131
4.2.6.4	Bid Adjudication Committee.....	131
4.2.7	Fighting corruption through procurement reform.....	132
4.2.8	Internal controls.....	134
4.2.8.1	Capacity and job rotation.....	134
4.2.8.2	Execution of responsibilities.....	134
4.2.8.3	Segregation of responsibilities for related duties.....	135
4.2.8.4	Separate accounting and operations.....	135
4.2.8.5	Proper accounting for transactions.....	135
4.2.8.6	Control instrument.....	136
4.3	THE MEANS OF ACHIEVING EFFECTIVE INTERNAL CONTROLS.....	136
4.4	ACCOUNTING STANDARDS FOR FINANCIAL CONTROL.....	138
4.5	SHORTCOMINGS OF INTERNAL CONTROL SYSTEMS.....	139
4.6	THE PUBLIC ACCOUNTS COMMITTEE.....	141
4.6.1	The establishment of the Municipal Public Accounts Committee.....	145
4.6.2	The responsibilities of the Municipal Public Accounts Committee....	152
4.6.3	The requirements for effective legislative committees.....	156
4.7	SUMMARY.....	160



**CHAPTER FIVE: REALITIES AND CHALLENGES FACING THE MPACs IN
PROMOTING EFFECTIVE MUNICIPAL FINANCIAL
ACCOUNTABILITY IN THE NORTH WEST PROVINCE.....165**

5.1	INTRODUCTION.....	165
5.2	COMPLIANCE AND IMPLEMENTATION OF THE FINANCIAL LEGISLATION.....	166
5.2.1	Bojanala Platinum District Municipality 2012/13 Annual Report.....	167
5.2.1.1	The status of the audit outcome.....	167
5.2.1.2	The key risk areas.....	168
5.2.1.3	The impact of key role-players on the audit outcomes.....	168
5.2.1.4	The key controls and the root causes.....	169
5.2.2	City of Matlosana 2012/13 Annual Report.....	169
5.2.2.1	The status of the audit outcome.....	169
5.2.2.2	The key risk areas.....	170
5.2.2.3	The impact of key role-players on the audit outcomes.....	171
5.2.2.4	The key controls and the root causes.....	171
5.2.3	Ditsobotla Local Municipality 2012/13 Annual Report.....	172
5.2.3.1	The status of the audit outcome.....	172
5.2.3.2	The key risk areas.....	172
5.2.3.3	The impact of key role-players on the audit outcomes.....	173
5.2.3.4	The key controls and the root causes.....	174
5.2.4	Dr Kenneth Kaunda District Municipality 2012/13 Annual Report.....	175



5.2.4.1	The status of the audit outcome.....	175
5.2.4.2	The key risk areas.....	175
5.2.4.3	The impact of key role-players on the audit outcomes.....	176
5.2.4.4	The key controls and the root causes.....	176
5.2.5	Kagisano Molopo Local Municipality 2012/13 Annual Report.....	177
5.2.5.1	The status of the audit outcome.....	177
5.2.5.2	The key risk areas.....	177
5.2.5.3	The impact of key role-players on the audit-outcomes.....	179
5.2.5.4	The key controls and the root causes.....	179
5.2.6	Kgetleng Rivier Local Municipality 2012/13 Annual Report.....	180
5.2.6.1	The status of the audit outcome.....	180
5.2.6.2	The key risk areas.....	180
5.2.6.3	The impact of key role-players on the audit outcomes.....	182
5.2.6.4	The key controls and the root causes.....	182
5.2.7	Madibeng Local Municipality 2012/13 Annual Report	183
5.2.7.1	The status of audit outcome.....	183
5.2.7.2	The key risk areas.....	183
5.2.7.3	The impact of key role-players on the audit outcomes.....	184
5.2.7.4	The key controls and the root causes.....	185
5.2.8	Mahikeng Local Municipality 2012/13 Annual Report.....	186
5.2.8.1	The status of the audit outcome.....	186
5.2.8.2	The key risk areas.....	186

5.2.8.3	The impact of key role-players on the audit outcomes.....	187
5.2.8.4	The key controls and the root causes.....	187
5.2.9	Maquassi Hills Local Municipality 2012/13 Annual Report.....	188
5.2.9.1	The status of the audit outcome.....	188
5.2.9.2	The key risk areas.....	189
5.2.9.3	The impact of key role-players on the audit outcomes.....	190
5.2.9.4	The key controls and the root causes.....	190
5.2.10	Ngaka Modiri Molema District Municipality 2012/13 Annual Report.....	191
5.2.10.1	The status of the audit outcome.....	191
5.2.10.2	The key risk areas.....	191
5.2.10.3	The impact of key role-players on the audit outcomes.....	192
5.2.10.4	The key controls and the root causes.....	192
5.2.11	Ramotshere Moiloa Local Municipality 2012/13 Annual Report.....	193
5.2.11.1	The status of the audit outcome.....	193
5.2.11.2	The key risk areas.....	194
5.2.11.3	The impact of key role-players on the audit outcomes.....	195
5.2.11.4	The key controls and the root causes.....	195
5.2.12	Ratlou Local Municipality 2012/13 Annual Report.....	196
5.2.12.1	The status of the audit outcome.....	196
5.2.12.2	The key risk areas.....	196
5.2.12.3	The impact of key role-players on the audit outcomes.....	197



5.2.12.4	The key controls and the root causes.....	198
5.2.13	Tlokwe City Council 2012/13 Annual Report.....	198
5.2.13.1	The status of audit outcome.....	198
5.2.13.2	The key risk areas.....	199
5.2.13.3	The impact of key role-players on the audit outcomes.....	200
5.2.13.4	The key controls and the root causes.....	200
5.2.14	Tswaing Local Municipality 2012/13 Annual Report.....	201
5.2.14.1	The status of the audit outcome.....	201
5.2.14.2	The key risk areas.....	201
5.2.14.3	The impact of key role-players on the audit outcome.....	202
5.2.14.4	The key controls and the root causes.....	203
5.2.15	Ventersdorp Local Municipality 2012/13 Annual Report.....	203
5.2.15.1	The status of the audit outcome.....	203
5.2.15.2	The key risk areas.....	204
5.2.15.3	The impact of key role players on the audit outcomes.....	205
5.2.15.4	The key controls and the root causes.....	205
5.3	SUMMARY.....	207

**CHAPTER SIX: EMPIRICAL RESEARCH: METHODOLOGY AND
 FINDINGS.....210**

6.1	INTRODUCTION.....	210
6.2	RESEARCH METHODOLOGY.....	211



6.2.1	Sampling and research population.....	213
6.2.2	Data collection methods/Research instruments.....	215
6.2.2.1	Questionnaires.....	216
6.2.2.2	Semi-structured interviews.....	217
6.2.3	Literature review.....	218
6.2.4	Validity.....	219
6.2.4.1	Content validity.....	220
6.2.4.2	Sampling validity.....	220
6.2.4.3	Construct validity.....	221
6.2.5	Reliability.....	221
6.2.6	Data analysis.....	222
6.2.6.1	Data preparation.....	224
6.2.6.2	Data coding.....	224
6.2.6.3	Statistical analysis.....	224
6.3	EMPIRICAL RESEARCH FINDINGS.....	225
6.3.1	Results obtained through the questionnaire.....	225
6.3.1.1	Discussion and interpretation of the results of the questionnaire.....	229
6.3.1.2	Results obtained from interviews with key role-players at selected municipalities in the North West Province.....	234
6.3.1.3	The Municipal Public Accounts Committee for the Bojanala Platinum District Municipality and matters that are related to the oversight.....	236
6.3.1.4	The Municipal Public Accounts Committee for the City of Matlosana and matters that are related to the oversight.....	240
6.3.1.5	The Municipal Public Accounts Committee for the Ditsobotla	



	Local Municipality and matters that are related to the oversight.....	244
6.3.1.6	The Municipal Public Accounts Committee for the Dr Kenneth Kaunda District Municipality and matters that are related to the oversight.....	251
6.3.1.7	The Municipal Public Accounts Committee for the Kagisano Molopo Local Municipality and matters that are related to the oversight.....	255
6.3.1.8	The Municipal Public Accounts Committee for the Kgetleng Rivier Local Municipality and matters that are related to the oversight.....	260
6.3.1.9	The Municipal Public Accounts Committee for the Madibeng Local Municipality and matters that are related to the oversight.....	264
6.3.1.10	The Municipal Public Accounts Committee for the Mahikeng Local Municipality and matters that are related to the oversight.....	268
6.3.1.11	The Municipal Public Accounts Committee for the Maquassi Hills Local Municipality and matters that are related to the oversight.....	272
6.3.1.12	The Municipal Public Accounts Committee for the Ngaka Modiri Molema District Municipality and matters that are related to the oversight.....	276
6.3.1.13	The Municipal Public Accounts Committee for the Ramotshere Moiloa Local Municipality and matters that are related to the oversight.....	281
6.3.1.14	The Municipal Public Accounts Committee for the Ratlou Local Municipality and matters that are related to the oversight.....	285
6.3.1.15	The Municipal Public Accounts Committee for the Tlokwe City	



	Council and matters that are related to the oversight.....	288
6.3.1.16	The Municipal Public Accounts Committee for the Tswaing Local Municipality and matters that are related to the oversight.....	293
6.3.1.17	The Municipal Public Accounts Committee for the Ventersdorp Local Municipality and matters that are related to the oversight.....	296
6.4	RESEARCH THEMES.....	300
6.5	SUMMARY.....	301
CHAPTER SEVEN: CONCLUSIONS AND RECOMMENDATIONS.....		304
7.1	INTRODUCTION.....	304
7.2	CONCLUSIONS BASED ON LITERATURE REVIEW.....	307
7.2.1	Conditions for a successful oversight.....	308
7.3	CONCLUSIONS BASED ON THE EMPIRICAL FINDINGS.....	309
7.3.1	Objective 1: To determine through extensive literature research (journal articles and legislative frameworks), the purpose and meaning of financial accountability for municipalities in the North West Province and the role of Municipal Public Accounts Committees (MPACs) to promote effective accountability at the local government sphere.....	310
7.3.2	Objective 2: To contextualize the theoretical and conceptual perspectives of municipal financial management and accountability for good governance.....	310
7.3.3	Objective 3: To explore the legislative and policy framework for effective municipal financial management and accountability.....	311
7.3.4	Objective 4: To investigate the structures and systems for organizational control and accountability at the local government sphere.....	312



7.3.5	Objective 5: To assess the effectiveness of the MPACs in promoting financial accountability at the local government sphere....	312
7.3.6	Objective 6: To develop operational guidelines for Municipal Public Accounts Committees (MPACs).....	313
7.4	IMPLICATIONS AND RECOMMENDATIONS OF THE STUDY.....	313
7.4.1	Implications.....	313
7.4.2	Recommendations.....	314
7.4.3	Other recommendations.....	316
7.4.4	Operational guidelines for promoting effective financial accountability in local government.....	317
7.5	LIMITATIONS OF THE STUDY.....	321
7.6	FURTHER RESEARCH IMPLICATIONS AND RECOMMENDATIONS.....	322
7.7	CONCLUDING REMARKS.....	323
	BIBLIOGRAPHY.....	326
	APPENDIX A.....	342
	APPENDIX B.....	351

LIST OF TABLES

Table 6.1:	Qualitative analysis of the questionnaire.....	226
Table 6.2:	Research themes.....	301

LIST OF FIGURES

Figure 1.1: Municipalities of the North West Province.....	20
Figure 7.1: Operational guidelines for promoting effective financial accountability.....	318

ACKNOWLEDGEMENTS

This thesis is dedicated to my children Molefi, Mojabeng, Letlhogonolo, Mosa and my colleague Le-Roi van Niekerk for the support they gave me during my study, including Nadia Fouchè at Quantemna for assisting me with qualitative data analysis. My special thanks go to my supervisor Dr L Laubscher for helping me to do my best and making sure that I complete the research.

I would also like to express my sincere gratitude to all the councillors and officials, members of the MPACs from the 15 selected municipalities in the North West Province, the officials at the Provincial Treasury, Department of Local Government and SALGA North West who made themselves available for the interviews. Last but not least, I thank God Almighty for giving me the strength and wisdom to complete the research.

ABSTRACT

Political reform as set out in sections 40 (1) (2) and 41 of the *Constitution, 1996* of South Africa has been one of the most important factors leading to the democratization of state institutions. This move has further contributed to the decentralization of the public service. It is, however, concerning that since 1995 local government has been faced with enormous challenges in its pursuit of providing quality services and effective governance. Municipal councils in South Africa are vested with the legislative responsibility to promote sound financial management practices.

Despite the institutional mechanisms that have been established to prevent fraud, corruption and other forms of lawless practices, the non-compliance with legislation impacted negatively on the performance of most of the municipalities. The municipalities incurred unauthorized, irregular as well as fruitless and wasteful expenditures. These expenditures were also expended by municipalities during the previous financial years and were never investigated. The *Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA)*, the *Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)* (hereafter referred to as the *Municipal Structures Act*), the *Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)* (hereafter referred to as the *Municipal Systems Act*) and other relevant legislation and regulations have been critically analysed to determine whether municipalities in the North West Province comply with the principles of good governance.

The following reports of the Auditor-General of South Africa (AGSA) indicate a declining pattern in the financial management of municipalities in South Africa. The 2006/07 report of the AGSA indicates that 78% of the municipalities in the North West Province had the highest levels of adverse and disclaimer opinions. In the 2008/09 audit report, the AGSA expressed the concern that 110 of the 163 municipalities that received a qualified opinion did not address the audit findings. The AGSA pointed out in his/her 2010/11 report that the audit outcomes had not shown the required improvements. The report stated that only

13 of the 283 municipalities across the country received an unqualified opinion. The 2011/12 report of the AGSA paints a grim picture of the state of municipalities, with only 5% of the 278 receiving a clean audit opinion. The report stated that the majority of municipalities which showed poor audit outcomes were from the North West Province.

The research study established that in most of the municipalities a lack of culture regarding accountability, political crisis, and a lack of relevant capacity at some of the municipalities in the North West Province impacted negatively on the improvement of governance. The lack of clearly defined roles and the responsibilities of the MPACs compromised the oversight function. The AGSA in his/her report expressed concern about such practice and pointed out that if the situation was not urgently attended to it would further contribute to an environment susceptible to a breakdown in significant key controls and consequently result in the total collapse of good governance.

The MEC for Local Government and Traditional Affairs placed 8 of the municipalities under section 137(1)(b) of the *Constitution, 1996*. One of the 8 municipalities was a district municipality, which was later placed under section 139(1)(c) of the *Constitution, 1996*. This mandatory provincial intervention was implemented as a result of serious and persistent financial crises and the material breach of obligations by the municipalities. The situation did not improve despite this action by the MEC, but rather regressed after the lifting of the intervention.

Sections 33 and 79 of the *Municipal Structures Act* require that municipalities should establish oversight committees that are responsible for the detailed analysis and review of the annual reports. In terms of the Act, a Municipal Public Accounts Committee (MPAC) must be established to exercise oversight over the obligations of the municipal council. The mandate of the committee is drawn from sections 55 and 114 of the *Constitution, 1996*.

This research study focussed on developing operational guidelines for Municipal Public Accounts Committees (MPACs) to promote effective financial accountability for local government in the North West Province. A total number of 15 municipalities that constitute 65% of the municipalities in the province were selected as a case study. A comprehensive literature study of the topic, including national and international books, journals, acts and various sources of legislation, research reports, government documents and newspaper articles served as the primary source of data collection.

A format of in-depth and semi-structured interviews was conducted with specific role-players as part of the identified population who were the most important participants and have contributed to and ratified the reliability and quality of the research outcome. The respondents were selected in a purposive manner by targeting key informants who, on account of their positions and experience, have more information than ordinary potential respondents.

The study concluded that all the challenges that prevent the smooth functioning of the municipalities in the North West Province must be resolved by implementing the legislation that is relevant and applicable to local government. The study recommended that operational guidelines for the MPACs to promote effective financial accountability at all the municipalities in the North West Province must be developed.

The operational guidelines will assist the MPAC to execute its work when:

- Reviewing the reports of the AGSA and those of the Audit Committee;
- Planning and conducting meetings of the committee;
- Planning and conducting public hearings;
- Developing MPAC reports;
- Following up on the recommendations of the MPAC and
- Measuring the performance of the MPAC.

ABBREVIATIONS AND ACRONYMS

ACDP	African Christian Democratic Party
AGSA	Auditor-General South Africa
AIC	African Independent Congress
ANC	African National Congress
APC	African People Convention
CFO	Chief Financial Officer
COPE	Congress of the People
CPAR	Country Procurement Assessment Review
CPMD	Certificate Programme in Financial Municipal Development
DA	Democratic Alliance
DORA	Division of Revenue Act
EFF	Economic Freedom Fighters
FF+	Freedom Front Plus
GRAP	Generally Recognized Accounting Practice
IDP	Integrated Development Plan
LED	Local Economic Development
MBRR	Municipal Budget and Reporting of Accounts
MEC	Member of Executive Committee
MFMA	Municipal Finance Management Act

MPAC	Municipal Public Accounts Committee
MTBPs	Medium-Term Budget Policy Statements
MTREF	Medium-Term Revenue Expenditure Framework
PFMA	Public Finance Management Act
PPPF	Preferential Procurement Policy Framework
SALGA	South African Local Government Association
SAPP	South African Political Party
SARS	South African Revenue Services
SCOPA	Standing Committee on Public Accounts
SCOA	Standard Chart of Accounts
SDBIP	Service Delivery and Budget Implementation Plan
UCDP	United Christian Democratic Party
VAT	Value Added Tax

Key concepts

Accountability: Giving account or being answerable for decisions that have been made or actions that have been taken.

Adverse audit: This opinion is expressed when the effect of a disagreement is so material or fundamental to the financial statements that the AGSA concluded that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

Budget: An instrument for financial accountability, a document that identifies and states particular objectives that are associated with expenditures that are linked to each objective.

Cooperative governance: A phenomenon whereby the organs of state from various spheres of government cooperate to attain joint goals and objectives.

Ethics: The study of human conduct when measured against accepted value judgments and the need, duty or obligation upon persons to conform.

Disclaimer opinion: This opinion is expressed when the AGSA concludes that the possible effect of a limitation on the scope of the audit is so material and fundamental that he/she has not been able to obtain sufficient appropriate audit evidence, and accordingly is unable to express an opinion on the financial statements.

Expenditure: The flow of money, whether controlling the execution of the programme or its elements such as organizing personnel management and control.

Fruitless and wasteful expenditure: Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Governance: A tradition in institutions by which authority in a country is exercised for the common good.

Interview: A data collection technique that has the advantage of being more direct, personal and more flexible than a survey.

Irregular expenditure: Expenditure incurred by a municipality or a municipal entity in contravention of, or not in accordance with, a requirement of the Municipal Finance Management Act and which has not been condoned in terms of the Act (MFMA).

Methodology: Methods, techniques and procedures that are used in the process of implementing the research design or research plan.

Oversight: The formal and informal, watchful, strategic and structured scrutiny that is performed by the legislatures on the implementation of laws, the preparation and implementation of the budget, and the strict observance of the statutes and the *Constitution, 1996*.

Public accountability: An instrument through which political representatives and public officials can expand their control over public funds.

Public funds: Money that has been collected by the government in the form of tax from individuals and businesses.

Qualified audit: This opinion is expressed when the AGSA concludes that an unqualified audit cannot be expressed, but that the effect of any disagreement with the management, or limitation on the scope of the audit, is not so material or fundamental as to require an adverse opinion or a disclaimer option.

Transparency: The existence of institutionalized practices that ensures openness.

Unauthorized expenditure: This refers to expenditure in relation to a municipality as any expenditure that is incurred other than in accordance with section 15 or 11 (3) of the MFMA.

Unqualified audit opinion: This opinion is expressed when the financial statements are seen as fairly reflecting the financial status of an institution or entity with a number of issues that are causes for concern which are raised in the emphasis of matters.

Unqualified audit opinion with emphasis of matter: The financial statements may be regarded as fairly representing the financial status of an institution or entity, but there are a number of issues that are causes for concern which are raised in the emphasis of matters.

CHAPTER ONE

GENERAL BACKGROUND TO THE STUDY

1.1. INTRODUCTION

Sound financial management practices are essential for the long-term sustainability of municipalities in South Africa. These practices underpin the process of democratic accountability and good governance. Poor financial management is the cause of the misdirection of resources and it increases the risk of corruption. The key objective of the *Local Government: Municipal Finance Management Act, 2003* (Act 56 of 2003) (*MFMA*) (hereafter referred to as the *MFMA*) is to modernize municipal financial management. The reforms that have been introduced by the *MFMA* are the cornerstone of the broader reform package for local government as outlined in the *White Paper on Local Government* (1998). The *MFMA* has four interrelated components: Planning; budgeting; revenue and expenditure management; reporting and oversight. Each component contributes to ensuring that expenditure is developmentally, effective and efficient and that municipalities are held accountable.

In terms of section 79 of the *Local Government: Municipal Structures Act, 2000* (Act 32 of 2000) (hereafter referred to as the *Municipal Structures Act*), a municipal council may establish one or more committees for the effective and efficient performance of any of its functions. A Municipal Public Account Committee (MPAC) must be established in terms of this Act to serve as an oversight committee and exercise oversight over the executive obligations of the council. The MPAC will assist to increase the council's accountability function and ensure public awareness of the financial and performance issues of the municipality (Guidelines for the establishment of Municipal Public Accounts Committees, 2011:4). The *MFMA* outlines how the municipal councils should carry out their roles and responsibilities with clear distinctions between their oversight function and interference in the administration. This is also stipulated in sections 52(b) and 103 of the Code of Conduct for Councillors and in Schedule 1 of the *Local Government: Municipal Systems Act, 1998* (Act 117 of 1998) (hereafter referred to as the *Municipal Systems Act*).

Section 129(4)(b) of the *MFMA* provides for the National Treasury to issue guidelines on the establishment, composition and functioning of any public accounts or oversight committees that have to be established by the municipal council to assist with the consideration of annual reports. The mandate of the Public Accounts Committee in South Africa is drawn from sections 55 and 114 of the *Constitution of South Africa, 1996*(Act 108 of 1996) (hereafter referred to as the *Constitution, 1996*) which state that legislatures are expected to hold all organs of state accountable. The responsibility of a Public Accounts Committee is not only limited to institutions that are audited by the AGSA, but also to the entities that receive public money, or that are authorized to receive public purposes (Godi, 2009:73).

Njoko (2006:35) conceptualizes accountability as giving account or being answerable for the decisions that have been made, or actions that have been taken. Njoko (2006:35) further states that accountability, or rather a lack of it, is central to most governance failures in the public sector. Similarly, most of the governance reforms have been driven by findings that leaders of public institutions/public entities have simply not been willing to answer for their actions. Accountability eventually forms the basis of providing a formal explanation or justification of one's own conduct, which is the ability to account for one's actions, conduct and decisions (Faul, Pistorius, Van Vuuren & De Beer, 1994: 4-5).

Implementation of the *MFMA* started in July 2004 and there is currently a growing awareness of its significance throughout the government. The *MFMA* assigns clear roles and responsibilities to the various role-players that are involved in municipal financial management. The *MFMA* is based on five principles:

- Promoting sound financial governance by clarifying the roles and responsibilities of council and officials;
- Ensuring a strategic approach to budgeting;
- Modernizing financial management;
- Promoting cooperative and consultative governance; and
- Promoting sustainable local government (National Treasury, 2008: 61).

The *Constitution, 1996* and the *White Paper on Local Government (1998)* indicate that within the context of South Africa, local government, like the other spheres of government, has a developmental role to play. Section 152 (1) of the *Constitution, 1996* stipulates that local government is charged with the following responsibilities:

- To provide democratic and accountable government for local communities;
- To provide services of high quality to communities in a sustainable manner;
- To promote social and economic development; and
- To involve communities and community organizations in the matters of local government.

Section 153 of the *Constitution, 1996* stipulates that a municipality must structure and manage its administration, budgeting, and planning process to give priority to the basic needs of the local community. Section 154(1) requires that national and provincial governments must support and strengthen municipalities to enable them to manage their affairs effectively. The two spheres of government may not compromise or impede the right of a municipality to perform its functions. This includes matters listed in Schedule 4 and 5 of the *Constitution, 1996*. Section 100 provides a detailed description of the circumstances under which the national government must carry out its supervision of provincial government. Section 139 also provides conditions on when provincial government should intervene in local government.

The role of the *Public Finance Management Act, 1999* (Act 1 of 1999) (*PFMA*) is to govern the management of the fiscal and provincial spheres of government as well as public institutions. Section 214 of the *Constitution, 1996* provides for the equitable shares and allocations of revenue to provinces and municipalities, while the *Annual Division of Revenue Act, 2013* (B2-2013) aims at reforming the public sector finances. The Act makes it possible for the three spheres of government to share the revenue that has been raised nationally. The conditional allocations are made available to provinces and municipalities so that they may plan their budgets properly and promote better policy coordination. The Act promotes transparency and accountability by ensuring that the

allocations are reflected on the budgets and that the expenditure of such conditional allocations is reported by the receiving provincial departments and municipalities.

Section 62(c)(1) of the *MFMA* stipulates that the accounting officer of a municipality must ensure that the institution has and maintains effective, efficient and transparent systems of financial and risk management and internal control. According to Smit (2007:6), there are several national initiatives, including National Treasury initiatives, that provide guidance to risk management and internal control processes, yet many municipalities are faced with serious challenges regarding the implementation of such processes. Smit (2007:6) maintains that risk management is designed to identify events that are potentially affecting the institution in order to manage risk in accordance with its risk appetite and to provide reasonable assurance that it is geared for the achievement of its objectives.

Although many advances have been made in transforming local government since 1994, legislative reforms as well as financial and performance reporting practices have not been institutionalized. Local government in South Africa has to operate within the prescribed financial laws and regulations that have been indicated above in order to be sustainable. The research study will focus on the role of the MPACs to ensure the implementation and compliance with such laws and regulations and thereby promoting effective financial accountability at the local government sphere.

1.2. PROBLEM STATEMENT

Political reform, as set out in section 40 (1) (2) and (41) of the *Constitution, 1996*, has been one of the most important factors leading to the democratization of state institutions and the decentralization of the public service. It is, however, concerning that nineteen years into the new democratic dispensation, local government is faced with enormous challenges in its pursuit to live up to its increasingly complex and widening role in service delivery. Municipalities are increasingly challenged by ineffective municipal governance structures (Richards, 2009:66).

The following reports indicate a declining pattern of the financial management of municipalities in South Africa. In September 2005, the South African Local Government Association (SALGA) released a report to Parliament, indicating a gloomy state of affairs of financial accounting and auditing of municipalities. The report pointed out the non-compliance with legislation and a lack of internal audits and capacity as some of the challenges that had a negative impact on financial management of most municipalities (Yende, 2006:12). The audit report of the 2006/07 financial year indicates that 191 municipalities received qualified audits and 35 municipalities' books had not been concluded when audits were released (Lubisi, 2008:8). The 2006/07 report of the AGSA further indicated that 78% of municipalities in the North West Province had the highest levels of adverse and disclaimer opinions (Richards, 2009: 68).

The AGSA in the 2008/09 audit report expressed concern that 110 out of the 163 municipalities that received qualified reports did not address the qualification findings. Similarly, 69 of the 110 municipalities were again disclaimed or received an adverse or qualified opinion. Even worse is the fact that in the case of 38 of the municipalities, adverse or disclaimer audit reports have been issued consistently for the past five years (Steytler *et al.*, 2009:6). In 2009, the government launched "operation clean audit" to address the poor audit outcomes of local government. The 2010/11 audit outcomes of municipalities have not shown the required improvement, with about 50% of auditees being unable to submit their annual financial statements in time or obtained financially unqualified audit opinions, and only 13 municipalities of 283 municipalities received an unqualified opinion (Auditor General, 2012/13).

It is against this background that a critical investigation should be undertaken on the role of MPACs to determine whether or not they can contribute towards fostering effective accountability at the local government sphere.

1.3 RESEARCH QUESTIONS

As stated by Leary (2004:88) the manner in which the research question is asked, is a key determining factor in the exploration of potential methodology design. Leary (2004:88)

further maintains that the research question guides and encourages the researcher to find solutions and discover the phenomenon in question.

The main research question for this study is therefore:

How effective are the MPACs in promoting effective financial management and accountability at municipalities in the North West Province and what operational guidelines could be developed for MPACs in order to fulfil this responsibility?

The sub-questions that act as a guideline and which need to be answered in this research study are:

- How could financial management and accountability for good governance in South Africa be conceptualized and what is the meaning thereof for municipalities in the North West Province?
- Which legislative and policy framework exists for effective municipal financial management and accountability in South Africa?
- What is the role of MPACS in promoting effective financial management and accountability at municipalities in the North West Province?
- How effective are the MPACs in promoting effective financial management and accountability at municipalities in the North West Province?
- What are the realities and challenges facing MPACs in promoting effective municipal financial management and accountability in the North West Province?
- How can Municipal Public Accounts Committees be utilized as essential tools to improve and maintain effective financial management and accountability in the North West Province?
- What operational guidelines could be developed for MPACs in order to fulfil their responsibility in promoting effective financial management and accountability at local government sphere in the North West Province.

1.4 AIM AND OBJECTIVES OF THE STUDY

The role of municipalities to deepen democracy in South Africa is explicitly defined in the *Constitution*. Political oversight is one of the most important functions of government and is a core mandate of Parliament, Provincial Legislatures and Municipal Councils. An important aspect of the oversight function is the responsibilities of the Standing Committees on Public Accounts (SCOPA) to ensure the efficient expenditure of public funds in their respective areas of jurisdiction. Municipal Public Accounts Committees (MPACs) need to build on the same solid legislative foundation laid down by the *PFMA*, *MFMA* and other regulations that are guiding the spending of public funds. Against the background of these comprehensive challenges currently experienced by local government in South Africa, the research study will focus on the role that the MPACs fulfil in this environment. Thus, the main aim or objective of the study will be to provide clarity on the role of the MPACs in promoting effective financial accountability at municipalities in the North West Province. The outcome of the study will positively contribute to developing operational guidelines for the effective functioning of MPACs in the North West Province.

As amplification to the main aim or objective, the following co-objectives explore the major research field that will contribute towards solutions for the research problem:

- To determine through extensive literature searches (journal articles and legislative frameworks), the purpose and meaning of financial accountability for municipalities in the North West Province and the role of Municipal Public Accounts Committees (MPACs) to promote effective accountability at the local government sphere
- To contextualize the theoretical and conceptual perspectives of municipal financial management and accountability for good governance;
- To explore the legislative and policy framework for effective municipal financial management and accountability;

- To investigate the structures and systems for organizational control and accountability at local government sphere;
- To assess the effectiveness of the MPACs in promoting financial management and accountability at local government sphere; and
- To develop guidelines on how these challenges can be disentangled in order for MPACs to fulfil their responsibility in promoting effectively developed operational and financial accountability at local government sphere in the North West Province.

1.5 RESEARCH METHODOLOGY

In order to conduct a research study a suitable research methodology is required. The reason for this is to ensure that the intended objectives of the study are achieved. Babbie and Mouton (2001:647) refer to research methodology as methods, techniques and procedures that are used in the process of implementing the research design or research plan.

1.5.1 Research approach

The study follows a qualitative research approach that is based on a case study. Babbie and Mouton (2001:270) refer to the primary goal of qualitative research as a technique that is able to provide the researcher with a description and understanding of conceptualized ideas that are used during the research study. This implies that the researcher wants to understand the issues under investigation and as such focuses on real-life experiences of people in their natural settings (Brynard & Hanekom, 2013:37). This approach, according to Brynard and Hanekom (2013:37), enables a researcher to interpret and describe the data gathered and to undertake the empirical research of the study with confidence.

1.5.2 Research paradigm

According to Mcgregor and Murnane (2010:422), there are three types of paradigms, namely positivism, post-positivism or interpretivism and the pragmatism paradigm.

Welman, Kruger and Mitchell (2005:6) state that the positivist paradigm underlines the natural-scientific method in human behavioural research and holds that research must be limited to what can be observed and measured. The positivist paradigm accepts knowledge to be true if it is created through scientific methods. On the other hand, the post-positivist paradigm assumes that there are many ways to acquire knowledge aside from using scientific methods. Henning (2013:19) argues that the post-positivist or interpretive paradigm assists the researcher to understand how the people under investigation think, interact and behave in their natural environment. Du Plooy-Cilliers, Davis and Bezuidenhout (2014:78) explain that the pragmatic paradigm refers to the use of a mix of different research methods as well as modes of analysis to find solutions to specific problems by utilizing both qualitative and quantitative research methods.

The qualitative approach is grounded in the interpretive social sciences paradigm. Therefore, in this study the descriptive and interpretive paradigm will be applied by answering the research questions for this study. According to Henning (2013:20), the interpretive paradigm allows the researcher to use his/her own judgment and perspective when data is interpreted. As a result, this paradigm assumes that there is more than one reality (Maree & Van der Westhuizen, 2007:37). On the other hand, descriptive research aims to explain occurrences such as human behaviour in administrative sciences by indicating how the variables relate to one another. Welman, Kruger and Mitchell (2005:23) argue that it aims to clarify how and in what manner one variable affects another. The descriptive paradigm also assists the researcher to present evidence of interest and significant patterns in existing or new data (Mouton, 2005:13)

1.5.3 Research design

A research design is a specific and detailed strategy, including specific steps, to acquire data so that the researcher can come to valid conclusions regarding the subject under investigation (Babbie & Mouton, 2001:104).

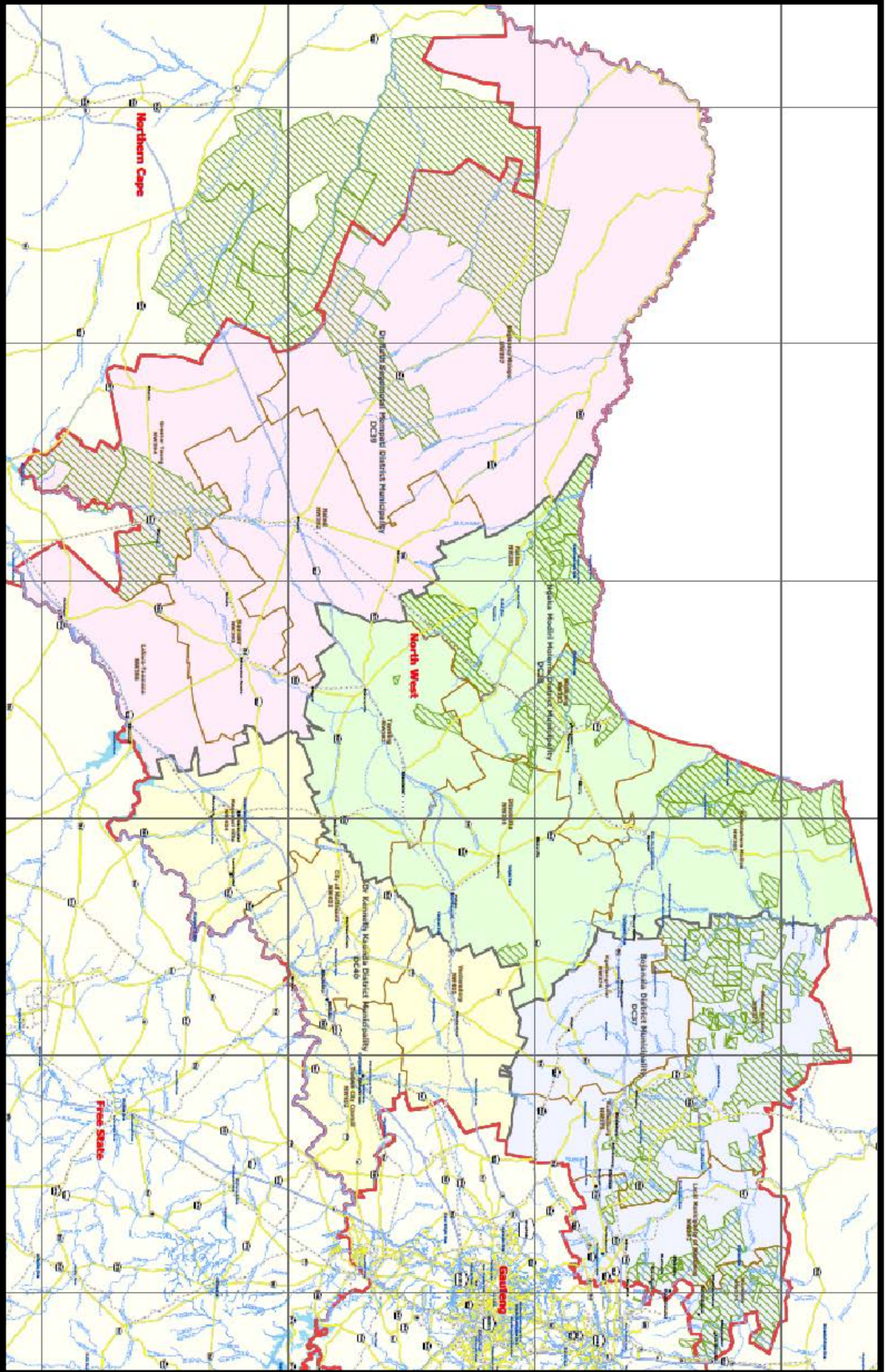
In this study, a qualitative research approach based on a case study is followed. Robson (1993:4) maintains that the case study approach has considerable ability to generate

answers to the questions “why”, “what” and “how”. The strategic value of a case study also lies in its ability to draw focus and attention to what can be learned from a single case. For this study, a total number of 15 municipalities that constitute 65% of the municipalities in the North West Province were selected as a case study. The selected municipalities in the North West Province are as follows:

- Bojanala District Municipality
- City of Matlosana Local Municipality
- Ditsobotla Local Municipality
- Dr. Kenneth Kaunda District Municipality
- Kagisano Molopo Local Municipality
- Kgetleng Local Municipality
- Madibeng Local Municipality
- Mahikeng Local Municipality
- Maquassi Hills Local Municipality
- Ngaka Modiri Molema District Municipality
- Ramotshere Moiloa Local Municipality
- Ratlou Local Municipality
- Tlokwe City Council
- Tswaing Local Municipality
- Ventersdorp Local Municipality

The geographical scope of the research study is the North West Province (See Figure 1.1).

FIGURE 1.1 MUNICIPALITIES OF THE NORTH WEST PROVINCE



SOURCE: MUNICIPAL DEMARCATION BOARD

1.5.4 Literature review

This research study was structured in two phases, namely a comprehensive literature review and an empirical study.

A comprehensive literature survey of the topic, including national and international books, journals, dissertations and theses, acts and various sources of legislation, research reports, government documents, literature from the internet, magazines and newspaper articles, will serve as the primary source of data collection.

A literature study and the analysis of relevant theories form the basis of any scientific research and are the primary phases to discover new knowledge (De Vos *et al.*, 2011:64). According to Mouton (2012:6), the importance of a scholarly literature review is to determine what has previously been done in the field of study. Babbie (2013:498) argues that a literature study will guide and teach the researcher to acquire knowledge from other scholars on how they theorize and conceptualize in the field of scientific research.

Saunders, Lewis and Thornhill (2000: 389) propose that data for the research study should also be obtained from the organization's documents. This may be used as a means of triangulating other data that has been collected. Therefore, permission will be obtained from the relevant authorities to scrutinize all relevant documents and data from the selected municipalities in the North West Province. The identified municipalities constitute 65% of the total number of municipalities in the North West Province.

1.5.5 Instrumentation

In addition to a comprehensive literature review, other instruments of data collection will also be utilized, such as open-ended questionnaires and semi-structured interviews.

1.5.5.1 Semi-structured interviews

Saunders *et al.* (2000:242) maintain that the use of interviews is to enable the researcher to collect reliable information or data that is relevant to the research questions and objectives. Harvey and Brown (2001:144) declare the interviewing process as a data

collection technique that has the advantage of being more direct, personal and more flexible than a survey. Researchers use semi-structured interviews in order to gain a detailed picture of a respondent's beliefs, perceptions or accounts of a particular topic that the researcher is investigating (Welman, Kruger & Mitchell, 2005:205). In semi-structured interviews, the researcher has a list of themes and questions to be covered, although these may vary from one interview to the next. Semi-structured interviews also allow the researcher to explain questions if a respondent is not clear on what is being asked and it allows the researcher an opportunity to probe deeper, following a response by the respondent (Welman, Kruger & Mitchell, 2005:204). Another advantage of a semi-structured interview is that respondents are free to elaborate on issues that are not part of the pre-determined questionnaire compiled by the researcher (De Vos *et al.*, 2011:352). A series of semi-structured interviews and the utilization of questionnaires will be implemented as empirical research to obtain important operational data. Using the online sample size calculator provided by Creative Survey Systems (2009), a sample size of 160 will be selected. A format of in-depth and semi-structured interviews will be conducted with specific role-players as part of the identified population, being the most important participants that will contribute to and ratify the reliability and quality of the research outcome. As is often the case with qualitative research, (Welman, Kruger and Mitchell, 2005:204), the respondents will be selected in a purposive manner by targeting key informants who, on account of their positions and experience, have more information than ordinary potential respondents.

For this study, semi-structured interviews will therefore be arranged with municipal managers, chief financial officers (CFOs), chairpersons of the audit committees, members of finance committees, and MPACs of the following municipalities in the North West Province:

- Bojanala District Municipality
- City of Matlosana Local Municipality
- Ditsobotla Local Municipality

- Dr. Kenneth Kaunda District Municipality
- Kagisano Molopo Local Municipality
- Kgetleng Local Municipality
- Madibeng Local Municipality
- Mahikeng Local Municipality
- Maquassi Hills Local Municipality
- Ngaka Modiri Molema District Municipality
- Ramotshere Moiloa Local Municipality
- Ratlou Local Municipality
- Tlokwe City Council
- Tswaing Local Municipality
- Ventersdorp Local Municipality

The personal interviews will be semi-structured in nature and will be conducted on an individual basis. The interviews will make it possible to explore other themes and nuances, further enriching the data. Semi-structured interviews are valuable in that they allow full exploration of the topic and yet retain a degree of structure, which ensures that most of the information obtained is relevant and manageable (Veal, 1997).

1.5.5.2 Questionnaires

When designing a questionnaire, the researcher should seek out as much previous research on the topic or related topics as possible. According to Welman, Kruger and Mitchell (2005:174), a researcher can make the questions in questionnaires or interview schedules open-ended so that respondents have to formulate their responses themselves. An open-ended question is one in which the researcher asks a question

without any prompting with regards to the range of answers expected. Therefore, in a self-completed questionnaire a line or space is left for the respondent to write his or her own answer and there is no prior list of answers.

A closed or pre-coded question is one which offers the respondent a range of answers to choose from. In the case of a self-completed questionnaire, a range of answers is set out in the questionnaire and the respondent is asked to tick the appropriate boxes.

In this study, open-ended questionnaires will be used, because the respondent's answer is not influenced unduly by the researcher and the respondents have to formulate their own responses.

1.5.6 Data analysis

Qualitative data analysis is usually based on an interpretive philosophy, which aims to establish how participants make meaning of a specific phenomenon by analyzing their perceptions, attitudes, understanding, values, feelings and experiences in an attempt to approximate their construction of the phenomenon (Creswell, 2012:90). According to Henning (2013:103), the analysis process is the “heartbeat” of the research study.

Blanche and Durrheim (1999) confirm that qualitative data analysis tends to be primarily an inductive process of organizing data into categories and identifying patterns. Babbie (2013:116) states that the most general guide to analyzing qualitative data involves looking for similarities and dissimilarities. Therefore, the focus must be on those patterns of interactions and events that are generally common to what the researcher is studying. This type of analysis will form the core of analyzing qualitative data collected during this study. Themes will be identified, and the data will then be classified into categories and themes. The word “triangulation” will come to mind here, because it has been in use in qualitative research, since it is supposed to indicate that by coming from various points or angles towards a “measured position”, one will find the true position (Henning, 2013:103). Triangulation implies that techniques are used in a parallel sense, thus

providing overlapping information, making it possible to check results from more than one viewpoint.

1.5.7 Population and sampling

According to Babbie (2013:115), a population is all possible participants that can provide information on the subject under investigation. The population for this study will therefore consist of all the municipalities in the North West Province. According to Terre Blanche, Durrheim and Painter (2006: 133), the practice of reaching conclusions from facts and reasoning about a broader category of people from observations is a central component of social scientific research. Such inferences are made possible by the various statistical theories and techniques, and validity depends on the method by which the cases to be observed are selected. Terre Blanche *et al.* (2006:133) maintain that this process of selecting cases to observe is called sampling. Population is referred to as the larger pool from which sampling elements are drawn to generalize the findings. The process of selecting cases from the population to observe is called sampling.

De Vos *et al.* (2011:391) confirm that there are no rules for sample size in qualitative studies. According to Mouton (2012:135), sample size depends on what the researcher wants to know, the purpose of the research, what is at stake, what will be useful, what will have credibility, and what can be done with the available time and resources. In this study, a sample size of 160 respondents will be selected from the specific municipalities (see page 18) that constitute 65% of the total number of municipalities in the North West Province.

Maykut and Morehouse (2001: 56) suggest that in order to have an acceptable sample for the research study, people should be selected randomly from the target population. A randomly selected sample can increase the likelihood that it can accurately represent the population from which it has been selected. The sample further enables the result of the study to be generalized to the larger population.

Qualitative research is generally based on non-probability and purposive sampling (Creswell, 2012: 79). According to Terre Blanche *et al.* (2006:1334) non-probability sampling refers to any kind of sampling where the selection of elements is not determined by the statistical principle of randomness. With purposive sampling a particular case is selected because it illustrates a certain feature or process that is of interest for a particular study and the participants are purposefully selected. Such participants are specifically selected because of their knowledge on the subject under investigation (De Vos *et al.*, 2011:391). The participants for this study will therefore be selected according to non-probability and purposive sampling.

1.5.8 Validity and reliability of data measuring instruments

To comply with sound research principles and to ensure that inferences and conclusions of the findings could be drawn, the validity and reliability of the results had to be ensured. According to Brynard and Hanekom (2013:48), validity refers to the potential of a design or an instrument to achieve or measure what it is supposed to achieve or measure. Content validity usually refers to the correctness and appropriateness of the questions included in the research instrument/s and to the degree that the research conclusions are sound (Van der Riet and Durrheim, 2009:90). For this study, the correctness and appropriateness of the questions will be tested before the interviews will take place. This will be done by circulating the draft questionnaire to the officials who possess the required skills and experience in the departments of finance and administration. This exercise will be used as a pilot study to verify and confirm whether the questions contained in the questionnaire are relevant and suitable for use in the research study.

To ensure the validity of the data collection instruments, a pilot study will be undertaken with staff at the Ditsobotla Local Municipality. Ten municipal officials at the Ditsobotla Local Municipality will participate in the pilot study.

Reliability is concerned with the findings of the research study and relates to the credibility of the findings. According to Babbie (1995), reliability is a condition in which the same results will be achieved whenever the same technique is repeated to undertake the same

study. Van der Riet and Durrheim (2009:93) argue that research in the social sciences is not investigating a stable and static reality. For this reason, the researcher would be unable to predict after each interview that the results would repeatedly be the same. In interpretive research, it is anticipated that the actions and views of individuals, groups and institutions will vary in changing contexts (Van der Riet and Durrheim, 2009:93). The researcher will also rely on dependability as a criterion in the place of reliability. Dependability is similar to but not the same as reliability. Dependability demands that the researcher thoroughly describes and precisely follows a clear and thoughtful research strategy (Bless, 2013:80). Thus, when a researcher describes exactly how data was collected, recorded, coded and analyzed, and can present good examples to illustrate this process, trust is established that the results are in fact dependable. Therefore, in Chapter 5, a rich, detailed and thorough account will be provided of how certain behaviours, beliefs and attitudes are rooted in the selected municipalities in the North West Province.

1.6 ETHICAL CONSIDERATIONS

As cited by Saunders *et al.* (2000:135), the data collection stage is associated with a range of ethical issues. Some of these are general issues that will apply to whatever method is used to collect data. MacMillan and Schumacher (2001:196) describe ethics as the study of human conduct when measured against accepted value judgments and the nature of need, duty or obligation to which persons ought to conform. Ethics are generally considered to deal with beliefs of what is right or wrong, proper or improper and good or bad. In this case, a discussion will be held with all participants before the data collection process commences. Since the data acquired for research purposes from different sources is of utmost importance, humans should be respected and the information gathered should be treated with equal dignity. Aspects to be considered in this research project are: objectivity, careful planning of the project during the design stage, proper referencing of quoted sources, avoiding low-priority probing of sensitive issues and not revealing any confidential information regarding participative cases.

A researcher should, therefore, at all times and under all circumstances, be ethical when data is collected from respondents and report the truth and should never present the truth in a biased manner (Brynard and Hanekom, 2013:6).

The respondents will be assured that anonymity and confidentiality will be maintained throughout the interview. An environment of trust that will enable the researcher to listen and ask probing questions to unearth relevant information will be created.

1.7 LIMITATIONS OF THE STUDY

The potential limitations of this research study are generally limited to the possible lack of availability of all the identified political office-bearers and municipal officials for interviews and their willingness to complete the questionnaires. Furthermore, the participants may lose the questionnaires or may not complete them and this may result in a low return rate. Documents which are considered critical to this study may also not be made available. Permission of the particular ruling political party in the selected municipalities to support the research project will also be negotiated at the highest authority level.

1.8 LAYOUT OF CHAPTERS

A thematic approach will be followed throughout the research study and the chapters will be structured as follows:

Chapter 1: General background to the study

Chapter 1 serves as an introductory chapter and orientation to the research theme and explains the problem statement, goal and objectives, methodology, limitations of the study and the demarcation of the study.

Chapter 2: Literature review: Conceptualization of municipal financial management and accountability in South Africa

This chapter deals with the review of literature on municipal financial management and accountability for good governance in South Africa. Certain key concepts, for example, accountability, transparency, public accountability, ethics and good governance are declared. The meaning of financial accountability for municipalities in the North West Province is then analyzed.

Chapter 3: Legislative and policy framework for effective municipal financial management and accountability in South Africa

Chapter 3 focuses on the legislative and policy framework for effective municipal financial management in South Africa. The provisions of the *MFMA* create a platform for further enforcement of the principles of good governance by paving the way for effective and efficient municipal financial management, as well as the strengthening of accountability at local government sphere. Acts such as the *MFMA*, the *Municipal Structures Act*, the *Municipal Systems Act* and other relevant legislation and policies will therefore be critically analyzed to determine whether municipalities in the North West Province comply with the principles of good governance.

Chapter 4: Operational guidelines for promoting effective organizational control and financial accountability: The role of the Municipal Public Accounts Committees in the North West Province

Chapter 4 focuses on operational guidelines (structures and systems) that have to be implemented by municipalities to achieve effective internal organizational control. These structures and systems of organizational controls could be viewed as preventative instruments of accountability because they are used to prevent undesirable contingencies from taking place. A critical evaluation of the role of the MPACs as a mechanism for promoting effective municipal financial accountability will follow.

Chapter 5: Realities and challenges facing the MPACs in promoting effective municipal financial accountability in the North West Province

In Chapter 5, various realities and challenges that impact on the maintenance of effective financial management and accountability at municipalities in the North West Province will be addressed. A number of challenges, such as a lack of expertise and comprehensive financial corruption are addressed in this chapter. An overview and analysis of the current situation of municipalities in the North West Province in terms of the effective operation of MPACs are included.

Chapter 6: Empirical research: Methodology and findings

Chapter 6 presents the methodology applied in the study. It discusses the research approach, data collection methods and methods for data analysis. This chapter is also dedicated to the presentation and discussion of the empirical findings.

Chapter 7: Conclusions and recommendations

Chapter 7 presents the conclusions and recommendations, as well as operational guidelines on how MPACs could be used as essential tools to maintain financial accountability and control at the local government sphere and thereby improve the oversight role of the municipal council at municipalities in the North West Province.

1.9 SUMMARY

This chapter provides a general introduction and orientation to the study, including the rationale thereof. The formulation of the research problem and research objectives is presented and aligned with the research strategy.

CHAPTER TWO

LITERATURE REVIEW: CONCEPTUALIZATION OF MUNICIPAL FINANCIAL MANAGEMENT AND ACCOUNTABILITY IN SOUTH AFRICA

2.1 INTRODUCTION

The public sector in South Africa is governed by a vast number of regulations and policies in which institutions have to monitor their adherence to legal and ethical standards voluntarily. Such regulations and policies have to be balanced against the statutory requirement of how institutions should perform their functions (Kana, 2010:2). Section 40(1) of the *Constitution, 1996* acknowledges the local sphere of government as a distinctive, interdependent and interrelated partner in the system of government. In terms of section 151(1) of the *Constitution, 1996*, the local sphere of government is made up of municipalities that have been established throughout the country and such municipalities have the authority to govern their own initiatives.

As indicated by Nkosi (2006) in Vyas-Doorgapersad and Ababio (2010:416), the subject of ethics in South African local government has always evoked a great degree of interest in the relatively new democracy. The local sphere of government is particularly affected because it is closer to local communities, compared to its provincial and national counterparts. It is also not uncommon for members of the public to view councillors and employees of the municipality with suspicion and distrust, which is often attributable to the experience of improper conduct on the part of a certain individual. It is for this reason that transparency and accountability tend to form the cornerstone of any legislation that deals with matters affecting the local spheres of government.

Accountability also applies to the fiscal decisions of government, as those in authority are required to justify their expenditures and explain revenue rise in financial expenditure (Visser and Erasmus, 2002: 261-262). Fox and Meyer (1995:1-2) view accountability from three different points. **Firstly**, it is the responsibility of government towards the public to

achieve the previously set objectives and to account for them in public. **Secondly**, it is the commitment required from the public officials individually and collectively to accept public responsibility for their action or inaction. **Thirdly**, it is the understood obligation of officials in public institutions to keep their seniors informed about the execution of their responsibilities.

This chapter provides a theoretical foundation of municipal financial management and accountability in South Africa. Certain key concepts, for example, accountability, transparency, public accountability, ethics and good governance are explained/described. The meaning of financial accountability for municipalities in the North West Province is then analyzed.

2.2 CONCEPTUALIZATION OF MUNICIPAL FINANCIAL MANAGEMENT AND ACCOUNTABILITY IN SOUTH AFRICA

2.2.1 Financial management and accountability

Since 1994, the cornerstone of local government reform initiatives has been the legislation introduced to define, enable, enforce and monitor sound and sustainable financial and performance management. Legislation such as the *MFMA* and the *Municipal Systems Act* introduced transparency, accountability, stewardship and good governance, which in turn safeguard the citizens against the abuse of public money and lack of service delivery. The legislation and the principles embedded therein are also geared towards achieving the defined national outcome of a responsive, accountable, effective and efficient local government (Report of the AGSA, 2010/11).

Sections 92 and 133 of the *Constitution, 1996* embed accountability as a cornerstone of the democratic system. Scott (2000:40) defines financial accountability as a duty or liability of government officials to give account on financial matters. It is their responsibility to reveal or provide an explanation and justify how they discharge their responsibilities which are finance related. In support of the above definition, Rabrenovic (2009:30) refers to financial accountability as the answerability or justification for one's action and

behaviour. According to Redlynch (2001:15), financial accountability is about responsible stewardship for the use of public funds.

Brinkerhoff (2001:10) maintains that financial accountability is concerned with the allocation, utilization, tracking and reporting of financial resources. This is done by using auditing, budgeting and accounting tools. This type of financial accountability is used to ensure that government officials comply with laws, rules and regulations promoting financial management and control. Asselin (1995:3) proposes that a proper government accounting system of financial accountability should be used to enhance effective budgetary control and financial management. An external audit system which reinforces the need to reduce unnecessary expenditure and corruption must be in place so that follow-up action can be taken to remedy the problems that have been identified (Asselin, 1995:3).

Effective financial management cannot be achieved when employees perform their duties in an unethical and unprofessional manner. Ethical conduct by governmental officials in public institutions is to ensure that the use of public money is directed at service delivery and that citizens place their trust in officials to address their needs. The lack of professionalism and unethical conduct by employees in public institutions lead to fraud and corruption (Visser and Erasmus, 2002:30). Even though the *MFMA* challenges such corruption, fraud, underspending, overspending, procurement irregularities that are implicating the municipal council, the executive and the structures in the administration, a lack of commitment on the part of council to remedy the situation has been observed (Cooperative Governance and Traditional Affairs, 2009:10).

The National Treasury (2008:157) maintains that sound financial management practices are essential for the long-term sustainability of municipalities. They underpin the process of democratic accountability. Weak or unclear financial management ends up in the misdirection and under-utilization of resources and increases the risk of corruption. Municipal financial management has three interrelated components:

- Planning and budgeting;

- Revenue and expenditure management; and
- Reporting and oversight.

Each component contributes to ensuring that expenditure is developmental, effective and efficient and that municipalities are held accountable. The reforms introduced by the *MFMA* are the cornerstone of the broader reform package for local government as outlined in the *White Paper on Local Government (1998)*. The *MFMA*, together with the *Municipal Structures Act* and the *Municipal Systems Act*, sets out the procedures and processes for municipal operations, planning, governance and accountability.

2.2.2 Local government budget and expenditure

Premchad (1983:36-37) in Visser and Erasmus (2002:242) defines a budget as an instrument for financial accountability because government and its agencies are responsible for the proper management of funds and programmes for which they are appropriated. It is also a tool of management, because as an operation management document, it specifies either directly or implicitly the cost time and nature of expected results. Visser and Erasmus (2002:80-81) refer to a budget as a document that identifies and states particular objectives associated with expenditures that are linked to each objective. In the public sector, it serves specific purposes and can therefore be characterized according to the following particular elements:

- **Source of information.** Budgets contain information concerning policy objectives and monetary or financial implications that are associated with objectives and imply taxation measures, linked to the financial implications. The budget, however, does not detail departmental function information down to the level of an activity. Although it is compiled from the activity up to the programme level in order to determine the services and/or functions and the costs related to the provision of such services/function, only the primary information is contained in the main budget.
- **Financial information.** A budget reflects financial implications regarding the political objectives of an institution. As a working document, the budget contains votes that

identify various programmes that departments and other institutions have to undertake. The extent to which this is possible depends on who is using the budget and for what purpose. As a working document, it contains too little detailed information for exact financial control and management purposes, particularly as all transactions have to be recorded and funds or expenditure monitored on the basis of this information.

- **Control instrument.** The budget operates as a control instrument in that it provides the framework against which performance and financial management results are determined. Budgets also serve as a framework of reference to both the legislature and other institutions such as the Auditor-General (Visser and Erasmus 2002:08). Gildenhuys (1993:410-412) refers to the control process as a function to determine whether the execution of tasks, projects and programmes has been done in accordance with certain programme schedules and in terms of prescribed standards and specifications. Budget control consists of measuring the results against predetermined objectives and aims, the evaluation of the results for efficiency and effectiveness and accountability for results to a higher authority. The Association for Accounting Technicians (1992:280) maintains that budgetary control relates expenditure to the person who incurs the expenditure to ensure that actual expenses can be compared with budgeted expenses, thus affording a convenient method of control.
- **Financial and non-financial information.** The financial and non-financial information in local government budget includes among others the specification of information required for national policy coordination and reporting. The Municipal Budget and Reporting Regulations (2009) provide for the formalization of norms and standards in order to improve the credibility, sustainability, transparency, accuracy and reliability of municipal budgets. As prescribed in section 75 of the *MFMA* and section 21A of the *Systems Act*, budget formats provide the framework for the identification of the categories of municipal financial and non-financial information required in developing municipal budgets. A key objective of the Budget and Reporting Regulations is to

enable the alignment of budget information with the information captured in the course of the implementation of the budget. Additional key objectives include:

- (a) Improving the quality and credibility of data;
- (b) Improving transparency, accountability and governance through accurate recording of financial transactions; and
- (c) Ensuring local government accountability on matters relating to the budget and in-year reporting, annual reports and annual financial statements.

Section 17(3) of the *MFMA* provides a range of documents that must be part of the budget. These documents should be included along with other key information. Critical to the development of a credible budget are:

- The manner in which the strategic planning process is integrated;
- The input of policy directions and
- Consultation with the community and other stakeholders.

In terms of section 75 of the *MFMA*, all municipalities are required to publish their tabled draft budgets, the adopted budgets, the annual reports that contain the audited financial statements and other relevant information on the website of the municipality.

Visser and Erasmus (2002:241-242) raise an important point that the public sector as a whole should be held accountable for the use of public funds. Various control measures and structures must therefore be implemented to ensure such financial accountability. The budget is one of these mechanisms, although there are many different measures that can be linked to the budget. The budget is particularly useful as a result of the fact that it serves as the basis on which a certain amount of financial accountability can be enforced. This is because the budget contains information on all expenditure in financial terms and must therefore be controlled, a measure for which government is held accountable.

Visser and Erasmus (2002:101) point out that the peculiarity of the link between programme and expenditure management is not coincidental. Programmes are executed

by programme managers on an operational level and when money has to be spent to achieve institutional objectives, expenditure management becomes involved. Visser and Erasmus (2002:101) refer to expenditure as the flow of money, whether controlling the execution of the programme itself, or its elements(s) such as organizing personnel management and control. Expenditure management further relates to both programme management and the achievement of the overall institutional objectives. It involves the full spectrum of accounting, expenditure control, cash-flow management and procurement functions. All these elements are also part of the public sector financial management progress.

2.2.2.1 Expenditure for programme

According to Pauw, Van der Linden, Fourie and Visser (2002:67), a strategic plan of an institution provides a number of strategic objectives and expected outcomes. These objectives are reflected as programmes on the budget. The responsibility of the accounting officer is to assign programme managers to manage these programmes. These programmes are the main divisions of a vote. The financial responsibilities of a programme manager include:

- Evaluating and consolidating the various budget inputs from responsible managers;
- Making recommendations on these inputs;
- Ensuring prompt submission to the higher authorities; and
- Controlling expenditure at programme level.

In addition to these responsibilities, a programme manager fulfils an important role in the medium-term planning for the programme and the preparation of a three-year budget framework. A programme manager does this by assigning available resources so that a correct or best balance between the various activities is achieved, with all the conceptual and practical difficulties involved.

Pauw *et al.* (2002:67) further indicate that some accounting officers appoint programme coordinators in addition to programme managers in order to oversee more than one programme. The responsibilities of the programme coordinators are to supervise the programme managers and assist the accounting officer in ensuring that institutional policies and objectives are correctly prioritized among programmes within the budgetary process and allocations. Programme coordinators must also ensure that outputs are met and corrective measures are taken during the year to achieve performance that authorized amounts per programme are not exceeded.

The use of programmes within the public sector is largely carried out through a programme budget approach. This approach is designed with a specific purpose, especially when considering the way in which budget compilation is being done on activity levels. The processes and procedures of financial planning and budgeting, as well as those procedures and processes linked to the financial management system, are presently aligned to a programme structure (Visser and Erasmus, 2002:1116).

In terms of section 39 of the *Public Finance Management Act, 1999* (Act 1 as amended by Act 29 of 1999), the responsibilities of an accounting officer in relation to programmes are:

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

In order to ensure that these responsibilities are fulfilled, the accounting officer must report the following matters to the executive authority and the relevant treasury:

- Any impending shortfalls in the budgeted revenue;
- Any impending overspending of the department's vote or a main division within the vote; and

- Compliance with any remedial measures which may be imposed by the relevant treasury in terms of the *PFMA* to prevent overspending of the vote or main division within the vote.

Coombs and Jenkins (1997:78) argue that although government expenditure can be controlled directly through the budget, government is not only necessarily concerned with the application of funds. Henlye, Perrin, Evans, Lapsley and Whiteoak (1992:87) indicate that with regard to government control of expenditure and financial control, there are two important aspects. **Firstly**, it is accountability for financial expenditure that has already been made and **secondly**, the control over expenditure that still has to be made.

As cited by Visser and Erasmus (2002:242), financial accountability is based on the necessity of reporting on expenditure and control over expenditure taking place while funds are being spent. This therefore implies a direct link between control measure and financial accountability. Government is held accountable by the public and therefore Visser and Erasmus (2002:242) propose that mechanisms and procedures must be put in place for effective control over financial expenditure. This emphasizes the use of the budget for this purpose, since the budget must be approved and then implemented.

At the beginning of each financial year, legislatures start to engage with the executive authority on the strategic plans and budgets regarding the prioritization and affordability (Wehner, 2003:3). To ensure that service delivery is efficient and effective, government departments and institutions are required to formulate strategic plans for the allocation of resources that are based on projected costs for the implementation of such plans. The legislatures then go through the expenditure plans that are submitted by the executive for approval. Once the legislature is satisfied with the proposed expenditure plans for funds, it will approve them by means of the relevant legislation (National Treasury Circular No.7, 2004:3).

The Institute of Governance (2006:2) argues that there is as much reason at local government level as at other levels of government to have mechanisms that must ensure that the execution of the strategic plans is consistent with the approved budget. Given the

frustrations expressed by the local communities with regard to the provision of services in South Africa (De Wet, 2012:7), there is a need to ensure that robust accountability arrangements and values exist at local government (Institute of Governance, 2006:2). The Audit Commission (2002:3) maintains that town councils have an obligation to satisfactorily discharge their responsibilities to ensure the effective financial stewardship of the public money and assets entrusted to them.

Pauw *et al.* (2002:43) maintain that in the South African context, the implementation of budgets and strategic plans is the responsibility of the accounting officers. At the end of each accounting period, the accounting officer is obliged to provide proper disclosure in the annual report on the manner in which the funds have been spent. The AGSA, as an independent attesting institution, examines the public accounts and other information that is contained and disclosed in the report to provide the legislatures with an independent view (Pauw *et al.*, 2002:44).

The *White Paper on Local Government* (1998:112) provides that municipalities should be held responsible and accountable to local taxpayers for the use of public funds. Elected public representatives should be required to justify their expenditure decisions and explain how and why the revenue that is necessary to sustain that expenditure is raised. The fiscal system should be designed to encourage accountability. Municipal budgeting and financial affairs should be open to public scrutiny and communities should have a greater voice in ratifying decisions about how revenue is raised and spent. Accounting and financial reporting procedures should be used to minimize opportunities for corruption and malpractice in municipalities (Conradie, 2007:17).

Rabrenovic (2009:40) refers to public funds as money that has been collected by government in the form of tax from individuals and business. Concerning the stewardship of public funds and the value for money, Rabrenovic (2009:41) argues that it is the expectation and requirement that such funds be spent in accordance with existing rules and regulations. Furthermore, government institutions are obliged to spend public funds effectively through budgetary control, in order to enhance accountability.

2.2.3 Public accountability

The basic values and principles that are enshrined in section 195 of the *Constitution, 1996* require that public administration must be accountable. This principle is reinforced in the *Municipal Systems Act* as it relates to local government in South Africa. It also requires that the council of a municipality has the duty to provide without any favour or prejudice, a democratic and accountable government. Section 50 of the same Act enjoins local public administration to the basic values and principles embodied in section 195 of the *Constitution, 1996*.

In support of the above, Krishnan (2008:2) maintains that municipal councils in South Africa can be viewed as the engine rooms of democracy and the last link in the accountability chain. This has been reinforced through the passing of section 41 of the *Constitution, 1996* that is aimed at making sure that public accountability at local government is taking place. The *Structures Act*, the *System Act* and the *MFMA* were enacted to create an enabling environment for good governance and public accountability.

As cited by Johnston (2003:3), accountability is a matter of institutional design and therefore formal checks and balances should be built into the constitutional architecture. Furthermore, accountability requires political commitment. Interest groups such as civil society and opposition parties must insist that those who govern should follow legitimate mandates and also explain their actions.

Schedler, Diamond and Plattner (1999:4) argue that within all the spheres of government, horizontal accountability depends upon the ability of one section of government to find out, and where necessary to stop or correct, what other sectors are doing. Schedler *et al.* (1999:5) propose that those who are demanding that accountability should be exercised must be confident that they can do so safely, that government officials provide honest responses and that the social needs and the demands for effective government are taken seriously.

According to Richards (2010:18), the Centre of Policy Studies recently completed a study on the role of ward councillors in South Africa. The study investigated a number of important themes in order to understand the current function of municipal councillors, including their relations with residents. The study on municipalities in the North West Province highlighted the consequences of poor councillor-citizen relationships, incompetence, lack of basic literacy, weak capacity and lack of necessary technical and other vital skills to undertake effective oversight work of the municipal administrators. Richards (2010:18) further says the study shows that the dual role of councillors serving both as members of the municipal executive (the mayoral committee) and as office-bearers in the council chamber (chairperson of committees) tend to aggravate the problem of political interference in the function of effective oversight.

Section 32 of the *MFMA* requires accounting officers to take reasonable steps to ensure that unauthorized, irregular as well as fruitless and wasteful expenditure is prevented. Although it is expected that no such expenditure should be incurred, the AGSA (2010/11:50) argues that it is not always possible for an accounting officer to prevent its occurrence, even if all reasonable steps have been taken. In those exceptional circumstances where it does occur, section 122 of the *MFMA* makes it compulsory for auditees to disclose such expenditure in their financial statements.

According to Rabrevonic (2009:50), the interlink between the legislative and executive brings about external political and public accountability, as well as internal managerial and administrative accountability. This relationship can create a useful trust and bring about consensus among all stakeholders. The distinction between political and administrative accountability is that in a democracy, political accountability is exercised by the legislature on behalf of the people. On the other side, administrative accountability is about government departments using various control mechanisms to ensure effective and proper use of public funds. Therefore, the relationship between the government and the legislature is critical in ensuring and safeguarding public money. Thus, the appropriate mechanism that has to be used in ensuring that legislatures are not marginalized on activities such as financial scrutiny, is to make political accountability

become a culture and not perceived as an unnecessary interference by the executive (Rabrenovic, 2009:51).

Mle and Maclean (2011:1376) maintain that political will as well as ethical leadership on the part of senior public officials is critical to effectively promote ethics and values in the public service system. The politics-administration interface is also an area of concern. The line separating the role of politicians and that of administrators in an institution is thin and thus easy to cross and ultimately there will be tensions. Thornhill and Hanekom (1995:53) hold the view that politics and administration are like two sides of a coin and to separate them is impossible. The role of politicians is to provide political guidance and formulate policies while administrators are there to advise politicians and implement such policies.

According to Ntiliziywana (2010:5), councillors are the interface between the municipality and the residents. As such, they are a critical link in respect of how citizens perceive the efficiency of local government in meeting their basic needs. That role requires councillors to be able to read and understand complicated council documents such as the budget, the IDP, policies and be able to communicate council decisions to communities. Regarding the oversight role of councillors, Ntiliziywana (2010:5) says that in May 2010, 24 municipalities were under administration across the country. The majority of these interventions were occasioned by poor governance, dysfunctional councils and financial problems.

Ntiliziywana (2010:5) states that poor governance by the councils includes the inability to perform their duties as required by legislation and the non-performance of top management. Financial problems in councils relate to fraud, the misuse of municipal funds and the lack of proper financial systems. According to Ntiliziywana (2010:5), when it comes to councillors' role in policy formulation, many municipalities rely on the assistance of private consultants. This gullibility is due to a lack of capacity to engage meaningfully with complicated legal and policy documents. Ntiliziywana (2010:5) points out that the same consultants are often called upon to disentangle these policies when

their implementation is problematic. Consultants are therefore being paid to do the jobs that councillors are elected to do, thus wasting resources that could be used to provide services.

MFMA Circular No.74 (2014:11) provides that the National Treasury (office of the chief procurement officer) has also observed that many municipalities make use of consultants and other service providers during the course of their daily operations. Based on the fact that no standardized tariffs and rates are currently regulated with regard to professional service providers and consultants, the National Treasury shares the same sentiments that many municipalities are charged exorbitant fees for such services.

The response received from the municipalities by the National Treasury on the Value Added Tax (VAT) reconciliation questionnaire, *MFMA* Circular No.74 (2014:11) indicates that most of the municipalities use consultants to review and submit these returns to the South African Revenue Services (SARS). The National Treasury advises municipalities to refrain from using consultants and other service providers in completing or reviewing their VAT returns. The National Treasury maintains that it is the responsibility of the chief financial officer to review the VAT returns (*MFMA* Circular No.74, 2014:11).

Botha (2001:18) believes that councillors as elected public representatives cannot escape the responsibility of being accountable for the functions and actions of their municipalities. Due to the unique nature of municipalities and the normative standards that apply to public institutions, councillors are often dependent on officials for guidance, especially as far as municipal financial matters are concerned. Although it is not the responsibility of councillors to exercise control over the day-to-day tasks of the officials, Botha (2001:18) proposes that councillors should be sufficiently informed to give account to the communities they represent. This situation necessitates mutual trust between councillors and officials and also specialized expertise on the part of the officials. Botha (2001:18) argues that officials who are not happy with this type of relationship often view it as political interference.

In the Consolidated Auditor General Report on the Audit Outcomes of Local Government 2010/11, the AGSA raises a concern that not all political leaders take matters of accountability seriously and accept their responsibilities. The report states that there are also limited consequences for the failure of accounting officers and municipal officials to comply with laws governing municipalities, even though there are clear remedies in the legislation on how to deal with such transgressions.

Schwella, Burger, Fox and Muller (1996:166-167) regard public accountability as an instrument through which political representatives and public officials can expand their control over public funds. The ultimate value of public accountability is therefore that elected political representatives and public officials are required to conduct dialogue on what they are supposed to do. Secret activities of elected public representatives and public officials on financial management conceal maladministration, mismanagement or corruption. Schwella *et al.* (1996:167) also emphasize the need for public accountability from both political representatives and public officials, especially in public financial management.

According to Loney (2008:1), accountability is increasingly being regarded as the best mechanism for ensuring that the executive government operates in the best interests of its citizens. However, Govender (2008:35) argues that oversight is not an end in itself. For oversight to have significance, it has to be guided by the nation's interests and all of its citizens. In exercising their oversight mandate, Govender (2008:35) maintains that the overseers, who are members of the legislatures, as well as the executive, must clearly understand their role and authority. The overseers must further be willing to assert this authority to improve the quality of governance.

As cited by Gildenhuis (1993:59), the ethical base of public accountability is the accord created between the government, authority and the government's accountability to the public. Activities of officials in the public sector should not only receive negative criticism. The true function of public accountability should not only be to focus on negative aspects, but also to view it as a curative instrument through which shortcomings may be identified

in advance. This approach of curative action may be used to prevent maladministration, mismanagement of public funds and corruption. Effective, efficient and responsive financial management should be made public in a positive manner. Gildenhuys (1993:59) further says that the fundamental premise of accountability is that public institutions that are financed from public funds are held responsible and have to account in public for the honest, effective, efficient and responsive expenditure of public funds. Therefore, public accountability in relation to public funds cannot be aimed solely at the internally audited correctness of public financial records.

As mentioned by Carrim (2009:4), South African citizens expect clean, effective and accountable government in every municipality. Carrim (2009:4) argues that municipalities in South Africa cannot function effectively without skilled, capable and ethical municipal officials who must serve the public to the best of their abilities, because that is what communities expect from elected local leaders, managers and employees in public institutions. Carrim (2009:4) further indicates that the report on the state of municipalities in South Africa shows that there are serious weaknesses regarding the system of public accountability. The report states that in some of the municipalities, accountability and the rule of law are close to collapse. This is caused by a lack of legislative compliance and unethical behaviour by elected public representatives and government officials.

In relation to the above, Krishnan (2008:8) views public accountability as a multi-dimensional issue that requires the interrelationship between the various leaderships, managements and the systematic aspects to promote effective governance and ultimately, public accountability. Krishnan (2008:8) argues that a public accountability regime would therefore embody the following key priority areas in the establishment of a broader approach to public accountability:

- (i) Values or principles;
- (ii) Processes;
- (iii) Institutional arrangements;

- (v) Systems;
- (vi) Reporting instruments; and
- (vii) Commitment and the will to ensure accountability.

Krishnan (2008:8) maintains that the above factors serve as the basis on which the level of public accountability in a municipality is evaluated to ensure a comprehensive and cohesive approach towards achieving the goals of public accountability. In order to address these aspects, it would have to be ensured that the municipality is able to move from a conceptual framework of public accountability to a practical and implementable solution.

Ahmed (2009:8) reveals that in most cases the existing internal mechanisms used to facilitate financial accountability are defective because of a complete breakdown of internal control mechanisms. This is reflected in many incidents of irregularities and maladministration in the public sector expenditure. Ahmed (2000:9) further states that the weakness of internal financial accountability mechanisms is caused by accounting officers who have failed to take ownership of the responsibility that has been assigned to them by law. To remedy the challenges of weak internal mechanisms of financial accountability, Rabrevonic (2009:65) proposes the use of a strong interlink between the internal and external financial mechanisms, such as those that are used by the legislatures and the office of the AGSA.

According to Ghutto (2007:7), the functions of accountability include the following:

- (i) To enhance the integrity of public governance in order to safeguard government against corruption, nepotism, abuse of power and other forms of inappropriate behaviour;
- (ii) As an institutional arrangement to effect democratic control;
- (iii) To improve performance that will foster institutional learning and service delivery;

(iv) With regard to transparency, responsiveness and answerability, accountability will assure public confidence in government and bridge the gap between those who are governed and the government;

(v) To enable the public to judge the performance of the government by making sure that the government is accountable to the public.

2.2.4 Ethics and accountability

Ethics and accountability are two of enduring values. The main purposes of these values are to promote acceptable, effective and responsible behaviour by both political office-bearers and public officials. Ethics is that branch of philosophy that deals with values relating to human conduct with respect to the rightness or wrongness of specific actions and to the goodness or badness of the motives and ends of such actions. Thus, concern with ethics in the public sector focusses on what is considered to be right and proper behaviour of political office-bearers and public officials. Public functionaries are expected to act in an acceptable, effective, efficient, accountable, proper, fair and equitable manner in the execution of their official duties (Mafunisa, 2000:79-80). Cranston, Ehrich and Kimber (2003:1) point out that there is the inference that functionaries may often be faced with choices that require them to make decisions that have no clear-cut resolution and that are likely to be highly problematic. Such functionaries are likely to find themselves confronted with ethical dilemmas. An ethical dilemma arises from a situation that necessitates a choice among competing sets of principles, values, beliefs and perspectives (Cranston *et al.*, 2003:1).

According to Jennings in Sindane (2009:500), ethics are normative, comprising the exercise of a capacity to discriminate among available courses of action on the basis of interpretation of shared values embedded in an ongoing practice and in a broader form of communal life. Craythorne (2003:260) maintains that ethics denote a set of moral principles, while the word ethical relates to morals or being morally correct. Ethics relate more directly to a principle underlying conduct. Murray (1997:43) maintains that ethics relate to the primary values of truthfulness, good as faithfully respecting the dignity of

human life, doing no harm, doing good and ensuring justice. Starling (1998:168) in Cheminais, Bayat, Van der Waldt and Fox (1996:66) is of the view that ethics have to do with values and standards which guide the behaviour and actions of personnel in public institutions. Ethics are intertwined with professionalism which implies a high standard of work and the observance of certain standards or principles applicable to a particular profession.

A similar observation by Coicand and Warner in Walters (2009:1) is that ethics are concerned with what is essentially human in nature. By thinking and acting in an ethical manner, an individual makes himself or herself a witness to what positively distinguishes humans who display the quest for dignity. Freakily and Burg in Cranston *et al.* (2003:1) observe ethics as what we ought to do. These perspectives imply that an ethical judgment may often need to be made about a given problem or situation.

According to Un-Habitat (2004) in Vyas-Doorgapersad and Ababio (2010:416), the code of ethics is a requisite for local governance in South Africa. The purpose of the Municipal Code of Conduct is:

- To ensure transparency and ethical conduct by the elected public representatives and government employees;
- To restore and foster public trust and citizens' confidence in the administration of government; and
- To demonstrate a formal and codified commitment to ethical behaviour by the elected public representatives and government employees.

On 10 June 1997, the Public Service Commission issued a Code of Conduct as a government notice for public servants. The notice is found in the Gazette Regulation 5947, No. R825. The Code of Conduct provides guidelines to both public officials and employers regarding what type of ethical behaviour is expected from them. The code also indicates the manner in which public officials should perform their duties; the action to be taken to avoid conflict of interest and the terms of public officials' personal conduct and private interest (Cameron & Stone, 1995:80).

2.2.5 The nature and scope of accountability

Kernaghan and Landford (1990:160) define accountability as the obligation to answer for the fulfilment of assigned and accepted duties within the framework of the authority and resources provided. Accountability involves the following elements:

- A responsibility conferred;
- An obligation to report back on the discharge of that responsibility;
- Optional monitoring to ensure accountability; and
- Possible sanction for non-performance.

Dye and Staphenurst (1997:12) refer to accountability as a process that subjects a form of control over government departments and agencies, making them to give a general account for their actions. Etzioni (2001:31) points out three interpretations that are associated with the concept of accountability and they are:

- (a) Greater responsibility to the elected public representatives;
- (b) Greater responsiveness to the community and the community organizations and
- (c) Greater commitment to the values and higher standards of morality.

As cited by Wolf (2000:35), there are five dimensions to the concept of accountability and these dimensions are:

(i) Legal dimension

This dimension focuses on the rule of law. It emphasizes that all political office-bearers and public officials must perform their duties in accordance with the rules and regulations governing their work environment. In the case of failure to do their work as expected, the law should take its course.

(ii) Fiscal dimension

This dimension focuses on the use of public funds by political office-bearers and public officials. The fiscal dimension requires public officials to ensure that public funds are spent for the purpose they are intended for.

(iii) Policy and performance dimension

The dimension on policy and performance focusses on how public officials and political office-bearers implement the organization's policies. It also checks the level at which public officials perform their duties and encourages them to perform their functions to the best of their ability.

(iv) Ethical dimension

The ethical dimension requires political office-bearers and public officials to behave and conduct themselves in accordance with the organization's Code of Conduct or general moral standards. Political office-bearers and public officials must also behave ethically when executing their duties.

Wolf (2000:35) maintains that the above-mentioned dimensions of the concept of accountability must normally prevail at the same time in all public institutions. The extent to which all these accountability requirements guide the behaviour and conduct of political office-bearers and public officials depends on the degree to which transparency and efficiency in the public sector institutions are practised. Therefore, the public should never underestimate these requirements of accountability as an essential framework for the actions of public officials in preventing the abuse of power and, in some cases, limiting the room for flexible and efficient management.

As observed by Glynn and Murphy (1996:125-136), accountability consists of processes by means of which a group of people or individuals can be held accountable for their actions or conduct. Oliver (1991-170) maintains that there are two interrelated forms of accountability that take place in the budgetary activities of

public institutions. The **first** form of accountability is in relation to financial management. This form of accountability is concerned with the exactness and regularity of how resources are managed. The **second** form of accountability refers to the accountability of managers for the achievement of the organization's objectives through the correct use of the resources. It implies processes through which arrangements such as the provision of funds, their use and the feedback mechanisms are made between managers and other stakeholders in the organization (Sinclair, 1995: 299-237).

A similar observation by Robert and Scapens (1985) in Shaoul, Stafford and Stapeleton, (2011:215) is that the definition and nature of accountability has changed over time. Accountability simply means a relationship whereby people are required by others to explain and take responsibilities for their actions, giving and demanding reasons for their conduct. It has become multi-faceted, such as involving account giving, holding to account but also sitting in judgment and applying sanctions and being responsive to citizens (Mulgan, 2000: 555-570).

Bovens (2005) in Shaoul *et al.* (2011:215) identifies three elements or stages of giving account in a public sector context. **Firstly**, an individual who gives account has an obligation to provide the information of various dates about performance, outcomes or procedures. **Secondly**, an individual who receives account is prompted by this information to question the account giver and **thirdly**, the account receiver must be able to pass judgment and impose sanctions, whether formal or informal. Mulgan (2000:555:573) notes three features of accountability:

- It is external to the account giver;
- It involves social interaction and exchange; and
- It implies rights of authority.

Bovens 2005 in Shaoul *et al.* (2011:216) cites four elements of accountability:

- It is public not internal;

- It involves explanation and justification not propaganda;
- It is specifically directed at a target audience not a random explanation and
- It involves an obligation on actors to come forward and be accountable.

These include the interconnected accountability systems of communal, contractual managerial and parliamentary accountabilities (Demirag, Dubnick and Khadaroo, 2004:63-76). Dubrick and Sarbanas – Oxley (2007: 140-172) explore four types or orders of accountability:

a) Performativity accountability

This type of accountability involves explicit and direct acts of account giving, such as the annual accounts that are responses to a direct, possibly implied, solicitation from real or potential account receivers. The assumption about this type of accountability is that such explicit acts provide the necessary information to hold to account, but the nature and value of information is questionable in practice. Kamuf (2007: 251-266) argues that although accountability might include accounting for something through narrative, this is unlikely in practice, because of the inertia of habitual use, and because numeric evaluation has assumed a prevailing place in public discourse.

b) Regulatory accountability

This type of accountability involves the account giver in following rules and operating standards that are intended to control behaviour. Control may also be achieved by the threat of performative account giving. In this context, when called to account, the account giver who has acted within the architecture of the regulated environment would refer to the operating rules to justify behaviour.

c) Managerial accountability

Managerial accountability focuses on motivating and not restraining behaviour. Behaviour is improved by the act of measurement and its focus is to design architecture that motivates the account giver.

d) Embedded accountability

Embedded accountability operates through the norms and values of the account giver and internalizes the moral responsibility that is often associated with professional standards.

Dubnick and Frederickson (2010: 143-159) maintain that accountability has changed from procedural accountability for finances and fairness to performance accountability. However, Boven (2005) in Shaoul *et al.* (2011:216) argues that whatever its nature, the first and foremost function of public accountability is democratic control, so that citizens can judge the performance of government and sanction its political representatives. This account giving should be transparent to the public and be accessible to all the citizens. Mulgan (2000:555) identifies accountability relationships as those factors that bring about transparency between citizens and holders of public office and within the ranks of office holders between elected politicians and bureaucrats.

2.2.6 Transparency for accountability

Mulgan (2000:580) regards transparency as the existence of institutionalized practices that ensures openness. Within the public sector, it is expected that systems of transparency should be responsive and that mechanisms such as complaints procedures should be in place. Such institutions of accountability are designed to make public officials and elected public representatives responsive to the public. O'Neill (2006:11) maintains that in financial reporting, transparency is closely associated with the disclosure of information, but the nature of its presentation and the location of such information affect public accessibility. O'Neill (2006:71) draws an important distinction between disclosure of information or dissemination of information and communication. O'Neill (2006:71) argues that transparency can only achieve little if it does not meet elementary epistemic and ethical standards. Therefore, the material that is disseminated or disclosed must be accessible to the relevant audiences. Deighton-Smith (2004:66) proposes that

transparency tools should include languages that can easily be understood. Printed and electronic media should also be used as a tool for consultation.

In support of the above, Ghutto (2007:8) views transparency for accountability as an institutionalized practice of report on tasks that were given to perform. It is a hallmark of modern democratic governance. Ghutto (2007:8) further argues that accountability is a concept that was historically linked to accounting in the financial environment, but has now changed to become a symbol of good governance in both the public and private sector. The core function of accountability is:

- To restore the integrity of public governance by protecting government against corruption, abuse of power and nepotism;
- To enhance institutional arrangement and promote democratic control;
- To ensure transparency, responsiveness and answerability; and
- To enable the public to judge government performance through its participation.

As stated by Johnston (2003:13), transparency and accountability persist particularly because of vested interests in government and society. In this instance reformers are hereby urged to be aware that sometimes those that are resisting enhanced transparency and accountability will go through the route of motions such as filing reports, producing data and carrying out reviews and assessments. This will take place in ways that conceal rather than reveal and attack the governance problems. At this stage, outside monitors such as the auditors and legislative oversight structures will be essential.

Conradie (2007:17) emphasizes the fact that the need for information for accountability purposes is about understanding what the public sector has done with the resources and responsibilities conferred and resources assigned for a specific period. That period could be four years of national and provincial government and five years for local government. However, the financial period of a year and the medium-term budgeting period of three years dominate the reporting periods in public finance law. An understanding of what has been done during that particular period should include what resources were allocated,

how they were actually consumed and what has been achieved, compared to the responsibilities conferred. Conradie (2007:17) further maintains that financial results only inform the consumption of resources directly, though it can have a bearing on financial achievements and, of course, explanations of deviations. However, pure financial reporting is still the subject of most of the reporting requirements. Therefore, the financial statement still remains the subject in the flow of information in the accountability process.

2.2.7 Status of governance and accountability in the local sphere of government

The local government budgets and expenditure review (2008) highlights the burgeoning crisis in the declining credibility of local government. *MFMA* circular No.66 (2012:3) provides that public perception at this time, as measured through monitoring and surveys, reflects a high level of disenchantment with the delivery of services and perceived corruption at the municipalities. The recent assessment of public opinion is evident in the outcome of the surveys on corruption and fraud. The increase in service delivery protests countrywide also confirms that this negative perception about local government persists.

In support of the above, McKinney (1995:467- 468) argues that fraud and corruption have always existed in public institutions and it is assumed that this practice will be continuing despite efforts to stop it. These phenomena result from unethical conduct by officials and elected public representatives with unprofessional attitudes. The new political dispensation of 1994 introduced mechanisms such as the Public Protector whose responsibility is to expose and combat fraud and corruption.

Section 195(1) of the *Constitution, 1996* lays down the basic values and principles governing public administration. These include an accountable public administration and the promotion of a high standard of professional ethics. The relevance of this section of the *Constitution, 1996* is underpinned by the fact that the fight against corruption has reached such magnitude that it requires a different approach. Section 152 1(e) of the *Constitution, 1996* also encourages citizen participation in issues of governance. Kaufman, Kray and Lobaton (1999) in Khan (1998:45) describe governance as a tradition

in institutions by which authority in a country is exercised for the common good. This includes:

- The process by which governments are elected and replaced;
- The capacity of government to formulate and implement sound policies effectively; and
- The respect of citizens for the institutions that govern economic and social interactions among them.

Minogue, Plidano and Hulme (1998) in Pillay (2004:588) maintain that the concept of governance can be used descriptively or prescriptively. The term has evolved from the traditional public administration concept of governing. It developed from the descriptive, positivist public management school of thought which intended to provide new meaning to the traditional role of government by focussing on the effectiveness and efficiency actions. Khan (1998:46) argues that one way of looking at the characteristics of good governance is to contrast it with malgovernance and misgovernance. Another way of approaching the concept is to understand what it means in itself, or to look at the potential benefits of institutionalizing good and sustainable governance.

According to Johnston (2003:1), improved governance requires an integrated long-term strategy that is built upon cooperation between the government and its citizens. Good governance involves public participation and well-established and functioning institutions. Accountability, transparency and interactivity can produce a government that is legitimate, effective and widely supported by the citizens as well as a civil society that is strong, open and capable of playing a positive role in politics and the government.

According to Mafunisa (2000:13), there is a tendency by public officials in the local sphere of government to use their positions to enrich themselves and those who are close to them. Unethical conduct reduces public trust and confidence in the integrity and impartiality of appointed government officials and elected public office-bearers. Mafunisa (2000:13) argues that such unethical conduct takes place because this sphere of government is characterized or marked by a total lack of ethical conduct, integrity and

good governance on the part of both elected and appointed officials. Evidence of this contention is the daily violent service delivery protests by communities, in which citizens express their dissatisfaction with the manner in which this sphere conducts its business, such as non-delivery of expected services, maladministration and corruption. Adverse audit opinions of municipalities are also testimony to the absence of good governance, professionalism, ethics and integrity (Kondlo and Maserumule, 2010:77). The following examples which are widely published in the South African media also serve as testimony to this contention:

The 2011/12 report of the AGSA paints a grim picture of the state of municipalities in South Africa, with only 17 out of 278 receiving clean audits. This means that only 5 percent of the county's municipalities have for the third consecutive year received clean audits. The AGSA cited lack of political will to take drastic action against corrupt officials as one of the problems that are paralyzing most of the municipalities.

The report also raises the concern that there seems to be a lack of awareness in some of the municipalities of what accountability means. The report says that in those municipalities, politicians and officials simply continue to neglect their duties. The AGSA proposes that decisive action should be taken against political leaders and municipal officials who deliberately ignore their duties and disobey the law. This should be done through performance management and by enforcing the legislated consequences for transgression (Seale, 2013:6).

In the report the AGSA cites an acute shortage of skilled personnel in strategic positions as among the factors contributing to many municipalities' failures to account for public funds they have to administer. At 73% of the auditees there are vacancies in key positions and other officials are without proper qualifications and this makes it difficult for these auditees to produce credible financial statements and performance reports (Seale, 2013:6).

According to the report of the AGSA for the 2010/11 financial year, the general trend of municipalities and municipal entities in the North West Province is the non-submission of

financial statements on time for audit purposes. The AGSA expressed concern about such practice and said if it is not urgently attended to it will contribute to an environment susceptible to a breakdown in significant key controls and consequent loss of accountability.

As in previous years, auditees continue to engage the services of consultants to assist them with accounting-related services and the preparation of year-end financial statements. The 2009/10 AGSA report revealed that 73% of the auditees in the North West Province were assisted by consultants, compared with 74% of 2010/11. The cost for the use of consultants by municipalities has exceeded R10,2 million for the 2010/11 financial year, at an average of R1,2 million per auditee. According to Mokopanele (2006:29), it must, however, be taken into cognizance that private consultants have no obligation to public accountability, because they are only focussing on making a profit in the private sector.

Section 32 of the *MFMA* requires that an accounting officer should ensure that unauthorized, irregular, as well as fruitless and wasteful expenditure, are prevented. Section 121 (3)(d) of the *MFMA* makes it compulsory for auditees to disclose such expenditure as contemplated in section 45 of the *Municipal Systems Act*. The report of the AGSA for the 2010/11 financial year shows that some of the auditees, where audits have been completed in the province, do not have appropriate systems in place for the identification of unauthorized and irregular expenditure. The report states that 96% of unauthorized expenditure and 84% of irregular expenditure were not identified by the auditees, but were only identified during the audit.

(a) Unauthorized expenditure

The report indicates that the three-year trend in unauthorized expenditure has decreased. The apparent decrease is, however, mainly due to fewer auditees being reported on, compared to the previous year. All of the unauthorized expenditure relates to overspending on the approved budgets. The 96% of all unauthorized

expenditure was identified by the auditors. Expenditure of R154 million was incurred by the City of Matlosana (Report of the AGSA, 2010/11).

Chapter 1 of the *MFMA* (2003:20) refers to unauthorized expenditure in relation to a municipality as any expenditure that is incurred other than in accordance with section 15 or 11 (3) and includes:

- (a) Overspending of the total amount appropriated in the approved budget of the municipality;
- (b) Overspending of the total amount appropriated for a vote in the approved budget;
- (c) Expenditure from a vote that is unrelated to the department of functional area covered by the vote;
- (d) Expenditure of money appropriated for a specific purpose other than for that specific purpose;
- (e) Spending of an allocation referred to in (b), (c) and (d) other than in accordance with any conditions of the allocation or
- (f) A grant by the municipality other than in accordance with the Act.

(b) Fruitless and wasteful expenditure

The report of the AGSA (2010/11) states that an increase in fruitless and wasteful expenditure was found despite the fact that fewer auditees were reported, compared to the previous year. Chapter 1 of the *MFMA* (2003:14) defines fruitless and wasteful expenditure as the expenditure that was made in vain and would have been avoided had reasonable care been exercised. The report further reflects that all the fruitless and wasteful expenditure relates to other fruitless and wasteful expenditure such as interest paid to the suppliers. The report states that only 10% of the fruitless and wasteful expenditure was identified by the auditors. Fruitless and wasteful expenditure of R8,1 million was incurred by the Ventersdorp Local Municipality, R7,6

million by the Naledi Local Municipality and R6,6 million by the Maquasi Hills Local Municipality (Report of the AGSA, 2010/11).

In terms of the *MFMA* Circular 68 (2013:5), the concept of fruitless and wasteful expenditure is founded on public administration and accountability principles to promote efficient, economic and effective use of resources and the attainment of value for money. The Act provides that the concept is also founded on the fact that the accounting officer has a fiduciary responsibility to ensure that the resources of the municipality are used in the best interests of the local community.

(c) Irregular expenditure

In terms of Chapter 1 of the *MFMA* (2003:14), irregular expenditure means:

- (a) The expenditure incurred by a municipality or a municipal entity in contravention of, or an expenditure that is not in accordance with, the requirement of this Act and which has not been condoned in terms of section 170;
- (b) The expenditure incurred by a municipality or a municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act and which has not been condoned in terms of the Act;
- (c) The expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the *Public Office-Bearers Act, 1998* (Act 20 of 1998) or
- (d) The expenditure incurred by a municipality or a municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity, or any of the by-laws of the municipality that give effect to such policy, and which has not been condoned in terms of such policy or by-law.

The report of the AGSA for the 2010/11 financial year shows that the apparent decrease of the irregular expenditure is mainly due to fewer auditees that have been reported, compared to those of the previous year. All the irregular expenditure relates to the non-adherence to supply chain management requirements by the municipalities in the North West Province. 84% of the irregular expenditure was identified by the auditors. The biggest culprits were the City of Matlosoana with an amount of R63,3 million, Dr. Kenneth Kaunda District Municipality with an amount of R27,3 million, Ratlou Local Municipality with an amount of R20,5 million, Naledi Local Municipality with an amount of R17,3 million and Ventersdorp Local Municipality with an amount of R16,6 million (Report of the AGSA, 2010/11).

The AGSA report for the 2010/11 financial year identified nine focal areas that will make a significant contribution to clean audits in local government if they are properly attended to by the management of auditees, leaders in the province and coordinated provincial oversight bodies. These areas are: (i) supply chain management, (ii) reporting against predetermined objectives, (iii) financial management, (iv) turnaround plans, (v) human resources management, (vi) use of consultants, (vii) municipalities under administration and (viii) governance structures. In the report, the AGSA proposes the following parties to conduct the intervention:

- Accounting authorities, accounting officers, chief financial officers and the auditee management.
- Audit committees, leaders of provincial executive committees and other role-players.

The AGSA further highlighted the escalating trend in unauthorized, irregular, fruitless and wasteful expenditure in municipalities over recent years. This is evident in the audit reports and in the summarized annual reports on local government. The National Treasury noticed a sense of uncertainty amongst municipalities about the understanding of how irregular expenditure should be treated and who has the legislative power to deal with irregular expenditure. This uncertainty relates mainly to how the municipalities should conclusively deal with such matters, the processes to be followed and the manner in

which such matters should be recorded and disclosed (National Treasury Circular No:68, 2013:1).

In terms of section 4(2)(a) of the *Systems Act*, the municipal council has a duty to use the resources of the municipality in the best interest of the local community. This duty is extended to individual councillors through the Code of Conduct for Councillors which states that a councillor must:

- (i) Perform the functions of the office in good faith, honesty and in a transparent manner and
- (ii) At all times act in the best interest of the community and in such a manner that the credibility and integrity of the municipality are not compromised.

Section 32 of the *MFMA* requires accounting officers to take reasonable steps to ensure that unauthorized, irregular as well as fruitless and wasteful expenditure is prevented. Although it is expected that no such expenditure should be incurred, the AGSA (2010/11:50) argues that it is not always possible for an accounting officer to prevent its occurrence, even if all reasonable steps have been taken. In those exceptional circumstances where it does occur, section 122 of the *MFMA* makes it compulsory for auditees to disclose such expenditure in their financial statements.

Circular No: 68 of the National Treasury (2013:1) provides that municipalities must embark on the recording, keeping track and managing the categories of expenditure mentioned above in a more transparent manner. The information concerning all the types of expenditure of council and the relevant external stakeholders, the details of the transactions, the type of expenditure, the person liable for the expenditure and what measures were taken by the municipality to address the matter, must be clearly recorded.

2.2.8 Measures for cost containment

In terms of *MFMA* Circular No.70 (2013:19) the Cabinet resolved on 23 October 2013 that cost containment must be implemented to eliminate waste, reprioritize spending and ensure that savings are implemented on six focus areas namely; (i) consultancy fees; (ii) no credit cards; (iii) travel and related costs; (iv) advertising; (v) catering and (vi) events as well as accommodation costs. These measures would be applicable to all national and provincial government departments, constitutional institutions and all public entities with effect from 01 December 2013.

While local government is autonomous in its strategy formulation such as the Integrated Development Plan (IDP) in terms of section 25 of the *Systems Act* and the budget appropriation, it still remains a sphere of government. In pursuit of value for money and curtailing unnecessary costs, municipalities are strongly urged to take cognizance of the cost containment measures as approved by the Cabinet. Municipalities must also align their budgeting policies to these guidelines to the maximum extent possible (*MFMA* Circular No. 70, 2013:19).

Each municipal council, therefore, has a duty to introduce and adopt policies and processes to:

- (a) **Prevent** unauthorized, irregular, and wasteful expenditure;
- (b) **Identify** and investigate unauthorized, irregular, fruitless and wasteful expenditure;
- (c) **Respond** appropriately in accordance with the law and
- (d) **Address** instances of unauthorized, irregular and fruitless expenditure.

2.2.8.1 Non-priority spending

The Medium-term Budget Policy Statement (MTBPS) of 2013 highlighted the need to prioritize the allocation of resources when expanding the public-sector investment. The MTBPS further emphasizes that the government must step up its efforts to combat waste,

inefficiency and corruption. Municipalities must therefore give special attention to cost-containing measures and control unnecessary spending on non-essential items and activities (*MFMA Circular No.70, 2013:19*).

The MTBPS has pointed out the following as examples of non-priority expenditure and reminded the municipalities to get rid of them:

- (i) Sponsorship of music festivals, beauty pageants and sporting events, including the purchase of tickets to events for councillors and/or officials;
- (ii) Public relations projects or activities that are not centred on actual service delivery or that are not a municipal function such as celebrations; gala dinners; commemorations; advertising and voter education;
- (iii) Local Economic Development (LED) projects that serve the narrow interests of only a small number of beneficiaries or that fall within the mandates of other government departments such as the Department of Agriculture;
- (iv) Catering for meetings and other events, including the use of public funds to buy alcoholic beverages;
- (iv) Arranging workshops and events at expensive private venues, especially those that are outside the municipality, as opposed to using the municipality's own venues;
- (v) Luxurious office accommodation and office furnishings;
- (vi) Foreign travel by mayors, councillors and officials, particularly study tours;
- (vii) Councillor and staff perks such as luxurious mayoral cars and houses, IPADS and cellphone allowances. Municipalities are reminded that in terms of section 7(1) of the *Remuneration of Public Office-bearers Act, 1998 (Act 20 of 1998)*, the Minister for Cooperative Governance and Traditional Affairs must determine the limit of salaries and allowances of the different members of the municipal councils and any budget provision may not be outside this framework;

- (ix) Excessive staff in the office of the mayor and the speaker, particularly the appointment of political advisors and spokespersons;
- (x) All donations to individuals that are not made in terms of the municipality's indigent policy or bursary scheme; for instance, donations to cover funeral costs other than pauper burials which are a function of the district municipalities;
- (xi) Costs associated with long outstanding staff suspensions and the related legal costs by not following due processes when suspending or dismissing a staff member, as well as payment of severance packages or golden handshakes;
- (xii) The use of consultants to perform routine management tasks, and the payment of excessive fees to consultants;
- (xiii) Excessive and unnecessary spending on personal bodyguards and security for political office-bearers; and
- (xiv) Excessive overtime.

In terms of section 1 of the *MFMA*, unauthorized expenditure in relation to a municipality means any expenditure incurred by a municipality other than in accordance with sections 15 or 11(3) and this includes:

- (a) Overspending of the total amount appropriated in the municipality's approved budget;
- (b) Overspending of the total amount appropriated for a vote in the approved budget;
- (c) Expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) Expenditure of money appropriated for a specific purpose, other than for that specific purpose;
- (e) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of allocation other than in accordance with any conditions of the allocation; or

(f) A grant by the municipality other than in accordance with this Act.

As part of the 2013/14 budget process, municipalities are strongly urged to ensure that the necessary policies and processes are institutionalized to proactively curb the prohibited irregular, wasteful and fruitless expenditure. Poor policies, procedures and planning can significantly contribute to this recurring phenomenon and this requires a demanding response by the councillors and municipal officials (*MFMA* Circular No.70, 2012:8).

The detailed budget-related policy overviews and amendments must be included in the budget documentation. Such budget-related policies must further be made available by the councillors on request and must also be made publicly available on the website of the municipality and the council offices. This should take place when the budget is tabled for consultation, consideration for approval and when it is finally approved. This exercise must give a broad overview of the budget policy framework and must also highlight the amended policies that have to be approved by the council resolution. National Treasury has identified the following budget-related policies to be included for council approval:

- Revenue-related policies such as tariffs, credit control, revenue collection and indigents;
- Free basic services including the levels, households benefiting and the cost;
- Investment of funds, reserves, borrowing and cash management;
- Supply chain management policy;
- Virement, adjustment budgets and unforeseen and unavoidable expenditure;
- Monitoring (management and oversight);
- Long-term financial planning principles;
- Personnel (overtime, vacancies, temporary staff) and
- Infrastructure investment and funding (*MFMA* Circular No.28, 2005:7).

In terms of section 73 (a) and (b) of the *MFMA*, the accounting officer must inform the provincial treasury in writing of any failure by the council of a municipality to adopt or implement the above-mentioned budget-related policies, including a supply chain

management policy. The accounting officer must further inform the provincial treasury of any non-compliance by a political structure or office-bearer of the municipality with regard to any of the policies.

2.2.8.2 Spending on unfunded/underfunded mandates

The National Treasury reveals in the *MFMA* Circular No.74 (2014:11) that in the previous budget years it was noted that a number of municipalities budgeted for unfunded/underfunded mandates. South African Cities Network (2007:78) defines an unfunded mandate as the situation when municipalities perform the functions of other spheres of government and bear significant costs out of their own revenue sources.

Khumbala and Mokate (2007:271) in South African Cities Network (2007:78) further refer to unfunded/underfunded mandates as situations in which the provincial and local governments are legally mandated in terms of the *Constitution, 1996* or by the policy pronouncement to undertake specific functions but do not receive funds from nationally raised revenues in order to fulfil these functions. This scenario is highlighted in cases where the framework underlying the provision of a particular service requires the provincial or local government to implement nationally determined minimum service standards. However, the funding for the delivery of such services fails to reflect the cost of the service standards, forcing the local government to divert scarce own-revenue funds to meet the standard set (South African Cities Network, 2007:78).

The National Treasury (*MFMA* Circular No.74, 2014:11) maintains that these unfunded mandates pose an institutional and financial risk to the municipality as substantial amounts of own funding are being allocated to non-core functions at the expense of basic service delivery.

In terms of section 156 and 229 of the *Constitution, 1996*, one of the objectives of local government is to ensure the provision of basic services to the communities. Section 153 of the *Constitution, 1996* requires that the budgeting processes must prioritize the basic needs of the community. A municipality must therefore prioritize the provision of basic

services in their Medium Term Revenue Expenditure Framework (MTREF) budgets and may further budget for non-core functions if:

- The function is listed in schedule 4B and 5B of the *Constitution, 1996*;
- The function is assigned to a municipality in terms of the national and provincial legislation;
- The municipality has prioritized the provision of basic services and
- It does not jeopardize the financial viability of the municipality (*MFMA Circular No.74, 2014:11*).

Municipalities are urged to sign the service level agreements and recover the costs where the unfunded mandates are performed on behalf of the other spheres of government. However, it does not constitute an unfunded/underfunded mandate if the municipality provides services beyond what is stipulated in the service level agreement (*MFMA Circular No.74, 2014:11*).

2.2.8.3 Discretionary funds

National Treasury in *MFMA Circular 51 (2010:8)* indicates that it has observed that many municipal budgets contain sub-votes or allocations to mayoral discretionary funds, special projects, special events or similar discretionary type of funds. National Treasury regards these types of allocations as bad financial management practice because:

- It is not clear how they are aligned to the constitutional requirements of how municipalities must structure their budgeting and planning processes to give priority to the basic needs of the community and promote the social and economic development of the community, as stipulated in section 153 (a) of the *Constitution, 1996*.
- They do not provide for the appropriation of funds for the purposes of a department or functional area of the municipality;
- They undermine the budget consultation processes because the intended use of the funds is not transparently reflected in the tabled budget and

- There is a risk that they may be abused for personal gain or to improperly benefit another person or organization.

Therefore, National Treasury (*MFMA* Circular No.51, 2010:8) discourages allocations of this nature by the municipalities. Good budget practice requires that a municipal budget should indicate in a transparent manner the purpose and areas where municipal funds are to be allocated. These types of discretionary funds create public suspicion of impropriety and corruption. In terms of section 52 (a) of the *MFMA*, the mayor must provide general political guidance over the fiscal and financial affairs of the municipality.

Section 17 (3)(b) of the *MFMA* requires that when an annual budget is tabled in the council, it must be accompanied by measurable objectives for each vote in the budget. This means that the transparent and effective use of these funds cannot be monitored and assessed by the council and the public.

As indicated in *MFMA* Circular No.51 (2010:8), National Treasury further notes that section 17 (3)(i) of the *MFMA* requires that when an annual budget of a municipality is tabled in the council it must be accompanied by particulars of any proposed allocations or grants by the municipality to the organizations or bodies that are referred to in section 67 (1) of the *MFMA*. The aim of this provision is to ensure that the proposed allocations or grants are presented in a transparent manner in the budget documents that are tabled in the council for public consultation and council approval, as well as for the budget management and monitoring purposes.

In terms of section 67 of the *MFMA*, a transfer of funds is only permissible to an organization and not to an individual. Any allocation or grant to individuals other than in terms of the indigent policy or bursary scheme of the municipality is regarded as irregular expenditure because it is expenditure that is not in accordance with the requirement of the *MFMA*. According to *MFMA* Circular No.51 (2010:9) national and provincial treasuries will exercise a close oversight of all discretionary types of allocations in the municipal budgets. If there is any use of such funds, section 74 of the *MFMA* will be used to interrogate their use (*MFMA* Circular No.51, 2012:9).

2.2.9 Benefits to councillors and mayors

Section 167(2) of the *MFMA* stipulates that any remuneration paid in cash or any other way to a political office-bearer or a member of a political structure of a municipality, other than provided for in the framework of the *Remuneration of Public Office-Bearers Act, 1998* (Act 20 of 1998), is regarded as irregular expenditure. This remuneration includes any benefit such as a loan, advance or bursary.

The determination of upper limits of salaries, allowances and benefits of different members of the municipal council creates allowances for tools of trade. Government Gazette No. 35962 (2012:13) defines tools of trade as the resources or enabling facilities provided by a municipal council to a councillor to enable effective and efficient fulfilment of his/her duties in the most cost-effective manner at all times. In the event that the expenditure outside the set limit has already been incurred, the municipality must recover that remuneration from the affected political office-bearer and may not write off any expenditure incurred by paying or giving back that remuneration. The expenditure will be classified as irregular expenditure and the AGSA will be instructed to audit this incident accordingly (*MFMA Circular No.67, 2013:13-14*).

According to the *MFMA Circular No.67 (2013:14)*, it has come to the attention of the National Treasury that there are efficiency leakages in the way that the municipalities manage the costs that are associated with cellular telephones and mobile data (3G). National Treasury has come across instances where the municipalities are spending tens of thousands on individual contracts per month. National Treasury requires this situation to be urgently addressed by all municipalities in ensuring cost efficiency and value for money for the taxpayer.

Where such policy is not in place, National Treasury requires that all municipalities must develop and approve a cellular (mobile) telephone and data (3G) policy with effect from 1 July 2013. The policy must set upper monthly limits for the costs associated with these expenses and the 2013/14 Medium Term Revenue Expenditure Framework (MTREF) budget must be compiled in line with these limits (*MFMA Circular No.67, 2013:14*).

MFMA Circular No.67 (2013:13) provides that National Treasury will request the AGSA to audit against the policy for the 2013/14 financial year and where it is found that expenditure was incurred outside the limits contained in the policy framework, such expenditure will also be classified as fruitless and wasteful expenditure as part of the 2013/14 audit findings.

2.2.10 The principle of good governance

According to Vyas-Doorgapersaad, Subban and Pillay (2008), good governance includes ten principles as requisites of ethical local governance. These principles are:

- **Participation:** to encourage all citizens to exercise their right to express their opinion in the process of making decisions concerning the public interest, both directly and indirectly;
- **Rule of law:** to realize law enforcement which is fair and impartial for all, without exception, while honouring basic human rights and observing the values prevalent in society. Where the rule of law is strong, society upholds law not out of fear, but because they have a stake in its effectiveness. Virtually any state can enact laws, but corrupt and repressive regimes can legislate at will. Genuine rule of law, by contrast, requires the cooperation of the state and society and is the outcome of complex and deeply rooted social processes;
- **Transparency:** to build mutual trust between the government and the public through the provisioning of information with guaranteed easy access to accurate and adequate information. Transparency requires significant resources and also offer more advantages to the well-organized and influential interests than to the others. It also has necessary limits; legitimate issues of security and the privacy rights of the citizens form two such boundaries. Without transparency, good governance has little meaning;
- **Equality:** to provide equal opportunities for all members of society to improve their welfare. This implies that civil society should define the ends and means of equality and good governance, the benefit from its success and should claim part of the credit

for the initiatives that turn out well. Without such an approach, citizens will see few links between the rule of law, transparency and accountability. Citizens will also experience daily problems in their lives, and will not develop a sense that change for the better requires their own support and participation;

- **Responsiveness:** to increase the sensitivity of government administrators to the aspirations of the public. This principle means that discipline and integrity required of those who serve the public as elected representatives or appointed administrators are higher than those expected of other sectors of society. The obligations of public office need honest and ingenuous accounting as well as commitment to the democratic process;
- **Vision:** to develop the region based on a clear vision and strategy, with participation of the citizenry in all the processes of development so that they acquire a sense of ownership and responsibility for the progress of their regions;
- **Accountability:** to increase the accountability of decision-makers with regard to decisions in all matters involving public interests. To call on those who are entrusted with powers and public resources to give account of how they exercise their powers and use public resources responsibly. These are the procedures that require officials and those who seek to influence them to follow established rules that define acceptable processes and outcomes and to demonstrate that they have followed those procedures;
- **Oversight:** to increase the efforts of supervision in the operation of government and the implementation of development by involving the private sector and the general public. The oversight process entails that the delegating authority expects the executive authority to explain and defend his or her plans, actions and the decisions that have been taken in relation to an agreed accountability period. Oversight can happen before, during or at the end of an agreed accountability period;
- **Efficiency and effectiveness:** to guarantee public service delivery by utilizing all available resources optimally and responsibly, and
- **Professionalism:** to enhance the capacity and moral disposition of government administrators so that they are capable of providing easy, fast, accurate and

affordable services. These principles are imperatives for enhancing the ethical environment for good local governance.

Johnston (2003:3) maintains that good governance involves far more than the power of the state or the strength of the political will. The rule of law, transparency, equality and accountability are not merely the technical questions of the administrative procedure or institutional design. These principles are the outcomes of democratizing the processes that are driven not only by committed leadership, but also by the participation of and contention among groups and interests in the society. These principles are also most effective when they are sustained and restrained by legitimate and effective institutions.

Hendrikse and Hendrikse (2004:102) refer to governance in a municipality as a system that maintains the balance of rights, relationships, roles and responsibilities of management, employees and councillors as well as residents in the direction, conduct, conformance and control of the sustainable performance of the municipality with honesty and integrity in the long-term interest of all the stakeholders involved. It is concerned with the process and procedures that act as boundaries for acceptable behaviour and that lead to desired outcomes.

De Villiers and Michel (2007:34) maintain that a municipal council should ensure that service delivery is performed in the most economical, efficient and effective manner and that there is conformance to all the relevant legislation applicable to the municipality. In this way, sustainability and satisfaction can be ensured for all stakeholders. De Villiers and Michel (2007:35) refer to stakeholders as a wide concept that includes those that are directly involved in a municipality as well as the community at large.

The King II Report (2002) also identifies the following as pillars on which good governance rests:

- **Discipline:** This refers to the commitment of municipal managers to conduct themselves in a manner that enhances their positions as leaders in their communities. Adhering to financial discipline is part of such conduct. Discipline obviously includes regular measurement and assessment of actual performance against realistically budgeted figures and councillors should express their concerns when there are deviations from standards, budgets and policies, which they endorsed when the budgets were initially approved.
- **Independence and integrity:** This is the extent to which mechanisms have been put in place to minimize or avoid potential conflicts of interest that may exist. Councillors that have integrity act ethically when they are doing what is right, proper, honest and transparent for their legislatures. Without morality, ethics and intellectual honesty being present in council chambers, governance becomes ineffective.
- **Responsibility with authority:** Councillors and more specifically managers must know what their responsibilities are and must be responsible. Within the approved budget, managers are given a certain degree of authority and autonomy to decide and act as they deem fit, obviously whilst they are still acting with the necessary care.
- **Accountability with action:** In a municipality, managers must be held accountable for their actions and lack of actions. If managers are not held accountable, service performance deteriorates further. Similarly, a councillor is accountable to all residents of his/her ward, not only to those that have voted for him/her. When managers are held accountable, they must be measured and assessed. When such managers do not perform as required over a reasonable period of time and within the constraints, they should be replaced. Unfortunately, many managers are being redeployed or appointed elsewhere in better positions when they have failed. This move only strengthens the incompetence and mismanagement throughout the local government system.
- **Fairness and equity:** In all the decisions that are made, the interest of all parties should be balanced. This is to ensure that the decisions are equitable to all. Unfortunately, political consideration or short-term benefits often override this principle.

The principles of good governance can be hampered by several types of political corruption that occur in local governance. Some are more common than others and some are more prevalent in local government than in larger segments of government. Local government may be more susceptible to corruption because interactions between private individuals and officials happen at greater levels of intimacy and with more frequency at more decentralized levels. Forms of corruption pertaining to money like bribery, extortion, embezzlement and graft are found in the local government system. Other forms of political corruption are nepotism and the patronage system (Political Corruption. Net, 2009).

Johnston (2003:13) maintains that many governance problems also happen because of a shortage of resources or a lack of technical and political capacity on the part of the state, but other problems persist because some people benefit from them. This is a fact that many reformers should not ignore. Johnston (2004:13) argues that serious reforms encounter increasing resistance within the government or segments of the public. This takes place to the extent that they begin to gain popularity, precisely at those points where active support from the top leadership and from civil society may be most important.

2.2.11 Policy for accountability in financial management

Visser and Erasmus (2002:289) maintain that legislation and regulations provide the statutory framework within which officials and managers can execute their responsibilities and duties. Some of these policies refer specifically to the implementation and maintenance of internal controls within institutions. Public policies therefore legally require that officials perform these duties being aware that, if they do not adhere to legislative policies, corrective steps will be taken against them.

Visser and Erasmus (2002:289) further indicate that procedures in the public sector are usually derived from various policies that already exist and therefore give practical expression and application to them. Usually, procedures are included in procedural manuals. These tasks are uniform and consistent, they are observed by all personnel and any deviations should be brought to the attention of responsible supervisors or managers.

Policies are therefore designed not only to ensure uniformity and consistency, but also to maintain some forms of internal control.

Legislation, policy objectives and administrative functions of government intend to regulate government institutions, particularly with regard to financial management. These regulations and policies can be termed financial legislation. The aim of such legislation is to enforce particular norms, standards and procedures in all public institutions and government departments in order to ensure uniformity and accountability (Visser and Erasmus, 2002:55). Cloete and Wissink (2000:3) refer to policy as a statement of intent that specifies the basic principles to be pursued in attaining specific goals. It interprets the values of a society and is usually embodied in the management of pertinent projects and programmes.

2.2.11.1 Public financial management policy implementation

In 2009, the South African Local Government Association (SALGA) recommended to the Local Government Budget Forum that there should be a review of many aspects of fiscal policies in relation to municipal finances. While there have been some ad hoc policy changes over the past few years, many remain incomplete or unattended to. In the South African Local Government Association's view, the review by the Local Government Budget Forum on fiscal policies should address the fundamental structural challenges and improve operational efficiency in the short and long term (Maganlal and Patrick, 2010:19).

Schwella *et al.* (1996:112) urge all public managers to develop policies that can enable officials to prepare budgets that will eventually follow the route of a normal legislative process. Public managers must exert great influence on financial policy making because they owe it to the vital role that the administration plays in contemporary governmental financial processes.

Hanekom (1987:60) maintains that policy implementation takes place in four interdependent stages, which include:

- Policy interpretation and analysis;
- The development of policy implementation guidelines;
- The monitoring of policy implementation; and
- The feedback, evaluation and revision of policy.

2.2.11.2 Policy interpretations and analysis

The interpretation and analysis of a policy should be used to contribute to the development of an implementation plan that should ensure that all the provisions of the policy are taken into consideration and adhered to. A policy and the memorandum that accompanies the draft legislation must be studied in order to determine its purpose and intention in order to decide which critical aspects and issues can be identified and given attention during the implementation.

2.2.11.3 The development of policy implementation guidelines

The development of policy implementation guidelines includes the translation of legal prescriptions into execution or implementation policy. This involves the determination of priorities and budgeting linked to a strategic or operational plan.

2.2.11.4 The monitoring of policy implementation

When the policy has been implemented, it must be monitored to ensure that its aims and the intentions of why it has been developed are achieved. Based on continuous monitoring, the provisions of the policy and the guidelines should be compared with the actual application in practice and where possible, corrective actions should be taken proactively to ensure that the need or problem that gave effect to it are addressed optimally.

2.2.11.5 The evaluation of progress on policy implementation

The progress with regard to the implementation of a policy should be outlined in management reports. This should be done in order to provide an opportunity for feedback on the apparent success of problems with the implementation process. Based on the progress reports, the implementation process and the relevance of the provisions of a policy should be evaluated. Such an evaluation should provide the management of an institution with the necessary information that will help it to take some of the following decisions, depending on the situation to:

- Advise the policy-making structure on possible changes in the policy to make it more relevant or practical to execute;
- Change the implementation guidelines and plans of the institution;
- Improve on the alignment between the executive policy and the administrative;
- Give more attention to and make more human, financial and physical resources available to ensure that the policy is properly implemented; and
- Improve on the ability to monitor the implementation process.

2.2.11.6 Financial policies of the public manager

Henry (1980:27) in Schwella *et al.* (1996:112) maintains that managers in public institutions have an important role to play as policymakers. Henry (1980:27) further argues that the role of managers is not only limited to policymaking, but they must also ensure that these policies are successfully implemented. The policymaking roles of public managers are important because of the influence that budget policies have on established policies. The manner in which public budgets are compiled, play an important part in determining policy objectives for public financial management (Schwella *et al.*, 1996:112).

Du Plessis (2003:22-23) points out that a policy should be seen as a document that gives direction to the administration on the implementation of the political will of the municipal council to achieve its strategic intent. One of the most important aspects in a policy is the role classified between the council and its administration. The role of a council in local government is the determination, promulgation and overseeing that the administration is

effectively implementing the policies. Du Plessis (2003:23) also maintains that for the fact that the council is the supervisory authority and the administration led by the municipal manager is the implementing authority, it is important that the policy should also reflect on what kind of action or penalty will be taken if the conditions of the policy are violated. Du Plessis (2003:23) further proposes that if the policy has its origin in legislation, it is necessary to refer to the specific section of the legislation.

Johnston (2003:27) maintains that the policies and initiatives of the government should be evaluated in terms of whether they enhance the legitimacy of the public institutions, or whether they enjoy popular support or are able to promote legislative compliance. Johnston (2003:27) proposes that it should be established whether such policies are able to encourage citizens and political leaders to have a recognized and working relationship. The policies must also be checked whether they provide assistance to deepen the strength and complexity of civil society. They should further be assessed as to whether they are supported by the long-term efforts of educating the public and attending to their values and opinions. Johnston (2003:28) argues that these initiatives should be viewed as a step towards building a long-term foundation for good governance.

Johnston (2003:9) advises about the need to develop institutional policies that will increase the opportunity for debate and consultation. Such institutional policies must be able to encourage innovation and pursue desired outcomes with positive incentives rather than through prohibitions alone. Policies as procedural controls may generate massive amounts of information, but if this information is made available in a way that is only understood by certain officials, or if it is generated predominantly by the citizens who are giving it to the government rather than the government opening up to citizens, transparency is not assisted and the people are unlikely to develop a personal stake in the government (Johnston, 2003:9).

2.3 SUMMARY

The public sector in South Africa is governed by a vast number of regulations and policies in which institutions have to monitor their adherence to legal and ethical standards

voluntarily. Such regulations and policies have to be balanced against the statutory requirements of how institutions should perform their functions. Section 40(1) of the *Constitution, 1996* acknowledges the local sphere of government as a distinctive, interdependent and interrelated partner in the system of government. In terms of section 15(1) of the *Constitution, 1996*, the local sphere of government is made up of municipalities that have been established throughout the country and such municipalities have the authority to govern on their own initiatives.

The subject of ethics in South African local government has always evoked a great degree of interest in the relatively new democracy. The local sphere of government is particularly affected, because it is closer to local communities, compared to its provincial and national counterparts. It is also not uncommon for members of the public to view councillors and employees of the municipality with suspicion and distrust, which is often attributable to the past experiences of improper conduct on the part of certain individuals. It is for this reason that transparency and accountability tend to form the cornerstone of any legislation that deals with matters affecting the local sphere of government.

Financial accountability is concerned with the allocation, utilization, tracking and reporting of financial resources. This is done by using auditing, budgeting and reporting tools. This type of financial accountability is used to ensure that government officials comply with laws, rules and regulations promoting financial management and control. Proper government accounting systems of financial accountability should be used to enhance effective budgetary control and financial management. An external audit system which reinforces the need to reduce unnecessary expenditure and corruption must be in place so that follow-up action can be taken to remedy the problems that have been identified.

Effective financial management cannot be achieved when employees perform their duties in an unethical and unprofessional manner. Ethical conduct by governmental officials in public institutions is to ensure that the use of public money is directed at service delivery and that citizens place their trust in officials to address their needs. The lack of

professionalism and unethical conduct by employees in public institutions lead to fraud and corruption.

Accountability for programmes in the public sector is carried out through the programme budget approach. The programme budget approach is designed with consideration to how budgets are compiled on activity levels. This includes the processes and procedures of financial planning and budgeting. Programmes are executed by programme managers in order to achieve institutional objectives and this is done through expenditure management. Expenditure management relates to both programme management and the achievement of the overall institutional objectives.

The function of public accountability should not focus on negative aspects only, but also view it as a curative action that may be taken to prevent the maladministration and mismanagement of public funds and corruption. The fundamental premise of accountability is that public institutions that are financed from public funds should be answerable and accountable to the public for the honest, effective, efficient and responsive expenditure of public funds.

The responsibilities of an accounting officer in relation to programmes in public institutions are to ensure that expenditure is incurred in accordance with the vote in the department and that effective and appropriate steps are taken to prevent unauthorized expenditure. Effective financial management cannot be achieved when officials in public institutions perform their duties in an unethical and unprofessional manner. South African citizens expect clean, effective and accountable government in every municipality. Municipalities in South Africa cannot function effectively without skilled, capable and ethical employees who serve the South African citizens to the best of their abilities.

Public accountability is an instrument through which political representatives can expand their control over public finance. The value of public accountability is that elected political representatives and public officials should hold dialogue among themselves on what they

do or intend to do. Confidential and secret activities of elected political representatives and public officials on public financial management conceal maladministration, mismanagement and corruption. Representative democracy emphasizes the need for public accountability of both political representatives and public officials, especially in public financial management.

Accountability has changed from procedural accountability for finances and fairness to performance accountability. This first and foremost function of public accountability is democratic control, so that citizens can judge the performance of the government and sanction their political representatives. This account giving should be transparent to the public and be accessible to all the citizens. The key accountability relationships are those that bring about transparency between citizens and holders of public office and within the ranks of office holders of elected politicians and bureaucrats.

In financial reporting, transparency is closely associated with the disclosure of information, but the nature of its presentation and the location of such information affect public accessibility. Transparency can achieve little if it does not meet elementary epistemic and ethical standards. Therefore, the material that is disseminated or disclosed must be accessible to the relevant audiences. That transparency tool should include languages that can easily be understood. Print and electronic media should also be used as a tool for consultation.

CHAPTER THREE

LEGISLATIVE AND POLICY FRAMEWORK FOR EFFECTIVE MUNICIPAL FINANCIAL MANAGEMENT AND ACCOUNTABILITY IN SOUTH AFRICA

3.1 INTRODUCTION

The statutory framework for public financial management in South Africa includes a vast number of legislation and public policies that have a direct bearing on the way in which financial management is dealt with in the different spheres of government. This legislation provides the legal parameter by which relations between society and government are formalized. Although legally precise, both in content and context, legislation symbolizes the political manifestation of a state and society. This means that legislation needs to serve as a framework by which government is granted the legitimate right to execute policies that are in line with their established functions. In this way, the principles of a democratic society are instituted and maintained (Visser and Erasmus, 2002: 46-47).

Over the past few years, a series of legislative frameworks and policies for accountability introduced a new ethos into municipal governance. The new legislative frameworks and policies require that local government should be more accountable on the management of public funds (Richards, 2009:66-68). The management of public funds possesses multi-dimensional priorities aligned to each other in a specific manner. It comprises both specific components and processes, each performing a vital and fundamental role within the overall framework (McKinney, 1995:1). The provisions of the *MFMA* created a platform for further enforcement of the principles of good governance by paving the way for effective and efficient financial management and the strengthening of accountability at local government level. Municipalities are therefore increasingly challenged for their effectiveness in matters of accountability and governance (Richards, 2009:68).

This chapter focuses on the legislative and policy framework for effective municipal financial management in South Africa. Acts such as the *Constitution, 1996*, the *MFMA*,

the *Municipal Structures Act*, the *Municipal Systems Act*, the *Public Finance Management Act, 1999* (Act 1 of 1999), the *Auditor-General Act, 1995* (Act 12 of 1995), *Preferential Procurement Policy Framework Act, 2000* (Act 5 of 2000) and other relevant legislation and policies, such as the Municipal Supply Chain Management Policy and Treasury Regulations, will be critically analysed to determine whether municipalities in the North West Province comply with the principles of good governance.

3.2 LEGISLATIVE AND POLICY FRAMEWORK FOR EFFECTIVE MUNICIPAL FINANCIAL MANAGEMENT AND ACCOUNTING

3.2.1 *Constitution of the Republic of South Africa, 1996 (Act 108 Of 1996)*

The *Constitution, 1996* is established in terms of Act 108 of 1996. In terms of section 1(d) of the *Constitution, 1996*, all organs of state are obliged to provide a system of governance that promotes accountability. Section 1(d) also establishes accountability, openness and responsiveness as the founding values of the *Constitution, 1996*. In terms of section 41(1)(c), the *Constitution, 1996* requires that all spheres of government and all organs of the state within each sphere provide effective, transparent, accountable and coherent government. The principles of accountability and transparency are therefore established at the highest statutory level. As contemplated in section 43, the *Constitution, 1996* further requires the establishment of legislatures as legislative authorities at the national and provincial governments, including the municipal council as the legislative authority within the local government sphere.

Section 139(4) of the *Constitution, 1996*, read with section 139 (a) and (b) of the *MFMA*, provides that if a municipality is unable to fulfil its constitutional obligation or legislation to approve the budget, or does not apply any measures to raise revenue to give effect to the budget, the relevant provincial executive must intervene. The intervention should be done by taking any appropriate steps to ensure that the budget or the revenue raising measures are approved. Subsection 5 of this Act stipulates that if a municipality, as a result of a crisis in its financial affairs, is in serious or

persistent material breach of its obligation to meet its financial commitments, or admits that it is unable to meet its obligations or financial commitments, it must do the following:

- (a) Impose a recovery plan that is aimed at securing the municipality's ability to meet its obligation or its financial commitments;
- (b) Bind the municipality in the exercise of its legislative and executive authority to solve the crisis in its financial affairs.

Concerning transparency and the access of legislative and oversight processes of the councils by the public, sections 59 and 118 of the *Constitution, 1996* require that legislatures should conduct their business in an open and transparent manner. Councils should hold their meetings and those of their committees in public. Section 195 provides the values and principles that govern public administration, including the requirement of a high standard of professional ethics. Public administration must be accountable.

3.2.2 *Municipal Finance Management Act, 2003 (MFMA) (Act 56 of 2003)*

The introduction of the *MFMA* has brought the management of municipalities' finances in line with those of their counterparts, the national and provincial governments. The *MFMA* has set itself the ambitious goal of regulating the finances of all municipalities in South Africa. The thrust of the *MFMA* is to foster good financial governance in the local sphere of government, while its object is to secure sound and sustainable management of the fiscal and financial affairs of municipalities. Linked to this strategy are the fundamental principles of effective and efficient utilization of public funds and transparent and accountable financial management practices (Motake, 2005:18).

According to the National Treasury (2008:158), the introduction of the *MFMA* has further replaced the previous system of local government management which focussed mostly on compliance with rules and procedures. Municipalities used the

one-year line item budgeting and that practice did not support the long-term strategic planning, nor match resources with needs over the medium term. That approach ultimately ended up with municipal councils allocating resources based on historical commitments rather than looking at the current community needs. Municipal councils also lacked a culture of performance and regular reporting. Reports were often irregular or inaccurate, or contained too much data and little information. The National Treasury (2008:158) points out that lack of effective monitoring and reporting systems resulted in municipal councils finding out late about financial problems that had arisen.

3.2.3 Public Finance Management Act, 1999 (Act 1 of 1999)

Section 216 of the *Constitution, 1996* provides that national legislation must prescribe measures to ensure transparency and expenditure control in each sphere of government. The *Public Finance Management Act, 1999* (Act 1 of 1999), hereinafter referred to as the *PFMA*, was approved by parliament and promulgated on March 1999 to regulate financial management in the national and provincial spheres of government. This is to ensure that all revenue, expenditure, assets and liabilities of these spheres of government are managed effectively and efficiently. It is also to enforce compliance by individuals who are entrusted with the responsibilities of financial management in these spheres of government. The *PFMA* also determines those measures for the local sphere of government and enables the Minister of Finance to further prescribe by regulation such measures in terms of section 168 thereof.

In terms of section 76 (4)(c) of the *PFMA*, the National Treasury may develop regulations or issue instructions that are applicable to all government institutions and departments that must comply with the Act. The National Treasury is also responsible for enforcing compliance with such instructions or regulations. This includes those functions that have been assigned to it in terms of section 168 of the *MFMA*, concerning the determination of a framework for an appropriate supply chain management system that is fair, transparent, equitable, competitive and cost-effective. Section 38 (1)(a)(iii) of the *PFMA* further emphasizes the fact that it is the responsibility of the accounting officer of an institution to

maintain a supply chain management system that is fair, equitable, transparent, competitive and cost-effective.

3.2.4 The Auditor-General Act, 1995 (Act 12 of 1995)

Section 3 (1) of the *Auditor-General Act, 1995* (Act 12 of 1995) requires the appointment of the AGSA and also outlines his/her functions, duties and powers. The AGSA audits and investigates all accounts of public institutions and reports back to Parliament on his/her findings (Visser and Erasmus, 2002:57). Jones and Pendlebury (1992:233) refer to auditing as the independent examination of expression of opinion on the financial statements of an institution by an appointed auditor in pursuance of that appointment and in compliance with any relevant statutory obligation.

Mckinney (1995:403-404) regards auditing as a process concerned with the collection and analysis of information or evidence designed to render an independent, informed and professional opinion about the representation and assertions made in the management reports and supporting documents. Auditing is thus a means of independent verification and assurance about the completeness and credibility of financial and related records attesting to the correctness of calculations or the existence of an event. Visser and Erasmus (2002:57) argue that whether or not the AGSA can express an audit opinion.

The AGSA's opinion is the most important part of the auditors' report provided to the municipality. The extent of the audit qualifications serves as a reminder of the challenges ahead. Poor audit outcomes will indicate that the fundamental principles of good governance, transparency, the accountable use of public resources, and ongoing performance improvements, are being compromised. The most common weaknesses of the audit report on municipalities are found in management and accounting skills, shortcomings in operational financial management, lack of internal controls and risk management (Government Budgets and Expenditure Review, 2008: 168-169).

In terms of section 3(1) of the *Auditor-General Act, 1995* (Act 12 of 1995), the AGSA has the powers to audit and report any irregularities with regard to the use of State money

and property. This is done in accordance with the powers and functions conferred upon or entrusted to him/her in terms of section 188 of the *Constitution, 1996*.

Conradie (2007:18) declares that public sector auditing has currently been codified in terms of the comprehensive *Public Audit Act, 2004* (Act 25 of 2004). All auditing has now been captured under the umbrella of one institution, the AGSA. In terms of section 20 of the Act, an audit report must reflect an opinion or statements as may be required by any legislation applicable to the auditee and on the subject of the audit.

Conradie (2007:18) maintains that the report of the AGSA must contain an opinion on whether the financial statements that have been audited fairly represent the financial position of an institution for the period which ended on that date. Furthermore, the report of the AGSA must also reflect an opinion on the information relating to performance of the auditee against predetermined objectives.

According to *MFMA Circular No.28* (2005:11), the following is a classification of different audit opinions and explanations that are used by the AGSA in terms of international standards of auditing:

(a) Unqualified audit opinion. This is expressed when the financial statements are regarded as fairly reflecting the financial status of an institution or entity;

(b) Unqualified audit opinion with emphasis of matter. These opinions are expressed when the financial statements may be regarded as fairly representing the financial status of an institution or entity, but there are a number of issues that are causes for concern which are raised in the emphasis of matter;

(c) Qualified opinion. When the AGSA concludes that an unqualified opinion cannot be expressed, but that the effect of any disagreement with the management, or limitation of the scope of the audit is not so material or fundamental as to require an adverse opinion or a disclaimer option;

(d) Adverse opinion. This opinion is expressed when the effect of a disagreement is so material or fundamental to the financial statements that the AGSA concluded that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements; and

(e) Disclaimer opinion. This opinion is expressed when the AGSA concludes that the possible effect of a limitation of the scope of the audit is so material and fundamental that he/she has not been able to obtain sufficient appropriate audit evidence, and accordingly is unable to express an opinion on the financial statements.

MFMA Circular No.28 (2005:11) maintains that qualified, adverse or disclaimer opinions are a cause of great concern as they could point to serious financial mismanagement. It should also be noted that the scope of such audit opinions is narrow and may not cover many serious financial management transgressions such as overspending. For this and other reasons, the AGSA also issues an emphasis of matter which focusses on critical risk areas or weaknesses in financial management systems that the accounting officer should address.

Even when the audit opinion is unqualified, *MFMA* Circular No.28 (2005:11) urges the audit committees to focus their attention on the emphasis of matter and any other overspending and examine whether there are any issues that they need to take up with the accounting officer, including exploring what remedial steps are being put in place.

Pauw *et al.* (2002:49) confirm that the office of the AGSA is the independent external auditor for all institutions that are supported by public funds. The activities and functions of the AGSA are regulated in terms of Act 12 of 1995.

3.2.4.1 Internal and external auditors

Government auditing consists of internal and external auditors. According to Visser and Erasmus (2002:324) internal auditors are employees of an institution, while external auditors are appointed by the office of the AGSA.

3.2.4.2 Internal audits

Internal auditing is an independent appraisal within a department, which operation acts as a service to management by measuring and evaluating the effectiveness of the objective of the institution. The internal audit section or department has to ensure that the scope of internal auditing covers the whole range of internal control systems and not only those over financial resources (Archibald, 1994:113).

3.2.4.3 External audits

Government departments are audited by auditors from the office of the AGSA, or by duly appointed audit firms on his/her behalf. These auditors are referred to as external auditors. Section 188 of the *Constitution, 1996* requires the AGSA to perform wide-ranging functions relating to auditing and reporting on accounts, financial statements and management of all spheres of government and submit these reports to any authority prescribed by national legislature (Department of State Expenditure, 1995:5). McKinney (1995:405) confirms that external audits can be divided into general or specific audits, depending on their scope. The purpose of a general audit is to review financial activities of public institutions at the end of the financial or accounting period. The scope or time of a specific audit is restricted and will focus only on a specific part of an institution's financial transactions and records, or cover all the transactions and records, but for a period shorter than one year.

3.2.4.4 Financial or attestation audits

Jones and Pendlebury (1992:237) point out that internal auditors are involved in all aspects of auditing. However, they face several obstacles in attempting to maintain their independence because they are also employees of the institution. To substantiate their independence, Jones and Pendlebury (1992:237) maintain that internal auditors should have direct access to all senior managers and the accounting officer, as well as the personnel directly responsible for the activity that

is under review. Internal auditors should be completely independent of all financial systems operating within the institution in order to ensure their objectivity. Leaders of internal units should have the right of reporting under their own names on any aspect of financial management, including that of the finance section.

3.2.4.5 Performance audits for accountability

Performance auditing has great potential for contributing specifically to the ability of political office-bearers and public officials to demonstrate their accountability for administration and management of public resources. It is a comprehensive audit programme that is able to provide saving for taxpayers (Visser and Erasmus, 2002:335). National Treasury (2005:19) refers to performance audit as an independent audit process that is used to evaluate the measures or the lack thereof that is instituted by the management to ensure that the resources have been procured economically and are utilized effectively and efficiently and if necessary, report to the legislative body concerned in the prescribed manner.

According to Visser and Erasmus (2002:336), the primary objective of performance auditing is to confirm independently that measures such as planning, budgeting, authorizing, controlling and evaluating the procurement and utilization of resources do exist and are effective and also provide management with information of shortcomings. The implementation of these management measures and initiatives to improve performance management and accountability for results in the public sector required a shift in the focus of accountability from inputs and compliance to results.

In order to achieve the above-mentioned objectives, National Treasury (2005:21) proposes that the accounting officer must develop a programme that should be used to evaluate the performance of an institution. Such a review programme must involve all the top managers and further be started immediately after the end of the financial year and be completed before the annual financial statements are submitted for audit. National Treasury (2005:21) maintains that this process should

begin with all the top managers who have to use the predetermined performance targets to conduct a non-financial performance evaluation. This process should culminate in a report to the accounting officer. The chief financial officer should also submit the draft annual statements to all the senior managers and seek their comments before finalizing the annual financial statements.

Once all the non-financial and financial reports have been submitted, the accounting officer and all senior managers should meet to prepare a comprehensive performance evaluation report that should include proposals for taking steps. The results of the performance evaluation exercise should also be used as a parallel process to assess the performance of all the senior managers and their respective personnel. Such a performance evaluation report should be made more detailed than an annual report because it will include management related matters. The results of the performance evaluation exercise should be used to produce a draft annual report (National Treasury, 2005:21).

3.3. TYPES OF GOVERNMENT AUDITS

Sheldon (1996:39) identifies different types of government audits and it is therefore necessary to have a better understanding of them all. McKinney (1995:40) suggests that such audits be classified according to their purpose.

- a) **Financial compliance or fiscal audits.** These audits assess whether the financial statements of institutions are presented fairly and whether their financial activities comply with relevant legislations.
- b) **Regularity, probity or compliance audits.** The regularity audit should ensure that financial transactions of institutions conform to regulations procedures and departmental directives (Jones, 1996:83). The Department of State Expenditure (1995.5) describes these audits as those that form part of the external audit that auditors give attention to during the auditing of financial systems and transactions, which includes the evaluation of compliance with applicable laws, regulations, policies and instructions, as well as the audit of the probity and propriety of

administrative decisions taken within the municipalities. Although this approach is followed in the public sector, it is based on the provisions of the *Auditor-General Act, 1995* (Act 12 of 1995) and the prescriptions of the Manual on Internal Auditing for the Public Sector. Jones (1996:83) indicates that the internal auditor can also do spot checks in cases where irregularities are suspected, in order to establish adherence to applicable laws, regulations, policies and instructions. Sheldon (1996:42) also points out that compliance audits have recently been expanded to include risk and potential claims against the public institution.

- c) Comprehensive audit.** This type of audit occurs when all the different types of audits are carried out simultaneously. A comprehensive audit represents a thorough and practical mechanism to measure and report on performance. Each type of audit enhances accountability by evaluating relevant risk factors, existing internal controls, compliance, evaluation and reporting function. Although each audit has a distinct focus, a degree of overlapping necessarily exists. However, some audits may be eliminated, depending on their scope and objectives. This combination eventually provides a thorough evaluation of an institution and affects accountability positively (Sheldon, 1996:45).
- d) Systems reliability audits.** A system reliability audit is developed to determine the reliability of the systems that are used by the institution. Jones and Bates (1990:1118) state that the systems-based approach will, among others, record structures and procedures forming the system, identify the internal controls within this, use the results of the compliance testing of the internal controls within this, and use the results of the compliance testing of the internal controls to decide on the extent of further audit work.
- e) Forensic audit reports.** As revealed by *MFMA* Circular No. 70 (2013:22) it has come to the attention of the National Treasury that the forensic audit reports are not submitted to council for taking action. The National Treasury here reminds the municipalities' councils of their responsibility to discuss the report in the council and implement a fair procedure in dealing with the findings of the report. This would

in all probability require that action be taken against the councillors and/or the officials.

If it is found that a municipality has commissioned a forensic audit and that the subsequent report did not serve before the municipal council, the National Treasury will invoke section 216(2) of the *Constitution, 1996* against that municipality and stop all grant transfers. In addition, the AGSA will be informed of the incurred fruitless and wasteful expenditure (*MFMA Circular No.70, 2013:22*).

3.3.1 Audit outcomes

The accounting office of an institution must table any management letter that has been received from the AGSA for discussion in council. The accounting office must further discuss the audit outcome with the management as soon as the report is received from the AGSA. The accounting office should propose that corrective steps be taken to deal with any matter arising from the audit, and this should be done in writing. In addition, all accounting officers should be required to provide a written explanation as to why the institution received a poor audit outcome (*National Treasury, 2005:20*).

National Treasury (*2005:20*) refers to a poor audit outcome as an audit opinion that is qualified, adverse or disclaimed and this includes matters of emphasis that are noted in the audit report. Irrespective of the audit outcome, National Treasury (*2005:20*) maintains that the accounting officer must explain specific serious transgressions, which may include, among others, the incurring of overspending, unauthorized, irregular, and fruitless and wasteful expenditure. In this instance, the accounting officer should indicate:

- What corrective steps have been or are being taken;
- What is being done to recover the funds where this is possible;
- What disciplinary steps have been taken against the erring officials and

- Whether any criminal investigations have been instituted against the erring officials.

3.4 FINANCIAL REPORTING

The need for financial reporting can best be explained by the quest for accountability and transparency, as set out in the *Constitution, 1996*. Section 195(1)(f) and (g) maintains that public administration must be accountable and transparent by providing the public with timely, accessible and accurate information (Visser and Erasmus, 2002:341). McKinney (1995:427) states that the purpose of any financial report is to indicate the extent of compliance with appropriations and contractual, legal and other requirements. Internal control and public accountability requires that timely reports should be issued throughout the financial year.

Section 121(2) (a) (b) and (c) of the *MFMA* urges all municipalities to prepare and adopt an annual report. The purpose of the annual report is to provide a record of the activities of the municipalities during the financial year to which it relates, as well as on the performance against the budget of the municipality for the financial year. The purpose of the annual report is also to promote accountability to the local community on the decisions made by the municipal council throughout the year. The system of reporting in terms of the *MFMA* is to assist in making useful and regular internal and external information available on municipal financial performance. When the information is accurate and reliable, it will strengthen decision-making processes and improve oversight by managers and councils.

In terms of section 71 of the *MFMA*, the municipal manager as an accounting officer has to submit monthly budget statements no later than within 10 working days to the mayor, who must table them in council on a quarterly basis. The monthly budget statement must reflect the following particulars for that specific month of the financial year:

- (a) Actual revenue per source;

- (b) Actual expenditure per vote;
- (c) Actual capital expenditure per vote;
- (d) Actual borrowings;
- (e) The amount of allocations received and actual expenditure on those allocations.

The mayor must monitor the implementation of the budget and ensure that the financial problems which a municipality may face are identified early (National Treasury, 2008:165).

3.4.1 Reports on performance of municipal grants

In terms of *MFMA* Circular No.70 (2013:23), the National Treasury draws the attention of municipalities to section 29 of the *Division of Revenue Act, 2013* (Act 2 of 2013) (*DORA*) regarding the responsibilities of the provincial treasuries. The National Treasury has noticed through the 2012 Pre-audit Annual Financial Statements of the municipalities that they are receiving significant grants/funds from the provinces. The funding is, however, not supported by legislation in terms of the requirements of section 29 of *DORA* by ensuring that the grants that are received are supported by an appropriation. Without the necessary gazette, the municipality would not have a basis for spending the received funds (*MFMA* Circular No.70, 2013:23).

MFMA Circular No.70 (2013:23) requires that municipalities must ensure that grant funding is not spent against goods and services that are not delivered or against the work that is not done. National Treasury discourages the procurement of such related transactions, as they may be deemed to undermine the supply chain management processes and end up in irregular expenditure. Payment for the services that have been rendered can only be made upon receipt of invoices.

Furthermore, the National Treasury has observed that many municipalities report the underperformance against the spending of the grant during the financial year only to have this corrected at the end of June. Among others, weak internal control

processes related to payment certificates contribute significantly to this challenge. Municipalities are therefore requested to ensure that all capital payment certificates are sourced and accounted for by the last working day of the month (*MFMA* Circular No.70, 2013:23).

3.4.2 Annual reports

Annual reports are the key reporting instruments for municipalities to report against the performance targets and budgets outlined in their strategic plans. Annual reports are therefore required to contain information on service delivery and outcomes, in addition to financial statements. An annual report is meant to be a backward-looking document focussing on performance in the financial year that has just ended. An annual report must demonstrate how the budget was implemented and the results of service delivery operations for that financial year. When the annual report is tabled in the council, it should include four main components, each of which has an important function in promoting governance and accountability. The main components are:

- The annual performance report as required by section 46 of the *Municipal Systems Act*;
- Annual financial statements submitted to the AGSA;
- The AGSA's audit report on the financial statements of the municipality in terms of section 126 (3) of the *MFMA*; and
- The AGSA's audit report on performance in terms of section 45 (b) of the *MFMA* (National Treasury, 2006:2).

The process to prepare annual reports should begin at the same time as the process to prepare the annual financial statements and both should be part of an annual performance evaluation process. This evaluation process should begin immediately

after the end of the financial year and be completed no later than three months after the end of the financial year (National Treasury, 2005:21).

After an annual report has been tabled in the council in terms of subsection (2), the accounting officer of the municipality must, in accordance with section 21 (a) of the *Municipal Systems Act* make the annual report available to the public. The accounting officer must invite the local community to submit representations concerning the annual report and submit it to the AGSA, the relevant Provincial Treasury and the provincial department responsible for local government.

The annual report is the key instrument of transparent governance and accountability and must be used to measure performance for the financial year. The early completion and submission of annual reports, together with the annual financial statements, will facilitate timely and improved information for oversight structures. Oversight of the annual report represents the final stage in the accountability cycle (National Treasury, 2008:167).

Section 129 (1) (a) and (c) of the *MFMA* urges the council of a municipality to consider the annual report and adopt it no later than two months from the date on which it was presented before the council. The council must also adopt its oversight report as required by section 127 of the *MFMA*. The oversight report must include statements of whether the council has approved the annual report. The oversight report must also indicate whether the council has referred the annual report back for revision of those components that can be revised in the report, or has rejected the report. The oversight report is the final major step in the annual reporting process of a municipality and it is thus clearly distinguished from the annual report. The annual report is submitted to council by the municipal manager and the mayor and is part of the process of discharging accountability by the executive and administration for their performance in achieving the goals set by council. Thus, the accountability cycles are completed and the separation of powers is preserved to promote effective governance and accountability (National Treasury, 2006:4).

Section 131 (1) (2) (a) and (b) of the *MFMA* indicates that a municipality must address all issues raised by the AGSA in the annual report. The mayor must ensure that there is compliance by the municipality on such issues. A member of the executive council (MEC) for local government in the province must assess the annual financial statements of the municipality, the audit reports on those financial statements, any responses of the municipality to such audit reports and determine whether the municipality has adequately addressed issues that have been raised by the AGSA in the audit reports. The MEC must then report to the provincial legislature about any omission by the municipality to adequately address those issues within sixty days.

To facilitate consideration of the annual report in its entirety, the municipal council should obtain the views of the audit committee, which is charged with the responsibility of providing council with, among other matters as prescribed, an authoritative and credible view of the financial position of the municipality, its effectiveness and efficiency, performance management and the level of compliance with the *MFMA*, the annual *DORA* and other relevant legislation (National Treasury, 2006:6).

Section 121 (3)(a) (b) and (k) of the *MFMA* further maintains that the annual report of a municipality and the consolidated annual financial statement must be submitted to the AGSA for auditing in terms of section 126 (2).

3.4.3 Different types of reports

McKinney (1995:427-28) identifies four different types of reports that are constantly used in the public sector. These are internal reports, external reports, interim reports and performance reports.

3.4.3.1 Internal reports

Internal financial reports are used in public institutions and are referred to as management information reports. These types of reports are compiled daily, weekly, monthly or quarterly, depending on management's need for financial information or statutory requirements. These reports are used to provide

management with the necessary information that can be used to oversee the institution's operations. The reports can also assist management to control the institution's operational activities and programmes and monitor the implementation of approved operation business plans. The reports may be used to facilitate the management of funds to identify the necessity for supplementary estimates or adjustments to budgetary allocations. Each of these reports should further be used to provide the basis for the development of the following year's budget and assist in the review of plans and priorities (McKinney, 1995:428).

3.4.3.2 External reports

External reports should be able to satisfy requirements such as legal, contractual and fiduciary. They should also provide information to assist interested parties in monitoring the performance of public institutions to determine whether available resources have been used in accordance with approved budget and business plans. Achievements of assigned responsibilities must be clearly indicated on the reports, as well as a measurement system capable of comparing predetermined objectives with actual achievements (McKinney, 1995:428).

3.4.3.3 Interim reports

According to McKinney (1995:428), the purpose of these reports is to assess continuing programme activities as well as potential problems. These types of reports are not usually published by public institutions, but are rather produced to assist public managers, officials and budget controllers to monitor and control their budgets. The executive authority may also find them useful especially when they provide information that show how the budget plans are being followed. At the same time, interim reports assist public managers and management to disclose deviations or variation from other operating plans, which will allow them to take corrective action.

3.4.3.4 Performance measurement reports

Performance measurement systems provide accountability to the public by identifying results and evaluating past resource utilization decisions. In practice, it is impossible to manage any organization without information pertaining to the performance of the various activities and programmes or projects (National Treasury, 2006:4). The Department of State Expenditure (1995:8) proposes that critical or key performance areas should be identified by giving attention to the objectives that the institution wants to achieve after a certain period of time. The key performance areas of public institutions will therefore differ from one another, depending on the nature of the individual public institution. Talbot (1996:22) maintains that once the key performance areas are identified, the key performance measures and key indicators of service delivery improvement programmes for assessing the institution's performance must be determined. This must be based on the requirements of the Treasury Regulations of 21 May 2000 to ensure that there is a clearer relationship between the objectives of the institution and the resources allocated to meet those objectives.

MFMA Circular No.70 (2013:8) provides that financial performance measurement is undertaken by the National Treasury through the section 71 and 72 in-year reporting framework. Although significant strides have been made with the in-year financial reporting framework for local government, *MFMA* Circular No.70 (2013:8) indicates that the perfect system of performance measurement, especially as it relates to non-financial performance, is still not in place. The general perception is that local government does not deliver its constitutional obligations to the extent that the public expects.

Even though various systems of gathering information in the government are in place, *MFMA* Circular No.70 (2013:8) reveals a number of gaps that still exist in information sharing and the following are some of the examples:

- Weak alignment of strategic plans, budgeting, implementation and operationalization between the integrated development plans/ budget/ service delivery and budget implementation plan/annual financial statements/ annual reports;
- Service delivery and budget implementation plans are not used as the basis of performance reporting;
- In-year reporting and control are not regularly undertaken, and this undermines oversight;
- In many cases non-performance has no consequences. This is further exacerbated by a lack of performance monitoring;
- Where performance systems have been established, they rarely ensure accountability by officials and political office-bearers and
- Performance measurement is limited to high level indicators which do not necessary relate back to service delivery imperatives.

MFMA Circular No.70 (2013:9) indicates that the development and implementation of a performance measurement framework by the National Treasury is critical if local government is to achieve its overall objectives. As of the 2012/13 municipal financial year, the National Treasury has initiated the incorporation of non-financial performance information as part of the section 71 and 72 in-year reporting framework for the metropolitan municipalities. Performance indicators are currently required from the eight metropolitan municipalities and will be required from all the municipalities during the 2014/15 financial year. Performance measurement should also be classified and divided between the following objectives:

- Strategic issues;
- Governance issues;
- Financial issues and
- Non-financial issues (*MFMA* Circular No.70, 2013:9).

3.4.3.5 Non-financial performance reports

The National Treasury (2005:12) argues that one of the biggest weaknesses in many annual reports is the poor quality of the non-financial performance and service delivery information. The key non-financial performance information is required on programme performance, which includes reports on the extent to which the municipality or entity has delivered on its strategic plans and budget, focussing on:

- The achievement of desired outcomes, such as progress made in achieving the stated goals and objectives;
- The delivery of planned outputs, that is the delivery against each and every performance measure and target that is specified in the strategic plans of the municipality;
- Reports on all the capital projects that have been started, are still in progress or are completed by the municipality;
- The use of inputs such as the expenditure related to each programme, focussing on the issues of efficiency and economy that relate to the actual expenditure of the actual delivery. The analysis should also focus on the specific types of expenditure, for instance the use of consultants, the revenue collection activities, asset management and maintenance plans and the progress it is making with developing sound financial management systems and
- Information on the procurement of goods and services and other supply chain management objectives.

3.5 FINANCIAL STATEMENTS

In terms of section 122 (1) (a) of the *MFMA* every municipality must prepare annual financial statements for each financial year. The annual financial statements must fairly present the state of affairs of the municipality, its performance against the

budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results and its financial position at the end of the financial year.

Meigs, Meigs, Bettner and Whittington (1998:5) maintain that financial statements are a set of accounting reports which, when taken together, describes the financial position of an institution and the results of its recent operations. This set of financial statements constitutes a summary of the information contained in the basic accounting equation and consists of an income statement, balance sheet and cash-flow statement (Faul *et al.*, 1994:58).

Section 126(1) (b) of the *MFMA* states that the consolidated financial statements of the municipality must be submitted within a period of three months to the office of the Auditor-General for auditing, after the end of the financial year to which those statements relate. In terms of section 126(3) (a) and (b), the Auditor-General must audit the financial statements and submit the audited report of those financial statements to the accounting officer of the municipality within three months of receipt of the statements.

3.6 THE INTERGOVERNMENTAL FISCAL RELATIONS ACT, 1999 (ACT 97 OF 1999)

The *Intergovernmental Fiscal Relations Act, 1999* (Act 97 of 1999) has been introduced to facilitate and promote greater cooperation between all spheres of government. The Act formalizes the intergovernmental budget process in order to give effect to section 214 of the *Constitution, 1996* for promoting cooperative governance. In terms of section 40(1) of the *Constitution, 1996*, the three spheres of government are distinctive, interdependent and interrelated. The system of interrelation gives effect to the principles of cooperative governance. Carstens and Mathebula (2007:11) refer to cooperative governance as a phenomenon whereby the organs of state from various spheres of government cooperate to attain joint goals and objectives. According to Morgenrood (2008:41), the Act is defined as providing a framework for the national, provincial and local government and all organs of state within those governments to facilitate coordination in the implementation of policy and

legislation, including (a) coherent government, (b) accountability and (c) effective financial management.

Section 88 (1) of the *Municipal Structures Act* makes it mandatory for a district and local municipality to cooperate with one another by assisting and supporting each other. As outlined by section 88 (2)(a)(b) and (c) of the Act, a local municipality may request a district municipality within its area to provide financial, technical and administrative support and capacity. Similarly, a district municipality may request a local municipality within its area to do the same. This should be done when the relevant and necessary capacity is available at a municipality where assistance is requested.

Section 28 (1)(a) of the *Annual Division of Revenue Act, 2013* (2013) originates from the role that is played by the districts with regard to coordinating intergovernmental relations with the municipalities in their jurisdiction as per section 38 of the *Intergovernmental Relations Act, 2005* (Act 13 of 2005). This makes it necessary to enhance cooperation between the municipalities. With regard to the division of powers and functions between the district and the local municipalities, section 84 (1)(o) of the Structures Act stipulates that the district municipality is obliged, where applicable, to budget and distribute grants allocated in a particular financial year. Therefore, section 28 (1)(a) aims to facilitate the above scenario in a more structured manner.

In terms of section 88 (3) of the Act, the provincial MEC must assist a district municipality to provide support to a local municipality. Section 37 (1)(a)(b) and (c) of the *MFMA* stipulates that the municipalities must promote cooperative governance among themselves and the other spheres of government through their fiscal and financial relations. This should be done in accordance with Chapter 3 of the *Constitution, 1996* and the *Intergovernmental Fiscal Relations Act, 1999* (Act 97 of 1999). Municipalities must also provide budgetary and other financial information to the relevant district municipalities, national and provincial organs of state. Such

municipalities must be able to fulfil their financial management commitments towards those organs of state or municipalities, which have provided them with funds.

Section 28 (1)(a) of the *Division of Revenue Bill, 2014* (B2- of 2014) is subsequent to the role that is played by the district municipalities with regard to coordinating the intergovernmental relations with the municipalities in their jurisdiction as per section 38 of the *Intergovernmental Relations Framework Act, 2005* (Act 13 of 2005). This necessitates enhanced cooperation between the municipalities in order to achieve a common vision in the planning, integration, alignment and harmonization of strategies in areas such as economic development and planning, infrastructure investment and building partnerships with a broad range of stakeholders.

With regard to the division of powers and functions between the district and local municipalities, section 84(1)(o) of the *Structures Act* stipulates that the district municipality is obliged, where applicable, to budget and distribute grants that have been allocated in a particular financial year. Section 28 (1)(a) therefore aims to facilitate the above scenario in a more structured manner.

Linked to the above, *MFMA Circular No.70 (2013:22)* requires that section 16 of the *MFMA* should be read in conjunction with section 22 (b) of the *MFMA* which states that immediately after an annual budget has been tabled in a municipal council, it must be submitted to the National and Provincial Treasuries, other national and provincial organs of state and to municipalities. In the absence of specific timelines, *MFMA Circular No.70 (2013:22)* indicates that the Municipal Budget and Reporting Regulations (MBRR) give guidance and also specify that annual budgets should be submitted to the prior mentioned stakeholders by the 10th working day after the tabling at the municipal council.

In order to enable municipalities to include allocations from the district municipalities and other organs of state in their annual budgets and to plan properly for the spending of such allocations, section 37(2) of the *MFMA* urges the accounting officer of a municipality that is responsible for the transfer of funds to notify the receiving

municipality no later than 120 days before the start of its annual budget. Section 123 (1) of the *MFMA* states that the municipality must disclose information on:

- (a) All allocations it received from any organ of state in the national or provincial sphere of government;
- (b) All allocations made by the municipality to a municipality or any organ of state;
- (c) How all allocations referred to in (a) were spent per vote, excluding those received as equitable share or for any other purpose;
- (d) Whether the municipality has complied with all the conditions of allocations made to the municipality in terms of section 214 (1)(c) of the *Constitution, 1996* and any allocations made to the municipality not by national organs of state;
- (e) The reasons for any non-compliance with conditions referred to in (d); whether the funds that were to be transferred to the municipality in terms of the annual *Division of Revenue Act, 2001* (Act 5 of 2001) were delayed or withheld and the reasons for such delay or withholding.

According to *MFMA* Circular No.70 (2013:22), the National Treasury has increasingly observed persistent material breaches of the legislative framework governing local government. Municipalities need to take note that the National Treasury has institutionalized the right to invoke section 216(2) of the *Constitution, 1996* which directly implies the immediate and indefinite stopping of all grants transfers to the municipalities. This includes the equitable share for those municipalities that are in breach of the municipal legal framework.

3.7 SUPPLY CHAIN MANAGEMENT FOR LOCAL GOVERNMENT

In 1995, government realized that a consistent legislative framework for the procurement process was required to give effect to its procurement reform policy objectives. As an interim measure, a procurement reform had to be introduced and implemented within the ambit of the existing legislation. A ten-point interim strategy plan was adopted during November 1995. The plan was designed in a way that would

impact positively on the government's bidding system (South African Management Development Institute, 2006:3).

In 1997, a Green Paper on Public Sector Procurement Reform in South Africa was published. During 2001, collaboration between the World Bank and the Supply Chain Management Unit at the National Treasury completed a Joint Country Procurement Assessment Review (CPAR), which assessed procurement practices throughout the public sector. The CPAR identified some deficiencies relating to governance aspects and the interpretation and implementation of the *Preferential Procurement Policy Framework Act, 2000* (Act 5 of 2000) and its associated Regulations (South African Management Development Institute, 2006:3).

3.7.1 Supply Chain Management Policy

The policy guidelines on the supply chain management framework were published by the National Treasury in October 2002, as required by section 76(4)(c) of the *PFMA*. The policy guidelines are made available against the background of the provisions of section 217 of the *Constitution, 1996* and the subsequent enabling legislation such as the *Preferential Procurement Policy Framework Act, 2000* (Act 5 of 2000). The policy guidelines should be applied during the acquisition and disposal of all goods and services by all public institutions and state organs. The objectives of these policy guidelines are mainly to transform the procurement by government into an integrated supply chain management function and to create a common understanding and interpretation of government's preferential procurement policy objectives.

Supply chain management refers to the procurement of services and asset disposal system of a municipality (National Treasury, 2006:99). Section 110 of the *MFMA* recognizes supply chain management as a crucial component of municipal financial management. The efficiency and effectiveness of the procurement function has a large impact within a municipality. The *MFMA* aims to eliminate conflicts of interest in the disposal of assets and the procurement of goods and services when using public

funds and provides for an open transparent system through the Supply Chain Management Policy (National Treasury, 2006:100).

In terms of section 112 (1)(m)(i) of the *MFMA*, the municipality must establish a supply chain management policy that is focused on integrity, efficiency and which is able to obtain the best value for money. The *MFMA* further requires every municipality to adopt a supply chain management policy that can minimize the likelihood of fraud, corruption, favouritism and unfair and irregular practices. The supply chain management policy of a municipality must also be fair, equitable, transparent, competitive and cost-effective and comply with a prescribed regulatory framework for municipal supply chain management (National Treasury, 2006:100).

3.7.2 The implementation of Supply Chain Management Policy

In terms of section 115(1)(a)(b) and (2), of the *MFMA*, the accounting officer of a municipality must:

- Implement the supply chain management policy of the municipality; and
- Take all reasonable steps to ensure that a proper mechanism and separation of duties in supply chain management systems are in place.

Subsection 2 of the *MFMA* requires that no person may impede the accounting officer in fulfilling this responsibility. Section 117 of the *MFMA* forbids any councillor of a municipality to be a member of a municipal bid committee or any other committee that either evaluates or approves tender quotations, contracts or other bids, or attends any such meetings as an observer.

In terms of section 119 (1)(2) and (3) of the *MFMA*, the accounting officer and all other officials of the municipality that are involved in the implementation of the supply chain management policy of the municipality must possess the prescribed competency levels. A municipality must, for the purpose of subsection (1), provide resources or opportunities for the training of officials referred to in that subsection to

meet the prescribed competency levels. The National Treasury or a Provincial Treasury may assist municipalities in the training of officials referred to in subsection (1) of the *MFMA*.

3.8 MUNICIPAL REGULATIONS ON COMPETENCY LEVELS

On 15 June 2007, the National Treasury promulgated the Municipal Regulations on minimum competency levels for financial and supply chain management officials in municipalities. Regulation 18 (1) requires that with effect from 01 January 2013, no municipality may employ a finance official if he/she does not have the competency levels prescribed for the relevant position (Ntliziywana, 2012:3). Sections 83, 107 and 119 of the *MFMA* contain enabling provisions that require all officials who manage, supervise and operate within the financial management and supply chain management disciplines to meet the minimum competency levels.

According to Ntliziywana (2012:14), the municipal regulations on competency levels are applicable to senior and middle managers, finance officials and supply chain management officials. Finance officials include accounting officers (municipal managers), chief financial officers and section 57 managers. Supply chain management officials include all finance officials who participate in all the bid committees. Ntliziywana (2012:14) further maintains that the respective competency requirement for each category of employee mentioned herein must have the necessary skills, experience and capacity to assume and fulfil the roles and responsibilities expected and perform the functions assigned to them in terms of the *MFMA*. The competency requirement relates to educational qualifications, work-related experience and managerial and occupational competencies.

3.9 STANDARD CHART OF ACCOUNTS (SCOA)

The Government Regulation Gazette (2014:3) refers to the standard chart of accounts as a multi-dimensional classification framework that provides the method and format for recording and classifying financial transaction information in the

general ledger, which forms part of the books of accounts that contain a standard list of all available accounts.

Section 216 of the *Constitution, 1996* provides that national legislation must prescribe measures to ensure transparency and expenditure control in each sphere of government by introducing uniform expenditure classifications and uniform treasury norms and standards. Section 168 of the *MFMA* determines those measures for the local sphere of government and enables the Minister of Finance to further prescribe such measures by regulation. In terms of section 170 (1) and (2) the National Treasury may on good grounds approve or disapprove the regulation. When the regulation has been approved, the National Treasury will be responsible for enforcing compliance with such measures. This should be done in addition to similar functions that are assigned to it by the *PFMA*. Furthermore, the National Treasury must compile the national accounts that incorporate all the three spheres of government (Government Regulation Gazette No: 10178, 2014:4).

Currently, as indicated in the Government Regulation Gazette No:10178 (2014:4), individual municipalities report and manage their financial affairs in accordance with their organizational structure and unique chart of accounts. This practice causes a disjuncture between the municipalities and other spheres of government as to how they classify revenue and expenditure and consequently report thereon. This practice or approach compromises transparency, reliability and accuracy of reporting and further impedes the integration of information and the formulation of coherent policies in response to the objectives of local government.

3.9.1 The objective of the regulations

In terms of Regulation 2(a)(b) of the Government Regulation Gazette (2014:9), the objective of these regulations is to provide a national standard for the uniform recording and classification of municipal budget and financial information at a transaction level. This should be done by prescribing a standard chart of accounts for the municipalities and the municipal entities which:

(a) Are aligned to the budget formats and accounting standards prescribed for the municipalities and municipal entities and with the standard charts of accounts for the national and the provincial government; and

(b) Enable the sets of uniform information that is recorded in terms of the national norms and standards across the entire government for the purposes of the national policy coordination and reporting, benchmarking and performance measurement in the local government sphere.

3.10 THE RESPONSIBILITIES OF THE MUNICIPAL COUNCIL AND THE ACCOUNTING OFFICERS

Regulation 12 of the Government Regulation Gazette No.10178 (2014:13) stipulates that the council of a municipality or the board of directors of a municipal entity must take the necessary steps to ensure that these regulations are implemented through the adoption of any resolutions, policies and budgetary provisions that are necessary for the implementation of these regulations.

In terms of Regulation 13, the accounting officer of a municipality or a municipal entity must take all the necessary steps to ensure that these regulations are implemented by:

(a) Delegating the necessary powers and duties to the appropriate officials;

(b) Ensuring that the responsible officials have the necessary capacity by providing for training and ensuring that such officials attend workshops and training provided by the National Treasury;

(c) Ensuring that the financial and the business applications of the municipality or the municipal entity have the capacity to accommodate the implementation of these regulations and that the required modification or upgrades are implemented; and

(d) Submitting reports and recommendations to the municipal council or the board of directors of an entity, as the case may be, that provide for the adoption of any

resolutions, policies and budgetary provisions that are necessary for the implementation of the regulations.

3.11 BUDGET AND REPORTING REGULATIONS

The Municipal Budget and Reporting Regulations (2009) provide for the formalization of norms and standards in order to improve the credibility, sustainability, transparency, accuracy and reliability of municipal budgets. The prescribed budget formats provide the framework for the identification of categories of municipal financial and non-financial information that is required in the development of the municipal budgets. A key objective of the proposed regulations on Standard Chart of Accounts (SCOA) is to enable the alignment of the budget information with the information that is captured in the course of the implementation of the budget (Government Regulation Gazette No: 10178, 2014:5).

The Government Regulation Gazette No: 10178 (2014:5), provides additional objectives which include the following benefits:

- (a) Improved data quality and credibility;
- (b) The achievement of a greater level of standardization;
- (c) The development of uniform data sets that is critical for the entire reporting of the government;
- (d) The standardization and alignment of the local government accountability circle by the regulation of not only the budget and in-year reporting formats, but also the annual report and annual financial statements;
- (e) The creation of the opportunity to standardize key business processes with the consequent introduction of further consistency in the management of the municipal finances;

- (f) Improved transparency, accountability and governance through the uniform recording of transactions at the level of posting the account detail;
- (g) Enabling deeper data analysis and sector comparisons to improve the financial performance; and
- (h) The standardization of the account classification to facilitate the mobility in the financial skills within the local government and between the local government and other spheres as well as the private sector and to enhance the ability of local government to attract and retain skilled personnel.

The Government Regulation Gazette No: 10178 (2014:5) dictates that the above regulations are applicable to all municipalities and municipal entities and further indicate their applicability and relevance to each specific municipal environment, while accommodating organizational uniqueness and structural differences.

3.12 SUMMARY

The statutory framework for public financial management includes a vast number of legislation and public policies that have a direct bearing on the financial management dealt with in the different spheres of government. The *MFMA* has brought the management of municipalities' finances in line with those of national and provincial governments. In terms of section 62 (c)(i) and (ii) of the *MFMA*, the accounting officer of a municipality must ensure that the institution maintains effective, efficient and transparent systems of financial and risk management, as well as internal control and internal audit that are operating in accordance with the norms and standards of the Act.

Municipalities are increasingly challenged by their effectiveness in matters of governance. A series of policy and legislative framework requires that local government should be more accountable in the management of public funds. The provisions of the *MFMA* have created a platform for further enforcement of the

principles of good governance by paving the way for effective and efficient financial management and strengthening accountability at local government level.

The office of the AGSA is the independent external auditor for all institutions that are supported by public funds. The activities and functions of the AGSA are regulated in terms of Act 12 of 1995. The Act gives powers to the AGSA to audit and report any irregularities with regard to the use of state money and property. In addition, it is also done in accordance with the powers and functions conferred upon or entrusted to him/her in terms of section 188 of the *Constitution, 1996*.

Internal auditors are involved in all aspects of auditing, but they face several obstacles in an attempt to maintain their independence. This is because they are employees of the institution that is being audited. To confirm their independence, internal auditors should be independent of all financial systems operating within the institution in order to ensure their objectivity. External auditors are audit firms that have been appointed by the AGSA to audit government institutions on his/her behalf. External auditors perform different functions that are related to auditing and reporting on accounts, financial statements and management at all spheres of government, including institutions that are funded by the national Revenue Fund, the provincial Revenue Fund and a municipality.

There are also different types of audits in government and they are classified according to the purpose they are serving. These types of audits are financial or attestation audits; regularity, probity or compliance audits and comprehensive audits. The attestation audit is used to indicate whether the financial statements of a public institution conform to the statutory requirements. The regularity audit is to ensure that financial transactions of an institution conform to regulations, procedures and departmental directives. A comprehensive audit occurs when all the different types of audits are carried out simultaneously. Each specific type of audit enhances accountability by evaluating factors and existing internal controls. Lack of legislative compliance with any audit function is an indication that there is no accountability in the

public institution. An effort to report to the relevant authorities will be without any substance.

Every municipality has to prepare and adopt an annual report. The annual report is used to provide a record of the activities of the municipality during the financial year to which it relates, as well as the performance against the budget for that financial year. The annual report must include the annual financial statement submitted to the AGSA for auditing. After receiving audited financial statements and the annual report from the AGSA, the accounting officer of the municipality must table them in the council and make them available to the public and invite them to submit comments. The accounting officer must further submit the annual report to the AGSA, the relevant Provincial Treasury and the provincial department responsible for local government.

In terms of section 37 of the *MFMA*, municipalities must promote cooperative governance with other municipalities and spheres of government through their fiscal and financial relations. This should be done in accordance with Chapter 3 of the *Constitution, 1996* and the Intergovernmental Fiscal Relations Act. Municipalities must provide budgetary and financial information to the relevant municipalities and the organs of state or other spheres of government. Municipalities that have been provided with funds by organs of state or other municipalities must fulfil their financial management commitments.

Every municipality must develop and adopt its own supply chain management policy that is focused on integrity, efficiency and that is able to obtain the best value for money. Supply chain management refers to the procurement of services and the assets disposal system of a municipality. Supply chain management is a crucial component of municipal financial management. The supply chain management policy of a municipality must be fair, equitable, transparent, competitive and cost-effective and should comply with the prescribed regulatory framework. The accounting officer of a municipality must ensure that proper mechanisms and the separation of duties in the supply chain management system are in place, as well as ensure their

implementation to minimize the likelihood of fraud, corruption, favouritism and unfair and irregular practices. No person may impede the accounting officer in fulfilling this responsibility.

Section 216 of the *Constitution, 1996* provides that national legislation must prescribe measures that will ensure transparency and expenditure control in all three spheres of government. In terms of section 168 of the *MFMA*, the Minister of Finance must prescribe such measures by regulation. Uniform expenditure classifications have already been established and implemented for the national and provincial government departments and the Standard Chart of Accounts (SCOA) has to be applied in local government in a similar form as in the other two spheres of government. This will result in an improved understanding of the role of local government in the broader national policy framework and will also ensure a link with other government functions.

CHAPTER FOUR

OPERATIONAL GUIDELINES FOR PROMOTING EFFECTIVE ORGANIZATIONAL CONTROL AND FINANCIAL ACCOUNTABILITY: THE ROLE OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEES IN THE NORTH WEST PROVINCE

4.1 INTRODUCTION

Since 1994, South Africa has been transformed by means of political reform from an undemocratic state to a democratic state. The adoption of a new *Constitution* in 1996 has introduced a decentralized public service, and the national, provincial and local governments. The strategic objectives of local government are, among others, to provide clean, effective, efficient, responsive, democratic and accountable government to local communities (Richards, 2009:66).

Fanoë (2006:36) states that the establishment of a new local government system has paved the way for organizational restructuring, rebuilding of institutions, rearrangement of workable structures, administrative reorganization for effective oversight and the improvement of revenue management. The *MFMA* and other legislation also set the legal framework for financial management, reporting and delineating the roles of administrators and political office-bearers with regard to financial matters.

National Treasury (2011:5) regards oversight as a concept that primarily refers to the crucial role of legislatures in reviewing and monitoring the actions of organs of state. This concept is further inherent in the notion of checks and balances on making elected public representatives and government officials accountable. Saywer and Dittenhof (1996:102) maintain that there are several ways in which managers in public institutions can ensure that oversight and accountability are applied. Some of these ways are the establishment of organizational structures, development of policies, administrative and operational procedures.

This chapter focuses on operational guidelines (structures and systems) that have to be implemented by municipalities to achieve effective internal organizational control. These structures and systems of organizational controls could be viewed as preventative instruments of accountability, because they are used to prevent undesirable contingencies from taking place. A critical evaluation of the role of MPACs as a mechanism for promoting effective municipal financial accountability will follow.

4.2 OPERATIONAL GUIDELINES FOR PROMOTING EFFECTIVE ORGANIZATIONAL CONTROL AND FINANCIAL ACCOUNTABILITY: THE ROLE OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEES (MPACs) IN THE NORTH WEST PROVINCE

4.2.1 Oversight Committee

Sections 33 and 79 of the *Structures Act* stipulate that municipalities should establish Oversight Committees. The Oversight Committee is responsible for the detailed analysis and review of the annual report and the drafting of an oversight report that must be taken to the full council of a municipality for discussion. Circular 32 (2006:4) refers to the oversight report as the final major step in the annual reporting process of a municipality. *MFMA* Circular 32 (2006:4) distinguishes the following differences between the oversight report and the annual report:

- (a) The oversight report is a council report that follows after the consideration and consultation on the annual report by the council. Thus, the full accountability cycle is completed and the separation of powers is preserved to promote effective governance and accountability.
- (b) The annual report is a report that is submitted to the council by the accounting officer and the mayor. It is part of the process for discharging accountability by the executive and the administration for their performance in achieving the goals that are set by the council.

Steytler, De Visser and May (2009:13) propose that the Oversight Committee within the municipalities must be strengthened and that municipalities must be encouraged and supported to make use of Section 79 committees, instead of Section 80 committees that exist solely to support the executives. The *MFMA* circular 32 (2006:4) provides that the Oversight Committee should be made up of non-executive councillors and the representatives of the community only. The committee should be established annually to deal with the annual report. Municipal officials should not be members of the Oversight Committee as this would pose a conflict of interest. The municipality's Audit Committee should also be considered as a major source of independent specialist advisers in the review process.

The *MFMA* circular 32 (2006:5) requires that the questions that are raised with the administration by the council or the Oversight Committee may be noted by the accounting officer and provide responses at a later stage. This should be done by following the committee processes. Ideally, the questions should be responded to immediately during the committee meetings to avoid any delays. Circular 32 (2006:5) further requires that if the executive or accounting officer and the administration are unable to respond immediately to the questions that are raised at the Oversight Committee or council meetings, the committee or the council may conclude that the executive and administration have not performed their duties satisfactorily.

Section 121(3) of the *MFMA* provides that if all the components of the annual report are not completed on time, the available components must be tabled and considered. A written explanation must be submitted to the council giving details as to why the components are delayed and when they will be submitted to the full council for consideration. *MFMA* circular 32 (2006:5) encourages municipal councils to effectively use the allocated times of two months as contemplated in section 129 for consideration to achieve a quality and acceptable annual report that meets the provision of sections 45 and 46 of the *Systems Act*.

The process of consideration may involve an initial review and analysis that seeks some inputs from the community, the Audit Committee and the administration. This should be followed by a further review of the report, additional information and representations that have been received. When additional information is required, the administration should promptly provide that. The municipality's Audit Committee should also be considered as a major source of independent specialist advisers in the review process (*MFMA* Circular 32, 2006:4).

4.2.2 Audit Committee

The 2010/2011 audit qualifications of municipalities are a concern to note. Municipalities are still struggling with financial management and governance issues, even though there is legislation in place (Report of the Auditor-General, 2010/11). The roles and responsibilities of council should always be carried out with a clear distinction between oversight and interference in the administration as stipulated in sections 52(b) and 103 of the *MFMA* respectively, as well as in the Code of Conduct for Councillors as defined in Schedule 1 of the *Municipal Systems Act*.

Section 166 of the *MFMA* states that every municipality must establish an Audit Committee which consists of three people with the appropriate experience and qualification. Yamamoto (2007:15) refers to a committee as a functional structure that is responsible for plenary in a government chamber. A committee is established specifically to perform part of the work that has to be done by the legislature. According to Longley and Davidson (1998:4), committees are responsible for effective oversight and are therefore viewed as instruments of specialization when it comes to giving guidance to legislatures.

Fessha (2008:10) argues that an Audit Committee can contribute to the promotion of accountability and also provide the council with information on financial management of the municipality. Section 166 of the *MFMA* further indicates that the majority of the members of the Audit Committee should come from outside the municipality and none of them should be a councillor. Section 166 also requires that the Audit Committee should

meet at least four times a year. The statutory role of the Audit Committee as set out in section 166 of the *MFMA* is to advise the council on matters relating to:

- Accounting policies;
- Effective governance and compliance with legislation;
- Performance evaluation and management;
- Internal financial control and internal audits;
- Risk management;
- Adequacy, reliability and accuracy of financial reporting and information;
- Risk management; and
- Compliance with the *MFMA*, the annual Division of Revenue Act and any applicable legislation.

Radhakrishma (2008:27) emphasizes the fact that the Audit Committee is appointed by a council and further proposes that for it to be effective, it must ensure that proper organizational and governance structures are in place. Its contribution to peer accountability lies primarily in the information that is generated for councillors to use in their engagement with the executive, and it must function as an independent advisory body. Radhakrishma (2008:27) further proposes that the Audit Committee must ensure that the organizational and governance structures are properly capacitated. The Audit Committee must remain independent of the operations of the council at all times, and further understand their role and functions. The committee must perform its functions without fear and favour by working constructively and proactively.

4.2.2.1 Audit Committee and risk management

Rowe (1977) in Wharton (1992:4) defines risk as the potential for negative and unwanted activity. Valsamakis, Vivian and Du Toit (1992:14) refer to risk management as a managerial function that is aimed at protecting an organization, its people, assets and profit against the consequences of pure risk, with the intention of reducing the severity and variability of losses. Risk management plays a pivotal role in the survival and success of an organization. King (2002:30) in Motake (2005:19) maintains that risk management

is an internal control process that is used to measure, mitigate and control risk. Internal control as the total process of risk management should be used to control and minimize the impact of uncertain events.

According to Valsamakis *et al.* (1992:120), risk control includes any action that is aimed at preventing losses or minimizing the consequences of losses that may arise from all pure risks facing public institutions and risk control can be defined as an action of countering risk. Such risks include even those relatively unpredictable contingency events that may pose a threat to the existence of the institution in the public sector environment. Risk control should therefore be applied as comprehensively as possible and should not be limited to preventing losses (Valsamakis *et al.*, 1992:120).

According to Radhakrishma (2008:27-28), the responsibilities of the Audit Committee in financial risk mitigation are both formal and informal. **Firstly**, the Audit Committee must play an active role in the external audit processes by:

- Identifying risk areas that need to be attended to by the external auditors;
- Ensuring that the management of institutions address in time major concerns identified and brought forward by the external auditors; and
- Reviewing the audit report and ensuring that an action plan is developed to address qualification issues in the report.

Secondly, the Audit Committee must play a key role in strengthening the internal control environment by:

- Overseeing the internal control functions;
- Reviewing a risk-based audit plan and internal audit programme, thus ensuring that major risks are mitigated;
- Assisting the council to fulfil its obligations regarding risk, internal control and accountability; and
- Reviewing financial reports prepared in terms of section 121 of the *MFMA* by management to ensure that the reports are credible and understandable.

Thirdly, the Audit Committee must fulfil its responsibilities by performing the following functions without being viewed as a quarterly routine or compliance task:

- Regularly liaising with external auditors and defining this in advance;
- Frequently interacting with the council, management and Internal Audit Unit, even if it means attending council meetings uninvited;
- Timeously conducting investigations as requested by council without any fear;
- Meet often so as to perform its functions in terms of the mandate and obligations, even if it is not paid for this; and
- Keep itself apprised on developments within the municipality and its surroundings and be regularly present at the municipality.

4.2.2.2 The report of the Audit Committee

The Audit Committee is a committee of the municipal council, as contemplated in section 79 of the *Municipal Structures Act*. Contrary to the manner in which Section 79 Committees are appointed and structured, none of its members should be councillors. As indicated by the National Treasury (2005:11), the Audit Committee must compile its own report, but such report should not be confused with the audit report of the external auditor, which is the Office of the AGSA. The report of the Audit Committee normally deals with the findings of the Internal Audit Unit of the municipality and highlights the risk areas that require urgent attention. According to the National Treasury (2005:11), all the departments within the municipality must prepare a risk management plan that the Audit Committee will use to assess whether the internal operations of the municipality adequately deal with the risks that have been identified in the risk management plan. This is also to establish whether the risk management plan is able to deal with the key risks that the municipality faces. The National Treasury (2005:12) confirms that the successful functioning of the Audit Committee will assist the AGSA with the audit process.

4.2.3 Internal Audit Unit

Section 38(1) of the *PFMA* and Chapter 3 (paragraph 3.2) of the Treasury Regulations of May 2000 state that public institutions must establish an Internal Audit Unit. The Internal Audit Unit must be independent of the finance division and should report directly to the accounting officer and the Audit Committee. The functions of an Internal Audit Unit are:

- To monitor, assess and report on various risks of a public institution, including the system of internal control and the internal control procedures;
- To provide an investigative service to the accounting officer by determining whether the institution's resources are used efficiently, effectively and economically;
- To investigate and report on compliance with regard to relevant legislation, regulations, instructions and directives; and
- To follow a comprehensive approach to auditing which includes compliance and performance auditing as well as computer and forensic auditing.

Section 165(2)(a)(b) and (c) of the *MFMA* requires the Internal Audit Unit of a municipality to prepare a risk-based unit plan and an internal audit programme for each financial year. The Internal Audit Unit must advise the accounting officer and report to the Audit Committee on the implementation of the internal audit plan and matters relating to:

- Internal audits;
- Internal controls;
- Accounting procedures and practices;
- Risk and risk management;
- Performance management;
- Loss control; and
- Compliance with the *MFMA*, the *Annual Division of Revenue Act* and any other applicable legislation and perform such other duties as may be assigned to the accounting officer. In terms of section 165(3) of the internal audit function referred to in subsection (2), services may be outsourced if the municipality requires

assistance to develop its internal capacity and the council of a municipality has determined that this is feasible or cost-effective.

4.2.4 Municipal Budget and Treasury Office

Every municipality must have a Budget and Treasury Office, as stipulated in section 80(1) of the *MFMA*. Section 80(2)(a)(b) and (c) requires that the Budget and Treasury Office should consist of the following:

- A chief financial officer designated by the accounting officer of the municipality;
- Officials of the municipality seconded to the chief financial officer; and
- Any other person contracted by the council to do work for the municipality.

In terms of section 81(1) of the *MFMA*, the chief financial officer of a municipality is administratively responsible for the Budget and Treasury Office. He/she must advise the accounting officer on the exercise of powers assigned to the accounting officer in terms of this Act. The chief financial officer must assist the accounting officer in the administration of the municipality's bank accounts and in the preparation and implementation of the municipality's budget. The chief financial officer must also advise senior managers and other senior officials in the exercise of powers and duties assigned to them.

Section 78(1) of the *MFMA* stipulates that each senior manager and official of a municipality who is exercising financial management responsibly must take all reasonable steps to ensure:

- (a) That the system of financial management and internal control established for the municipality is carried out diligently;
- (b) That any unauthorized, irregular or fruitless and wasteful expenditure and any other losses are prevented;

(c) That all information that is required by the accounting officer for compliance with the provision of this Act is timeously submitted to the accounting officer; and

(d) That the provisions of this Act are implemented to the extent applicable to the senior manager or official, including any delegations in terms of section 79, are compiled with.

In terms of section 83(1)(2) and (3) of the *MFMA*, the accounting officer, senior managers, the chief financial officer and other financial officials of the municipality must meet the prescribed financial management competency levels. A municipality must, for the purpose of subsection (1), provide resources or opportunities for the training of officials referred to in that subsection to meet the prescribed competency levels. The National Treasury or the Provincial Treasury may assist municipalities in the training of officials as referred to in subsection (1) of the *MFMA*.

Section 64 of the *MFMA* on Revenue Management stipulates that the municipal manager with the institutional and technical support of the chief financial officer and senior management is required to create and continuously enhance and strengthen the policy imperatives, procedures and processes to achieve the required minimum rate and standard on revenue collection.

In terms of section 71 of the *MFMA*, the mayor and the municipal council must implement and manage its oversight function to demonstrate their direct involvement by studying the monthly revenue management report as required by section 64 of the *MFMA* and utilize section 59 of the *MFMA* System of Delegation to hold the municipal manager as an accounting officer directly accountable for the work output, results and performance.

Circular No: 7 of the National Treasury (2004:11) requires that municipalities should use a new approach in financial management. This new approach includes new systems for budgeting, income and expenditure, cash management, supply chain management and

internal control. Municipalities are also required to review and evaluate the performance of its Budget and Treasury Office, and ensure that officials who are appointed in that office match the new prescribed competency levels in financial management.

4.2.5 Budget Steering Committee

The regulations on budget as outlined in section 53 of the *MFMA* require the mayor to establish a Budget Steering Committee. The responsibilities of such committee are:

- To assist the mayor in the execution of financial strategic planning;
- To provide political guidance and prioritization in relation to the budget;
- To revise the Integrated Development Plan (IDP); and
- To ensure the approval of the annual budget and Service Delivery and Budget Implementation Plan (SDBIP).

The committee must further assist the mayor with the drafting of the annual performance contracts for senior management, and the publication of specified information related to the budget and performance of the municipality. The Budget Steering Committee should be made up of councillors and senior management, including managers responsible for budgeting and infrastructure. This will bring together political and administrative expertise (Steytler *et al.*, 2009:15).

4.2.6 Supply Chain Management Unit

Regulation 7(1)(2) and (3) of the Municipal Supply Chain Management Regulations of 2005 requires each municipality and municipal entity to establish a Supply Chain Management Unit to implement its supply chain management policy. A municipality or municipal entity under its sole or shared control, may establish a joint Supply Chain Management Unit to implement their respective supply chain management policies. A Supply Chain Management Unit must, where possible, operate under the direct supervision of the chief financial officer or an official to whom this responsibility has been delegated.

In terms of section 82(1)(2) and (3) of the *MFMA*, the chief financial officer may sub delegate any of his/her functions to:

- (a) An official in the Budget and Treasury Office;
- (b) The holder of a specific position in that office; and
- (c) With the concurrence of the accounting officer, to any other official of the municipality or any person contracted by the municipality for work at the office.

Subsection 2 states that if the chief financial officer sub delegates any of his/her duties in terms of subsection (1) to a person who is not an employee of the municipality, he/she must be satisfied that effective systems and procedures are in place to ensure that there is control and accountability. Subsection 3 also states that the sub delegation in terms of subsection (1) must be in writing and subject to limitations or conditions as may be decided by the chief financial officer.

4.2.6.1 Supply Chain Management Committee system

Section 26(1)(a)(b) and (c) of the Municipal Supply Chain Management Regulations (MSCMR) of 2005, the Supply Chain Management Unit must provide for a committee system that will ensure competitive bidding. The system should consist of:

- A bid specification committee;
- A bid evaluation committee; and
- A bid adjudication committee.

The appointment of members who serve on such committees should be done by the accounting officer, who must take into consideration section 117 of the *MFMA*. In terms of this section, councillors of a municipality are not allowed to become members of any of the bid committees. They are further not allowed to attend any meeting of bid committees as observers.

4.2.6.2 Bid Specification Committee

In terms of regulation 27(1) and (3), the responsibility of a Bid Specification Committee is to compile the specifications for the procurement of goods and services by the municipality. A Bid Specification Committee must be composed of one or more officials of the municipality, preferably the manager who is responsible for the function involved. The committee may also, when it is appropriate, include external specialist advisors. Subsection (4) of the regulation stipulates that no person, advisor or corporate entity that is involved in the bid specification committee or the director of such a corporate entity may bid for such procurement.

4.2.6.3 Bid Evaluation Committee

Regulation 28(1) and (2) of the Municipal Supply Chain Management Regulations of 2005 stipulates that the Bid Evaluation Committee must evaluate bids in accordance with the specifications for a specific procurement and the point system as set out in the supply chain management policy of the municipality. This is also done in accordance with regulation 27(2)(f) of the *Preferential Procurement Policy Framework Act, 2000* (Act 5 of 2000). The Bid Evaluation Committee must evaluate each bidder's ability to execute the contract and check, in respect of the recommended bidder, whether municipal rates and taxes and municipal service charges are not in arrears. The Bid Evaluation Committee must submit a report and recommendations regarding the award of a bid or any other related matter to the adjudication committee. A Bid Evaluation Committee must as far as possible be made up of officials from departments requiring the goods and services and at least one supply chain management practitioner of the municipality.

4.2.6.4 Bid Adjudication Committee

In terms of Regulation 29(1)(a) and (b) of the Municipal Supply Chain Management Regulations of 2005, a Bid Adjudication Committee must consider the recommendations of the evaluation committee and either, depending on its delegations, make a final award or a recommendation to the accounting officer to make the final decision. The Bid

Adjudication Committee may make another recommendation to the accounting officer on how to proceed with the relevant procurement.

Regulation 29(2) and (3) of the Municipal Supply Chain Management Regulations of 2005 requires that a Bid Adjudication Committee must consist of at least senior managers who are employees of the municipality. The committee must include the chief financial officer and a manager in the Budget and Treasury Office. The committee must also consist of one senior supply chain management practitioner who is an employee of the municipality and a technical expert in the relevant field. The chairperson of the Bid Adjudication Committee must be appointed by the accounting officer. When a committee chairperson is absent from the meeting, members of the committee must elect one among themselves to preside as a chairperson.

Regulation 29(4)(5)(6) and (7) stipulates that no member of the Bid Adjudication Committee, an advisor or someone who is assisting the committee, may become its member. When a Bid Adjudication Committee decides to award a bid to anyone other than the one recommended by the Bid Evaluation Committee, it must first check whether the preferred bidder's municipal rates and taxes are not in arrears. The accounting officer may at any stage of the bidding process refer any recommendation made by either the Bid Evaluation Committee or the Bid Adjudication Committee back to reconsider its recommendation. In this instance, the accounting officer must comply with section 114 of the *MFMA*. According to this section, if a tender other than the one that has been recommended is approved, the accounting officer must notify the AGSA, the relevant Provincial Treasury and the National Treasury in writing, providing reasons for deviating from such a recommendation.

4.2.7 Fighting corruption through procurement reform

In terms of MFMA Circular No.66 (2012:3), municipalities are advised that their supply chain compliance unit should focus on the municipal procurement processes. Consequently, municipalities can expect requests for information in relation to their tender

committees and processes, as well as the specific tenders and contracts. The key performance areas of this will include:

- The modernization of the state procurement system to be in line with the prescripts of the *Constitution, 1996*;
- Ensuring the transparent use of the resources for improved service delivery; and
- Exercising a sound stewardship of government assets and resources.

Issues that may be encountered by the supply chain management, which are related to fraud and corruption, can be opposed by preventative and enforcement measures. Such measures will focus on, among others:

- Enhancing regulatory measures and compliance monitoring;
- Strengthening of oversight;
- Further procurement reforms;
- Enforcement of the procurement of goods and services that are available in terms of the Transversal Term Contracts;
- Consideration of the introduction of measures to evaluate the integrity and the correctness of all major contracts;
- Strengthening the monitoring function of the provincial treasuries;
- Enforcement of the codes/ethics in the supply chain management unit for practitioners and the bid committee members;
- Publication of all the tender awards;
- Price benchmarking;
- Encouraging the enforcement of remedial actions such as penalties, litigations and restrictions on all the suppliers that act fraudulently and
- The refinement to the register for tender defaulters and the database of restricted suppliers which must be checked prior to awarding of contracts in order to ensure that no restricted companies are awarded contracts.

Municipalities are also encouraged to introduce greater transparency to the municipal supply chain process by publishing the outcomes of the process for each bid on their website (*MFMA Circular No.66, 2012:3-4*).

4.2.8 Internal controls

Visser and Erasmus (2002:277) refer to internal control as a management tool that is used to assist public managers to achieve their organizational goals. However, Visser and Erasmus (2002:78) argue that in some instances, financial managers and auditors tend to use internal controls for financial management only. McKinney (1995:89-91) proposes that internal controls should be used to ensure that they add value to the institution through the following:

4.2.8.1 Capacity and job rotation

Firstly, public institutions must adequately train their personnel and ensure that they are well supervised and managed. **Secondly**, managers in public institutions must ensure that their subordinates are rotated periodically in different departments, which will broaden their work knowledge and understanding. **Thirdly**, employees should be encouraged to go on annual leave and those who have remained on duty must do the work for those who are on leave.

4.2.8.2 Execution of responsibilities

Firstly, employees should efficiently execute the duties they have been assigned by their seniors. Such duties should clearly define their responsibilities. **Secondly**, an institution should have a formal organizational plan that assigns responsibilities to various functions with the necessary authority to carry them out, which in turn enhances internal control and accountability. **Thirdly**, undefined and overlapping areas of responsibility should be avoided. The authority and responsibility for a function should not be shared, as this will result in the duplication of efforts and may even result in employees not completing their jobs.

4.2.8.3 Segregation of responsibilities for related duties

Firstly, segregation of responsibilities for related duties includes planning for organizational controls to prevent individuals from having complete control over a sequence of related transactions. **Secondly**, dividing related duties or operational responsibilities between two or more individuals minimizes error, fraud, collusion and inefficiency. **Thirdly**, distributing responsibilities over a number of directorates provides room for checks and balances. This division of duties, if properly carried out, may reduce fictitious transactions. However, if improperly done, it can increase the probability of fraud, carelessness and unreliable record keeping.

4.2.8.4 Separate accounting and operations

Firstly, accounting transactions and their authorization must be separated, as well as custody over assets. **Secondly**, the responsibility for maintaining accounting records and those for engaging in business transactions and the custody of the institution's assets should be separated. This means that the duties of a person who is responsible for cash payments should be separated from the one who is responsible for safe keeping of the journal or ledger. This is an effort to prevent any error or embezzlement.

4.2.8.5 Proper accounting for transactions

Proper accounting for transactions is a way of making sure that the system classifies and records transactions accurately and appropriately at all times, and regularly reconciles the general ledger accounts with subsidiary ledgers (Visser and Erasmus, 2002:278). To meet these responsibilities successfully, Visser and Erasmus (2002:278) maintain that the management of public institutions needs to establish an internal framework of controls. This internal framework of controls must exhibit the following features:

- (a) Provision of favourable control environments;
 - (b) Continuous assessment of risk and maintenance of effective control-related policies;
- and
- (c) Effective communication of information.

When monitoring the effectiveness of such controls and resolving potential problems identified, Visser and Erasmus (2002:279) argue that it is important to consider the fact that these internal controls are the means through which management is able to meet its responsibilities and objectives. Internal controls are therefore essential management techniques that are integral to the management function.

4.2.8.6 Control instrument

According to Visser and Erasmus (2002:281), the budget operates as a control instrument because it provides the framework against which performance and financial management results are determined. The budget serves as a framework of reference for both the legislature and other institutions such as the AGSA. For control purposes the AGSA would not rely totally on the budget, but would also obtain all other documents from departments that are necessary to conduct any other type of audit as required. Therefore, Visser and Erasmus (2002:281) prefer the use of the budget as a mechanism that contains various fiscal instruments such as government spending, because it provides broad fiscal indicators that measure these fiscal instruments.

Visser and Erasmus (2002:289) regard the budget of public institutions and its allocations as an instrument that provides management with a monetary framework within which money may be spent. Any spending that deviates from the initial amount allocated will be regarded as negating the intentions of the compilers. These deviations can therefore be used as a form of internal control and are usually referred to as budgetary control.

4.3 THE MEANS OF ACHIEVING EFFECTIVE INTERNAL CONTROLS

Sawyer and Dittenhof (1996:102-108) declare the following as the operational means by which managers can control functions and activities in public institutions. Each of the following operational means of internal controls should be used by management and internal auditors to evaluate the adequacy and effectiveness of an internal control system:

(a) Organizational structure

The organizational structure of a public institution is an approved intentional structuring of the roles assigned to people within public institutions to ensure that the institution achieves its objectives efficiently and economically. Such an organizational structure should indicate and demonstrate the accountability levels and hierarchies within a public institution as well as reporting lines.

(b) Policies

Public institutions should have policies in the form of legislation, regulations or directives that will guide the execution of instructions, delegations, activities and functions. Without these policies, public managers and officials will not be able to fulfil their responsibilities and tasks, since they serve as guidelines for service delivery.

(c) Procedures

Procedures are used as a means of carrying out activities in conformity with prescribed policies. As such, procedures are implemented to reduce the possibility of fraud and error and to ease the workload. They are therefore normally provided as a manual that explains the work that must be done.

(d) Accounting

Accounting is the indispensable means of financial control over activities and resources. It provides an organized framework for transactions and is the backbone of public institutions' operational activities. In a way, it is almost impossible to imagine an activity that has no financial or accounting implications. As such, the accounting system of a public institution should form part of the internal control system, since it will produce the financial statements that must be included in the management report.

According to Krishnan (2008:8), a technique in financial management referred to as accrual accounting has recently been introduced in local government to improve governance and control. In establishing a link between expenditure and performance,

accrual accounting helps to focus on outcomes and results and not only on budgets and expenditure. Krishnan (2008:8) indicates that there has been a shift from financial accounting to performance auditing and public accountability. This is to overcome some of the challenges such as maladministration, fraud and corruption. Various expenditure tracking and reporting systems have been introduced in order to strengthen public accountability systems, especially audit, performance management and monitoring and evaluation.

4.4 ACCOUNTING STANDARDS FOR FINANCIAL CONTROL

In terms of section 216 (1)(a) of the *Constitution, 1996*, the National Treasury has introduced the Generally Recognized Accounting Practice (GRAP). To give effect to this provision, the Accounting Standards Board (ASB) has been established in terms of section 87(1) of the *PFMA*. Section 122(3) of the *MFMA* requires municipalities to prepare their financial statements in accordance with GRAP as a way of implementing control measures. Sawyer and Dittenhof (1996:82) maintain that accounting control consists of plans of institutions, procedures, assets register, safeguarding of records and consequently giving reasonable assurance that transactions are executed in accordance with the management's authorization and are recorded.

Sawyer and Dittenhof (1996:82-83) refer to GRAP as a framework that defines assets, liabilities, revenue, expenditure and own capital. It provides the parameters within which these may be accounted for and ensures that there is consistency in terms of the preparation of annual financial statements and the subsequent reporting thereof. This objective is achieved through accounting statements that illustrate the interpretation of the framework, thus ensuring that all municipalities disclose similar types of transactions in their annual financial statements and budgets. These statements assist with reporting from all municipalities that are on the same basis. The following are advantages of GRAP compliance that needs to be considered and applied in future:

- It ensures consistency in the final reporting of all municipalities in South Africa;
- It is based on international and national best accounting practices.

- It makes the comparison of final positions between municipalities more achievable when municipalities are using the same basis for the preparation and subsequent reporting on the annual financial statements.

Thus, in terms of section 123(3) of the *MFMA* and in accordance with the scope of the standards of GRAP, municipal institutions are required to comply with the standards of GRAP as set out by the Accounting Standards Board (SALGA, 2007:7-8).

Wilkinson (2008:12) argues that managers often discount the real value of internal controls because of the associated cost and often administrative burden. However, what this view does not consider is the lost opportunity of not implementing an effective system of controls as great emphasis is placed on creating and enhancing organizational value in a cost-efficient, scalable and sustainable manner. Many organizations are now taking an organizational-wide approach to establish an effective system of internal control that is optional for their operations. When this approach is executed by management, it serves as a foundation for a long-term programme that can endure as organizational objectives evolve.

Wilkinson (2008:12) further maintains that in the case of local government, there are expectations to comply with the needs of various stakeholders, such as achieving sustainable government institutions. According to Wilkinson (2008:13), that is how to manage the internal controls and at the same time achieve the institution's operational and other objectives as well as financial reporting goals. In terms of section 62(1)(c) of the *MFMA*, municipalities should maintain an effective, efficient and transparent system of financial and risk management, as well as internal control.

4.5 SHORTCOMINGS OF INTERNAL CONTROL SYSTEMS

Although an internal control system can bring about some benefits, Sawyer and Dittenhof (1996:100-101) maintain that it can also contain the following shortcomings:

(a) Cost of control

Internal controls may keep a function or an activity on course, but this may happen at a price in both monetary and human nature.

(b) Excessive, redundant and obsolete controls

Excessive or redundant internal controls may cause confusion and frustrations amongst employees and further lead to the avoidance of the application of those controls. Internal controls should therefore be monitored for continued relevance to ensure that they respond to a specific need and do not become counterproductive.

(c) Provision of information

The information that an internal control provides may not be understood by or be transmitted to the wrong person. In certain cases, the information can be so detailed that it actually becomes useless.

(d) Increased controls

As controls increase, they reach a point where their effectiveness may actually decrease. In certain cases, the information can be so detailed that it actually becomes useless.

(e) Overemphasis on controls

Overemphasis on internal controls may influence people to work towards satisfying procedural controls and lose sight of the operational objectives that must be achieved. In that way, controls may produce mental rigidity and reduce flexibility. This can also create a situation wherein people adhere to the procedures that may substitute the application of reason and common sense.

(f) Resistance to controls

In some instances, people resist the controls in which they were not involved in the initial development stages. People further do so if they do not understand the objectives that must be achieved through the introduction of internal controls. The internal controls that

are perceived as being unreasonable can stifle creativity and initiatives. Exceptions can only be experienced in those cases where controls become a basis for rewards or punishment. In such cases, controls may be regarded as not important in the eyes of those that may be affected.

In attempting to improve and implement policy, Johnston (2003:9) is of the view that it is tempting to rely entirely on laws and top-down policymaking approach. Controls on administrative, fiscal and personnel systems can become strict to the extent that managers may not be able to manage effectively, and that elected public representatives may also not be able to get their programmes implemented. The use of discretion can be reduced to a minimum in that cases with any unusual aspects taking long to be resolved. This will result in inflexibility and a waste of resources and opportunities, and will further produce policies that are not responsive to social realities. Johnston (2003:9) warns that this type of situation has the potential of eroding the credibility of good governance and of increasing the incentives to corruption.

4.6 THE PUBLIC ACCOUNTS COMMITTEE

In the constitutional democracy, legislatures are assigned with statutory authority over the public funds. This authority is focussed mainly on the collection of revenue and its appropriation (Canadian Council of Public Accounts Committees: 1989:12). McEldowney (2008:1) declares oversight by the legislatures as one of the most recognized way by which the executive can be held accountable. According to Strom (1998:24), legislatures have become government structures that are entrusted with huge and complex responsibilities. The roles that are being performed by legislatures have increased equally with that of government.

Stapenhurst *et al.* (2005:2) cite three functions that are being performed by the legislatures and they are the representative, the legislative and the oversight functions. The **first** function of the representative is to represent the will and the aspiration of the people because it is a legitimate source of authority in a democratic country. The **second**

function of the legislative is to introduce and amend legislation, as well as to approve and disapprove government bills. The **third** function is oversight, which is to ensure that policies and programmes of the government are implemented. Stapenhurst *et al.* (2005:2) provide two ways on how the oversight function is to be performed. The **first** one is to oversee the preparation of a policy (ex ante oversight), the **second** one is to oversee the execution and the implementation of a given policy (ex post oversight).

Though legislatures have the power to hold the government accountable for its actions and its policies, Stapenhurst *et al.* (2005:2) argue that there is variation in the legislative tools that legislatures can use to perform their oversight functions. To a large extent this variation reflects differences in the form of government and other institutional arrangements. These include scrutiny of delegated legislation, motions and adjournment debates that allow the legislatures to raise the issues that relate to the use or the proposed use of the government power, to call on the government to explain actions it has taken and to require it to defend and justify its policies or administrative decisions.

Stapenhurst *et al.* (2005:3) emphasize the fact that legislatures need useful information that will enable them to perform their representative, legislative and oversight functions effectively. This information is provided by the office of the AGSA. This office reports to the legislature and the public on whether public resources are managed appropriately and are further accounted for by the government.

According to McEldowney (2008:3), the House of Commons was the first legislature to introduce and enforce the principle of oversight on public funds in 1861. McEldowney (2008:3) maintains that this was done through the establishment of a Committee on Public Accounts, which was regarded as a significant structure that was responsible for control over public spending. Wehner (2003;2) holds the view that the Public Accounts Committee model became successful because of its financial management scrutiny in the Westminster tradition of parliamentary democracy. Wehner (2003:3) argues that if the

Public Accounts Committee approach is effective, it can bring about improvements in public spending in the future.

Pelizzo *et al.* (2006:26) refer to the Public Accounts Committees as the standing committees that assist parliament to oversee the activities that are performed by the government. Like any other standing committee, Pelizzo *et al.* (2006:26) maintain that a Public Accounts Committee has the power to investigate and examine all the issues that are referred to it by the parliament. A Public Accounts Committee can also investigate specific issues such as government accountability to parliament regarding approved expenditure by government; effective and efficient policies enacted by government and the quality of the administration.

According to Staphenurst, Sahgal, Woodley and Pellizo (2006:9), the Commonwealth Parliamentary Association produced a report on the study that was done in 2001. The aim of the study was to establish how Public Accounts Committees are performing their duties in seventy member countries. The report, which was edited by the former clerk of the New Zealand Parliament, came up with a number of recommendations and conclusions on how Public Accounts Committees could perform their duties effectively.

In 2005, the World Bank Institute, a division of the World Bank, was established to provide organizations in developing countries with institutional capacity. An analysis of data collected by the World Bank Institute from fifty-one Commonwealth legislatures concluded that a Public Accounts Committee can be successful if:

- It concentrates on public sector financial management activities rather than on policies;
- It is delegated with the power to investigate all past and present expenditure;
- It is delegated with authority to follow up on the actions taken in response to the office of the AGSA's recommendations and

- It has a good working relationship with the office of the Auditor-General (Stapenhurst *et al.*, 2006).

In order to fulfil its role, Pelizzo *et al.* (2006:26) indicate that a Public Accounts Committee is given additional and more specific powers such as the power to examine the public accounts, to attend to the comment on the public accounts and all the reports that have been compiled by the office of the AGSA. Pelizzo *et al.* (2006:26) further maintain that the Public Accounts Committee has the power to conduct the investigations directly or indirectly to receive all the documentation that it considers necessary to perform its functions adequately; to invite officials of government to attend the Public Accounts Committee meetings and to respond to the questions; to give publicity to the conclusions of the Public Accounts Committee; to report to the parliament and to present the recommendations of the Public Accounts Committee to the government.

The documents that are used in the accountability process include strategic plans, budgets, monthly reports, annual reports and the reports that are produced by independent institutions such as the office of the AGSA (Parliamentary Centre of Canada and the World Bank Institute, 2007:5). Other established oversight systems such as those in the United States of America focus predominantly on policies and budgets before the financial year can commence (Schick, 1996:46), while other oversight systems of the Commonwealth legislatures focus on the year-end budget implementation because they are informed by the reports of the AGSA (Hedger & Blick, 2008:5).

However, Schacter (2007:4) advises that it is important to note that the cycle of accountability does not take place in isolation. The political, social and economic factors provide the scenario and context that will impact on the effectiveness of the accountability process. Hedger and Blick (2008:4) seem to be in agreement as they point out that a fully functioning accountability mechanism such as a Public Accounts Committee can be rendered ineffective if the surrounding governance environment is not conducive and supportive.

Shah (2007:8) points out that previously in many areas of the Commonwealth local government there has never been any difference on who should perform an oversight role over the executive members of council in a municipality. Shah (2007:8) provides a different scenario between the federal and provincial levels of government, wherein cabinet represents the executive branch of government and is accountable for all government actions. The Institute on Governance (2006:2) argues that local government also needs to develop a mechanism that will ensure that the execution of its programmes is consistent with the approved budget.

The 21st century of local government reform in the United Kingdom proposed the establishment of the oversight committees within the local authorities. The introduction of the local government *Municipal Systems Act, 2000* (Act 32 of 2000) in South Africa provides clarity about the different roles and powers of the mayor, who has the executive decision-making authority, and the municipal council, which performs the oversight function (Snape & Leach, 2002:7). Section 129(4)(b) of the *MFMA* urges the National Treasury to provide guidelines on the establishment of public accounts

4.6.1 The Establishment of the Municipal Public Accounts Committee

In terms of section 79 of the *Structures Act*, all municipalities must establish the Municipal Public Accounts Committee (MPAC) to perform an oversight function on behalf of council. The Act further stipulates that the committee must not be regarded as a duplication of other committees of council, such as the Finance Committee or the Audit Committee. On the establishment of the MPAC, the South African Local Government Association (2013:8) proposes that a report and recommendations should be tabled before the municipal council. The resolution of the council that approves such establishment must indicate all powers and functions of the committee in order to prevent possible disputes that may come up later in this regard. The delegation of powers and functions given to the MPAC must be done in accordance with the provisions of section 59 of the *Systems Act* and should be included as part of the system of delegation of the municipality. Due to the nature of the committee, the South African Local Government Association (2013:8)

further proposes that the municipal council should determine the procedures of how the committee should be established.

As indicated by Strom (1998:250), different legislative committees are established in many countries. The difference in the establishment of such committees is in relation to the size, composition, structure, functionality and the manner in which the committees are being used. The different features of the committees are influenced by the statutory requirements and the internal regulations of the legislatures in the affected countries. The internal regulation of the legislatures is derived from the country's *Constitution, 1996* (Strom, 1998:520).

Godi (2009:73) points out that the mandate of the Public Accounts Committee in South Africa is drawn from sections 55 and 114 of the *Constitution, 1996* which state that legislatures are expected to hold all organs of state accountable. This is emphasized by Guidelines for the establishment of MPAC (2011:5) that the MPAC should undertake and manage similar functions and responsibilities for municipalities as undertaken by the Standing Committee on Public Accounts at the national and provincial legislatures, except for certain powers regarding the subpoena of individuals. In the case of any irregular expenditure or any fruitless and wasteful expenditure incurred by the municipality, the MPAC will have the right to call upon the accounting officer of the municipality to appear before it to provide information or clarity.

Godi (2009:73) further maintains that oversight and accountability help to ensure that the executive implements programmes and plans in a way that is consistent with policy, legislation and the dictates of the *Constitution, 1996*. The National Treasury (2011:6) further states that the MPAC is not responsible for policy formulation, but reports directly to council through the office of the speaker and should interface with other committees of council. The MPAC may request advisory support of both internal and external auditors when necessary. According to the National Treasury (2011:5-6), the committee shall have permanent referral of available documents that relate to:

- (i) In-year reports of the municipality;
- (ii) Financial statements of the municipality as part of the oversight process;
- (iii) Audit opinion, other reports and recommendations from the Audit Committee;
- (iv) Information relating to compliance in terms of sections 128 and 133 of the *MFMA*;
- (v) Information in respect of any disciplinary action taken in terms of the *MFMA* where it relates to an item that is currently serving or has served before the committee;
- (vi) Any other audit report from the municipality; and
- (vii) Performance information of the municipality.

Snape and Leach (2002:11-12) have identified the following conditions as appropriate for effective oversight and scrutiny at local government level:

- (i) An executive that is willing to be influenced by the oversight and scrutiny committee and make use of its power of influence;
- (ii) A non-partisan working relationship that is able to reduce the perception that party control is a critical success factor;
- (iii) A culture of support from senior managers, which is as critical as a responsive executive, because senior officials are also able to ensure the effectiveness of oversight;
- (iv) A broad knowledge and understanding of oversight and scrutiny by all stakeholders within the public, including the media and

(v) Educating staff members about the subject.

In terms of section 33 of the *Municipal Structures Act*, the oversight committee is also responsible for the drafting of an oversight report that must be taken to full council for discussion. Subsequent legislation, in particular the *MFMA*, also requires a certain level of oversight by the municipality over the executive authority. This entails, amongst others, the annual report which includes the financial statements, the Service Delivery Budget and Implementation Plan (SDBIP), and the performance of the municipal manager and Section 57 employees. The committee must further receive and review submissions made by the public and also seek inputs from other councillors and council portfolio committees (South African Local Government Association, 2013:3).

The South African Local Government Association (2013:3), hereinafter referred to as SALGA, argues that since there is no clear distinction between the executive and legislative arms of council on who is responsible for what, effective and proper oversight of the executive at local level is required so that all members of the municipal council should be able to understand the justifications and rationale behind accountable government and the purpose it serves. According to SALGA (2013:3), the oversight role is often viewed as the responsibility of opposition parties alone and that it has been designed to investigate and expose maladministration and corruption, even though such a view is limited and deficient.

Van der Walt (2007:62) claims that in relation to the South African local government system the legislation refers to the roles and responsibilities of the executive councillors and the officials in the administration. The executive mayor or the executive committee of council is responsible for policy outcomes, while the municipal manager and the senior managers are responsible for its implementation and outputs. Van der Walt (2007:62) further indicates that the non-executive councillors are expected to ensure that the executive mayor or the executive committee and the senior managers are accountable.

Ghutto (2007:17) indicates that the former British colonies adopted the conventional Westminster approach of oversight. The former British colonies viewed such an approach of oversight as being adverse and in some instances it was perceived to be the purview of the opposition parties and not of the legislature as a government structure. Mezey (1976:10) refers to legislatures as public representatives who hold government positions because they have been elected. As representatives of the people, Mezey (1976:43) maintains that legislatures are entrusted with constitutional and political activities, including law-making.

Strom (1995:257) believes that the committees in the legislatures are established for different reasons, which include law-making, budgeting and administrative accountability. Furthermore, committees in the legislatures are established for legislative responsibilities, financial responsibilities, housekeeping purposes and oversight. Within the context of South Africa, oversight is a constitutional mandate of the legislatures to scrutinize and oversee the actions of the executives (National Treasury, 2005:3).

The significance associated with legislative committees is how they are referred to globally. In South Africa legislative committees are referred to as engine rooms. In other countries such as Bangladesh, they are regarded as miniature legislatures or microcosms of their senior structures (Strom, 1998:96). Rabrenovic (2009:75) also recognizes legislative committees as the financial instruments whose key responsibilities are to exercise financial accountability. These committees are further used to examine whether the executive conforms to matters of regularity, propriety and value for money (Strom, 1998:75).

Schick (1976:516) declares legislative oversight as the supervision of policies and the programmes that are implemented in government. Maffio (2002) in Pellizo, Stapenhurst and Olson (2006:8) indicate that other scholars have noted instead that oversight is not just a supervision of what the executive branch of government has done, but it is also the supervision of the executive's legislative proposals. The legislative branch of government

has the power to oversee government plans before they are actually implemented. Pellizo *et al.* (2006:8) argue that this point has an obvious implication, namely that several of the activities and the tasks that a legislature performs can be viewed as oversight activities.

West and Cooper (1989:581) argue that regardless of whether oversight is viewed as a type of ex post review of government policies and programmes, or whether it is instead viewed as a supervision of government activities that can be performed both ex post and ex ante, scholars have generally agreed on the fact that effective oversight is good for the proper functioning of a democratic system. West and Cooper (1989:586) maintain that effective oversight is beneficial to a political system for two basic reasons. **Firstly**, because the oversight activity can contribute to improving the quality of policies and programmes initiated by government. **Secondly**, because government policies are ratified by the legislative branch and such policies acquire greater legitimacy.

Ghutto (2007:6) maintains that oversight entails the formal and informal, watchful, strategic and structured scrutiny performed by legislatures of the implementation of laws, the preparation and implementation of the budget and the strict observance of the statutes and the *Constitution, 1996*. Ghutto (2007:6) argues that the concept of oversight contains many aspects which include political, administrative, financial, ethical, legal and strategic elements. Ghutto (2007:6) has also identified the following as functions of oversight:

- (i) To detect and prevent abuse, arbitrary behaviour or illegal and unconstitutional conduct on the part of the government;
- (ii) To hold government accountable for the utilization of taxpayers' money;
- (iii) To ensure that all the policies announced by the government are implemented. This function includes monitoring whether the goals set by the legislation and the government's own programmes have been achieved and

(iv) To improve the transparency of government operations and enhance public trust in the government.

Lees (1977:196) supports the above statement that there are opportunity factors that produce oversight maximizing factors such as legal authority, staff resources, committee structure, and status of the committee. Cooperative relations with the executive structures have the ability to promote effective financial accountability. Similarly, Lees (1977:196) argues that for the committees to perform their oversight functions effectively depends on the appropriate political environment, the committee structure and its capacity. Lees (1977:197) refers to the political environment as comprising issues such as the political situation, the nature of political parties and the society. The committee structure refers to the authority, the types and the establishment processes of such committees. The committee capacity entails the technical, the financial and the human resources that are at the disposal of the committee to carry on with its responsibilities (Lees, 1977:198).

In support of the above, Stapenhurst *et al.* (2005:24-25) state that the success of the committees does not depend exclusively on their institutional designs, characteristics and features, but, more importantly, they also depend on the behaviour of its members and its functioning. The committee members must act in a non-partisan manner and should try at all times to have a good working relationship with other committee members in spite of the possible partisan differences. In its functioning, the committees should always strive for consensus.

In conducting oversight and ensuring accountability, Ghutto (2007:8) proposes that the principles of cooperative government and intergovernmental relations as stipulated in section 40(1) of the *Constitution, 1996* should be taken into consideration. This includes the separation of powers and the need for all the spheres of government and all the organs of state to exercise their powers and perform their functions in a manner that does not encroach on the geographical, functional or institutional integrity of government in other spheres.

To realize the principles of cooperative government, the *Intergovernmental Relations Framework Act, 2005* (Act 13 of 2005) provides for an institutional framework that gives guidance on how the three spheres of government should carry out their responsibilities in order to facilitate coherent government for effective monitoring of the implementation of policies and legislation. Section 41 (2)(a) of the *Constitution, 1996* prescribes that the national government must provide or establish structures and institutions to promote and facilitate intergovernmental relations. Such structures and institutions must provide mechanisms and procedures for aligning the budget policies and activities across the interrelated functions. The structures and institutions must ensure that there is a smooth flow of information, thereby enhancing the implementation of policies.

According to De Visser (2002:39), the system of intergovernmental relations is one of the most critical success factors in the organization of the state because different levels of government cannot operate in isolation. De Visser (2002:39) suggests that the activities of local government must be aligned with the activities of the national and provincial governments and similarly these spheres of government must take policies and programmes of local government into consideration.

Krishnan (2008:8) argues that an enabling environment for effective oversight is necessary, but the effective implementation is also critical to give effect to the intention of the legislator. Therefore, Krishnan (2008:8) maintains that a clear understanding of the roles of the overseer and the issues to oversee, and the capacity of the administrative support staff to draft resolutions that track down the recommendations, are critical for the internal effectiveness and accountability of the municipal councils.

4.6.2 The responsibilities of the Municipal Public Accounts Committee

According to Stapenhurst *et al.* (2005:20), the Public Accounts Committee is part of a broader external public financial accountability system that includes many role-players. These include the government, the AGSA and the public. Stapenhurst *et al.* (2005:20) maintain that the effectiveness of the committee in performing its functions will be

determined by how these role-players interact. This involves conjecture into the political constraints that may well be indigenous to each of the jurisdictions.

SALGA (2012:3-4) provides that the functionality of the internal governance arrangements in a municipality is to a large extent determined by the effective oversight role played by the Municipal Public Account Committee. SALGA (2012:3-4) further maintains that the important role of the MPACs in assisting the municipal councils to perform their functions effectively should thus be clearly understood and utilized for that purpose in order to ensure that good governance prevails in the municipality. The responsibilities of the Municipal Public Accounts Committee are:

- (a) To evaluate and consider the content of the annual report and make recommendations to council when adopting an oversight report;
- (b) To assist with the conclusion of matters that may not have been finalized in the annual report. This relates to the current in-year reports, including the quarterly mid-year and annual reports;
- (c) To examine the financial statements and the audit reports of the municipality;
- (d) To consider making improvements on the previous financial statements and reports and evaluate the extent to which the recommendations of the Auditor-General and the Audit Committee have been implemented;
- (e) To promote good governance, transparency and accountability in the use of municipal resources;
- (f) To recommend or undertake any investigation in its area of responsibility after reviewing any report that has already been undertaken by the municipality or the Audit Committee; and

(g) To perform any other functions in accordance with a resolution of council within its area of responsibility (National Treasury, 2011:7).

In terms of the National Treasury (2005:13), the Municipal Public Accounts Committee should continue to fulfil its important and specialized role of protecting public money. To give effect to this role, the National Treasury (2005:13) proposes that the committee should focus on the following during the consideration of the annual report:

(i) Issues that are raised in the report of the AGSA on audit outcomes;

(ii) Issues of financial probity such as fraud, as highlighted in the audit report or disclosed in the management report or in notes to the financial statements, or anything that comes to the attention of the committee in any other way;

(iii) Compliance with the *MFMA* and associated Treasury Regulations, the Audit Committee and the accounting officer in his/her management report in the annual report, taking into account matters that the AGSA may have reported on in this regard;

(iv) The interrogation and evaluation of instances of over-expenditure (relative to appropriation), and other instances of unauthorized expenditures and the authorization or non-authorization of these expenditures for the purposes of initiating the processes to recover the funds;

(v) The interrogation of instances that relate to irregular, fruitless and wasteful expenditure;

(vi) The functioning of risk management systems, including fraud prevention, financial management systems, personnel management systems, for example leave management and disciplinary processes and other transversal systems in the government. The AGSA

reports many times on these issues in his/her general reports. It is also the task of the Audit Committees to report on the state of these systems.

(vii) Supply chain management and procurement, particularly the large tenders and the large capital projects;

(viii) The disposal of significant state assets and any major financial or related losses suffered by the government;

(ix) Corporate governance of departments, public entities and constitutional institutions and

(x) The consolidated financial statements of government and the National Treasury's adherence to its deficit targets.

With regard to the above, Stapenhurst *et al.* (2005:20) maintain that one determining factor is the willingness of the government to allow the Public Accounts Committee sufficient political opportunity to carry out its constitutional mandates. Stapenhurst *et al.* (2005:20) have identified the following interrelated problems: the inherent weaknesses of the legislative committees and the committee members; and the lack of commitment on the part of some legislatures in correcting these weaknesses. Stapenhurst *et al.* (2005:20) further state that there is a perception that due to the history of an unfavourable relationship between the AGSA and the auditees, the audit findings are too negative and are not always sufficiently balanced or presented to evoke better operational performance.

Thorton (2014:2) emphasizes the fact that Municipal Public Accounts Committees should be advocates of good governance in consultation with the Audit Committees. The Municipal Public Accounts Committees should assist in the campaign for a clean audit in their respective municipalities. Thorton (2014:1) further observes that there is a distinct

lack of technical competency and financial management ability among other members of the MPACs and suggests that capacity be provided by means of formal training in order to resolve this challenge.

Stapenhurst *et al.* (2005:20) maintain that oversight requires knowledge, skills and experience that many members of the legislatures do not have. As representatives of the public and different political parties, they are often faced with a huge lack of information when they are questioning an important senior official who is backed by the technical resources of the legislature. Stapenhurst *et al.* (2005:20) argue that government is not always interested in equipping committee members with the knowledge and skills to address this challenge. Even if members of the committee are not intimidated, they can easily be swayed by procedural tactics, baffled by the details or be discouraged from asking in-depth questions that are trying to establish the causes of or the responsibility for problems.

The Institute on Governance (2006:5) also emphasizes the need for training of councillors who are members of the oversight committees. This suggestion is influenced by the disparity that has been discovered in the performance of councillors against the increasing emphasis on the training and development as well as grooming of corporate directors.

4.6.3 The requirements for effective legislative committees

As stated by Rabrenovic (2009:217), legislative committees that are responsible for effective financial accountability and oversight must also focus substantively on the scrutiny of the financial affairs of government. This accountability and oversight relationship is a horizontal process that is made possible by the distinct existence of the separation of powers between the executive and the legislative authority, which is a core feature of the democratic system of government (Hedger & Blick, 2008:2).

McGee (2002:9) argues that being held accountable for exercising power is a democratic requirement. Bazier, Flinders and McHugh (2005:33) regard the scrutiny of the executive and the holding of it to account for its actions as a key function of the legislature. From the point of stewardship, Hedger and Blick (2008:2) view accountability as an obligation that originates from the need to delegate certain tasks to other people so that they may perform and deliver a large and complex workload.

To ensure effective oversight, Rabrenovic (2009:217) emphasizes the fact that committee members must be familiar with the budget process. This means that members of the committee must be capable to participate in the planning and implementation of the budget. Rabrenovic (2009:218) proposes the following to be the requirements for the effective legislative committees that are responsible for ensuring financial accountability:

- (i) The establishment of a legislative committee that is specifically responsible for financial accountability. This will require changing the rules of procedures at the respective chambers;
- (ii) Members of the committee must be adequately capacitated with the necessary knowledge in order to provide support to the legislature when it is exercising financial accountability;
- (iii) The composition of the committee must reflect the promotion of proportional representation of political parties in the legislature. This requirement will minimize the political polarization of the committee and encourage cooperation among the members;
- (iv) The committee must be delegated with the authority to access relevant information from any person including government institutions in order to be able to summon people to appear and testify before it.

According to Hedger and Blick (2008:3), those who are entrusted with delegated responsibilities must be required to render account after their action. Hedger and Blick (2008:3) maintain that the accountability principle consists of two stages. **Firstly:** a call is made to account, which means being required to explain the action and provide reasons thereof. **Secondly:** holding to account, which entails being penalized or requested to institute corrective action. As cited by Schacter (2000) in Hedger and Blick (2008:4) the accountability cycle that was developed by the Institute on Governance in Canada indicates that the oversight and accountability process consists of three stages: **(i) the information; (ii) the action and (iii) the response stage.**

Hedger and Blick (2008:4) point out that during the first stage, the information stage, the authority that is responsible for overseeing should try to obtain the best information on accountability. The information is then obtained directly from the accountable executive institution such as the office of the AGSA. The aim of the second stage, that is the holding to account, is to generate some demands from the political executive to provide clarity and be accountable for their actions. In order to achieve success, Hedger and Blick (2008:4) argue that it depends on the capability of the overseer in processing the information, as well as his/her commitment to use the processed information as the basis for ensuring that the demands find expression at the institution that is accountable. The success of the third stage depends on how appropriate and quick the responses of the accountable institution are.

In terms of the above arrangements, executives need to provide a more detailed account than ever before. Overview and scrutiny functions exist as a means of holding the executive of council to account for the power it wields (Audit Commission, 2002:6). However, Snape (2002:6) warns that for councillors to hold fellow members to account in a transparent and rigorous manner is not part of the traditional member behaviour and culture. Therefore, Snape (2002:9) argues that oversight and scrutiny can only succeed if councillors who are responsible for this function drive the process fairly and provide genuine leadership. This view is also supported by Michels and Meijer (2008:170) who

maintain that democratic accountability can only thrive if the party to whom account is rendered has sufficient information at its disposal so as to be able to make a correct decision.

In support of the above, Wehner (2003:3) proposes that Public Accounts Committees should require explanations from the spending authority about their expenditure and the extent to which spending objectives were achieved or not achieved. The historical perspective acquired by Public Accounts Committees provides the opportunity to learn from past mistakes and prepare for the future.

Wehner (2009:29) maintains that the functions performed by legislative committees are being influenced by the type of institution to which they belong. Such committees are expected to perform their functions in a non-partisan manner. Wehner (2009:29) argues that the effectiveness of the committees relies on how independent they are from the ruling majority party in the legislature. Rabrenovic (2009:76) proposes that the chairperson of the committee should be a member of the opposition party in order to enable the committee to achieve its intended impartiality. McGee (2002:97) confirms that in 67% of Commonwealth countries the chairpersons of the Public Accounts Committees are members of the opposition parties.

According to Pellizo *et al.* (2006:25), the chairmanship of the Public Accounts Committee is allocated to a member of the opposition party for the following two reasons. **Firstly:** the appointment of a chairperson from the opposition party re-equilibrates the balance of power between the government and the opposition. **Secondly:** the chairperson has to perform a symbolic function. Pellizo *et al.* (2006:25) maintain that when the chairperson of the Public Accounts Committee is a member of the opposition party it is an indication that there is a willingness from both the majority and minority parties within the Public Accounts Committee to operate in a bipartisan manner.

McEldowney (2008:4) is of the view that the Public Accounts Committee should be a non-partisan and unanimous decision-maker because the reports developed by the committee are usually endorsed by all its members. McEldowney (2008:4) also supports the proposal that the chairperson of the committee should be a member of the opposition party. Hedger and Blick (2008:17) point out that the arrangement with regard to the leadership of the committee is important, taking into account the influence that the chairperson possesses with regard to the direction that the committee will pursue. Such an approach has the potential of promoting independence within the committee.

Steytler, De Visser and May (2009:13) propose that the oversight committee of council must be strengthened and that municipalities must be encouraged and supported to use Section 79 committees, instead of Section 80 committees that exist solely to support the executive. *MFMA* circular 32 (2006:4) indicates that the oversight committee should be made up of non-executive councillors and should be established annually to deal with the annual report. Municipal officials should not be members of the oversight committee, as this would pose a conflict of interest. The municipality's Audit Committee should also be considered as a major source of independent specialist advisers in the review process.

In terms of the Guidelines for the Establishment of Municipal Public Accounts Committees (2011:10), the actual size of the MPAC should be determined by the number of councillors in a municipality. The following formulae should be used:

- (i) A municipality with fewer than 15 councillors may nominate 5 councillors;
- (ii) A municipality with between 15 and 30 councillors may nominate 9 councillors;
- (iii) A municipality with between 31 and 60 councillors may nominate 11 councillors and
- (iv) A municipality with more than 60 councillors may nominate 13 councillors.

4.7 SUMMARY

Since 1994, South Africa has been transformed through political reform from an undemocratic state into a democratic state. The establishment of a new local government

system has paved the way for organizational restructuring, rebuilding of institutions, rearrangement of workable structures, administrative reorganization for effective oversight and the improvement of revenue management. The *MFMA* and other legislation also set the legal framework for financial management, reporting and delineating the roles of administrators and political office-bearers with regard to financial matters.

Section 166 of the *MFMA* states that every municipality must establish an Audit Committee consisting of three people with appropriate experience and qualification. The Audit Committee is appointed by a council and it must ensure that proper organizational and governance structures are in place. Its contribution to accountability lies primarily in the information that is generated for the councillors' use in their engagement with the executive, and it must function as an independent advisory body. The Audit Committee should contribute to the promotion of accountability by providing the council with information on financial management of the municipality.

The Audit Committee is a committee of the municipal council as contemplated in section 79 of the *Municipal Structures Act*. Contrary to the normal nature of a Section 79 Committee, none of its members should be councillors. The committee also advises and makes recommendations to council, but does not have any executive functions or enforcement powers. Section 165(1) of the *MFMA* requires the establishment of an Internal Audit Unit. Subsection (2)(a)(b) and (c) of the *MFMA* requires the Internal Audit Unit of a municipality to prepare a risk-based unit plan and an internal audit programme for each financial year. The Internal Audit Unit must advise the accounting officer and report to the Audit Committee on the implementation of the internal audit plan, internal audits and matters related to internal controls and compliance with the *MFMA*.

Section 80(1) of the *MFMA* requires that a municipality must have a budget and treasury office. Subsection 80(2)(a)(b) and (c) stipulates that the budget and treasury office should consist of a chief financial officer designated by the accounting officer of the municipality, officials of the municipality seconded to the chief financial officer; and any other person contracted by the council to work for the municipality.

In terms of section 81(1) of the *MFMA*, the chief financial officer (CFO) of a municipality is administratively responsible for the budget and treasury office. The CFO must advise the accounting officer on how to exercise powers assigned to him/her in terms of this Act. The chief financial officer must assist the accounting officer in the administration of the municipality's bank accounts and in the preparation and implementation of the municipality's budget. The chief financial officer must also advise senior managers and other officials on how to perform duties assigned to them.

The regulations on budget as outlined in section 53 of the *MFMA* require the mayor to establish a Budget Steering Committee. The responsibilities of such committee are to assist the mayor in the execution of financial strategic planning and provide political guidance and prioritization in relation to the budget. The Budget Steering Committee should also revise the Integrated Development Plan (IDP) and ensure the approval of the annual budget and Service Delivery and Budget Implementation Plan (SDBIP).

The committee must assist the mayor with the drafting of the annual performance contracts for senior management, and the publication of specified information related to the budget and performance of the municipality. The Budget Steering Committee should be made up of councillors and senior management, including managers responsible for budgeting and infrastructure. This will bring together political and administrative experts.

Regulation 7(1)(2) and (3) of the Municipal Supply Chain Management Regulations of 2005 requires that each municipality and municipal entity should establish a supply chain management unit, to implement its supply chain management policy. A municipality or municipal entity under its sole or shared control may establish a joint supply chain management unit to implement their respective supply chain management policies. A supply chain management unit must, where possible, operate under the direct supervision of the chief financial officer or an official to whom this responsibility has been delegated.

In terms of section 82(1)(2) and (3) of the *MFMA*, the chief financial officer may sub-delegate any of his/her functions to an official in the budget and treasury office. The CFO may further sub-delegate his/her functions to the holder of a specific position in that office. The sub-delegation of functions must also be done with the concurrence of the accounting officer to any other official of the municipality or any person contracted by the municipality for the work of the office. If the chief financial officer sub-delegates any of his/her duties in terms of subsection (1) to a person who is not an employee of the municipality, he/she must be satisfied that effective systems and procedures are in place to ensure that there is control and accountability. The sub-delegation must be in writing and subject to limitations or conditions as may be decided by the chief financial officer.

Every municipality must establish a Municipal Public Accounts Committee (MPAC) to perform an oversight function on behalf of the council. The resolution of council that approves the establishment of such committee must indicate all its powers and functions in order to prevent possible disputes that may come up later in this regard. The delegation of powers and functions given to the MPAC must be done in accordance with the provisions of section 59 of the Systems Act and should be included as part of the system of delegation of the municipality.

The MPAC should undertake and manage similar functions and responsibilities for municipalities as those undertaken by the Standing Committee on Public Accounts at the national and provincial legislatures, except for certain powers regarding the subpoena of individuals. In the case of any irregular expenditure or any fruitless and wasteful expenditure incurred by the municipality, the MPAC will have the right to call upon the accounting officer of the municipality to appear before it to provide information or clarity. The MPAC is not responsible for policy formulation, but should report directly to council through the office of the speaker and should further interface with other committees of council. The MPAC may request advisory support of both internal and external auditors when necessary.

As an oversight committee the MPAC is responsible for the drafting of an oversight report that must be taken to full council for discussion. Subsequent legislation, in particular the *MFMA*, also requires a certain level of oversight by the municipality over the executive authority. This entails, amongst others, the annual report which includes the financial statements, the Service Delivery Budget and Implementation Plan (SDBIP), and the performance of the municipal manager and Section 57 employees. The committee must further receive and review submissions made by the public and also seek inputs from other councillors and council portfolio committees.

The oversight committee must be strengthened and municipalities should be encouraged and supported to use Section 79 committees, instead of Section 80 committees that exist solely to support the executive. The oversight committee should be made up of non-executive councillors only and should be established annually to deal with the annual report. Municipal officials should not be members of the oversight committee as this would pose a conflict of interest.

CHAPTER FIVE

REALITIES AND CHALLENGES FACING THE MPACs IN PROMOTING EFFECTIVE MUNICIPAL FINANCIAL ACCOUNTABILITY IN THE NORTH WEST PROVINCE

5.1 INTRODUCTION

In most countries legislatures have established independent institutions that can provide them with information they can rely on. Such watchdog organizations include the supreme audit institutions, the anti-corruption commissions and the public protectors (Hedger & Blick, 2008:12). In the Commonwealth countries the office of the AGSA is known as the supreme audit institution. This institution is the primary assurance agency in the systems of the government and is also the main source of providing information as far as public accounts committees are concerned. The AGSA further serves the purpose of monitoring the management of public funds and the quality and credibility of the information it receives concerning accountability with regard to the funds that legislatures receive from the government (McGee, 2002:99).

In South Africa, the AGSA has been established in terms of Chapter 9 of the *Constitution, 1996*, as an independent institution that supports democracy. In terms of section 188(1)(a)(b) and (c), of the *Constitution, 1996*, the AGSA has to audit and report on the accounts, the financial statements and the financial management of the national and provincial state departments and the municipalities. The AGSA must further audit and report on any other institution or accounting entity as required by the national, provincial or local legislation and regulations. In addition, the office of the AGSA provides extensive support to the public accounts committees in the form of briefings, report writing and training as well as acting as an expert witness during the hearings (National Treasury, 2005:18).

In Chapter 5, the various challenges that impact on the maintenance of effective financial accountability at municipalities in the North West Province will be presented. A number of challenges and realities, such as a lack of expertise and comprehensive financial corruption, are addressed in this chapter. An overview and analysis of the current situation of municipalities in the North West Province in terms of the effective operation of MPACs are included.

5.2 COMPLIANCE AND IMPLEMENTATION OF THE FINANCIAL LEGISLATION

In terms of section 121 (a)(b) and (c) of the *MFMA* all municipalities in South Africa must prepare and adopt their annual reports. Masemola (2015:12) states that the responsibility of the AGSA in South Africa is to examine the fair presentation and the absence of material misstatements in the financial statements, the reliable and credible performance information for the purpose of reporting on predetermined performance objectives, and compliance with all the laws and regulations that govern all the financial matters of government institutions. Masemola (2015:12) further points out that the audited institutions may achieve a clean audit only if their financial statements are unqualified. There may be no reported audit findings in respect of either reporting on predetermined objectives or compliance with laws and regulations.

The report of the AGSA indicates (2012/13:34) that the North West District and Local Municipalities prepared and adopted their annual reports for the financial year that ended in 2012/13. These municipalities were established through a process of demarcation of municipal boundaries in terms of chapter 2, section 21 of the *Local Government Municipal Demarcation Act, 1998* (Act 27 of 1998).

The 2012/13 annual reports of the municipalities that were identified in the North West Province for the purpose of this research study have been audited in terms of section 188 of the *Constitution, 1996*. This section of the *Constitution, 1996* should be read in conjunction with sections 4 and 20 of the *Public Audit Act, 2004* (Act 25 of 2004) as well as section 126 (3) of the *MFMA*. The audit was conducted in accordance with the International Standards on Auditing, read in conjunction with the General Notice No.1512

of 2006, issued in the Government Gazette No.29327 of 27 October 2006. Those standards require the auditor to plan and perform the audit in order to achieve reasonable assurance that the financial statements of all government institutions are free of material misstatements. The audit focussed on the following:

- (i) Examining on a test basis, the evidence that supports the audit outcome;
- (ii) Investigating the key risk areas within the municipality;
- (iii) Evaluating the impact made by the key role-players on the audit outcomes;
- (iv) Assessing the key controls and the root causes; and
- (vi) Evaluating the overall financial statement presentation (Report of the AGSA, 2012/13:34).

5.2.1 Bojanala Platinum District Municipality 2012/13 Annual Report

5.2.1.1 The status of the audit outcome

As stated in the report of the AGSA (2012/13:40), the municipality continued to receive an unqualified audit opinion as it did previously. This happened after the material corrections were made to the financial statements. The AGSA (2012/13:40) also noted some improvements in the supply chain management compliance, although there were still outstanding areas of compliance that had not been addressed because of the repeat findings that were reported. The performance information of the municipality also remained unaddressed. Significant deficiencies were identified in the usefulness and reliability of the reported performance information in the performance report. Although the district municipality received a financially unqualified opinion, it lacked the capacity to provide assistance and support to its local municipalities (Report of the AGSA, 2012/13:40).

5.2.1.2 The key risk areas

The AGSA (2012/13:40) acknowledges that progress has been made in addressing the supply chain management because no material findings were reported in the audit report. However, the AGSA (2012/13:40) maintains that there are still weaknesses that have been identified in the human resource management unit because proper verification processes were not always followed for the new appointments.

The quality of the performance reports and the financial statements of the municipality that were submitted for audit remained a concern. This is because the material findings were reported on the usefulness and reliability of the information included in the performance report, while the material adjustment had to be made to the financial statements in order to receive an unqualified audit opinion (Report of the AGSA, 2012/13:40).

Although the financial status of the municipality shows some improvements, the report of the AGSA (2012/13:40) maintains that there was a concern because the municipality incurred a material loss in the financial year. The unspent conditional grants that were still not adequately covered by the available cash and cash equivalents and the current liabilities of the municipality that exceeded its current assets at the year-end, were also a cause of concern. The information technology controls of the municipality remained largely unaddressed because repeated findings were reported for the financial year under review (Report of the AGSA, 2012/13:40).

5.2.1.3 The impact of key role-players on the audit outcomes

Overall, the report (2012/13:40) states that the key controls of the municipality were stagnant. The lack of commitment by the leadership, weak financial and performance management and governance remained the same as in the previous audit findings. The AGSA (2012/13:40) indicates that his/her office met four times with the mayor during the financial year. The reason for the interactions was to assess the mayor's lack of making

an impact on the internal controls of the municipality, as well as the slow progress in implementing the commitments that were given previously.

5.2.1.4 The key controls and the root causes

The AGSA (2012/13:40) provides the municipality with advice that the following controls have to be strengthened to ensure the existence of a control environment that supports reliable financial and performance reporting and compliance with the legislation:

- Develop and monitor the implementation of an action to address the audit findings and the internal control deficiencies of the previous year;
- Prepare regular, accurate and complete financial and performance reports that are supported by reliable information; and
- Monitor and review the legislative compliance.

The AGSA (2012/13:40) urges the executive mayor and the accounting officer to address the root causes of the poor audit outcomes and inadequate controls by:

- Formulating an action plan to address the findings that were identified during the audit of the current year;
- Ensuring that the management prepares the monthly financial statements which should be reviewed to ensure the accuracy of the reported information; and
- Ensuring the implementation of compliance checklists throughout the municipality to ensure compliance with all the laws and regulations affecting the municipality.

5.2.2 City of Matlosana 2012/13 Annual Report

5.2.2.1 The status of the audit outcome

The report of the AGSA (2012/13:92) provides that the municipality did not address the qualifications of all the previous years. Furthermore, it did not provide sufficient appropriate audit evidence to support the financial reporting. This resulted in the lack of movement in the audit outcome. The municipality received the opinion of disclaimer with findings.

Subsequent to the completion of the audit and the issuing of the audit report in November 2013, the AGSA (2012/13:92) states that a decision was taken by the North West provincial executive council to place the municipality under administration in terms of section 139(b) of the *Constitution, 1996*. The administrator, however, only started his duties at the beginning of 2014 when he performed an assessment of the financial management and reported to the council and the MEC for local government.

According to the report (2012/13:92), the municipality incurred R476,7 million in unauthorized expenditure, R398,5 million in irregular expenditure and R15,6 million in fruitless and wasteful expenditure. These amounts are equal to 28%, 14% and 22% respectively of the total amount incurred in the province. However, unauthorized, irregular as well as fruitless and wasteful expenditure that was incurred in the previous year was not appropriately investigated.

5.2.2.2 The key risk areas

The AGSA maintains in the report (2012/13:92) that a culture of disregard for the procurement practices and the ability to implement a proper record management system were still the most contributing factors to the poor audit outcomes. In addition, the report (2012/13:92) cites the management's failure to comply with the laws and regulations, their reluctance to enforce the penalty measures against the officials that are causing the non-compliance as well as their inability to implement the controls to ensure reliable and accurate financial reporting also reflected negatively on their commitment towards improved audit outcomes.

The AGSA (2012/13:92) established during the audit that the municipality still maintained its status of not having addressed the findings on the predetermined objectives. However, the report (2012/13:92) further states that the lack of progress in the other key risk areas can be attributed to the inability of the management to implement the resolutions of the council that are aimed at improving the audit results. The lack of progress is also caused by the failure of the management to ensure that the information technology controls are implemented for the risks that were raised during the risk assessment process.

The report (2012/13:92) indicates that the concerns over the financial status of the municipality relate to the overspending on the operating budget, the underspending on the capital budgets and the conditional grants, the inability to pay the suppliers and the creditors within 90 days, and 93% of the consumer debts being irrecoverable.

The report of the AGSA (2012/13:92) reveals that the municipality appointed consultants again to assist with the financial reporting. This was done at a cost of R7,5 million because of the lack of skills in the key positions. The report (2012/13:92) states that the work done by the consultants did not assist the municipality in receiving a financially unqualified opinion because of the unavailability of records and documents that were in the possession of the municipality. The concerns raised by the AGSA (2012/13:92) are that no evidence is available to prove that there was a transfer of skills and there were also inadequate measures to monitor the deliverables that were agreed upon.

5.2.2.3 The impact of key role-players on the audit outcomes

The AGSA (2012/13:92) maintains that there was stagnation in the key controls of the municipality. The leadership, financial and performance management and governance remained the same as in the previous year. The AGSA (2012/13:92) further confirms that his/her office met seven times with the mayor. The reason for the interactions was to assess the mayor's lack of impact on the controls of the auditee as well as the slow progress in implementing the commitments that were previously agreed upon.

5.2.2.4 The key controls and the root causes

The AGSA (2012/13:92) requires that the following controls have to be strengthened to create a control environment that supports reliable financial and performance reporting and compliance with the legislation:

- Provide effective leadership that is based on a culture of honesty, ethical business practices and good governance;
- Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available; and

- Monitor the implementation of the action plan to address the previous year's audit findings and internal control deficiencies.

The AGSA (2012/13:92) further advises that the municipal manager should address the root causes of the poor audit outcomes and inadequate controls as follows:

- Develop a credible action plan to address the audit findings and monitor the implementation of the action plan on a regular basis;
- Take action against the officials who do not abide by the action plan and the prescribed policies and procedures; and
- Fill the vacancies with competent officials.

5.2.3 Ditsobotla Local Municipality 2012/13 Annual Report

5.2.3.1 The status of the audit outcome

The report of the AGSA (2012/13:112) indicates that the lack of movement to a better position in the audit outcome was caused by the insufficient corrective actions taken by the leadership of the municipality. This was to ensure that the appropriate supporting evidence to substantiate the account balances and transactions disclosed in the financial statements were a true reflection. This was therefore one of the reasons that caused the municipality to receive an opinion of disclaimer with findings.

5.2.3.2 The key risk areas

The report of the AGSA (2012/13) provides that during the time of audit, the municipality was placed under section 139(b) of the *Constitution, 1996* by the Department of Local Government and Traditional Affairs. The key role-players did not make progress in addressing the audit findings of the previous years and the key risk areas or the deficiencies in the drivers of the key controls. There was also no clear plan to rectify the financial, service delivery and compliance challenges. The municipality failed to provide a clear audit trail to support the financial and service delivery transactions.

The AGSA mentions in his/her report (2012/13:112) that the quality of the performance reports of the municipality did not enable the audit verification of the claimed service delivery. The internal control deficiencies that were identified in supply chain management raised a concern on how and where the municipality spent the resources that had been allocated to the local community for service delivery purposes. The lack of progress made in addressing the supply chain management findings was because the position of this unit in the municipality was vacant at the year-end (AGSA, 2012/13:112).

The report of the AGSA (2012/13:112) reveals that the municipality appointed consultants again at a cost of R4,9 million to assist with the financial reporting because of the lack of skills in the key positions. This amount has increased, compared to the R1,2 million paid to the consultants during the previous financial year. According to the AGSA (2012/13:112), the work that was done by the consultants did not assist the auditee in receiving a financially unqualified opinion due to the unavailability of records and the documents in the possession of the auditee.

The AGSA (2012/13:112) maintains that his/her concerns in relation to the assistance provided by the consultants include the lack of evidence for the transfer of skills and the inadequate measures to monitor the deliverables that had been agreed upon. Although the consultants assisted the municipality with compiling the financial statements, the accounting records were insufficient to support the financial statements. Changes to the accounting system used by the municipality did not provide the necessary auditable accounting records (Report of the AGSA, 2012/13:112).

5.2.3.3 The impact of key role-players on the audit outcomes

According to the AGSA (2012/13:112), his/her office met five times with the mayor during the financial year, but such interactions had a minimal impact on the audit outcome. As cited by the AGSA (2012/13:112), the reason was to assess the mayor's lack of impact on the controls of the auditee, as well as the slow progress in implementing the commitments that were made previously. Overall, there was stagnation in the key

controls. The leadership, the financial and performance management and governance remained the same as in the previous financial year.

5.2.3.4 The key controls and the root causes

According to the AGSA (2012/13:112), the following controls must be strengthened to create an environment that supports reliable financial and performance reporting and compliance with legislation:

- Exercise the oversight responsibility of financial and performance reporting and the compliance with the related internal controls;
- Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available; and
- Prepare regular, accurate and complete financial and performance reports that are supported by reliable information.

The AGSA (2012/13:112) further requires that the council should address the root causes of poor audit outcomes and inadequate controls as follows:

- Enable the mayor, municipal manager and senior management to perform their required duties by addressing the deficiencies in their oversight process by ensuring that the officials are trained or have the required skills, and by ensuring that human resource processes are instituted to address poor performance by senior officials;
- Improve the financial management to ensure that the financial discipline of the daily and monthly records is properly maintained. Ensure that regular and accurate reports, which will fully substantiate the financial results that have been reported at the financial year-end, are produced; and
- Improve the oversight activities by the Audit Committee and Internal Audit Unit to address the key risk areas and the root causes so that the necessary improvement to address the deficiencies in the internal controls can be made throughout the financial year.

5.2.4 Dr Kenneth Kaunda District Municipality 2012/13 Annual Report

5.2.4.1 The status of the audit outcome

The municipality received a financially qualified opinion with findings separately from its entity. The qualification of the entity was caused by the missing documentation that resulted in a qualified opinion for the consolidated financial statements. However, the district municipality was not able to provide any support to its local municipalities (Report of the AGSA, 2012/13:88).

5.2.4.2 The key risk areas

The AGSA established in his/her report (2012/13:88) that the stagnation in the audit outcome of the municipality was the result of a lack of progress in addressing the key areas of the supply chain management, the human resource management, the quality of the submitted financial statements and the information technology controls. The AGSA (2012/13:88) maintains that lack of improvements in the aforementioned areas prevented the municipality from achieving a clean administration.

The AGSA (2012/13:88) discovered that the status of the supply chain management of the municipality remained unsatisfactory, mostly as a result of the municipality not complying with the requirement to obtain three quotations. The supply chain management process of evaluating the tenders in terms of the *Preferential Procurement Policy Framework Act, 2000* (Act 5 of 2000) was also not adhered to. The key position of the chief financial officer was vacant at the year-end and the competencies of the municipal manager and the head of the supply chain management unit were not assessed as required.

The report of the AGSA (2012/13:88) reveals that the municipality appointed consultants again at a cost of R145 863 compared to the R136 549 of the previous financial year. The reason for the appointment of the consultants was to assist with the compilation of the financial reports because of the lack of skills in the key positions. The AGSA (2012/13:88) maintains that his/her concerns in relation to the assistance provided by the consultants

include the lack of evidence for the transfer of skills to the municipal officials and the inadequate measures to monitor the deliverables that had been agreed upon.

5.2.4.3 The impact of key role-players on the audit outcomes

The AGSA (2012/13:88) confirms that there were no findings on the usefulness and reliability of the reported performance information. The reason is that the municipality was able to address the previous financial year's findings and implement the recommendations made. Overall, the AGSA (2012/13:88) claims that there was stagnation in the key controls. The leadership, the financial and performance management and governance remained the same as in the other financial years.

As stated by the AGSA (2012/13:88), his/her office met with the mayor five times during the financial year. These interactions had a minimal impact on the audit outcomes. The reason for the meeting was to conduct an assessment of the mayor's lack of impact on the controls of the auditees as well as the slow progress in implementing the comments that were previously agreed upon.

5.2.4.4 The key controls and the root causes

According to the AGSA (2012/13:88), the following controls must be strengthened to create a control environment that supports reliable financial and performance reporting and compliance with the legislation:

- Exercise the oversight responsibility of financial and performance reporting and compliance with the related internal controls;
- Monitor and review compliance with the legislation; and
- Ensure that there is an adequately resourced and functioning Internal Audit Unit that identifies the internal control deficiencies and recommends the corrective action effectively.

The AGSA (2012/13:88) further states that the mayor and the accounting officer should address the root causes of poor audit outcomes and inadequate controls as follows:

- Fill the vacancies and improve the competencies at the key sections, including finance and those that are responsible for performance reporting;
- Appoint a compliance officer to monitor the compliance with all the laws and regulations and to implement the corrective measures; and
- The monthly financial statements should be subjected to a quality assurance review process in order to ensure that credible and accurate financial statements are used as the basis for making decisions.

5.2.5 Kagisano Molopo Local Municipality 2012/13 Annual Report

5.2.5.1 The status of the audit outcome

The report of the AGSA (2012/13:72) states that the municipality did not address the qualification areas of the previous year. The municipality also did not provide sufficient and appropriate audit evidence to support the financial and performance reporting. This resulted in the municipality not moving towards a better audit outcome. The report (2012/13:72) further indicates that the municipality incurred R62,8 million in irregular expenditure, which is 2% of the total amount incurred in the province and that the irregular expenditure that was incurred in the previous financial year was not appropriately investigated. The municipality again received an opinion of disclaimer with findings.

5.2.5.2 The key risk areas

According to the AGSA (2012/13:72), no progress was made in addressing the key risk areas because of the instability in the municipality, the vacancy rate in the key positions and the lack of consequences for poor performance and transgressions. The report (2012/13:72) further states that the management did not review the financial statements and the annual performance report prior to submission for auditing because material misstatements were identified during the audit.

The AGSA (2012/13:72) points out that for the first time the municipality had submitted its annual performance report and further indicates that the important targets in the annual

performance report did not tally with the information provided. This was due to the lack of standard operating procedures for the accurate recording of:

- (i) The actual achievements;
- (ii) The monitoring of the completeness of the source documentation in support of the actual achievements; and
- (iii) The frequent review of the validity of the reported achievements against the source documentation.

During the audit process, the AGSA (2012/13:72) discovered that the status of the supply chain management remained unsatisfactory because the municipality still incurred irregular expenditure during the year. Furthermore, the municipality did not take effective and appropriate disciplinary steps against the officials who were involved in the irregular expenditure. The report (2012/13:72) points out that the officials in the supply chain management unit of the municipality did not have the necessary skills and competency to monitor compliance with the supply chain management policies. The key position of the chief financial officer was vacant at the year-end and the competencies of the municipal manager and the head of the supply chain management unit were not assessed as required.

The AGSA (2012/13:72) indicates that the municipality appointed consultants again to assist with the financial reporting. This appointment was made at a cost of R4,8 million, which is more than the R1,7 million paid during the previous financial year. The reason for the appointment of the consultants was because of vacancies and the shortage of skills in the key positions. The report of the AGSA (2012/13:72) states that the work that was done by the consultants did not assist the municipality in achieving a financially unqualified audit opinion because of the unavailability of the records and documents in the possession of the municipality. In relation to the assistance provided by the consultants, the AGSA (2012/13:72) expressed some concerns about the unavailability

of evidence that there had been a transfer of skills and the inadequate measures to monitor the deliverables that had been agreed upon.

5.2.5.3 The impact of key role-players on the audit outcomes

Overall, the AGSA (2012/13:72) established that the controls of the municipality did not change during the financial year. The leadership, the financial and performance management and governance remained the same and did not improve, just as in the previous financial year. The AGSA (2012/13:72) confirms that his/her office met with the mayor four times during the financial year, but the interactions did not improve the audit outcomes. The reasons for the interactions were to assess the mayor's lack of impact on the controls of the municipality, as well as the slow progress in the implementation of the commitments that were previously made.

5.2.5.4 The key controls and the root causes

The AGSA (2012/13:71) has identified the following root causes that need to be addressed within the municipality:

- (i) The lack of consequences for poor performance and transgressions;
- (ii) The instabilities and vacancies in key positions; and
- (iii) The slow response by political leaders to address the root causes of the poor audit outcomes.

The AGSA (2012/13:72) maintains that the following controls must be strengthened to create a control environment that supports reliable financial and performance reporting and compliance with the legislation:

- Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is available and accessible;
- Prepare regular, accurate and complete financial and performance reports that are supported by reliable information; and

- Monitor and review compliance with the legislation.

The mayor and the municipal manager should also address the following additional root causes of poor audit outcomes and inadequate controls by:

- Filling vacancies and improving competencies in the key sections, including finance, supply chain management and those that are responsible for the performance reporting;
- Preparing reliable progress reports on the action plan to address the audit findings. The Internal Audit Unit should review these reports and the Audit Committee should monitor the implementation of the recommendations that have been made by the Internal Audit Unit and
- Ensuring that effective and appropriate disciplinary actions are taken against the officials who committed the irregular, fruitless and wasteful expenditure as well as unauthorized expenditure.

5.2.6 Kgetleng Rivier Local Municipality 2012/13 Annual Report

5.2.6.1 The status of the audit outcome

The AGSA (2012/13:44) discovered that the leadership of the municipality did not take sufficient corrective actions to address the unavailability of appropriate supporting evidence to substantiate the account balances and transactions disclosed in the financial statements. Furthermore, the leadership did not address the findings on the predetermined objectives and compliance, which resulted in the lack of movement in the audit outcome. The municipality received an opinion of disclaimer with findings.

5.2.6.2 The key risk areas

The AGSA (2012/13:44) points out that the key role-players of the municipality made no progress in addressing the audit findings from the previous financial years and the key risk areas or the deficiencies in the drivers of the key controls. There was also no clear

action plan to rectify the financial, service delivery and compliance challenges. In terms of the report (2012/13:44), significant progress should be made in addressing the lack of a clear audit trail to support financial and service delivery transactions. The accounting system that was used by the municipality was not conducive to enabling clear and accurate record keeping.

The AGSA (2012/13:44) maintains that the quality of the performance reports of the municipality did not enable the auditor to verify the delivery of services as claimed. The internal control deficiencies that were identified in the supply chain management area raised a concern on how and where the municipality spent its resources allocated for the purpose of delivering services to the community.

The audit report (2012/13:44) indicates that the position of the chief financial officer was filled during the year but the key positions of the municipal manager and the head of the supply chain management unit were still vacant at the end of the financial year. The AGSA (2012/13:44) requires that the deficiencies in the information technology controls and the financial accounting system should be addressed and corrected to enable sustainable improvements in the audit results.

The report of the AGSA (2012/13:44) states that the municipality appointed consultants again at a cost of R3,4 million, which is more compared to the R1,4 million paid in the previous financial year. The appointment was made because of the lack of skills in the key positions. The report (2012/13:44) further states that the work done by the consultants did not assist the municipality in receiving a financially unqualified opinion. This outcome was achieved because the municipality did not make its records and documents available for the audit. The consultants merely translated the unreliable and irrelevant information into a set of financial statements for submission to the AGSA for auditing. The AGSA (2012/13:44) raised a concern that no evidence is available for a transfer of skills and for adequate measures to monitor the deliverables that were previously agreed upon.

5.2.6.3 The impact of key-role players on the audit outcomes

Overall, the AGSA (2012/13:44) maintains that the key controls of the municipality remained the same as previously. There was no improvement in the leadership, the financial and performance management and governance. The AGSA (2012/13:44) confirms that his/her office met with the mayor once during the financial year, but the interaction did not produce the desired audit outcomes. The reason for the interaction was to conduct an assessment of why the mayor was not making an impact on the controls of the municipality, as well as the slow progress in addressing the poor outcomes by implementing the commitments that were made previously.

5.2.6.4 The key controls and the root causes

The AGSA (2012/13:44) recommended that the municipality had to strengthen the following key controls to create a control environment that supports reliable financial and performance reporting in compliance with the legislation:

- Provide an effective leadership that is based on a culture of honesty, ethical business practices and good governance;
- Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is available and accessible; and
- Prepare regular, accurate and complete financial and performance reports supported by reliable information.

The council should also address the root causes of the poor audit outcomes and inadequate controls as follows:

- Enable the management to execute their duties by addressing the deficiencies in their oversight processes by ensuring that the officials are trained and make available human resource processes that address the poor performance by senior officials;
- Improve financial management to ensure that daily and monthly records are properly maintained and that regular and accurate reports, which will fully

substantiate the financial results that are reported at the financial year-end, are produced; and

- Improve the oversight activities by the Audit Committee and the Internal Audit Unit to address the key risk areas and the root causes so that the necessary improvement to address the deficiencies in the internal controls can be made throughout the financial year (Report of the AGSA, 2012/13:44).

5.2.7 Madibeng Local Municipality 2012/13 Annual Report

5.2.7.1 The status of audit outcome

As pointed out by the AGSA (2012/13:48), the improvement in the audit outcome was achieved because of the records management system introduced by the municipality and the ability to submit the supporting documents that were not available previously. The report (2012/13:48) states that the active involvement of the chief financial officer during the audit process contributed to the improvement in the financial statement outcomes. Though overall outcomes have improved because of the reporting and the disclosure of the information related to the financial statements, the AGSA (2012/13:48) maintains that the reporting of the performance information together with the appointment of suitably qualified staff to implement and monitor this critical function should be a priority for the municipality and that this requires urgent intervention. The municipality improved its audit outcome by receiving a qualified audit opinion with findings.

5.2.7.2 The key risk areas

According to the AGSA (2012/13:48), there were material findings that were reported on the supply chain management of the municipality. These included the unavailability of the supporting documentation for the awards made and the non-compliance with the supply chain management regulations. Thus, no progress was made since the previous year. In terms of the AGSA (2012/13:48), proper supporting documentation should be maintained and adherence to the supply chain management regulations should be monitored.

Furthermore, proper and corrective action should be taken against the identified irregularities.

The AGSA (2012/13:48) discovered that the reported performance of the municipality could not be substantiated by supporting evidence. Discrepancies between the reported and the actual achievements were identified. The report (2012/13:48) states that the officials of the municipality should be capacitated to do proper reporting and that standard operating procedures should be in place to guide the reporting process. Furthermore, the management should start implementing the recommendations of the Internal Audit Unit.

The report (2012/13:48) indicates that there was some improvement in the quality of the submitted financial statements. However, there were still material corrections that had to be made to address the misstatements that were identified during the audit process. In addition, (2012/13:48), the daily and monthly controls over the general ledger and the reconciliations should be done throughout the year and not only at the year-end for the purpose of preparing the annual financial statements. Material findings were also reported in the human resource management, such as the competencies of the key officials that were not assessed as required.

The report of the AGSA (2012/13:48) reveals that the municipality appointed consultants again at a cost of R10,5 million to assist with the financial reporting because of vacancies and the shortage of skills in the key positions. This amount has doubled, compared to the R5,4 million paid in the previous financial year. The report (2012/13:48) states that the work done by the consultants made some impact because the municipality improved from a disclaimed to a qualified opinion. The concern of the AGSA is that no evidence was provided to confirm the transfer of skills and there were inadequate measures to monitor the deliverables that had been agreed upon (Report of the AGSA, 2012/13:48).

5.2.7.3 The impact of key role-players on the audit outcomes

Overall, the AGSA (2012/13:48) points out that there was an improvement in the key controls of the municipality. The leadership and the financial and performance

management improved, while governance remained the same. The office of the AGSA (2012/13:48) confirms that his/her office met with the mayor three times during the financial year and these interactions made some impact on the audit outcomes. The reason for the interactions was to assess the mayor's lack of impact on the controls, particularly those in relation to the usefulness and reliability of performance information and compliance with the laws and regulations.

According to the report (2012/13:48), after the year-end the municipality was placed under administration and a new acting mayor was appointed. At the time of the compilation of the report, an investigation was also conducted into the recent service delivery protest in Madibeng.

5.2.7.4 The key controls and the root causes

The AGSA (2012/13:48) requires the municipality to strengthen the following controls to create a control environment that supports reliable financial and performance reporting and compliance with the legislation:

- Establish and communicate the policies and procedures to enable and support the understanding and the execution of internal control objectives, processes and responsibilities;
- Prepare regular, accurate and complete financial and performance reports that are supported by reliable information; and
- Monitor and review compliance with the legislation.

The AGSA (2012/13:48) maintains that the mayor and the municipal manager should address the root causes of the poor audit outcomes and the inadequate controls as follows:

- A proper performance management system should be put in place and action should be taken against poorly performing officials;

- Key officials should be required to obtain the necessary competencies and only those who are in possession of the right competencies should be retained or appointed; and
- Develop, implement and monitor a comprehensive action plan to address recurring findings on the financial statements, the predetermined objectives and compliance with laws and regulations.

5.2.8 Mahikeng Local Municipality 2012/13 Annual Report

5.2.8.1 The status of the audit outcome

The AGSA (2012/13:116) maintains in the report that the lack of movement to a better position in the audit outcome was caused by the inability of the municipality to fully implement its action plan. The municipality only managed to resolve some of the qualification areas of the previous year. The findings on the predetermined objectives and the non-compliance remained unchanged. The municipality received the opinion of disclaimer with findings.

5.2.8.2 The key risk areas

With regard to the quality of the submitted financial statements, the report of the AGSA (2012/13:116) indicates that the municipality did not make any progress in correcting the misstatements. The quality of the performance reports also did not improve when material findings were identified with regard to the usefulness and reliability of the information reported. The AGSA (2012/13:116) indicates in the report that the status of the human resource management remained unchanged as in the previous year and proposed that the municipality should focus on developing and implementing the policies and procedures to be used to evaluate the performance of its staff.

By means of his/her report (2012/13:116) the AGSA draws the attention of the municipality to the status of the supply chain management which also remained unsatisfactory. This is because in many instances the municipality did not comply with the

legislative requirement that three quotations should be obtained to procure goods and services through a competitive bidding process. Furthermore, the report (2012/13:116) provides that the municipality did not address the information technology control weakness and the financial status concerns that were identified in the previous year.

The AGSA confirms in the report (2012/13:116) that the municipality appointed consultants again at a cost of R5,3 million to assist with the financial reporting. This amount has increased when compared with the R1,8 million paid in the previous year. According to the report (2012/13:116) there was a lack of skills in key positions of the municipality. The work done by the consultants did not assist the auditee in receiving a financially unqualified opinion due to the lack of available records and documents in the possession of the auditee. There was also no evidence of the transfer of skills to the municipal officials and there were inadequate measures to monitor the deliverables that had been agreed upon.

5.2.8.3 The impact of key role-players on the audit outcomes

Overall, the AGSA (2012/13:116) maintains that there were no improvements in the key controls of the municipality. The leadership, the financial and performance management and governance remained the same as in the previous year. The AGSA (2012/13:116) confirms that his/her office met with the mayor six times during the financial year and that those interactions had some impact on the audit outcomes. The reason for the interactions was to conduct an assessment of the mayor's lack of impact on the controls of the auditee, as well as the slow progress in implementing the commitments that were made previously.

5.2.8.4 The key controls and the root causes

The AGSA (2012/13:116) maintains that the following controls had to be strengthened to create a control environment that supports reliable financial and performance reporting and compliance with the legislation:

- Exercise oversight responsibility of the financial and performance reporting and the compliance with the related internal controls;
- Prepare regular, accurate and complete financial and performance reports supported by reliable information; and
- Monitor and review compliance with the legislation.

The AGSA (2012/13:116) further indicates that the mayor should address the root causes of poor audit outcomes and inadequate controls as follows:

- Appoint competent staff in the critical positions and create a stable leadership environment;
- Strengthen the controls over the daily and monthly processing and reconciling of transactions and prepare regular, accurate and complete financial and performance reports that are supported by reliable information; and
- Compile and implement a checklist that addresses compliance-related issues. Reviewing and monitoring the implementation of such a checklist should be done regularly.

5.2.9 Maquassi Hills Local Municipality 2012/13 Annual Report

5.2.9.1 The status of the audit outcome

According to the Auditor-General (2012/13:96), the lack of movement to a better audit outcome was because the municipality did not provide sufficient and appropriate evidence for property, plant and equipment, trade and other receivables, revenue, expenditure, capital commitments, value added tax, fruitless and wasteful expenditure, irregular expenditure and accumulated surplus that was reflected in the financial statements. The report (2012/13:96) points out that the municipality did not adopt the annual budget before the start of the financial year at a legally constituted council meeting. This resulted in unauthorized expenditure.

As stated in the report (2012/13:96), the municipality incurred R287,8 million in unauthorized expenditure and R20,9 million in fruitless and wasteful expenditure. These two amounts equal 17% and 29% respectively of the total amount incurred in the entire province. The report (2012/13:96) further indicates that the unauthorized, fruitless and wasteful expenditure incurred in the previous financial year was not appropriately investigated. The municipality received an opinion of disclaimer with findings.

5.2.9.2 The key risk areas

The report (2012/13:96) indicates that the political crisis at the municipality had a negative impact on the improvement of governance because the municipality was placed under section 139 (b) of the *Constitution, 1996*. The municipality did not make progress in addressing the key risk areas, most notably in the human resources, the information technology controls, the key financial management controls, the compliance with the laws and regulations and the quality of the financial and performance reporting.

During the auditing process, the AGSA (2012/13:96) established that the status of the supply chain management remained unsatisfactory because in many instances the municipality was not complying with the legislative requirement of obtaining three quotations to procure goods and services through a competitive bidding process. The report (2012/13:96) states that the key position of the chief financial officer was vacant at year-end. The municipal manager and the head of the supply chain management unit did not meet the required minimum competencies.

According to the AGSA (2012/13:96), the municipality appointed consultants again at a cost of R5,4 million to assist with the financial reporting. This amount is higher than the R883 000 paid during the previous year. The consultants were appointed because of vacancies and lack of skills in the key positions. The report (2012/13:96) states that the work done by the consultants did not assist the municipality in receiving a financially unqualified opinion. There is also no evidence to prove that there was a transfer of skills and there were inadequate measures to monitor the deliverables that had been agreed upon.

5.2.9.3 The impact of key role-players on the audit outcomes

Overall, the report (2012/13:96) points out that the key controls of the municipality were stagnant. The municipal leadership, the financial and performance management and governance remained the same as in the previous year. The Office of the AGSA (2012/13:96) confirms that his/her office met with the mayor three times during the financial year and those interactions did not improve the audit outcomes. The reason for such interactions was to assess the mayor's lack of impact on the controls of the municipality and the slow progress in the implementation of the commitments that were made previously.

5.2.9.4 The key controls and the root causes

The AGSA (2012/13:96) maintains that the following controls had to be strengthened to create a control environment that supports reliable financial and performance reporting and compliance with the legislation:

- Provide effective leadership based on the culture of honesty, ethical business practices and good governance;
- Exercise the oversight responsibility of financial and performance reporting, compliance with related internal controls; and
- Implement a proper record keeping system in a timely manner to ensure that complete, relevant and accurate information is available and accessible.

The report (2012/13:92) urges the mayor and the municipal council to address the root causes of the poor audit outcomes and inadequate controls by:

- Appointing sufficiently skilled personnel in the key positions of the chief financial officer and other senior management officials and ensure that there are consequences for poor performance and transgressions;
- Ensuring that the MPAC is adequately capacitated to execute its functions of investigating all the unauthorized, irregular as well as fruitless and wasteful expenditure; and

- Implementing the recommendations of the Internal Audit Unit and the Audit Committee by the council.

5.2.10 Ngaka Modiri Molema District Municipality 2012/13 Annual Report

5.2.10.1 The status of the audit outcome

The report of the AGSA (2012/13:107) shows that the municipality received an audit opinion of a disclaimer with findings. The report (2012/13:108) states that the lack of movement in the audit outcome was as a result of insufficient corrective actions taken by the leadership to address the lack of appropriate supporting evidence to substantiate the account balances and transactions that are disclosed in the financial statements.

The AGSA indicates in the report (2012/13:108) that the municipality incurred R953 million in irregular expenditure, which is 34% of the total amount incurred in the province. Irregular expenditure incurred in the previous year was not appropriately investigated. The report (2012/13:108) further states that the district municipality did not support its local municipalities due to the lack of capacity to address its own audit findings.

5.2.10.2 The key risk areas

According to the report (2012/13:108), the key role-players made little progress in addressing the audit findings from the previous years, such as the key risk areas, or the deficiencies in the drivers of the key controls. The report (2012/13:108) further maintains that significant progress should be made to address the lack of a clear audit trail to support the financial and service delivery transactions. The record keeping has improved from the previous year, but the accounting records of the municipality did not provide clear and accurate financial data.

The AGSA maintains in the report (2012/13:108) that the internal control deficiencies identified in the supply chain management area raise a concern about the expenditure management of the municipality. The report (2012/13:108) reveals that the municipality appointed consultants again at a cost of R3,5 million, compared to the R1,2 million of the

previous year, to assist with the financial reporting and the preparation of the performance information. The reason for appointing consultants was because of vacancies and the lack of skills in the key positions.

As cited by the AGSA in the report (2012/13:108), the work done by the consultants did not assist the municipality in receiving a financially unqualified opinion due to the unavailability of records and documents in the possession of the municipality. The municipality received a disclaimer with findings opinion. The concerns raised by the AGSA in the report (2012/13:108) in relation to the assistance provided by the consultants to the municipality point to a lack of evidence for the transfer of skills and the inadequate measures to monitor the deliverables that had been agreed upon.

5.2.10.3 The impact of key role-players on the audit outcomes

Overall, the report (2012/13:108) maintains that there was stagnation in the key controls. The leadership, the financial and performance management and governance remained the same as in the previous year. The AGSA (2012/13:108) confirms that his/her office met with the mayor twice during the financial year, but the interactions had a minimal impact on the audit outcomes. The interactions were to assess the mayor's lack of impact on the controls of the municipality as well as the slow progress in implementing the commitments that were made previously.

5.2.10.4 The key controls and the root causes

The AGSA (2012/13:108) requires the following controls to be strengthened to create a control environment that supports reliable financial and performance reporting and compliance with the legislation:

- Exercise the oversight responsibility regarding the financial and performance reporting, and compliance with the related internal controls;
- Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available; and

- Prepare regular, accurate and complete financial and performance reports that are supported by reliable information.

The AGSA (2012/13:108) maintains that the management and the council should address the root causes of the poor audit outcomes and inadequate controls as follows:

- Enable the mayor, municipal manager and senior management to perform their required duties by addressing the deficiencies in their oversight processes. This should be done by ensuring that the officials are trained or have the required skills.
- The mayor, municipal manager and senior management must ensure that the human resource processes are in place to address the poor performance by senior officials.
- Improve the financial management to ensure that the financial discipline of the daily and monthly records is properly maintained and that regular accurate reports, which will fully substantiate the financial results reported at the financial year-end, are produced.
- Improve the oversight activities by the Audit Committee and the Internal Audit Unit to address the key risk areas and the root causes. This will ensure that the necessary improvement to address the deficiencies in the internal controls can be made throughout the financial year.

5.2.11 Ramotshere Moiloa Local Municipality 2012/13 Annual Report

5.2.11.1 The status of the audit outcome

The AGSA (2012/13:120) maintains that the lack of movement in the audit outcome was caused by a lack of corrective action regarding the previous year's audit findings on the revenue, expenditure, assets, liabilities, performance information and compliance with laws and regulations. The report (2012/13:120) states that the political instability and the high vacancy rate in the key management positions and a shortage of appropriate skills at the finance section resulted in the municipality failing to implement the proper record keeping for revenue, expenditure, assets and liabilities. The municipality failed to provide

sufficient and appropriate audit evidence for most of the items in the financial statements. The municipality received an opinion of disclaimer with findings (AGSA, 2012/13:120).

5.2.11.2 The key risk areas

The AGSA report (2012/13:120) points out that the municipality made no progress in addressing the key risk areas. The municipality further continued to function without the supporting oversight structures. The deficiencies that were not addressed in the human resource management within the finance section, the lack of proper record keeping and the poor quality of the financial statements that were submitted for audit purposes, all contributed to the stagnation of the audit outcomes.

The AGSA (2012/13:120) maintains that the management of the municipality failed to improve on the quality of performance reports when material findings on the usefulness and reliability of its performance report were identified. Furthermore, the status of the supply chain management remained unsatisfactory, mainly due to the non-compliance with the various regulations. This includes having made no progress in addressing the irregular expenditure since the previous year. The report (2012/13:120) further states that the key position of the chief financial officer was vacant at the year-end. The competencies of the municipal manager and the head of the supply chain management unit were not assessed as required.

The AGSA (2012/13:120) reveals that the municipality appointed consultants again to assist with the financial reporting at a cost of R1,7 million, which is more than the R1,3 million of the previous year. The municipality appointed the consultants because of vacancies and the shortage of skills in the key positions. The report (2012/13:120) states that the work done by the consultants did not assist the municipality in receiving a financially unqualified opinion due to the unavailability of records and documents in the possession of the municipality. In relation to the assistance provided by the consultants, the AGSA (2012/13:120) raises a concern about the lack of evidence regarding a transfer of skills and the inadequate measures to monitor the deliverables that were agreed upon.

5.2.11.3 The impact of key role-players on the audit outcomes

Overall, the report (2012/13:120) indicates that there was no improvement in the key controls of the municipality. The leadership, the financial and performance management and governance remained the same as in the previous year. The AGSA (2012/13:120) confirms that his/her office met with the mayor once during the financial year and that the interaction had no impact on the audit outcomes. The reason for the interaction was to conduct an assessment of the mayor's lack of impact on the controls of the municipality as well as the slow progress in implementing the commitments that were previously made.

5.2.11.4 The key controls and the root causes

According to the AGSA (2012/13:120), the following controls had to be strengthened to create a control environment that supports reliable financial and performance reporting and compliance with the legislation:

- Monitor and review compliance with the legislation;
- Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available; and
- Prepare regular, accurate and complete financial and performance reports supported by reliable information.

The AGSA (2012/13:120) further requires that the mayor and the accounting officer should address the root causes of the poor audit outcomes and inadequate controls as follows:

- Ensure that the key management positions are filled with appropriately skilled individuals that are supported by the oversight structures to hold the leadership accountable;
- Fill the vacancies and improve competencies at the key sections, including the finance section and those that are responsible for performance reporting; and

- Ensure that an action plan is drafted and implemented to address the internal control deficiencies and the audit findings.

5.2.12 Ratlou Local Municipality 2012/13 Annual Report

5.2.12.1 The status of the audit outcome

According to the AGSA (2012/13:124), the regression in the audit outcome of the municipality was caused by the qualification on the unauthorized and irregular expenditure that was incorrectly dealt with. Material corrections were required in the financial statements to address the other misstatements that were identified during the audit process. The municipality also regressed on the findings of the predetermined objectives. The municipality received a qualified opinion with findings (Report of the AGSA, 2012/13:124).

5.2.12.2 The key risk areas

The AGSA indicates in the report (2012/13:124) that the municipality has made progress in addressing the supply chain management issues because the number of material findings that were identified during the audit process decreased, as compared to those that were identified in the previous year. The AGSA (2012/13:124) recommends that the municipality should implement a supply chain management compliance checklist to ensure that all the supply chain management laws and regulations are implemented and monitored.

The AGSA (2012/13:124) maintains that the quality of the submitted performance reports was poor. This resulted in the findings on the reliability of the information contained in the annual performance report as well as the findings on the usefulness of planned objectives. The AGSA (2012/13:124) recommends that the management should be trained in the requirements of the National Treasury's framework for managing programme performance information to enable the application of the principles and frequent review of the validity of the reported achievements against the source

documentation. This is to ensure that the performance reports are reliable when they are compared to the source of information and/or evidence.

The report of the AGSA (2012/13:124) indicates that the financial statements of the municipality submitted for auditing were not, in all material respects, prepared in accordance with the requirements of section 122 (1) of the *MFMA*. This ended up in uncorrected material misstatements which resulted in the financial statements receiving a qualified audit opinion. The AGSA (2012/13:124) therefore recommends that the management of the municipality should prepare and review quarterly financial statements to ensure that they are supported by reliable information which is accurate, complete and valid. During the audit, the AGSA (2012/13:124) established that the chief financial officer and the head of the supply chain management unit did not meet the required minimum competencies.

The AGSA (2012/13:124) reveals in the report that the municipality appointed consultants again to assist with the financial reporting and the preparation of the performance information at a cost of R1,2 million compared to R1 million paid in the previous year because of vacancies and a lack of skills in the key positions. The AGSA (2012/13:124) maintains that the work done by the consultants did not result in the municipality obtaining a financially unqualified opinion due to the lack of records and documents kept by the municipality. The concerns of the AGSA (2012/13:124) in relation to the assistance provided by the consultants include the lack of evidence for the transfer of skills and the inadequate measures to monitor the deliverables that had been agreed upon.

5.2.12.3 The impact of key role-players on the audit outcomes

Overall, the AGSA (2012/13:124) maintains that the key controls of the municipality did not improve but rather remained the same. The leadership, the financial and performance management and governance remained the same as they were in the previous year. The AGSA (2012/13:124) confirms that his/her office met with the mayor four times during the financial year and that such interactions had a minimal impact on the audit outcomes. The reason for the interaction (2012/13:124) was to assess the mayor's lack of impact on the

controls of the municipality as well as the slow progress in implementing the commitments that were made previously.

5.2.12.4 The key controls and the root causes

The AGSA emphasizes in the report (2012/13:124) that the municipality must ensure that the following key controls are strengthened to create an environment that supports reliable financial and performance reporting and compliance with the legislation through:

- The development and communication of policies and procedures to enable and support the understanding and carrying out of the internal control objectives, processes and responsibilities;
- The implementation of proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available; and
- The monitoring and reviewing of compliance with the legislation;

The report (2012/13:124) further states that the mayor and senior management should address the root causes of the poor audit outcomes and the inadequate controls by:

- Developing a credible action plan to address the audit findings and monitoring the implementation of the action plan on a regular basis;
- Developing and implementing the supply chain management checklist and monitoring compliance with the checklist on a regular basis; and
- Preparing and reviewing the quarterly financial statements and performance information reports to ensure that they are supported by reliable information.

5.2.13 Tlokwe City Council 2012/13 Annual Report

5.2.13.1 The status of audit outcome

According to the AGSA (2012/13:104), the lack of movement in the audit outcome was caused by the inability to clear findings on the predetermined objectives and the non-compliance with the laws and regulations by the municipality. The report (2012/13:104) states that the municipality incurred R69,4 million in irregular expenditure, which is 2% of

the total amount that was incurred in the whole province. The irregular expenditure incurred by the municipality in the previous year was not appropriately investigated. The municipality received an unqualified opinion with findings.

5.2.13.2 The key risk areas

The AGSA (2012/13:104) indicates in the report that the municipality did not make any attempt to address the key risk areas because of instabilities and vacancies in the key positions. There was also a lack of consequences for the poor performance and the transgressions with regard to those who were affected.

The AGSA (2012/13:104) maintains that the quality of the annual performance report did not improve and the municipality was advised to focus on:

- Improving the inconsistency between the planning and the reporting documents;
- The measurability for both the indicators and the targets; and
- Providing sufficient and appropriate audit evidence regarding the reliability of the performance information.

In terms of the report (2012/13:104), the management did not review the annual performance report before it was submitted for auditing. Some of the material misstatements that were identified during the previous audit needed to be corrected.

The AGSA (2012/13:104) discovered during the audit that the status of the supply chain management had not improved because the municipality still incurred irregular expenditure during the financial year. This state of affairs was due to the non-compliance with the supply chain management policies and regulations. According to the report (2012/13:104), it was also a consequence of not obtaining three quotations when procuring goods and services and not taking a competitive bidding process into consideration. Furthermore, the municipality did not take effective and appropriate disciplinary actions against the officials who were involved in the irregular expenditure. The supply chain management officials also did not have the necessary skills and competencies to monitor compliance with the supply chain management policies

adequately. The key positions of the municipal manager and the head of the supply chain management unit were vacant at the year-end (AGSA, 2012/13:104).

The report (2012/13:104) indicates that the municipality appointed consultants again at a cost of R4,6 million to assist with the financial reporting. This amount is more than the R2,2 million paid in the previous financial year. The report (2012/13:104) points out that the reason for the appointment of the consultants was the shortage of skills in the key positions of the municipality. In relation to the work done by the consultants, the AGSA (2012/13:104) indicates that no proof was available for the transfer of skills and there were inadequate measures to monitor the deliverables that had been agreed upon.

5.2.13.3 The impact of key role-players on the audit outcomes

Overall, the AGSA (2012/13:104) maintains that the key controls of the municipality were stagnant. The leadership, the financial and performance management and governance remained the same as in the previous year. The report (2012/13:104) confirms that the office of the AGSA met with the mayor four times during the financial year, but the interactions did not have any impact on the audit outcomes. The interactions were also to assess the mayor's lack of impact on the controls of the municipality and the slow progress in implementing the commitments that were made previously.

5.2.13.4 The key controls and the root causes

The AGSA (2012/13:104) provides advice that the following controls must be strengthened in order to create a control environment that supports reliable financial and performance reporting and compliance with the legislation:

- Establish and communicate the policies and procedures to enable the understanding and execution of internal control objectives, processes and responsibilities;
- Implement a proper record keeping system in a timely manner to ensure that complete, relevant and accurate information is available and accessible; and
- Monitor and review compliance with the legislation.

In the report (2012/13:104), the AGSA further urges the mayor and the accounting officer to address the root causes of poor audit outcomes and inadequate controls by:

- Appointing permanent Section 57 managers on specified fixed-term performance contracts and sufficient and appropriately skilled staff in the key positions within the finance, the performance reporting and the supply chain management units;
- Investigating the non-compliance with the laws and regulations, as well as the supply chain management transgressions, to determine if anyone is liable. There should also be consequences for poor performance and transgressions by officials; and
- Updating the risk strategy to include the issues that have been identified in the audit report.

5.2.14 Tswaing Local Municipality 2012/13 Annual Report

5.2.14.1 The status of the audit outcome

The AGSA maintains in the report (2012/13:128) that the lack of improvement in the audit outcome was caused by the municipality's lack of commitment and the slow response by the management in addressing the audit findings of the previous year. This is in relation to the material misstatements that have been identified, the non-compliance with the laws and regulations and the inability to improve the usefulness and reliability of the performance information. The municipality received an opinion of disclaimer with findings and was placed under section 139 (b) of the *Constitution, 1996* (AGSA, 2012/13:128).

5.2.14.2 The key risk areas

According to the AGSA (2012/13:128), the municipality made no progress in addressing the key risk areas. There were also unaddressed deficiencies in the human resource management within the finance sections. The lack of proper record keeping and the poor quality of the financial statements that had been submitted by the municipality for auditing also contributed to the non-improvement in the audit outcome.

The AGSA (2012/13:128) maintains that the management of the municipality failed to improve the quality of the performance reports because material findings on the usefulness and reliability of its performance reports were identified. Furthermore, the report (2012/13:128) states that there were a number of factors that indicated that the financial sustainability of the municipality was under threat because there was a net outflow of cash and the current liability of the municipality exceeded its current assets. The competencies of the key officials were also not assessed as required.

The AGSA (2012/13:128) reveals that the municipality appointed consultants again at a cost of R3,7 million, an amount more than the R1,8 million paid in the previous financial year. The reason for the appointment of the consultants was a lack of skills in the key positions. In the report (2012/13:128), the AGSA raises some concerns that the assistance provided by the consultants did not assist the municipality in receiving a financially unqualified opinion. This is because the municipality failed to make the documents in its possession available to the auditors. There was also no evidence of a transfer of skills and there were inadequate measures to monitor the deliverables that had been agreed upon.

5.2.14.3 The impact of key role-players on the audit outcomes

The report of the AGSA (2012/13:128) states that overall there were no improvements in the key controls of the municipality. The leadership, the financial and performance management and governance of the municipality remained the same as during the previous year. The AGSA (2012/13:128) confirms that his/her office met with the mayor twice during the financial year and those interactions had no impact on the audit outcomes. The reason for such interaction was to assess the mayor's lack of impact on the controls of the auditee as well as the slow progress in implementing the commitments that were made previously.

5.2.14.4 The key controls and the root causes

According to the AGSA (2012/13:128), the following controls within the municipality must be strengthened to create an environment that supports reliable financial and performance reporting and compliance with legislation:

- Exercise the oversight responsibility of the financial and performance reporting, compliance and related internal controls;
- Implement the proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available; and
- Prepare regular, accurate and complete financial and performance reports supported by reliable information.

The AGSA (2012/13:128) further requires the management and the council to address the root causes of poor audit outcomes and inadequate controls as follows:

- Ensure that the key management positions are filled with appropriately skilled individuals that are supported by the oversight structures to hold the leadership accountable;
- Improve the record keeping and filing system to ensure the tracking of documents; and
- Take disciplinary steps against the officials who do not carry out their responsibilities as set out in their performance agreements and their job descriptions.

5.2.15 Ventersdorp Local Municipality 2012/13 Annual Report

5.2.15.1 The status of the audit outcome

According to the AGSA (2012/13:100), the lack of movement towards a better position in the audit outcome of the municipality was due to no oversight being conducted by the accounting officer to monitor the implementation of the internal controls. This resulted in

a weak control environment that was supposed to ensure credible and reliable information as a basis for the financial statements of the municipality. The report (2012/13:100) states that the municipality achieved an opinion of disclaimer with findings.

5.2.15.2 The key risk areas

The AGSA (2012/13:100) maintains that the management of the municipality did not implement a process to monitor the compliance with the supply chain management legislation and regulations. This resulted in the reporting of numerous non-compliance matters as well as additional irregular expenditure. This state of affairs was due mainly to the municipality's failure to address the recommendations of the previous year.

As stated in the report of the AGSA (2012/13:100), the municipality did not have a proper system of records management in place that could provide the maintenance of information which supported the reported performance information. The report (2012/13:100) maintains that this was mainly due to the vacancy of the manager's position responsible for the performance information and that the officials responsible for preparing the performance reports did not understand the performance information requirements. The key positions within the finance section were also vacant and the municipality had not developed or adopted an appropriate system to monitor, measure and evaluate the staff performance.

The AGSA (2012/13:100) raised some concerns about the financial status of the municipality, including the overspending on the operational budget, and the underspending of the capital budget. This situation impacted negatively on the infrastructure development and the delivery of services by the municipality. The debt collection processes of the municipality were ineffective and this also impacted negatively on the cash flow and as a result, the municipality was unable to pay its creditors within the legislated timelines.

The AGSA (2012/13:100) reveals that the municipality again appointed consultants at a cost of R7,7 million, which is more than the R2,2 million paid in the previous year. The

reason for appointing the consultants was to assist the municipality with the financial reporting because there were no appropriate skills in the key positions. The report (2012/13:100) points out that the work done by the consultants did not assist the municipality in achieving the financially unqualified opinion. This was because of the unavailability of the records and documents in the possession of the municipality. There was also no evidence of the transfer of skills and there were inadequate measures to monitor the deliverables that were agreed upon. The report further pointed out that the municipality was placed under section 139 (b) of the *Constitution, 1996*.

5.2.15.3 The impact of key role-players on the audit outcomes

Overall, the AGSA (2012/13:100) maintains that there was stagnation in the key controls of the municipality. The leadership, the financial and performance management and governance remained the same as in the previous financial year. The report of the AGSA (2012/13:100) confirms that his/her office met with the mayor five times during the financial year and those interactions had a minimal impact on the outcomes of the audit. The reason for such interactions was the mayor's lack of impact on the controls of the auditee and the slow progress in implementing the commitments that were, made previously.

5.2.15.4 The key controls and the root causes

The AGSA (2012/13:100) maintains that the municipality must take initiatives to strengthen the following key controls and create a control environment that supports reliable financial and performance reporting and compliance with the legislation:

- Exercise the oversight responsibility of financial and performance reporting and compliance with the related internal controls;
- Implement the proper record keeping system in a timely manner to ensure that complete, relevant and accurate information is accessible and available; and
- Prepare regular, accurate and complete financial and performance reports that are supported by reliable information.

The AGSA (2012/13:100) further urges the mayor and the management of the municipality to address the root causes of the poor audit outcomes and the inadequate controls as follows:

- Develop a credible action plan to address the audit findings and monitor the implementation of the action plan on a regular basis;
- Monitor the transfer of skills by the consultants. This will be achieved provided the vacant key positions are filled as a matter of urgency; and
- Implement a performance management system to monitor the performance of key management in accordance with the set objectives.

According to Makwetu (2015:33), the overall audit outcomes of the nine provinces have been categorized as follows:

Firstly, provinces that had fairly strong financial management and control disciplines at most municipalities. **Secondly**, provinces that showed limited progressive and positive movement in the audit outcomes with significant financial management and control deficiencies. **Thirdly**, provinces whose municipalities had some very weak financial management disciplines with significant control weaknesses. Makwetu (2015:33) points out that this final category also includes municipalities in the North West Province. Makwetu (2015:33) further provides clarity that the deficient controls, which are common at municipalities in the North West Province and which did not achieve a clean audit, render the system vulnerable to widespread abuse and often lead to a loss of adequate audit trails to substantiate transactions.

Saul (2015:4) maintains that the situation of the municipalities in the North West Province remains a deeply worrying issue. The ability of the municipal officials, including that of the administrators who have been appointed to implement government-driven intervention strategies, leaves much to be desired. Saul (2015:4) points out that while the aim of those who are in authority and are willing to improve the situation to turn around the performance of these institutions through the intervention of sections 139 and 154 of the

Constitution, 1996, and the fact that none of these interventions seem to produce any improvements, is a cause for great concern.

Even though the interventions were implemented at some of the other municipalities in the Province, Saul (2015:4) argues that no progress was registered in those institutions and instead, perpetual failure to table their annual reports before the North West Provincial Legislature has been the norm. Saul (2015:4) states that the acting chief director, who is responsible for municipal support at the Department of Local Government and Traditional Affairs in the North West Province, indicated that the performances of the municipalities that had been placed under section 139(b) of the *Constitution, 1996*, regressed after the administrators' terms ended. Saul (2015:4) indicates that the performances of those affected municipalities are reported to have regressed to their previous levels before the intervention teams were seconded to them. Saul (2015:4) further points out that it was also reported that the administrators received little or no support from the councils and the municipal employees whose municipalities were provided with the necessary support from the office of the MEC for Local Government and Traditional Affairs.

5.3 SUMMARY

In most countries legislatures have been established as independent institutions which can provide information that can be relied on. Such organizations include the supreme audit institutions, the anti-corruption commissions and the public protectors. In the Commonwealth countries the office of the AGSA is known as the supreme audit institution and it is also the main source of providing information as far as public accounts committees are concerned. The AGSA further serves the purpose of monitoring the management of public funds and the quality and credibility of the information at its disposal concerning accountability with regard to the funds that legislatures receive from the government.

In South Africa, the AGSA has been established in terms of chapter 9 of the *Constitution, 1996* as an independent institution that supports democracy. In terms of the *Constitution,*

1996, the AGSA has to audit and report on the accounts, the financial statements and the financial management of the national and provincial state departments and the municipalities. In addition, the office of the AGSA must provide support to the public accounts committees in the form of training as well as acting as an expert witness during the hearings.

All the municipalities in South Africa must prepare and adopt their annual reports as required by the *MFMA*. The AGSA in South Africa (AGSA) must examine the fair presentation and the absence of material misstatements in the financial statements as well as examine the reliable and credible performance information for the purpose of reporting on predetermined performance objectives and compliance with all the laws and regulations that govern financial matters. The audited institutions may achieve a clean audit only when their financial statements are unqualified, with no reported audit findings in respect of either reporting on predetermined objectives or compliance with laws and regulations.

The AGSA must plan and perform the audit in order to achieve reasonable assurance that the financial statements are free from material misstatements. The audit must focus on examining on a test basis the evidence that supports the audit outcomes and further investigate the key risk areas within the municipality. The audit must also focus on evaluating the impact achieved on the audit outcomes as a result of the involvement by the key role-players and the assessment of the key controls and the root causes.

The North West District and Local Municipalities prepared and adopted their annual reports for the financial year that ended in 2012/13. The audit was conducted in accordance with the International Standards of Auditing. This type of auditing should be read in conjunction with the General Notice No.1512 of 2006 published in the Government Gazette No.29327 of 27 October 2006.

The situation of the municipalities in the North West Province remains a deeply worrying issue. The ability of municipal officials, including the administrators who were appointed to implement government-driven intervention strategies, left much to be desired. The aim

of those who were in authority and willing to improve the situation was to turn the performance of these institutions around through the intervention of sections 139 and 154 of the *Constitution, 1996*. However, the fact that no interventions seem to have brought about any improvements is a great concern.

Finally, the audit must focus on the evaluation of the overall financial statements that were presented by the municipalities. In order to achieve reliable results for the research study, interviews must be conducted with the key role-players and the MPACs of the identified municipalities in the North West Province.

CHAPTER SIX

EMPIRICAL RESEARCH: METHODOLOGY AND FINDINGS

6.1 INTRODUCTION

The preceding chapters have outlined the theoretical framework for the study. An in-depth literature study and an empirical study were conducted with the aim of achieving the research objectives and answering the research questions outlined in Chapter 1 (sections 1.3 and 1.4). This chapter focuses on the results obtained from the empirical research, discusses the findings of the empirical research, and subsequently interprets the findings in order to make recommendations on promoting effective financial accountability at selected municipalities in the North West Province by developing operational guidelines for the Municipal Public Accounts Committees (MPACs).

This chapter seeks to articulate the processes involved in conducting the research study. The main aim of the study as indicated in Chapter 1 (section 1.3) was to positively contribute to promoting effective financial accountability at selected municipalities in the North West Province by developing operational guidelines for Municipal Public Accounts Committees (MPACs). The study further presented a theoretical foundation of municipal financial management and accountability for good governance in South Africa, the legislative and policy framework for effective municipal financial management in South Africa and the current realities and challenges facing the MPACs in promoting effective municipal financial accountability in the North West Province. Finally, the researcher developed operational guidelines that have to be implemented by municipalities to achieve effective internal organizational control in order to promote effective financial accountability at the local government sphere in the North West Province.

An in-depth literature study based on the available literature was conducted, which formed the theoretical basis for the relationship between the variables of the study. The information obtained from the theoretical foundation was used to compile an open-ended questionnaire, which was used in the empirical study. This chapter presents the research

methodology, design and approaches used in dealing with the data that was captured for this study. All data was obtained from the completed research questionnaires distributed to key role-players at selected municipalities in the North West Province. This chapter further presents a statement of findings and an analysis of data obtained from semi-structured interviews at selected municipalities in the North West Province.

The research methodology and design are outlined in the next section, followed by a discussion of the data analysis and subsequently the empirical research findings.

6.2 RESEARCH METHODOLOGY

To enable the researcher to address the research objectives outlined in Chapter 1 (section 1.3), data was gathered through an extensive literature study, followed by an empirical study. In this study, a qualitative approach was followed by the empirical research. A research design, most applicable to the purpose, paradigm, techniques and context of the study, was developed.

According to Saunders *et al.* (2009:136), a research design is a general plan of how the researcher goes about answering the research question. The research design thus directs the research activities to ensure that valid conclusions are attained (Durrheim 2009:36).

Firstly, the research design was developed in consideration of the purpose of the research study, which is to positively contribute to promoting effective financial accountability at selected municipalities in the North West Province by developing operational guidelines for Municipal Public Accounts Committees (MPACs). A descriptive approach was followed in the research study. By using descriptive methods, the researcher tries to understand the central tendency and measures of variability or dispersion. The goal of descriptive methods is to explain phenomena such as human behaviour in the business and administrative sciences by indicating how variables are related to one another and in what manner one variable affects another. It is pertinent to this research study, which is concerned with information that may resolve the challenges and realities facing the

MPACs in promoting effective municipal financial accountability in the North West Province.

Secondly, the research design was developed in consideration of the interpretive paradigm. The interpretive paradigm sustains the belief that the reality which is studied consists of people's subjective experiences of the external world (Terre Blanche, Durnheim & Painter (2006: 133). In this study, the interpretive paradigm is used to explain the subjective reasons and meanings behind the municipal officials' perceptions about promoting effective financial accountability at selected municipalities in the North West Province.

Thirdly, in support of the interpretive paradigm, a qualitative method was chosen for data collection. Welman, Kruger and Mitchell (2005:204) state that qualitative research can be described as an approach rather than a particular design. It involves the use of interpretive techniques that seek to describe and evaluate the meaning of phenomena in social worlds (Mouton, 2012:6).

In this study a qualitative research approach was therefore followed, which was based on a case study. Robson (1993:4) maintains that the case study approach has considerable ability to generate answers to the questions "why", "what" and "how". The strategic value of a case study also lies in its ability to draw focus and attention to what can be learned from a single case. For this study a total number of 15 municipalities that constitute 65% of the municipalities in the North West Province were selected as a case study. The 15 selected municipalities are as follows:

- Bojanala District Municipality;
- City of Matlosana Local Municipality;
- Ditsobotla Local Municipality;
- Dr. Kenneth Kaunda District Municipality;
- Kagisano Molopo Local Municipality;
- Kgetleng Local Municipality;
- Madibeng Local Municipality;

- Mahikeng Local Municipality;
- Maquassi Hills Local Municipality;
- Ngaka Modiri Molema District Municipality;
- Ramotshere Moiloa Local Municipality;
- Ratlou Local Municipality;
- Tlokwe City Council;
- Tswaing Local Municipality; and
- Ventersdorp Local Municipality

This research study focussed on a two-pronged approach, namely a literature study and a questionnaire used during semi-structured interviews. An empirical study, by means of a process of interviews and a questionnaire, was administered to key role-players at the selected municipalities in the North West Province. Further interviews were conducted with the following additional respondents:

- The former chairpersons and members of the MPACs;
- The current and former administrators who were appointed to manage the municipalities that were placed under section 139 of the *Constitution, 1996*;
- The officials that are responsible for the municipal governance and accountability in the North West Provincial Treasury; and
- The South African Local Government Association (SALGA) of the North West Province.

6.2.1 Sampling and research population

Research population refers to the entire group of people, organizations, units, events or things of interest that the researcher wishes to investigate (Bless, 2013:80). According to Bless (2013:80), the subset of the whole population that is investigated and whose characteristics will be generalized to the entire population, is called a sample. In this study, the research population is made up of the combined management staff complement in South African Local Government. A target population refers to a group of

elements that possess certain characteristics that are of relevance to the study. Therefore, for purposes of this study, the target population comprises key role-players in selected municipalities within the North West Province.

Sampling is defined as the process of choosing a small group of respondents from a larger defined target population, assuming that the results discovered about the small group will allow the researcher to draw conclusions concerning the larger group (Hair, Bush & Ortinau, 2003:333).

Probability and non-probability sampling methods were used in this research study, namely purposive sampling (non-probability) and simple random sampling (probability method). Purposive or judgmental sampling implies that the researcher deliberately or purposively selects certain units from the universe for study. In this type of sample selection, the choice of the selection is supreme and nothing is left to chance. (Mustafa 2010:142). As is often the case with qualitative research, the respondents were selected in a purposive manner by targeting key informants who, on account of their positions and experience, have more information than ordinary potential respondents (Welman, Kruger & Mitchell, 2005:204).

For this study purposive sampling was used to select members of staff of the selected municipalities in the North West Province who were knowledgeable and involved in municipal financial management. For the interviews with specialists, informants were selected.

The simple random sampling method ensures that each constituent in the sampling parameter has an equal chance of being selected for the sample. The questionnaire was also distributed on the basis of availability and willingness to participate. Simple random sampling is free from bias and, therefore, not affected by the choice of the researcher. Mustafa (2010:140) argues that simple random sampling is also more representative, because each unit has an equal chance of being selected.

Therefore, simple random sampling, as a probability sampling method, has been used for the questionnaire, whereas purposeful non-probability sampling was used to select key role-players from selected municipalities in the North West Province for semi-structured interviews.

The size of the sample is an important element to be decided in the case of sampling. This is because the size has a direct bearing upon the accuracy, time, cost and administration of the survey. According to Mustafa (2010:151), the sample should be small enough to avoid unnecessary expenses and large enough to avoid intolerable sampling error.

De Vos *et al.* (2011:391) confirm that there are no rules for sample size in qualitative studies. According to Mouton (2012:135), sample size depends on what the researcher wants to know, the purpose of the research, what is at stake, what will be useful, what will have credibility, and what can be done with the available time and resources.

For this study, a sample size of 160 respondents was chosen from the selected municipalities that constitute 65% of the total number of municipalities in the North West Province.

6.2.2 Data collection methods/Research instruments

Fisher (2006:12) states that there are primary data collection methods and secondary data collection methods. Primary data is considered as that which is collected afresh and for the first time, and thus happens to be original in character. Secondary data refers to the data which has already been collected and analyzed by someone else and mainly consists of published and unpublished data.

For this study two primary data collection methods were used, namely questionnaires and interviews.

6.2.2.1 Questionnaires

Nachmias and Nachmias, (2008:232) argue that a questionnaire is one of the most important data collection methods in the social sciences. There are two main types of questionnaires, namely structured and unstructured questionnaires. Researchers may use structured questionnaires where questions are pre-designed or researchers may utilize unstructured questionnaires where the questionnaire contains a set of questions which are not structured in advance and which may be adjusted according to the needs of the question period (Mustafa 2010:194). Leedy *et al.* (2010:189) define a questionnaire as an effective and convenient method of obtaining responses to both structured and unstructured questions.

According to Welman, Kruger and Mitchell (2005:174), a researcher can make the questions in questionnaires or interview schedules open-ended so that respondents have to formulate their responses themselves. An open-ended question is one in which the researcher asks a question without any prompting with regards to the range of answers expected. Therefore, in a self-completed questionnaire a line or space is left for the respondent to write his or her own answer and there is no prior list of answers.

A closed or pre-coded question is one which offers the respondent a range of answers to choose from. In the case of a self-completed questionnaire, a range of answers is set out in the questionnaire and the respondent is asked to tick the appropriate boxes.

Open-ended questionnaires were used in this study because the respondent's answer was not influenced unduly by the researcher and the respondents formulated their own responses. The questions were constructed in English and the questions were short for easy understanding.

The questionnaire was distributed along electronic mail to the selected municipalities. On-site meetings were also conducted for those participants who needed more clarity on the questions.

6.2.2.2 Semi-structured interviews

Interviews were another important tool of investigation used in this research study. Saunders, Lewis and Thornhill (2000:242) maintain that the use of interviews is to enable the researcher to collect reliable information or data that is relevant to the research questions and objectives. Harvey and Brown (2001:144) declare the interviewing process as a data collection technique that has the advantage of being more direct, personal and more flexible than a survey. Researchers use semi-structured interviews in order to gain a detailed picture of a respondent's beliefs, perceptions or accounts of a particular topic that the researcher is investigating (Welman, Kruger & Mitchell, 2005:205). In semi-structured interviews, the researcher has a list of themes and questions to be covered, although these may vary from one interview to the next. Semi-structured interviews also allow the researcher to explain questions if a respondent is not clear on what is being asked and it allows the researcher an opportunity to probe deeper, following a response by the respondent (Welman, Kruger & Mitchell, 2005:204). Another advantage of a semi-structured interview is that respondents are free to elaborate on issues that are not part of the pre-determined questionnaire compiled by the researcher (De Vos *et al.*, 2011:352). Semi-structured interviews are valuable in that they allow full exploration of the topic and yet retain a degree of structure, which ensures that most of the information obtained is relevant and manageable (Veal, 1997).

Semi-structured interviews, with the use of open-ended questions, were conducted with various experts to obtain specialist information on particular variables of the study. For this study semi-structured interviews were arranged with municipal managers, chief financial officers (CFOs), chairpersons of the Audit Committees, members of Finance Committees, and MPACs of the selected municipalities in the North West Province.

The personal interviews were semi-structured in nature and were conducted on an individual basis. The interviews made it possible to explore other themes and nuances, further enriching the data.

6.2.3 Literature review

As mentioned earlier, this research study was structured in two phases, a comprehensive literature review and an empirical study.

A literature study and the analysis of relevant theories, which form the basis of any scientific research, are the primary phases to discover new knowledge (De Vos *et al.*, 2011:64). According to Mouton (2012:6), the importance of a scholarly literature review is to determine what has previously been done in the field of study. Babbie (2013:498) argues that a literature study will guide and teach the researcher to acquire knowledge from other scholars on how they theorize and conceptualize in the field of scientific research. It provides the researcher with an in-depth understanding of the theoretical thinking, definitions, trends and debates on the topic, as well as previous studies and their results.

A comprehensive literature survey of the topic, including national and international books, journals, dissertations and theses, acts and various sources of legislation, research reports, government documents, literature from the internet, magazines and newspaper articles, served as the primary source of data collection. Saunders *et al.* (2000:389) propose that data for the research study should also be obtained from the organization's documents. This may be used as a means of triangulating other data that has been collected.

Literature reviews made an important contribution to the study by outlining the theoretical frameworks of the most important variables in the study and enabling the researcher to view the empirical results in the context of these frameworks so as to gain a clear understanding of what research had already been done in the chosen field. In order to contribute to the scholarly knowledge in the field, it is necessary to be updated on the current state of knowledge and its limitations (Mouton, 2005:86-91).

6.2.4 Validity

Validity and reliability are two factors which any qualitative researcher should be concerned about while designing a study, analysing results and judging the quality of study (Rohilla, 2010:79).

To comply with sound research principles and to ensure that inferences and conclusions of the findings could be drawn, validity and reliability of the results had to be ensured. Validity is not a concept that is single, fixed or universal. It is a contingent construct, inescapably grounded in the process of particular research methodologies (Winter, 2000:1). Even though some qualitative researchers argue that the concept validity is not applicable to qualitative research, Winter (2000:1) points out that such researchers, however, realize that there is a need for some kind of a qualifying check or measurement of their research output. Creswell and Miller (2000:124) suggest that the validity of a research study should be the perception of the researcher in the study, including his/her choice of paradigm assumption. Healy and Perry (2000:118) assert that the quality of a study in each paradigm should be judged by its own terms. Establishing studies of good quality through validity and reliability in a qualitative research depends on the issues that have been discussed conventionally as valid and reliable (Healy & Perry, 2000:118).

According to Brynard and Hanekom (2013:48), validity refers to the potential of a design or an instrument to achieve or measure what it is supposed to achieve or measure. Rohilla (2010:81) provides that the concept of validity is used to determine whether the research really measures that which it intended. In this research study, the researcher provides sufficient evidence that the instrument that was used was able to measure the variables. Babbie and Mouton (2004:122) indicate that results are valid when they provide the real and precise meaning of the concept they are intended to measure. Results obtained from the questionnaire can be regarded as valid as they produced the occurrence of particular trends. Particular trends and interrelatedness between municipal managers and CFOs with regard to promoting effective financial accountability, financial systems and controls

on implementation and monitoring could be identified through validity and reliability indications.

To further ensure the validity of the research findings and conclusions in the research study, the following three types of validity were distinguished from the literature and taken into consideration: content validity, sampling validity and construct validity.

6.2.4.1 Content validity

Covering all the attributes of the concept to be measured and leaving out nothing that is relevant to the phenomenon under the investigation is referred to as content validity (Nachmias & Nachmias, 2008:130). The two common types of content validity are face validity and sampling validity. To ensure content validity, clear and unambiguous research questions and research objectives were formulated. Significant items were clearly articulated in the research questionnaire and the questions contained therein were compiled after a careful study of the literature review. The correctness and appropriateness of the questions were tested before the interview was undertaken. This was done by circulating the questionnaire to key individuals who possess the required skills and experience. A pilot study was undertaken with the staff at the Ditsobotla Local Municipality to ensure the validity of the data collection instrument.

6.2.4.2 Sampling validity

Sampling validity was also ensured in this research study. Nachmias and Nachmias (2008:132) refer to sampling validity as the extent to which the sample provides accurate representation of the population it is supposed to represent. In this study, the researcher selected an adequate sampling size and used the appropriate sample methods to ensure the validity of the research study. The researcher used purposive sampling methodology to select key informants for interviews from the 15 selected municipalities of the North West Province. A sample of 160 respondents was considered to be adequate for the purpose of the research study.

6.2.4.3 Construct validity

Nachmias and Nachmias (2008:134) state that researchers establish construct validity by relating a measuring instrument to the general theoretical framework within which they conduct their studies. Researchers do this to determine whether the research instrument they are using is logically and empirically tied to the concepts and theoretical assumptions that are being used. In this instance, the research measurement instrument was adapted from the existing theories and models of acceptance. The measurement instrument was further adapted from previous research studies and the literature that is based on the effectiveness of the public accounts committees.

Content validity usually refers to the correctness and appropriateness of the questions included in the research instrument/s and to the degree that the research conclusions are sound (Van der Riet & Durrheim, 2009:90).

6.2.5 Reliability

Reliability of research is obtained when a specific technique, applied repetitively to the same object, would produce the same result repeatedly (Babbie & Mouton, 2004:119). Esner (1991:58) refers to reliability as a concept that is used to test or evaluate all the types of researches. However, Rohilla (2010:119) argues that it is not possible to develop a research instrument that is able to achieve 100% accuracy in social sciences. Rohilla (2010:119) further maintains that it is also not possible to completely control factors that affect reliability.

To ensure a high level of reliability of this research study, the researcher designed a questionnaire which contains questions that are not too long, suspicious or leading the respondent in a particular direction or are ambiguous or vague. The respondents were selected in a purposive manner by targeting key informants from the municipalities that are used for the research study. The informants are politicians and officials, some of whom hold senior positions and have more information than ordinary potential respondents.

Before starting with the interview process, the researcher established an effective relationship with the respondents. This was to instil confidence between himself and the respondents. According to Nachmias and Nachmias (2008:136), an effective relationship can enable the respondents to provide complete and accurate data, thereby making the research study to be reliable. On the other hand, Agboli (2013:141) maintains that a negative mood or anxiety between the respondents and the interviewers can have a negative impact in the reliability of the research study.

Reliability is concerned with the findings of the research study and relates to the credibility of the findings. Van der Riet and Durrheim (2009:93) argue that research in the social sciences is not investigating a stable and static reality. For this reason, the researcher would be unable to predict after each interview that the results would repeatedly be the same. In interpretive research it is anticipated that the actions and views of individuals, groups and institutions will vary in changing contexts (Van der Riet & Durrheim, 2009:93). The researcher will also rely on dependability as a criterion in the place of reliability. Dependability is similar to, but not the same as reliability. Dependability demands that the researcher thoroughly describes and precisely follows a clear and thoughtful research strategy (Bless, 2013:80). Thus, when a researcher describes exactly how data was collected, recorded, coded and analysed, and can present good examples to illustrate this process, one starts to trust that the results are in fact dependable. Therefore, in Chapter 5, a rich, detailed and thorough account is provided of how certain behaviours, beliefs and attitudes are rooted in the selected municipalities in the North West Province.

6.2.6 Data analysis

Qualitative data analysis is usually based on an interpretive philosophy, which aims to establish how participants make meaning of a specific phenomenon by analysing their perceptions, attitudes, understanding, values, feelings and experiences in an attempt to approximate their construction of the phenomenon (Creswell, 2012:90). According to Henning (2013:103), the analysis process is the “heartbeat” of the research study.

Blanche and Durrheim (1999) confirm that qualitative data analysis tends to be primarily an inductive process of organizing data into categories and identifying patterns. Babbie (2013:116) states that the most general guide to analysing qualitative data involves looking for similarities and dissimilarities. Therefore, the focus must be on those patterns of interactions and events that are generally common to what the researcher is studying.

This type of analysis formed the core of analysing qualitative data collected during this research study. Themes were identified, and the data was then classified into categories and themes. The word “triangulation” will come to mind here because it has been in use in qualitative research, since it is supposed to indicate that by coming from various points or angles towards a “measured position”, one will find the true position (Henning, 2013:103). Triangulation implies that techniques are used in a parallel sense, thus providing overlapping information, making it possible to check results from more than one viewpoint. The concept of triangulation is used in research where multiple sources of data are collected and analysed to ascertain their convergence to a particular theory. Maree (2007:39) states that the aim of triangulation is to gain insight into the understanding of complex phenomena. Maree (2007:39) further believes that this concept promotes interpretive validity and the extent to which the conclusions based on qualitative data are supported by the quantitative instruments used.

Achemfour (2013:159) refers to data analysis as the breaking down of data to obtain answers from the research questions. This process produces statistics that are descriptive or inferential. Bloomberg and Volpe (2012:8) maintain that data analysis requires the researcher to seek relationships or patterns between various themes that have been identified and embark on categorizing them.

The data collected by the researcher was analysed and interpreted. The researcher was assisted by a statistician experienced in qualitative research who provided guidance on the results from the applicable data collection instrument or characteristics of the questionnaire, as well as suitable data analyses obtained after the survey.

The data collected by the researcher was analysed as follows:

6.2.6.1 Data preparation

The research questionnaires were collected and counted to establish that none are missing. The questionnaires were then checked to identify those that had not been completed and those that had been completed but contained errors. A total of 154 questionnaires were returned with 137 completed, 17 not completed and 6 not returned. The questionnaires were later analysed.

6.2.6.2 Data coding

Data coding is a process of assigning numbers or symbols to the answers to facilitate the arranging of responses into a limited number of groups or categories (Achemfour, 2013:160). Since the research study generates a large amount of data from different sources, the data was categorized in a manner to prevent the researcher from losing sight of the research purpose and questions. The data coding process for this research study was done by carefully reading the responses of the questionnaires and the information from the interviews. The researcher further held bilateral interviews with some of the respondents to ascertain whether they were satisfied with the manner in which they responded to the questions. At this juncture the respondents provided additional information regarding some of the questions.

6.2.6.3. Statistical analysis

According to Bloomberg and Volpe (2012:59), there are various statistical procedures that can be used by researchers to analyse and present the research findings. Statistical data analysis procedures can be descriptive, inferential or both. Descriptive statistics was applied in this research study and data was summarized in tables and analysed.

6.3 EMPIRICAL RESEARCH FINDINGS

As explained in Chapter 6, the data collection for the empirical research component of this study was done through semi-structured interviews and questionnaires. Specific specialists in the field of municipal financial management were interviewed with regard to their particular expert knowledge and experience pertaining to certain aspects dealt with in the study. The sections to follow outline the results obtained from the questionnaires and the interviews.

6.3.1 Results obtained through the questionnaire

As indicated in section 6.2.2.1, the questionnaire consisted of open-ended questions. Respondents had to answer these questions, indicating their personal opinions, beliefs and perceptions regarding a particular matter, and were requested to motivate their answers.

The following sections present the results obtained through the questionnaire. The results of the questionnaires are then discussed and interpreted. The results obtained through the questionnaire are then followed by the results obtained from the interviews.

Table 6.1: Qualitative analysis of the questionnaire

	Number of codes applied	Percentage (Of who answered each question)
1. Has the Municipal Public Accounts Committee (MPAC) already been established in your municipality and if not, provide reasons.	15	
Yes MPAC committee is established in municipality	15	100%
2. If the MPAC in your municipality has been established, on what date did that happen and what procedures were followed?	15	
Number of members	10	67%
11 - 13 members	7	47%
5 members	1	7%
9 - 10 members	2	13%
Date (year) MPAC was established	10	67%
2011	6	40%
2012	2	13%
2015	2	13%
Procedures followed in election of members and chairperson	14	93%
Election of members	9	60%
Secret ballot	1	7%
Show of hands	2	13%
Nomination of chairperson	14	93%
Election of chairperson based on nominations	14	93%
3. If the MPAC has not been established, provide reasons why and what procedures should be followed?	15	
MPAC established	15	100%
4. If your municipality is a multiparty council, briefly explain how party representation in the MPAC was determined.	15	
Election of preferred committee members	13	87%
Show of hands	2	13%
MPAC includes women	13	87%
Nomination of chairperson and members	7	47%

5. In your view, do the members of the MPAC in your municipality possess the required skills, knowledge and experience to perform their oversight role effectively or not. Give reasons why you hold such a view.	15	
Members don't possess required skills, knowledge and experience to perform role	13	87%
Members who don't possess skills are first-time councillors in MPAC committee	4	27%
Members have skills, knowledge and experience to perform role	8	53%
If members possessed skills, knowledge and experience the municipalities wouldn't be under section 139(1) b of <i>Constitution</i> , 1996	2	13%
6. In relation to the above question, give your comments on the capacity that the MPAC in your municipality poses on areas such as financial management and accounting.	14	
Cannot be confirmed/Don't know if members possess capacity	7	50%
Have capacity in areas such as financial management and accounting	5	36%
MPAC members improved capacity	1	7%
No financial management and accounting capacity	9	64%
7. If members of the MPAC are not adequately capacitated, what mechanisms have been put in place to overcome this challenge?	15	
No budget to train councillors	4	27%
Poor attendance of training sessions	4	27%
SALGA, provincial treasury and local government provide training	15	100%
Focus of training	11	73%
Accountability	5	33%
Capacity building workshops	6	40%
Governance	1	7%
Oversight	5	33%
8. In terms of your observation, is there any duplication of functions of the roles and the responsibilities of the MPAC and that of the Audit Committee in your municipality?	15	
Cannot compare Audit Committee to MPAC as it is still new	1	7%
Audit Committees do not exist	9	60%
Compromise transparency	1	7%
Request establishment of Audit Committee	2	13%
Bad relationship between Audit Committee and MPAC	3	20%

No duplications of functions of the roles and responsibilities of the MPAC and Audit Committee	14	93%
Audit reports are not submitted to the MPAC	2	13%
Overlap of functions between MPAC and Audit Committee	3	20%
9. How often does the MPAC in your municipality hold its meetings and who is responsible for arranging such meetings?	15	
Other issues	10	67%
Agenda only decided by chairperson	3	20%
Invitation for meetings done telephonically	2	13%
Invitations for meetings at short notice	3	20%
Opposition parties can't make inputs into agenda	5	33%
Items excluded	3	20%
When they are held	14	93%
Every second month	1	7%
No schedule for meetings	6	40%
When necessary/urgent items need to be discussed	9	60%
Who arranges meetings	14	93%
Chairperson	14	93%
10. Has the MPAC in your municipality submitted any report from its meetings to council and if it did, how did the council respond to that?	15	
No reports submitted	4	27%
Only minutes of meeting submitted	1	7%
Reports submitted	12	80%
Response to reports	11	73%
Council satisfied	6	40%
Insufficient information in the reports	3	20%
Items deliberately excluded	1	7%
Report always referred back when council unsatisfied with items/future implicated individuals are not investigated	4	27%
Reports not submitted when councillors implicated in unlawful practices	4	27%
11. Are you satisfied with how the MPAC in your municipality is transparent when it is performing its oversight functions?	15	
Doesn't perform oversight functions transparently	11	73%
Doesn't hold council accountable	1	7%
No public meetings arranged	3	20%
Public not informed of issues	3	20%

Not reporting irregular, wasteful and unauthorized expenditure	4	27%
No communication strategy	2	13%
Performs oversight functions transparently	13	87%
Public allowed to attend council meetings	10	67%
12. In your opinion, are there any areas that the MPAC in your municipality is not adequately performing its oversight role and how this can be improved?	15	
MPAC not performing functions adequately	13	87%
Reasons for not adequately performing	9	60%
Not exposing or investigating issues of corruption	7	47%
Reluctant to report allegations	3	20%
MPAC performing its functions adequately	5	33%
Suggestions for improvement	8	53%
Chairperson should be elected from opposition party	7	47%
Investigations should be done	2	13%
13. Has the council in your municipality delegated any of its functions to the MPAC, and if so, mention them.	15	
MPAC performs functions of council	4	27%
No delegation of functions	15	100%
Council responsible for accountability and good governance	6	40%
MPAC responsible for oversight	7	47%
14. How do you rate the performance of the MPAC in your municipality since its establishment?	15	
Good	11	73%
Only if it exposes corruption	1	7%
Poor	12	80%
Doesn't investigate corruption	1	7%
Failing to hold council accountable	6	40%
Not performing oversight effectively	2	13%
Too early to rate MPAC	1	7%
Work in progress	1	7%

6.3.1.1 Discussion and interpretation of the results of the questionnaire

As indicated in Chapter 1 of this research study, a sample size of 160 respondents were to be selected from the municipalities that constitute 65% of the total number of municipalities in the North West Province. A series of in-depth and semi-structured

interviews was conducted with specific role-players to obtain important operational data for implementing empirical research.

Question 1 in Table 6.1 shows a significant 100% response rate on the establishment of the MPACs. Question 2 of the table shows that 67% responded to the question. 47% of the respondents stated that some of the municipalities consist of 11 to 13 members, 7% said other municipalities have 5 MPAC members and 13% pointed out that other MPACs are made up of 9 to 10 members. 67% in Table 6.1 responded to the date on which the MPACs had been established within the selected municipalities in the North West Province. The table shows that 40% of the respondents indicated that some of the MPACs were established during 2011. 13% of the respondents stated that the MPACs of other municipalities were established in 2012 and another 13% pointed out that other MPACs were established during 2015.

Table 6.1 shows that there is a 93% response rate on the procedures followed during the election of chairpersons and members of the MPAC. 60% of the respondents gave the same answer on the election of MPAC members. The table shows that 13% of the respondents preferred to use the show of hands on the election of their MPAC members and 7% preferred the use of secret ballot. Table 6.1 indicates that 93% of the respondents confirmed that the election of the chairperson was based on nomination.

As shown in Table 6.1, 87% of the respondents stated that political parties elect their preferred members to serve on the committee. The table shows that 87% of respondents stated that women are included in the MPACs, while 87% of the respondents stated that members of the MPAC do not possess the required skills, knowledge and experience to perform their oversight roles, 53% maintain that MPAC members possess the required skills, knowledge and experience to perform their roles. 27% of the respondents stated that members of the MPAC who do not possess the required skills are those councillors who have been elected to the committee for the first time. The table shows that 13% of the respondents maintain that if MPAC members were in possession of the required skills,

knowledge and experience, municipalities would not have been placed under section 139(1)(b) of the *Constitution, 1996*.

Table 6.1 shows that 50% of the respondents indicate that members of the MPAC do not know or cannot confirm whether members of the MPAC possess capacity in areas such as financial management and accounting. The table shows that 64% of the respondents indicated that MPAC members do not have financial management and accounting capacity, 36% of the respondents said members have capacity in areas of financial management and accounting and 7% said MPAC members have improved their capacity.

Table 6.1 shows that 27% of the respondents indicated that municipalities do not have the budget to train MPAC members. 100% of the respondents stated that SALGA, the Provincial Treasury and local government provide training for councillors including MPAC members. 73% gave an indication on the focus of training. The table further shows that 33% of the respondents mentioned training in accountability, 40% stated capacity-building workshops, 7% responded on governance and 33% on oversight. The table also shows that 27% of the respondents mentioned poor attendance of training sessions by members of the MPAC.

Table 6.1 indicates that 7% of the respondents cannot compare the Audit Committee to the MPAC because the MPAC is still newly elected. The table further shows that 60% of the respondents indicated that the Audit Committee does not exist and 7% stated that this situation compromises transparency. The table outlines that 13% of the respondents pointed out that there has been a request for the establishment of Audit Committees but such request has not been successful. The table shows that 20% of the respondents indicate that in some of the municipalities the relationship between the Audit Committee and the MPAC is not good. Table 6.1 shows that 93% of the respondents stated that there is no duplication of functions in the roles and responsibilities of the MPAC and the Audit Committee and 20% of the respondents maintain that there is overlapping of functions between the MPAC and Audit Committee. 13% of the respondents state that audit reports are not submitted to the MPAC.

As shown in Table 6.1, 67% of the respondents raised other issues concerning the arrangement and holding of meetings by the MPACs. The table shows that 20% of the respondents stated that the agenda of MPAC is decided by the chairperson alone and that 13% said invitations to meetings are done telephonically. The table shows that 20% of the respondents stated that invitations to MPAC meetings are made at short notice and 33% said opposition parties cannot make inputs into the agenda. The table shows that 20% of the respondents stated that other items are excluded from the agenda.

Table 6.1 shows that there are 93% responses to the question when meetings of the MPACs are held. In the table, 7% of the respondents stated that meetings are held every second month in a year, 40% said there is no schedule for meetings and 60% said meetings are held when it is necessary or when there are urgent items that need to be discussed. The table also shows that 93% of the respondents indicated that the chairperson arranges the MPAC meetings.

With regard to the submission of MPAC reports to council, Table 6.1 shows that 27% of respondents indicate that reports are not submitted to council and 7% said only minutes of MPAC meetings are submitted. The table also shows that 80% of the respondents stated that MPAC reports are submitted to council. The table further shows that 73% of the interviewees indicated how the council responded to the reports. The table shows that 40% of the respondents indicated that council was satisfied with the reports, 20% said there was insufficient information in the reports and 70% said that some items were deliberately excluded. Table 6.1 shows that 27% of the respondents stated that MPAC reports are always referred back when council is not satisfied with items and that implicated individuals are not investigated. The table also shows that 27% of the respondents indicated that MPAC reports are not submitted to council when councillors are implicated in unlawful practices.

Table 6.1 indicates that 73% of the respondents stated that the MPAC does not perform its functions transparently. The table shows that 7% of the respondents stated that the MPAC does not hold council accountable, 20% indicated that the MPAC is not arranging

public meetings and 20% said the public is not informed of issues affecting council. The table further shows that 27% of the respondents stated that the MPAC does not report irregular, wasteful and unauthorized expenditure incurred by council. The table also shows that 13% of the respondents stated that the MPAC does not have a communication strategy. The table also outlines that 87% of the respondents said the MPAC performs its oversight functions transparently and 67% said this is because the public is allowed to attend council meetings.

Table 6.1 shows that 87% of the respondents stated that the MPAC is not performing its oversight role adequately and 60% provided reasons why the MPAC is not performing its oversight role adequately. 53% of the respondents provided suggestions on how the MPAC can improve the performance of its functions. The table shows that 47% of the respondents indicated that there can be improvement if the chairperson is elected from the opposition party and 13% said investigations should be conducted. 47% indicated that the MPAC does not expose or recommend the investigation of issues such as corruption and 20% stated that the MPAC is reluctant to report such allegations. The table shows that 33% of the respondents said that the MPAC is performing its functions adequately.

Table 6.1 shows that 100% of the respondents stated that council has not delegated any of its functions to the MPAC. The table shows that 40% of the delegates pointed out that council is responsible for accountability and good governance and 47% said the MPAC is responsible for oversight. The table also shows that 27% of respondents indicated that the MPAC performs the functions of council. Table 6.1 further indicates that 73% of the respondents rated the performance of the MPAC as good since it had been established. 7% of the respondents stated that the MPAC can be rated as good only if it exposes corruption. The table shows that 80% of the respondents rate the MPAC as poor, 7% said it does not investigate corruption, 40% said it is failing to hold council accountable and 13% stated that the MPAC is not performing its oversight effectively. The table further indicates that 7% said it is too early to rate the MPAC and 7% indicated that it is work in process.

6.3.1.2 Results obtained from interviews with key role-players at selected municipalities in the North West Province

To achieve reliable results during a research study, interviews have to be conducted with key-role players of the institution (Saunders *et al.*, 2000:242). Healy (1991:206) shares the same sentiment, but further maintains that the interviewer has more advantage and control over who answers the questions as compared to a questionnaire which may be passed from one respondent to another.

According to Salking (2009:195), interviews contain two general types of questions, namely structured (closed-ended) and unstructured (open-ended) questions. In this study, the semi-structured interview schedule was used to conduct interviews with key role-players at the selected municipalities in the North West Province.

During the formulation of the research questionnaire, care was taken to ensure that there were no questions that could influence the participants' responses to the questions. For the answers to be well interpreted and compared, all the respondents were made to have the same idea and an understanding of what the question is all about. Foddy (1993:190) proposes that all the respondents should be made to understand the definition of the research topic in the same way and to find the questions relevant. The respondents were well acquainted with the terminology and concepts in the research questionnaire. Any ambiguous or vague questions or concepts were avoided and care was also taken to avoid intimidating questions that could make the respondents feel that they needed to defend or justify the practices or approaches of the MPACs and their related systems.

According to Baily (2007:103), the interviewer should anticipate that new important and relevant questions could come up during the early interviews and such questions could be asked to all subsequent interviewees. Baily (2007:103) advises that the need for flexibility in the qualitative research interviewing should be taken note of and that extra questions in the interview should not be avoided on the basis of the ongoing analysis and the information that had already been received from the respondents earlier.

The 2012/13 report of the AGSA pointed out that certain municipalities in the province were placed under section 139 of the *Constitution, 1996*. Such municipalities were managed by the administrators that were appointed by the MEC for the Department of Local Government. Willis (2005:259) maintains that the qualitative researcher should emphasize quality over quantity. It is therefore important to conduct a wide scope of careful interviews rather than simply going through the motions in order to achieve the results that may be impressive, but lack information value. Therefore, interviews will further be conducted with the following additional respondents:

- The former chairpersons and members of the MPACs;
- The current and former administrators who were appointed to manage the municipalities that were placed under section 139 of the *Constitution, 1996*;
- The officials that are responsible for municipal governance and accountability in the North West Provincial Treasury; and
- The South African Local Government Association (SALGA) of the North West Province.

Before the interviews took place with the key role-players (respondents) of the municipalities of the North West Province, discussions were held to negotiate the way in which the process was to be conducted. That provided the researcher with an opportunity to explain the aim of the research study to the respondents. The researcher encouraged the respondents to raise any unethical behaviour that they may suspect to intrude on their privacy during the interview.

The respondents indicated their willingness to be interviewed, but expressed mixed reactions as far as mentioning their names was concerned. There were some respondents who suggested that they would rather be referred to as members of their political parties and some respondents preferred that job titles be used in order to protect their privacy. Some of the respondents appealed that the interview not be audio-recorded in order to avoid being victimized. Finally, the respondents were assured that anonymity and confidentiality would be maintained throughout the interview. An environment of trust

that enabled the researcher to listen and ask probing questions to unearth relevant information was created.

The following results were obtained from the interview schedule:

6.3.1.3 The Municipal Public Accounts Committee for the Bojanala Platinum District Municipality and matters that are related to the oversight

In terms of section 79(1)(a) and (b) of the *Structures Act*, all the municipalities must establish municipal public accounts committees. This is to ensure that the municipal council performs its functions effectively and efficiently.

An official, who is an acting coordinator in the office of the MPAC, indicated during the interview (Interview: 17 September 2015) that the MPAC for the Bojanala Platinum District Municipality was established during a council meeting held on 24 January 2012. A DA councillor stated during the interview (17 September 2015) that before the election could be held, the speaker, who is chairperson of the council, explained how the election process was going to take place. According to the councillor, the opposition parties in the council proposed that a secret ballot be used for the election, but that proposal was opposed by the majority party.

An ANC councillor, who is a member of the MPAC, indicated (Interview: 17 September 2015) that during the election of the chairperson the ANC nominated one candidate and the opposition parties collectively nominated and supported one name. The ANC councillor confirmed that the election was done by the show of hands and the position of the chairperson was won by the ruling party with a majority vote. The ANC councillor indicated (Interview: 17 September 2015) that a similar style of election was used for the election of the MPAC members and the ANC won the majority of seats. Below is a table that illustrates how the MPAC is structured within the municipality.

Name of Political Party	Number of MPAC Members	Gender	
African National Congress (ANC)	6	2 males	4 females
Democratic Alliance (DA)	2	2 males	-
African People Convention (APC)	1	1 male	-
Congress of the People (COPE)	1	1 male	-
Representative of the House of Traditional Leaders	1	1 male	-

The total number of the MPAC members of the Bojanala Platinum District Municipality is 11 (Minutes of Council meeting, 2012:9).

A DA councillor, who is a member of the MPAC, indicated (Interview: 17 September 2015) that there were some members of the MPAC who possessed the required skills, knowledge and experience to perform their oversight role effectively. The DA councillor confirmed that the council had improved on addressing some of the issues that were raised by the MPAC in its oversight reports. The DA councillor further stated (Interview: 17 September 2015) that the MPAC had also been committed to doing its work.

An APC councillor stated (Interview: 17 September 2015) that some of the members of the MPAC possessed capacity in the areas of financial management. The APC councillor supported this view by saying that this was realized during the preparation of the oversight reports. An ANC councillor and also a member of the MPAC indicated (Interview: 17 September 2015) that some of their parties' members who served on the MPAC were those who were re-elected during the 2011 municipal elections. The councillor also stated that such councillors had accumulated sufficient experience in financial management. The acting coordinator in the office of the MPAC also provided information (Interview: 17 September 2015) that all the members of the MPAC attended training on capacity

building. The acting coordinator confirmed that the training was conducted by SALGA and the National Treasury in December 2014.

According to the speaker of the council (Interview: 17 September 2015), there was no duplication of functions in the roles and responsibilities of the MPAC and the Audit Committee. The speaker of the council further indicated that the MPAC was responsible for ensuring that the council was accountable while the Audit Committee focussed on issues that were finance related. A councillor of COPE, who is also a member of the MPAC, argued (Interview: 17 September 2015) that sometimes the MPAC deviated from its functions and performed those functions that were supposed to be performed by the Audit Committee. The councillor maintained that such mistakes created unnecessary confusion among other members of the MPAC. The COPE councillor further pointed out (Interview: 17 September 2015) that the relationship between the MPAC and the Audit Committee was not satisfactory.

During the interview (18 September 2015), the executive mayor stated that the meetings of the MPAC were held every second month, but further added that other meetings took place when there were matters that needed urgent attention. The executive mayor said the meetings of the MPAC were always arranged by its chairperson. The executive mayor said since the passing away of the MPAC chairperson, members of the MPAC had taken collective responsibility for arranging the meetings.

On whether there were any MPAC reports that had been submitted to the council, the executive mayor confirmed during the interview (Interview: 18 September 2015) that the MPAC had been submitting the reports to the council. The executive mayor indicated that the MPAC had submitted the minutes of its meeting held on 10 February 2015 to the council. The executive mayor confirmed that the council was satisfied with the report. The executive mayor pointed out (Interview: 18 September 2015) that the only findings and recommendations of the MPAC that were not considered by the council were those of 2012/13.

The speaker of the council indicated during the interview (17 September 2015) that the MPAC was performing its oversight functions in a transparent manner. The speaker said the MPAC held a meeting with the community on 17 March 2015 at 10 am in the old Town Hall of Rustenburg. The speaker further responded that to prove its transparency, the MPAC always placed its oversight report on the website of the municipality and in areas where the information could be easily accessed by the public. The speaker indicated (Interview: 17 September 2015) that no complaints had ever been received from individuals and/or stakeholders about the non-transparency of the council.

The executive mayor maintained the view during the interview (18 September 2015) that the MPAC of the Bojanala Platinum District Municipality was adequately performing its oversight role. The executive mayor stated that the MPAC was doing everything right as required by law. The DA councillor argued (Interview: 17 September 2015) that the MPAC was not performing its oversight adequately. The DA councillor revealed that the municipality had received the same audit opinion as in the previous financial year.

Another ANC councillor, who is not a member of the MPAC, stated during the interview (17 September 2015) that the council had not delegated any of its functions to the MPAC. This response was also received (Interview: 17 September 2015) from the APC councillor. When asked how the MPAC should be rated since its establishment, the APC councillor responded by saying it was doing well, while the DA councillor said (Interview: 17 September 2015) that it had shown some improvement every year. The DA councillor maintained that it could only be rated good if it was able to investigate and expose those who were suspected to be involved in corruption and ensure that disciplinary action was taken against them.

6.3.1.4 The Municipal Public Accounts Committee for the City of Matlosana and matters that are related to the oversight

The administrator in the office of the MPAC stated during the interview (29 September 2015), that the MPAC was established during a council meeting held on 03 November 2011, with item no: 98/2011. An ANC councillor, who is also a member of the MPAC, indicated (Interview: 29 September 2015) that the speaker requested the council to nominate names of councillors from whom a chairperson of the MPAC would be elected. The councillor stated that the ANC nominated one name and the DA also nominated one. The ANC councillor and also an MPAC member pointed out (Interview: 29 September 2015) that the election for the chairperson continued and an ANC Councillor was elected by majority vote.

Another ANC councillor confirmed that (Interview: 29 September 2015) the same approach was used during the election of all members of the MPAC. The councillor stated that the election of all the members of the MPAC was done by the show of hands. Below is a table that shows how the MPAC of the City of Matlosana is constituted.

Name of Political Party	Number of MPAC Members	Gender	
African National Congress (ANC)	7	6 males	1 female
Congress of the People (COPE)	1	1 male	-
Democratic Alliance (DA)	3	2 males	1 female
Freedom Front Plus (FF+)	1	1 male	-

The total number of the MPAC members of the City of Matlosana is 12 (Minutes of Council meeting, 03.11.2011).

With regard to the knowledge, skills and experience possessed by members of the MPAC to perform their oversight function, the speaker stated (Interview: 29 September 2015)

that some members of the committee possessed those required qualities. The speaker said the reason that other members did not possess such skills was because it was their first term as elected councillors of the City of Matlosana. A DA councillor, who is a member of the MPAC, argued (Interview: 29 September 2015) that the majority of MPAC members who did not possess the required qualities were from the ruling party. The councillor maintained (Interview: 29 September 2015) that as members of the DA in the MPAC they had realized that the majority of ANC councillors in the MPAC did not have the potential of being elected onto the committee. The councillor confirmed that some of the DA councillors who had been elected onto the committee had completed their tertiary qualifications.

The executive mayor indicated (Interview: 29 September 2015) that some of the councillors, including members of the MPAC, attended capacity building workshops and training arranged by the Department of Local Government and SALGA North West. The executive mayor further stated (Interview: 29 September 2015) that the workshops and training focussed on financial management, oversight and accountability. The Freedom Front Plus councillor, who is also a member of the MPAC, argued (Interview: 29 September 2015) that the status of the MPAC had not changed even though it had been reported that its members had been attending some training sessions and workshops. The FF+ councillor said the opposition parties in the MPAC had requested a progress report on the participation of such councillors, but the reports had never been submitted. The FF+ councillor maintained (Interview: 29 September 2015) that travelling cost implications were involved.

The speaker of the council pointed out during the interview (Interview: 29 September 2015) that there was no duplication of functions in the roles and responsibilities of the Audit Committee and the MPAC. The speaker stated (Interview: 29 September 2015) that the MPAC was a committee of council and like other committees, it was accountable to the council. The speaker further indicated that all the reports of the Audit Committee should be scrutinized by the MPAC. The COPE councillor and also a member of the MPAC argued (Interview: 29 September 2015) that the MPAC had never tabled and

discussed any report of the Audit Committee. The COPE councillor said the ANC, which had the majority in the MPAC, was unable to differentiate between the roles and responsibilities of the two committees.

During the interview, another ANC councillor and a member of the MPAC stated (Interview: 29 September 2015) that the chairperson of the committee was responsible for arranging its meetings. The ANC councillor said the meetings of the MPAC were held only when there were items that had to be discussed. A DA councillor pointed out (Interview: 29 September 2015) that the only items that were included in the agenda of the MPAC were those that had been decided upon and concluded by the chairperson. The DA councillor alleged (Interview: 29 September 2015) that items that were proposed by the opposition parties were not considered.

The speaker confirmed (Interview: 29 September 2015) that the MPAC had been submitting its reports to the council and that the council had never complained about such reports. The speaker further indicated that in a few instances the council urged the MPAC to provide clarity on the information that had been omitted in the report. The DA councillor provided (Interview: 29 September 2015) a different interpretation about the information that had been omitted. The DA councillor argued (Interview: 29 September 2015) that the information that was regarded as omitted was excluded deliberately to protect certain individuals who belonged to the ruling party. The DA councillor said (Interview: 29 September 2015) that there had never been any oversight report of the MPAC that reflected on corruption, but all the AGSA reports had revealed incidents of irregular, unauthorized and wasteful expenditures.

The executive mayor stated during the telephone interview (29 September 2015) that the MPAC was performing its oversight functions in a transparent manner. The executive mayor said the MPAC was obliged to hold its meeting open to the public. The executive mayor confirmed (Interview: 29 September 2015) that the MPAC had been holding meetings in areas that could be accessed by the public. The executive mayor further said that when the MPAC presented its oversight reports to the council, members of the public

had been attending those meetings. A councillor of the FF+ (Interview: 29 September 2015) stated that the chairperson of the MPAC had never arranged any meeting where the public was to be informed about the status of governance in the municipality.

The FF+ councillor argued during an interview (Interview: 29 September 2015) that the MPAC was not performing its oversight functions adequately. The councillor indicated that there were several issues that had been raised by the AGSA in the previous financial years' reports, but some of them had not been attended to. The councillor further added (Interview: 29 September 2015) that the chairperson was reluctant to ensure that those matters were prioritized by arranging a special MPAC meeting to discuss and finalize those queries. The FF+ councillor maintained (Interview: 29 September 2015) that the situation could improve if the chairperson of the MPAC was elected from an opposition party.

The COPE councillor argued (Interview: 29 September 2015) that the MPAC was not performing its functions adequately because it was failing to hold the executive accountable. The councillor alleged (Interview: 29 September 2015) that there were also cases of maladministration that involved certain councillors and officials but the chairperson was not bringing such allegations to the attention of the MPAC for consideration. The COPE councillor maintained (Interview: 29 September 2015) that the oversight function of the MPAC could improve if the chairperson was elected from an opposition party.

On the delegation of functions, the speaker stated (Interview: 29 September 2015) that the council had not delegated any of its functions to the MPAC. The speaker indicated that the MPAC was responsible for preparing the reports of its oversight meetings and submitting them to the council. The DA councillor provided a different perspective during the interview (Interview: 29 September 2015) and said the municipal officials who were accountable were also accountable to the council. The DA councillor revealed that according to the information they had received, certain members of the MPAC bypassed the office of the municipal manager and instructed junior officials to make payments to

the service providers. The DA councillor indicated (Interview: 29 September 2015) that the affected officials claimed to have reported such incidents to the municipal manager, but nothing was being done to stop that.

The speaker of the council (Interview: 29 September 2015) rated the performance of the MPAC as being good since its establishment. The speaker said even though there were some discrepancies in certain matters, the MPAC was doing well. The COPE councillor maintained (Interview: 29 September 2015) that the MPAC had been performing badly since its establishment. The COPE councillor claimed (Interview: 29 September 2015) that the MPAC had never on any occasion held the council accountable for its failures of executing its constitutional mandate. The councillor maintained that the performance of the MPAC had to be rated as poor.

6.3.1.5 The Municipal Public Accounts Committee for the Ditsobotla Local Municipality and matters that are related to the oversight

The unit manager who is responsible for the administration in the Ditsobotla Local Municipality confirmed during an interview (22 July 2015) that the MPAC had been established. This was done through Council Resolution No. A77 at a meeting held on 13 December 2011. During that meeting, nominations were invited for the position of chairperson of the MPAC. Two names were nominated by the DA and the ANC and thereafter a member of the ruling party was elected with a majority vote by a show of hands (Minutes of Council Meeting, 2011:6-7).

With regard to how the political parties' representation was determined during the establishment of the MPAC, an ANC councillor who also pleaded for anonymity, indicated during an interview (17 July 2015) that their organization mandated them to nominate and vote for the names of councillors who were currently members of the MPAC. The councillor further stated that the reason for their voting by a show of hands was to ensure that they were being monitored to implement the political mandate that they were given to carry out by their party. It was also to ensure that there was no one who was going to defy the party's instruction. The councillor said that other political parties also submitted

a list of their preferred candidates, but they were outnumbered. Below is a table that reflects how the MPAC of the Ditsobotla Local Municipality is structured.

Name of Political Party	Number of MPAC Members	Gender	
African National Congress (ANC)	7	5 males	2 females
Democratic Alliance (DA)	1	1 male	-
Congress of the People (COPE)	1	1 male	-
United Christian Democratic Party (UCDP)	1	-	1 female
Freedom Front Plus (FF+)	1	1 male	-

The total number of the MPAC members of the Ditsobotla Local Municipality is 11 (Minutes of Council meeting, 2011:7).

During an interview (23 July 2015) with one of the administrators who were seconded to the Ditsobotla Local Municipality when it was placed under section 139 (b) of the *Constitution, 1996*, it was revealed that the MPAC did not possess the required skills, knowledge and experience to perform its oversight role effectively. The human resource manager in the Directorate of Corporate Services during the interview (24 July 2015) also shared the same opinion and stated that the skills of all councillors including the MPAC members were not known. The human resource manager (24 July 2015) indicated that all the councillors were requested to submit the certificates of their academic qualifications, but they refused to do so. The human resource manager stated that the intention of requesting the academic certificates was to establish the areas of skills at which the councillors could be capacitated.

According to the human resource manager (Interview: 24 July 2015), the chairperson of the MPAC and one ANC councillor, who is also a member of the MPAC, including two senior officials were registered with the North West University (Mafikeng Campus) by the

municipality to study for a Certificate Programme in Municipal Finance for Development (CPMD) during the year 2013. The human resource manager further indicated (Interview: 24 July 2015) that it was the first initiative by the municipality to provide capacity to the members of the MPAC. The human resource manager pointed out that the two councillors and the two officials did not complete the programme (Interview: 24 July 2015).

During the interview (25 July 2015) the chief financial officer (CFO) stated that an amount of R173 250-00 was paid by the municipality for each individual who attended the programme. The CFO further stated that the total amount that was paid for the two municipal officials and the two councillors was R693 000-00. The CFO further indicated that proper procedures were not followed because there was no council approval for such expenditure (Interview: 25 July 2015).

The CFO alleged (25 July 2015) that the speaker insisted that the two MPAC members be sent to school for capacity building. In addition to that, the CFO (Interview: 25 July 2015) pointed out that some of the councillors including the MPAC members were also registered with the Taletso Further Education and Training College (FET) in the same year with an undisclosed amount, but all of them were unable to complete the programme. During the interview (25 July 2015), the skills development officer stated that the programme that was offered to the councillors who were registered with the Taletso Further Education and Training College (FET) was for the human resource management.

A councillor of COPE in the municipality, who is also a member of the MPAC, indicated (Interview: 28 July 2015) that the unit of SALGA North West responsible for capacity building for the municipal councils organized a training workshop in partnership with Grant Thornton. The COPE councillor (Interview: 28 July 2015) stated that the training was scheduled for 10 and 11 September 2014 and was conducted with a focus on the oversight role of the councillors, focussing on the IDP/budget process, in-year reporting, annual reporting and the role of municipal governance structures. The COPE councillor (Interview: 28 July 2015) pointed out that the invitation was extended to the chairpersons of the portfolio committees of finance and three members of the MPAC from each

municipality in the four regions. The councillor reported that even though the training was helpful and informative, there were only two councillors from the Ditsobotla Local Municipality who attended. The two councillors who attended the training belonged to the political parties of the DA and COPE. The other councillors who are members of the three political parties that form part of the Ditsobotla municipal council did not attend the training.

During a telephone interview (29 July 2015), an official of SALGA raised a concern that most of the councillors did not attend the training workshops as expected. The SALGA official argued that some of the MPACs were unable to perform their oversight role effectively, but they also did not seriously make use of the opportunity of being capacitated when it was offered.

A similar telephonic interview was conducted with an official that is responsible for municipal governance and accountability at the North West Provincial Treasury. The official (Telephone Interview: 04 August 2015) stated that a team of officials from the provincial treasury visited the municipality on several occasions to advise on matters related to irregular expenditure. The official confirmed that members of the MPAC, the mayor and management were advised to terminate the services of ITHUBA Link, which is a company that was appointed dubiously to provide training for the interns in the directorate of infrastructure. The official from the North West Provincial Treasury pointed out that the municipality continued to pay the service provider even though there was a warning to that effect (Telephone Interview: 04 August 2015).

An official that was responsible for expenditure in the municipality (Interview: 4 August 2015) made allegations that they were intimidated by the chairperson of the MPAC, including the other councillors, to make payment. The municipal official declared that they reported the matter to the then acting municipal manager, but no intervention was made. The official maintained that this problem was still recurring. The official further confirmed that a forensic investigation was being conducted by PricewaterhouseCoopers (PWC) within the municipality (Interview: 4 August 2015). The acting municipal manager

confirmed that such investigation was taking place and that PWC was appointed by the North West MEC for Local Government and Traditional Affairs (Interview: 4 August 2015).

As stated by the former administrator (Interview: 23 July 2015), the chairperson of the MPAC was unable to provide any proof that the committee had been conducting its oversight role. The former administrator indicated that requests were made on several occasions to submit the previous oversight reports, but they were never made available. The former administrator informed the researcher that the only report of the MPAC that was made available, was the one of a council meeting held on 03 October 2013 (Interview: 23 July 2015). One member of the intervention team, who was seconded with the administrator to the municipality and was also responsible for the issues that were related to governance and transformation, was requested by the speaker of the council to record the proceedings of that particular meeting.

The former administrator pointed out (Interview: 23 July 2015) that it was also difficult to gain access to the information that could assist with turning the municipality around from the situation it was in, because senior officials were not cooperative. The former administrator revealed that the municipal officials were afraid of being targeted by the politicians. The former administrator further pointed out that the chairperson and some members of the MPAC were at the forefront of being against the implementation of section 139 (b) of the *Constitution, 1996*. The interview (23 July 2015) revealed that in some instances, the administrator was refused access to municipal buildings and rather used a nearby guest house (Interview: 23 July 2015).

During an interview (24 July 2015) with a member of the intervention team, who was responsible for governance and transformation, it was established that the MPAC submitted a report wherein it alleged that the correct procurement procedures were not followed on the bid and actual appointment of the following service providers: the ABRAVO company for traffic cameras; the SADUMA Security company and the CIGICEL company that was responsible for the installation of the pre-paid electricity meters. The

intervention team member (Interview: 24 July 2015) pointed out that the meeting was held in committee and that the recommendations of the MPAC to investigate and take corrective measures against certain officials were adopted by the council as its resolutions.

The speaker of the council stated during the interview (29 July 2015) that the MPAC was performing its functions and responsibilities independently without any external influence from the ruling party or its individual members. The speaker further maintained that there were no functions of the municipal council that had been delegated to the MPAC. The speaker (Interview: 29 July 2015) also pointed out that there was no duplication of functions in the roles and responsibilities of the MPAC and the Audit Committee, because the Audit Committee had not yet been established and did not exist.

On the issue of whether the MPAC was transparent when it was performing its oversight functions, another ANC councillor informed the researcher during the interview (23 July 2015) that the MPAC's operations were not transparent. The councillor argued (Interview: 23 July 2015) that in some of the ANC caucuses, members of the MPAC who were ANC councillors were told not to submit the reports in which the members of their party were involved in inappropriate activities. The ANC councillor said they were also instructed to protect each other as well as the reputation of the party (Interview: 23 July 2015).

The ANC councillor (Interview: 23 July 2015) continued the argument by confirming that the MPAC had never held a public meeting to provide the community with the report on matters relating to governance, oversight and accountability. The ANC councillor told the researcher (Interview: 23 July 2015) that every time the MPAC was expected to present a report to the council, the report was discussed in committee or it was referred back. From there, the report was never tabled again in the council for discussion.

A UCDP councillor, who is a member of the MPAC, maintained during the interview (29 July 2015) that the MPAC was not performing its functions adequately. The UCDP councillor stated that the MPAC was always reluctant when it had to investigate the councillors that were members of the ruling party, or the officials that were suspected of

conniving with such councillors. The UCDP councillor (Interview: 29 July 2015) indicated that the chairperson of the MPAC seemed not to know what his responsibilities were. The UCDP councillor further stated that the chairperson was alleged to have at times been interfering in the administration by intimidating the officials who were in the unit of finance and when such matter was reported to the speaker, nothing was done about it.

A FF+ councillor maintained during the interview (20.07.2015) that no specific schedule was in place on when the MPAC should hold its meetings. The FF+ councillor revealed (Interview: 20 July 2015) that the meetings of the MPAC were organized by the chairperson and that such meetings took place only when the chairperson had a vested interest in a particular matter. The FF+ councillor, who is also a member of the MPAC, was of the view that the MPAC would be able to function effectively if its chairperson was elected from one of the opposition parties in the municipal council (Interview: 20 July 2015).

On how the performance of the MPAC could be rated since its establishment, the FF+ councillor argued that the MPAC had not been doing what it was supposed to do (Interview: 20 July 2015). The FF+ councillor stated that some dissatisfaction had been raised many times with regard to the decisions that had been taken by the MPAC, but they did not find expression in the agendas of the council meetings. The FF+ councillor expressed some disappointment at the manner in which councillors of the ruling party were rendering the MPAC dysfunctional by ignoring the legislation and regulations that govern local government. The councillor further indicated that the chairperson brought along and introduced to the MPAC a person who was regarded as a researcher. The FF+ councillor maintained during the interview that the appointed individual did not possess the required skills and qualifications to assist the MPAC as a researcher (Interview: 20 July 2015).

6.3.1.6 The Municipal Public Accounts Committee for the Dr Kenneth Kaunda District Municipality and matters that are related to the oversight

The manager in the office of the speaker stated during an interview (25 September 2015) that the MPAC was established during a council meeting held on 01 December 2011 with Item No: A.92/11/2011. A DA councillor and also a member of the MPAC indicated that the election of the committee began with that of the committee chairperson (Interview: 25 September 2015). The councillor said that two names were nominated and thereafter the voting took place. The DA councillor pointed out that the position of the chairperson was then won by an ANC councillor (Interview: 25 September 2015). The FF+ councillor indicated that the same approach was followed when other members of the MPAC were elected and the ANC won the majority of the seats (Interview: 25 September 2015). The FF+ councillor further added that election was done by the show of hands and not through the secret ballot (Interview: 25 September 2015). Below is an indication of how the Dr Kenneth Kaunda District Municipality is structured.

Name of Political Party	Number of MPAC Members	Gender	
African National Congress (ANC)	9	6 males	3 females
Democratic Alliance (DA)	2	1 male	1 female

The total number of the MPAC members of the Dr Kenneth Kaunda District Municipality is 11 (Minutes of Council meeting, 2011:3).

On whether members of the MPAC possessed the required skills, knowledge and experience to perform its oversight functions effectively, the speaker indicated that some of the MPAC members did possess such qualifications (Interview: 25 September 2015). The speaker further stated that the council would indicate whether it would allow the request from the MPAC for the cooption of advisory members from outside who are not councillors (Interview: 25 September 2015).

A COPE councillor and also an MPAC member argued that the committee did not possess the required qualifications to perform its oversight functions (Interview: 25 September 2015). The councillor pointed out that the councillors who had been seconded from Category B municipalities such as the Tlokwe City Council, City of Matlosana and Ventersdorp Local Municipality formed part of the MPAC. The COPE councillor indicated that those councillors were from the municipalities that consisted of weak MPACs and therefore could not make any positive impact on the oversight function of the Dr Kenneth Kaunda District Municipality (Interview: 25 September 2015).

The chairperson of the MPAC indicated during an interview that some members of the MPAC who were from their respective municipalities attended training and workshops which were conducted by the National Treasury and SALGA North West (Interview: 25 September 2015). The official in the office of the chairperson confirmed that their office was not in possession of the qualifications of all the councillors who were members of the MPAC (Interview: 25 September 2015). The official said it could therefore not be confirmed whether such councillors possessed the required capacity in the areas of financial management and accounting. The official who was responsible for skills development in the corporate department of the municipality also confirmed during the interview (25 September 2015) that the human resource unit did not have such information. The official concluded by saying that a member of the ANC was removed from the MPAC and replaced after completing a Certificate Programme in Municipal Finance for Development (CPMD) programme (Interview: 25 September 2015).

The executive mayor stated during the telephone interview (25 September 2015) that there was no duplication of functions in the roles and responsibilities of the MPAC and those of the Audit Committee. The executive mayor argued that while governance systems and structures were in place and operational within the municipality, their quality and effectiveness were sometimes questionable. The executive mayor indicated that among other reasons why the MPAC had been established was to ensure that there was an effective, efficient and accountable system of governance within the municipality. The executive mayor also added by saying that the main purpose of the MPAC was to exercise

oversight over the executive functionaries of the council and ensure good governance (Interview: 25 September 2015).

The DA councillor, who is also a member of the MPAC, revealed that a comparison between the MPAC and the Audit Committee could not be made (Interview: 25 September 2015). The councillor said the reason for this was that during 2012/13 the Audit Committee was newly established. The councillor argued that there was little cooperation between the committee and other governance structures within the municipality. The DA councillor alleged that corrupt practices, which involved senior ANC politicians and senior officials, were reported, but the MPAC became reluctant to conduct some investigations. The DA councillor argued that the reason for the MPAC to act with reluctance was to protect their colleagues in the ANC (Interview: 25 September 2015).

A councillor of the FF+ stated during the telephone interview (25 September 2015) that when it came to holding the meetings of the MPAC and who was responsible for arranging such meetings, it was known that the chairperson was responsible. The FF+ councillor alleged that the meetings were held only when the ruling party had given such an instruction. The FF+ councillor further added that there was no schedule that had been agreed upon on when the MPAC meetings should be held (Interview: 25 September 2015).

An ANC councillor, who is a member of the MPAC, stated in the interview (25 September 2015) that when the meeting of the MPAC had to take place the chairperson of the MPAC had to liaise directly with the speaker of the council. The ANC councillor and also an MPAC member pointed out that such arrangement was to ensure that all the reports of the MPAC and all the necessary documents were included in the agenda of the council. The ANC councillor argued that because the MPAC was a committee of council, its reports were submitted directly to the council and not to the executive committee of the council or to the mayoral committee (Interview: 25 September 2015)

The municipal manager confirmed during a telephone interview (25 September 2015), that the MPAC had been submitting its reports to the council. The municipal manager

said the council adopted some of the reports, but where it was not satisfied with the contents of a particular report, such report was referred back for further consideration. A COPE councillor and also a member of the MPAC made some allegations that the ruling party used its majority in the MPAC to make the situation difficult for the opposition parties to propose how the reports should be structured (Interview: 25 September 2015).

On whether the MPAC was transparent when it was performing its oversight functions, the response by the speaker during the interview (25 September 2015) was that the MPAC was transparent. The speaker said that the meetings of the MPAC were open to the public, but further added that there were rules and procedures of the committee that specified the instances at which the meetings could be closed to the public. The DA councillor, who is also an MPAC member, disputed the statement and said the MPAC did not report the cases of irregular, wasteful and unauthorized expenditure to the public because such unlawful incidents had some elements of corruption.

An ANC councillor, who is not a member of the MPAC, claimed during the interview (25 September 2015) that the area in which the MPAC was not performing its oversight functions adequately was the failure to report its own committee members who were involved in corrupt practices. The councillor further said there were allegations that some of the officials were scheming with certain councillors in unlawful practices. The ANC councillor maintained that the only way to improve the situation was to ensure that all those who were suspected of such practices were investigated and if there was enough evidence, appropriate actions should be taken against them (Interview: 25 September 2015).

With regard to the delegation of functions, the speaker confirmed (Interview: 25 September 2015) that there were no functions of the council that had been delegated to the MPAC. On how the performance of the MPAC could be rated since its establishment, the speaker pointed out that the MPAC was performing its oversight functions well, even though it had its own shortcomings (Interview: 25 September 2015). The DA councillor maintained during an interview (25 September 2015) that the performance of the MPAC

since its establishment should be rated poor. The DA councillor alleged that the MPAC had failed to exercise its legislative mandate of holding the council accountable (Interview: 25 September 2015).

6.3.1.7 The Municipal Public Accounts Committee for the Kagisano Molopo Local Municipality and matters that are related to the oversight

The coordinator in the office of the MPAC stated during the interview (8 October 2015) that the MPAC was established during a council meeting held on 06 November 2011. An ANC councillor, who is also an MPAC member, pointed out that the speaker, who is chairperson of the council, requested the nomination of names for councillors from whom the chairperson of the MPAC would be elected (Interview: 8 October 2015). The ANC councillor said that one name was nominated and all the political parties supported that name and the chairperson was elected from COPE. A UCDP councillor stated during the interview (8 October 2015) that the election of the MPAC was completed by electing all other members. The table below indicates how the MPAC of the Kagisano Molopo Local Municipality was finally structured.

Name of Political Party	Number of MPAC Members	Gender	
African National Congress (ANC)	5	3 males	2 females
Congress of the People (COPE)	1	-	1 female
Democratic Alliance (DA)	1	-	1 female
United Christian Democratic Party (UCDP)	2	1 male	1 female

The total number of the MPAC members of the Kagisano Molopo Local Municipality is 9 (Minutes of Council meeting, 06.11.2012).

The coordinator in the office of the MPAC revealed during an interview (8 October 2015) that the chairperson of the committee was recently removed from her position as

councillor by her party and had not yet been replaced. The coordinator indicated that a new woman chairperson was elected from the remaining MPAC members. The coordinator further pointed out that a DA councillor, who was also a member of the MPAC, resigned in 2013 but she was replaced immediately. According to the coordinator in the office of the MPAC, the actual number of the MPAC members was 8 (Interview: 8 October 2015).

An ANC councillor, who is also an MPAC member, indicated during the interview (08 October 2015) that some of the committee members possessed the required skills, knowledge and experience to perform their oversight role effectively. The councillor stated that the MPAC members who possessed such qualifications were those councillors who were not elected as public representatives during the last municipal elections. The ANC councillor maintained that it was only the newly elected MPAC councillors who were finding it difficult to adjust, but they were improving (Interview: 8 October 2015).

During an interview (8 October 2015), a DA councillor provided a different version by indicating that the entire MPAC did not possess the required skills, knowledge and experience to perform its oversight function effectively. The councillor made allegations that all the councillors who had been elected to the MPAC by the ANC were unable to interpret the contents of the budget. The DA councillor further stated that the MPAC members did not seem to know what they were supposed to do. The DA councillor argued that the ANC councillors who were MPAC members were in the committee only to implement the decisions of their party (Interview: 8 October 2015).

On whether members of the MPAC had the capacity in areas of financial management and accounting, an official in the human resource management department indicated that all the councillors had not submitted their academic qualifications since their arrival in the council (Interview: 8 October 2015). During an interview (8 October 2015), the chairperson of the MPAC pointed out that some members of the MPAC had displayed a good understanding of the financial management during the meetings of the committee.

With regard to adequately capacitating the MPAC members, the CFO confirmed (Interview: 8 October 2015) that capacitating members of the MPAC, including all other councillors, was not provided for in the budget. The CFO indicated that the North West SALGA, the North West Provincial Treasury and the Department of Local Government in the North West Province had been conducting training and workshops for councillors, including councillors who were members of the MPACs. The CFO pointed out that the training and workshops were specifically aimed at capacitating the MPAC members on oversight, governance and accountability. An official who is responsible for capacity building at the Department of Local Government confirmed such programmes, but expressed disappointment at the poor attendance of the councillors (Interview: 8 October 2015).

The speaker of the council confirmed during an interview (8 October 2015) that there was no duplication of functions in the roles and responsibilities of the MPAC and the Audit Committee. The speaker further pointed out that the responsibilities of the MPAC were to perform oversight of the activities of the council and ensure that it was held accountable. The speaker indicated that the Audit Committee had not yet been established and that it would therefore be unfair to compare the two committees with one another (Interview: 8 October 2015).

A UCDP councillor maintained during the interview (8 October 2015) that the opposition parties in the council had several times proposed that an Audit Committee be established, but such proposal had never been given serious consideration. The UCDP councillor further claimed that the functions that were budget related and were the responsibility of the Audit Committee were now performed by the MPAC. The councillor maintained that the absence of the Audit Committee comprised transparency and good governance (Interview: 8 October 2015).

With regard to the meetings of the committee, during the interview (8 October 2015), the municipal manager stated that the chairperson of the MPAC was responsible for arranging the meetings of the committee. The municipal manager said the chairperson

arranged the meetings of the MPAC when there were items that had to be discussed. A COPE councillor and also a member of the MPAC pointed out during the interview (8 October 2015) that when the meeting of the committee was being arranged, they were invited telephonically. The councillor also complained about the short notice of the meetings because they were not given enough time to prepare.

The speaker as the chairperson of the council confirmed during the interview (8 October 2015) that the MPAC had been submitting its oversight reports to the council. The speaker indicated that there were some MPAC reports that the council was not comfortable with and such reports were referred back for corrections. The speaker pointed out that some of the oversight reports that were sent back for corrections were sometimes not resubmitted to the council for further consideration (Interview:8 October 2015). An ANC councillor, who is not a member of the MPAC, argued during an Interview (8 October 2015) that when reports were not resubmitted it was simply because some councillors were suspected of being involved in unlawful practices.

A DA councillor, during an interview (8 October 2015), expressed dissatisfaction with how the MPAC was performing its oversight function in a non-transparent manner. The councillor pointed out (Interview: 8 October 2015) that the MPAC did not provide the public with their oversight information. The councillor said the committee did not have a communication strategy in place and had never held a community meeting (Interview: 8 October 2015). The speaker stated that whenever the MPAC presented its oversight reports in the council, the public attended such meetings. The speaker further indicated that there were certain MPAC meetings that the public was not allowed to attend (Interview: 8 October 2015).

According to the opinion of the UCDP councillor during the interview (8 October 2015), the MPAC was not performing its oversight role adequately. The UCDP councillor pointed out that there were allegations of corruption and maladministration that had been made against the councillors and the officials respectively, but no investigations had been initiated to substantiate such allegations (Interview: 8 October 2015). An ANC councillor

confirmed this by stating during an interview (8 October 2015) that the MPAC and the council were silent about the findings of the AGSA concerning the high irregular expenditure. The councillor maintained that the MPAC would be able to improve its oversight if it focussed on the aforementioned issues.

The speaker confirmed during the interview (8 October 2015) that the council had not delegated any of its functions to the MPAC. The speaker indicated that the MPAC was a committee of council and that it was still responsible for the oversight function. The speaker also told the researcher that the council was also responsible for accountability and providing good governance. The DA councillor pointed out (Interview: 8 October 2015) that the MPAC was performing the functions of the council, such as participating in the discussions on the items on the agenda of the council and further persuading the council to make final decisions on such items.

During the interview (8 October 2015), the speaker rated the performance of the MPAC as being good since its establishment. The speaker pointed out that, despite the challenges of a lack of capacity, the required experience and skills, the MPAC had always shown commitment when it was carrying out its responsibilities. (Interview: 8 October 2015). The municipal manager indicated that the performance of the MPAC had improved gradually and had become better, compared to when it took office for the first time (Interview: 8 October 2015). During an interview (8 October 2015), a DA councillor rated the performance of the MPAC as not satisfactory since its establishment. The DA councillor made reference to some shortfalls committed by the MPAC. The councillor further referred to issues such as lack of commitment to the investigation of cases of alleged fraud and corruption within the municipality. The DA councillor mentioned the lack of transparency by the MPAC to provide the oversight report to the public, as well as the failure to hold the council accountable. During the same interview (8 October 2015), the DA councillor stated that some of the items that were contained in the oversight reports of the MPAC and that were referred back for considerations or corrections had never been returned back. The councillor was convinced that these mistakes caused the performance of the MPAC to be rated as being poor (Interview: 8 October 2015).

6.3.1.8 The Municipal Public Accounts Committee for the Kgetleng Rivier Local Municipality and matters that are related to the oversight

The coordinator in the office of the MPAC confirmed during an interview (12 October 2015) that the MPAC was established on 26 October 2011. The mayor indicated that the speaker called for the nomination of names of councillors who would be eligible to be elected as the chairperson of the MPAC. The mayor said that only one name of an ANC councillor was nominated and he was finally elected as the chairperson of the MPAC (Interview: 12 October 2015).

An ANC councillor, who is also a member of the MPAC, stated during an interview (12 October 2015) that the same approach was used when other members of the MPAC were elected. The councillor indicated that the election of other names started with the nomination and completed the process with the election. The ANC councillor also pointed out that on both occasions, the elections were done through the show of hands and on both occasions the ANC won by majority vote (Interview: 12 October 2015). Below is a table that indicates how the MPAC of Kgetleng Rivier Local Municipality is structured.

Name of Political Party	Number of MPAC Members	Gender	
African National Congress (ANC)	4	2 males	2 females
Democratic Alliance (DA)	1	1 male	-

The total number of the MPAC members of the Kgetleng Rivier Local Municipality is 5 (Minutes of Council meeting, 26.10.2015).

The speaker of the council maintained during an interview (12 October 2015) that the members of the MPAC possessed the required skills, knowledge and experience to perform their oversight role effectively. The speaker argued that the MPAC members had learned from some of the councillors who had been council members previously and had been re-elected to the council. During an interview (12 October 2015), the DA councillor

held a different view and said that the issues raised by the AGSA in the previous financial years still remained the same. The DA councillor referred to such unattended cases by the MPAC as an indication of a lack of the required qualifications (Interview: 12 October 2015).

An official in the human resource management unit indicated during an interview (12 October 2015) that it could not be confirmed whether the members of the MPAC possessed the required capacity in accounting and financial management. The official stated that all the councillors, including members of the MPAC, had not submitted their academic qualifications. A DA councillor, who is a member of the MPAC, argued (Interview: 12 October 2015) that the committee did not possess the required qualifications because they were unable to perform their oversight function. The councillor said the MPAC was only there to implement the decisions of the ruling party, even if those decisions were incorrect (Interview: 12 October 2015).

The skills development officer in the human resource unit indicated during the interview (12 October 2015) that no budget was available for the training and capacity building of councillors. The skills development officer stated (Interview: 12 October 2015) that SALGA North West, North West Provincial Treasury and the North West Department of Local Government and Traditional Affairs had been inviting all the councillors for training and workshops. The skills development officer indicated (Interview: 12 October 2015) that the training sessions were mainly focussed on oversight and accountability. This information was also confirmed during a telephone interview (12 October 2015) with the official who is responsible for such workshops and training sessions at the North West Provincial Treasury.

In terms of the observation by the speaker during the interview (12 October 2015), there was no duplication of functions in the roles and responsibilities of the MPAC and the Audit Committee. The speaker pointed out that the responsibility of the council was to provide leadership and also to ensure that there was good governance (Interview: 12 October 2015). The mayor stated during the interview (12 October 2015) that the meetings of the

MPAC were always arranged by the chairperson. The mayor indicated that the chairperson arranged the meetings when there were items that had to be discussed by the committee (Interview: 12 October 2015). The DA councillor complained during an interview (12 October 2015) that the chairperson of the MPAC had a tendency to inform the opposition party late about the meetings. The DA councillor confirmed that such a problem was brought to the attention of the chairperson of the committee, but nothing had been done to bring about some improvement. The DA councillor alleged that sometimes when the MPAC meeting had failed to take place, another meeting would be held without informing the opposition party (Interview: 12 October 2015).

The speaker confirmed (Interview: 12 October 2015) that there were some oversight reports that had been submitted to the council by the MPAC. The speaker further indicated that even though the reports were sometimes not perfect, they were impressive (Interview: 12 October 2015). A DA councillor pointed out (Interview: 12 October 2015) that the reports submitted by the MPAC to the council were far from assisting the municipality in being accountable. The DA councillor further emphasized the fact that the ANC councillors who were members of the MPAC were not able to draw up an oversight report. The DA councillor argued that all that was submitted to the council were not the reports, but rather the minutes of what was discussed during an MPAC meeting (Interview: 12 October 2015).

During the interview (12 October 2015), the mayor expressed some satisfaction on how the MPAC was performing its oversight functions. The mayor stated that the MPAC was performing its oversight functions in a transparent manner. The mayor indicated that when the MPAC was making a presentation of its oversight report to the council, the meeting became open to the public (Interview: 12 October 2015). An ANC councillor, who is not a member of the MPAC, pointed out (Interview: 12 October 2015) that the MPAC had never arranged any community meeting to provide the public with its oversight report.

The DA councillor's opinion during the interview (12 October 2015) was that the MPAC was not performing its oversight adequately when it came to exposing councillors and

officials who were suspected of being involved in corruption. The DA councillor alleged that the MPAC was protecting some of their friends in the ANC. The DA councillor stated that several proposals were made by the opposition party that the MPAC be requested to institute a forensic investigation, but such proposal did not receive majority support. The DA councillor argued that the performance of the MPAC could improve if a chairperson was elected from the opposition party. The DA councillor further said that the performance of the MPAC could also improve if all the regulations and laws were implemented (Interview: 12 October 2015). The speaker confirmed during the interview (12 October 2015) that the council had not delegated any of its functions to the MPAC. The speaker confirmed that the MPAC was responsible for oversight and it also had to hold the council accountable for all its activities. The speaker indicated that the council was responsible for sustainable service delivery (Interview: 12 October 2015). A DA councillor maintained (Interview: 12 October 2015) that even though there was a council resolution to that effect, the MPAC was performing other functions that were the responsibilities of the council. The DA councillor alleged that some of the MPAC members were also members of the other sub-committees of the council (Interview: 12 October 2015).

During an interview (12 October 2015), the mayor rated the performance of the MPAC as being the best since it had been established. The mayor stated that like any other committee of the council, the MPAC had performed its oversight role to the best of its ability. During the interview (12 October 2015), the DA councillor expressed some disappointment at the manner in which the MPAC had been performing its oversight function since its establishment. The DA councillor also mentioned the inconsistency in the reporting of the committee, the lack of capacity by the members of the committee and its failure to hold the council to account. The DA councillor maintained that based on all those reasons, the performance of the MPAC should be rated as poor (Interview: 12 October 2015).

6.3.1.9 The Municipal Public Accounts Committee for the Madibeng Local Municipality and matters that are related to the oversight

The mayor of the Madibeng Local Municipality confirmed during the telephone interview (16 October 2015) that the MPAC had been established. The coordinator in the office of the MPAC confirmed (16 October 2015) that the establishment of the MPAC was done during a council meeting held on 07 December 2011. An ANC councillor, who is not a member of the MPAC, stated (Interview: 16 October 2015) that before the election took place, the opposition parties proposed that the election be conducted by secret ballot. The councillor indicated that the ANC opposed that system and preferred the show of hands (Interview: 16 October 2015).

The mayor pointed out (Interview: 16 October 2015) that the speaker of the council requested that councillors should nominate the names of candidates who would be elected as the chairperson of the MPAC. The mayor further indicated that two names were nominated, the first name was nominated from the ANC and the second one was nominated from the DA. The mayor stated that the election proceeded by using the show of hands and when the results were announced, it was established that the ANC had won the position of chairperson by majority vote. The mayor further said that the same approach was used during the election of other MPAC members and the ANC managed to elect the majority of its members to the committee (Interview: 16 October 2015). The table below indicates how the MPAC of Madibeng Local Municipality is structured.

Name of Political Party	Number of MPAC Members	Gender	
African National Congress (ANC)	10	6 males	4 females
Democratic Alliance (DA)	2	1 male	1 female
Freedom Front Plus (FF+)	1	-	1 female

The total number of the MPAC members of the Madibeng Local Municipality is 13 (Minutes of Council meeting, 07.12.2011).

During the interview (16 October 2015), the chairperson of the MPAC was of the opinion that the committee members possessed the required skills, knowledge and experience to perform their oversight role effectively. The chairperson indicated that the committee was aware of what was expected from them with regard to performing their oversight role. The chairperson further added that some of the councillors who had been elected to the MPAC were part of a council that was elected before the 2011 municipal elections (Interview: 12 October 2015).

During an interview (16 October 2015), a DA councillor provided a different view and stated that the committee did not possess the required skills, knowledge and experience to perform the oversight function. The DA councillor argued that if the MPAC members were in possession of such qualifications the municipalities would never have been placed under section 139 (b) and later again placed under section 154 (1) of the *Constitution, 1996* respectively.

The FF+ councillor pointed out during an interview (16 October 2015) that the MPAC did not possess the capacity in the areas of financial management and accounting. The FF+ councillor stated that the reason for such an opinion was that the financial management of the municipality improved only because of the intervention of the provincial government. The councillor further argued that before the intervention, the situation in the municipality was not good even though the MPAC was in place (Interview: 16 October 2015).

An official from the human resource management unit, who is responsible for safeguarding the files of all the employees and politicians, maintained during an interview (16 October 2015) that the unit did not have any information on the academic qualifications of the councillors. The official said based on that there were no comments that could be provided concerning the capacity of the MPAC. A DA councillor stated during an interview (16 October 2015) that the councillors from the opposition parties who

had been elected into the MPAC did possess the financial management and accounting capacity. The DA councillor said that in most instances their party made sure that when councillors were given certain responsibilities, such individuals were capable of carrying out those responsibilities (Interview: 16 October 2015).

The CFO indicated, during the interview (16 October 2015), that the council did not budget for the training and development of councillors. The CFO pointed out that the MPAC had been attending workshops and training modules that were organized and concluded in partnership with the North West Department of Local Government, the North West Provincial Treasury and North West SALGA. The CFO confirmed that the workshops and training modules were intended to capacitate the MPACs in oversight and accountability (Interview: 16 October 2015). The observation of the speaker during the interview (16 October 2015) was that there was no duplication of functions in the roles and responsibilities of the MPAC and those of the council. The speaker pointed out that the council was responsible for ensuring good governance and providing services to the community, while the MPAC was responsible for exercising oversight of the activities of the council and holding it accountable (Interview: 16 October 2015). According to the DA councillor, (Interview: 16 October 2015), there were some instances where the MPAC argued that some councillors found themselves encroaching on the activities of the MPAC and that such mistakes created confusion for councillors who were unable to differentiate between the powers and the functions of the two structures.

The speaker confirmed during the interview (16 October 2015) that the meetings of the MPAC were held only when there were matters that needed the attention of the committee. The speaker indicated that such meetings were arranged by the chairperson of the committee. The FF+ councillor, who is also a member of the MPAC, pointed out during the interview (16 October 2015) that the committee did not have a list of dates of when the committee should hold its meetings. The FF+ councillor further complained that the style of arranging the committee was unacceptable because members of the MPAC had other commitments which were council related (Interview: 16 October 2015).

The DA councillor stated during the interview (16 October 2015) that members of the opposition parties in the MPAC had attempted several times to be involved in the drawing up of the agenda for the MPAC meetings, but their attempts had never been successful. The DA councillor alleged that even if they submitted items they thought should be included on the agenda for discussion, some of the items were left out. The DA councillor indicated that the situation was frustrating because the chairperson of the MPAC did not even bother to attend to their request for the intervention. The councillor added by mentioning that even the council had not done anything about the problem (Interview: 16 October 2015).

The mayor confirmed during the interview (16 October 2015) that the MPAC had been submitting the reports of their oversight meetings to the council. The mayor pointed out that the council had never complained about the manner in which the oversight reports had been submitted to the council. A DA councillor also complained about the MPAC and how its reports were presented to the council, together with further complaints about the lack of critical and important information that had been left out of the report (Interview: 16 October 2015).

The speaker of the council confirmed (Interview: 16 October 2015) that the council was satisfied that the MPAC was transparent in performing its oversight functions. The speaker pointed out that the council meetings at which the MPAC was presenting the oversight reports of its meetings were open to the public. The speaker indicated that there were some MPAC meetings whose information had to be kept confidential until it was pronounced to be ready for public consumption (Interview: 16 October 2015). The FF+ councillor argued during an interview (16 October 2015) that the MPAC had no such arrangements about the classification of meetings, and that this was an indication that the committee was not independent, but was rather being micromanaged by the ruling party.

An ANC councillor, who is also a member of the MPAC, expressed the opinion (Interview: 16 October 2015) that the committee was adequately performing its oversight role in all areas. The councillor stated that even though it might be discovered that the committee

was not adequately performing in all its areas of responsibilities, it might be something that the committee was not aware of. The DA councillor referred to (Interview: 16 October 2015) the lack of investigation into matters that were raised by the AGSA during his/her previous reports, which were not addressed. The DA councillor maintained that the situation would only be able to improve if the chairperson of the committee was elected from one of the opposition parties in the council (Interview: 16 October 2015).

With regard to the delegated function of the council to the MPAC, the speaker stated during an interview (16 October 2015) that the MPAC was responsible for conducting oversight of all the activities of the council and holding it accountable. The speaker further indicated that the council was responsible for providing service to the community and also ensuring good governance. The speaker maintained that the performance of the MPAC should be rated as being better since its establishment (Interview: 16 October 2015).

The FF+ councillor said during the interview (16 October 2015) that even though there was no formal delegation of the council's functions to the MPAC as well as the functions of the MPAC to the council, the two structures were performing the functions of both. The councillor pointed out that each one of the two structures was implementing the mandate of the other one. The FF+ councillor argued (16 October 2015) that the performance of the MPAC should be rated as being poor because it had not been performing some of the functions that it was supposed to perform. The FF+ councillor maintained that one of the major functions the MPAC failed to perform was to hold the council accountable.

6.3.1.10 The Municipal Public Accounts Committee for the Mahikeng Local Municipality and matters that are related to the oversight

An official in the office of the MPAC confirmed during a telephone interview (28 September 2015) that the records of the municipality showed that the MPAC was established during a council meeting held on 15 December 2011. The executive mayor of the council stated (Interview: 28 September 2015) that the election began with that of the MPAC chairperson and later proceeded with the election of other members. The executive mayor said two names were nominated and an ANC councillor was elected by

the majority as the MPAC chairperson. The executive mayor further pointed out that the ANC voted more of its members to the MPAC (Interview: 28 September 2015).

An ANC councillor, who is not a member of the MPAC, indicated that (Interview: 28 September 2015) their leadership instructed them not to accept that voting be done by secret ballot. The councillor pointed out that secret ballot voting was proposed by the opposition parties, but it was rejected by the majority party. The ANC councillor revealed to the researcher that their leaders in the caucus even took a decision about which councillors should be voted to the MPAC (Interview: 28 September 2015). The table below indicates how the MPAC of the Mahikeng Local Municipality is structured.

Name of Political Party	Number of MPAC Members	Gender	
African National Congress (ANC)	8	7 males	1 female
Congress of the People (COPE)	1	-	1 female
Democratic Alliance (DA)	2	1 male	1 female
United Christian Democratic Party (UCDP)	2	2 males	-

The total number of the MPAC members of the Mahikeng Local Municipality is 13 (Minutes of Council meeting, 15.12.2011).

During an interview with the speaker (28 September 2015) it was confirmed that the MPAC possessed the required skills, knowledge and experience to perform its oversight role effectively. The speaker indicated that some of the councillors, who were elected to the MPAC, had served on the previous council. The speaker argued that such councillors had gained enough experience and therefore deserved to be members of the MPAC. The UCDP councillor disputed that and claimed that even the previous council was unable to

deal with the challenges of the financial mismanagement before the introduction of the MPACs (Interview: 28 September 2015).

The chairperson of the MPAC maintained during an interview (28 September 2015) that even though some councillors lacked adequate capacity in the area of financial management and accounting, some had served on other committees such as the finance committees and they were performing well. The COPE councillor disagreed and indicated during an interview (28 September 2015) that the majority of councillors who were members of the MPAC and who served on the committees that were mentioned by the chairperson of the MPAC, had contributed to the deterioration of governance and the lack of accountability within the municipality.

The director for the corporate department in the municipality stated during the interview (28 September 2015) that it had never been an institutional practice to request politicians to submit their academic qualifications. It was also not being practised. An official who is responsible for skills development pointed out (Interview: 28 September 2015) that members of the MPAC had attended a series of training and capacity building workshops that were conducted by the SALGA North West, the Provincial Treasury and the Department of Local Government. The official further confirmed that the latest of such a training session was held at the City of Matlosana Local Municipality from 17 to 18 September 2015. The skills development officer further provided information that some of the councillors, members of the MPAC and the municipal officials had been attending courses of the Certificate Programme in Municipal Finance for Development (CPMD) and the *MFMA*, even though they did not show any commitment towards the programme (Interview: 16 October 2015).

With regard to the duplication of functions, the acting municipal manager said during an interview (28 September 2015) that there was no duplication of functions in the roles and responsibilities of the MPAC and those of the Audit Committee. The acting municipal manager made a distinction between the two committees and further said the legislation was explicit on that matter (Interview: 28 September 2015).

The chairperson of the Audit Committee expressed disappointment during an interview (28 September 2015). The chairperson stated that there was no sound relationship between the Audit Committee and the MPAC. The chairperson of the Audit Committee further indicated that their committee had been denied access to valuable information that would assist in making the council accountable, but the committee had not been successful. The chairperson claimed to have sought the intervention of those who were in authority, but all had been in vain (Interview: 28 September 2015).

A DA councillor, who is a MPAC member, confirmed (Interview: 28 September 2015) that the chairperson of the committee was responsible for arranging the MPAC meetings and further alleged that such meetings were held whenever the chairperson made such decisions. The DA councillor continued to say that the agenda of the meeting was decided upon by the chairperson and the ruling party. The DA councillor indicated that the opposition parties had always proposed the inclusion of important items that needed to be discussed, but such items never found expression on those agendas (Interview: 28 September 2015).

The municipal manager indicated (Interview: 29 September 2015) that the MPAC had been submitting the reports of their meetings to the council and that the council never expressed any dissatisfaction concerning the reports. The COPE councillor stated during an interview (29 September 2015) that the council was made up of majority ANC councillors. The COPE councillor maintained that the MPAC report was an ANC report and was not independent. The COPE councillor further confirmed that (Interview: 29 September 2015) even if the opposition parties disagreed with the report, it was approved.

A UCDP councillor (Interview: 29 September 2015) expressed some dissatisfaction that the MPAC was not performing its oversight functions in a transparent manner. The councillor stated that the MPAC did not have a communication plan or strategy in place that it could use to provide the community with information. The UCDP councillor pointed out (Interview: 29 September 2015) that the alleged corruption cases that were levelled against certain councillors and officials were not reported to the public domain. The DA

councillor confirmed that the public had also not been informed about the recent placement of the municipality under section 139 (b) of the *Constitution, 1996* by the MEC, the removal of the executive mayor, the dismissal of the municipal manager and the suspension of the CFO (Interview: 29 September 2015).

One of the ANC councillors, who is not a member of the MPAC, stated (Interview: 29 September 2015) that the MPAC might improve its oversight adequately if it were to investigate some of its members who were quoted to be involved in corrupt practices. The councillor maintained that this was one of the many ways the MPAC might be considered of performing its oversight role effectively. The DA councillor maintained (Interview: 29 September 2015) that the MPAC might improve its performance if the chairperson were a person of good integrity and ethics.

The speaker maintained during an interview (28 September 2015) that the MPAC should be rated as good because it was performing its oversight functions effectively. On the contrary, the DA councillor was of the opinion (Interview: 29 September 2015) that the performance of the MPAC should be rated as poor because the committee was unable to hold the council as well as the officials in the administration accountable.

6.3.1.11 The Municipal Public Accounts Committee for the Maquassi Hills Local Municipality and matters that are related to the oversight

The chairperson of the MPAC for the Maquassi Hills Local Municipality confirmed during an interview (14 September 2015) that the committee was established during a council meeting held on 10 November 2011. A DA councillor, who is not a member of the MPAC, indicated (Interview: 14 September 2015) that the chairperson was the first member of the committee to be elected. The councillor further stated that two names were nominated and the ANC won by a majority of votes. With regard to the political party representation in the MPAC, a DA councillor stated that the entire election process was done by the show of hands and not by secret ballot and the ruling party won a majority again (Interview: 14 September 2015). Below is a table that indicates how the MPAC of the Maquassi Hills Local Municipality is structured.

Name of Political Party	Number of MPAC Members	Gender	
African National Congress (ANC)	7	4 males	3 females
Congress of the People (COPE)	1	1 male	-
Democratic Alliance (DA)	1	1 male	-

The total number of the MPAC members of the Maquassi Hills Local Municipality is 9 (Minutes of Council meeting, 10.11.2011).

During an interview (14 September 2015), an ANC councillor who pleaded for anonymity, revealed that members of the MPAC did not possess the required skills, knowledge and experience to perform their oversight role. The councillor stated that the MPAC was unable to hold the council and the entire administration accountable, particularly on making sure that there was legislative compliance within the municipality. The ANC councillor further made allegations that the MPAC protected some of their friends in the council by failing to report their involvement in unlawful activities (Interview: 14 September 2015).

Another ANC councillor, who claimed to be a member of the executive committee of the council, supported the above statement and further added that the lack of capacity in financial management caused the municipality to be placed under section 139 (b) of the *Constitution, 1996* (Interview: 14 September 2015). A DA councillor, who is also a member of the MPAC, disclosed during the interview (14 September 2015) that even some of the officials who had been appointed to strategic management positions did not have the required academic qualifications. The DA councillor said the position of the CFO had been vacant for a long time and that the MPAC did not have anyone to advise them on any matter that was finance related (Interview: 14 September 2015).

An official of the human resource management unit of the municipality indicated during an interview (14 September 2015) that invitations for capacity building of the MPAC members had been received more than once from SALGA, but could not confirm whether they did attend. The speaker of the council confirmed the information and further stated that 13 councillors were attending training of *MFMA* which was being conducted by the North West University. The speaker pointed out that some of the members of the MPAC were included in the number of the councillors that attended the training (Interview: 14 September 2015).

The speaker stated during an interview (14 September 2015) that there was no duplication in the roles and responsibilities of the MPAC and the Audit Committee. The speaker further pointed out that the function of the two committees could not be compared because the Audit Committee was not in place. The speaker added by saying that the responsibilities of the Audit Committee specifically focussed on the management of finances within the institution, while the MPAC focussed on oversight and accountability (Interview: 14 September 2015).

A councillor of COPE, who is also a member of the MPAC, stated during a telephone interview (15 September 2015) that at their municipality all the meetings of the MPAC were convened by the chairperson of the MPAC. The COPE councillor further indicated that there was no schedule that had been agreed upon when the meetings were going to be held. The COPE councillor alleged that the items that were to be discussed during the meeting were decided by the chairperson and other councillors of the ruling party (Interview: 15 September 2015).

The speaker of the council confirmed during the interview (14 September 2015) that the MPAC had submitted the reports of meetings to the council. The speaker maintained that the council was satisfied with such reports. A DA councillor differed from the statement made by the speaker and said the opposition parties in the council had always maintained their dissatisfaction with reports and proposed that they be corrected. The DA councillor indicated that the reports of the MPAC did not disclose issues such as irregular, fruitless

and wasteful expenditure incurred by the municipality. The DA councillor maintained that such maladministration was never mentioned in the reports in order to protect certain officials and members of the ruling party (Interview: 14 September 2015).

The chairperson of the MPAC maintained, during an interview (14 September 2015), that the committee was performing its oversight functions in a transparent manner. The chairperson confirmed that members of the public were always allowed to attend the council meetings when the MPAC reports were presented. The DA councillor responded differently by saying (Interview: 14 September 2015) that the MPAC was not performing its oversight functions transparently. The DA councillor stated that the MPAC had never held any public meeting to provide oversight on the status of the municipality. The DA councillor went on to say that the public did not know why the municipality was placed under administration or section 139 (b) of the *Constitution, 1996* (Interview: 14 September 2015).

The COPE councillor pointed out during the interview (14 September 2015) that the reason why the MPAC was not performing its oversight role adequately was that it was not holding the executive and the council accountable. The COPE councillor further indicated that the municipal budget was implemented without having been tabled before the council for discussion and approval. The COPE councillor argued that the oversight role of the MPAC could be improved if the chairperson were to be elected from the opposition party. The COPE councillor was of the opinion that political parties had to ensure that councillors who were elected as members of the MPAC should have the required skills, experience and competency levels (Interview: 14 September 2015).

According to the speaker (Interview: 14 September 2015), the council had not delegated any of its functions to the MPAC. The speaker further pointed out that the MPAC was in actual fact also accountable to the council as a public representative structure. A DA councillor argued during an interview (15 September 2015) that even though there were no functions of the council that had been delegated to the MPAC, some of the work done by the council sometimes overlapped that of the MPAC.

An ANC councillor, who is not a member of the MPAC, (Interview: 15 September 2015), rated the performance of the committee as good since its establishment. A councillor representing the DA did not agree and stated (Interview: 15 September 2015) that the performance of the MPAC was poor. The councillor further pointed out that the condition in which the municipality found itself, as far as the status of the finances was concerned, was lack of oversight and accountability by the MPAC. The DA councillor argued that if the performance of the MPAC was good, section 139(b) would never have been introduced in the municipality (Interview: 15 September 2015).

6.3.1.12 The Municipal Public Accounts Committee for the Ngaka Modiri Molema District Municipality and matters that are related to the oversight

The Ngaka Modiri Molema District municipality was placed under section 139(b) of the *Constitution, 1996* by the MEC for Local Government during 2014 and that decision was rejected by some of the councillors, including the newly elected mayor, the newly appointed speaker as well as the municipal manager who teamed up with the municipal employees to oppose the secondment of an administrator by the MEC. The reason for placing the municipality under administration was influenced by the removal of the mayor and the speaker who were elected during the first council meeting of 28 November 2011. Later in the same year, the MEC took the decision to invoke section 139(c) and the council was eventually dissolved (Interview: The former administrator of the Ngaka Modiri Molema District Municipality, 12 August 2015).

An official, who is responsible for the daily administration in the office of the MPAC, confirmed during an interview (12 August 2015) that the MPAC was established during a council meeting held on 26 February 2015. An ANC member, who was a councillor and chairperson of the MPAC in the previous council that was dissolved, also stated during the interview (13 August 2015) that the nominations of names were invited for the position of the chairperson and members of the MPAC and thereafter the election process was completed. The former ANC councillor said the election was done by show of hands.

Below is a table that indicates how the previous MPAC of Ngaka Modiri Molema District Municipality was structured before it was dissolved in 2014.

Name of Political Party	Number of MPAC Members	Gender	
African National Congress (ANC)	7	5 males	2 females
Democratic Alliance (DA)	1	1 male	-
United Christian Democratic Party (UCDP)	1	-	1 female
Congress of the People (COPE)	1	1 male	-
Representative of the Traditional Leaders	1	1 male	-

The total number of the MPAC members for the Ngaka Modiri Molema District Municipality is 11 (Minutes of Council meeting, 28 November 2011).

An EFF councillor, who is also a member of the newly established MPAC, stated during the interview (13 August 2015) that there was no indication that committee members possessed the necessary experience and the required skills in financial management. The EFF councillor indicated that the majority of councillors were new and had never been exposed to issues of oversight before. The chairperson of the current MPAC claimed during the interview (13 August 2015) that there were only two MPAC members who attended a capacity building workshop that was organized by SALGA in partnership with the Provincial Treasury. The MPAC chairperson confirmed that the workshop was held on 23 June 2015 at the Ngaka Modiri Molema District Municipality.

A councillor representing the SAPP, who is also a member of the MPAC in the municipality, argued during the interview (13 August 2015) that not all members of the committee were new. They also did not have the necessary experience and required skills. The councillor provided a different viewpoint and stated that the chairperson of the

MPAC was a member of the ruling party and a former member of the provincial executive committee of the same party as well as the MEC for Education. An acting municipal manager added during an interview (13 August 2015) that one member of the MPAC was also a former mayor and speaker of two different municipalities within the region of the Ngaka Modiri Molema District Municipality.

A member of the DA, who was a councillor and a member of the MPAC in the previous council that was dissolved and who had again been elected to the new MPAC, confirmed during the interview (13 August 2015) that there were only a few councillors in the council that was dissolved who had the required skills and experience. The DA councillor pointed out that such councillors were sent to the University of Pretoria by their different municipalities to do a strategic leadership programme (Interview: 13 August 2015). The DA councillor pointed out that unfortunately those councillors were not elected to the MPAC structures. The councillor further stated that the ruling party again used its majority in the election of the new MPAC. The DA councillor revealed during the interview (13 August 2015) that the election of the chairperson and members of the MPAC was done by show of hands after the nomination process was completed. Below is a table that indicates how political parties are represented in the newly elected MPAC of the Ngaka Modiri Molema District Municipality.

Name of Political Party	Number of MPAC Members	Gender	
African National Congress (ANC)	5	4 males	1female
African Independent Congress (AIC)	1	1 male	-
Democratic Alliance (DA)	1	1 male	-
Economic Freedom Fighters (EFF)	1	1 male	-
South African Political Party (SAPP)	1	1 male	-

United Christian Democratic Party (UCDP)	1	1 male	-
Representative of Traditional Leaders	1	1 male	-

The total number of the newly elected members of the MPAC Ngaka Modiri Molema District Municipality is 11 (Minutes of Council meeting, 2015:26).

With regard to the duplication of functions between the MPAC and the Audit Committee, the acting CFO indicated during the interview (13 August 2015) that the Audit Committee had not been functioning ever since the time of the dissolved municipal council. The acting CFO made allegations (Interview: 13 August 2015) that the suspended municipal manager and the new MPAC made the conditions difficult for the Audit Committee to perform its functions. The acting CFO further argued that the Audit Committee was treated as if it did not exist because it was not provided with the financial information of the municipality (Interview: 13 August 2015).

A former councillor of COPE and also a member of the MPAC of the dissolved council of the Ngaka Modiri Molema District Municipality stated during an interview (14 August 2015) that the meetings of the committee took place only when the chairperson needed certain issues to be addressed. The councillor claimed that there was no specific date on which the meetings were to be held. The chairperson of the current MPAC confirmed this by indicating that the meetings took place when there were matters that needed the urgent attention of the committee (Interview: 13 August 2015). An ANC councillor, who is also an MPAC member, indicated (Interview: 13 August 2015) that it was the responsibility of the chairperson to arrange the meetings of the committee.

The speaker of the municipality told the researcher during the interview (14 August 2015) that the MPAC had not submitted any report to the council ever since its establishment. The speaker indicated that some of the committee members were not yet familiar with the environment of local government. The speaker provided clarity that such reference was made in consideration of the councillors who were directly elected to the district

municipality during the 2014 by-election. The speaker pointed out that the MPAC also consisted of experienced councillors who had been seconded by their local municipalities to form part of the district municipality. The speaker further indicated that some of those councillors served on the MPACs of their local municipalities (Interview: 13 August 2015).

An ANC councillor, who is also a member of the MPAC, pointed out during an interview (17 August 2015) that the committee was going to be as transparent as possible when it performed its oversight functions. A member of COPE, who was previously a councillor and also an MPAC member, stated (Interview: 17 August 2015) that their MPAC was not transparent. The councillor stated that the 2011/12 report of the AGSA revealed that tenders were awarded to the service providers that were employed by other state institutions. The COPE councillor confirmed that similar awards were discovered in the previous year that employees of the municipality, whose close family members had private or business interests with the municipality, failed to disclose such interests, but no effective steps were taken to prevent or combat the abuse of the supply chain management process. The COPE councillor further pointed out that the awards were also made to the service providers who were the employees of the municipality and who were again on the board of directors of such companies (Interview: 17 August 2015).

A DA councillor, who was an MPAC member during the previous council and who is also still an MPAC member, argued during the interview (17 August 2015) that the previous MPAC was not performing its oversight adequately because it did not investigate the politicians and the officials who were found to be involved in unlawful practices. The DA councillor held the view that the MPAC had to ensure that the municipal council implemented the recommendations of the AGSA (Interview: 17 August 2015).

A member of the African Independent Congress (AIC) party, who is also an MPAC member, stated during an interview (19 August 2015) that a request was made twice through the office of the chairperson of the MPAC to make available to all new members the findings of the 2012 reports of the Select North West Committee on Public Accounts (SCOPA) and the Public Protector on the status of the municipality, but the request was

never successful. The AIC member further maintained that the two reports should also have been made available to the public and that those who were found to be implicated should have been investigated and charged. The IAC councillor pointed out that the two reports contained recommendations of what remedial actions should have been taken, but those recommendations were never implemented (Interview: 19 August 2015).

The chairperson of the MPAC confirmed during the interview (17 August 2015) that the council had not delegated any of its functions to the MPAC. The chairperson further indicated that it was still early to rate the performance of the MPAC because it had been established on 26 February 2015 and that it had not done much as far as oversight was concerned.

6.3.1.13 The Municipal Public Accounts Committee for the Ramotshere Moiloa Local Municipality and matters that are related to the oversight

A coordinator in the office of the MPAC for the Ramotshere Local Municipality (Telephone interview: 5 October 2015) confirmed that the MPAC was established in a council meeting held on 22 November 2011. The mayor indicated during an interview (5 October 2015) that the speaker of the council requested the council to propose and accept the method that should be used to elect the chairperson and the members of the MPAC. An ANC councillor confirmed (Interview: 5 October 2015) that the method that was agreed upon was to nominate a name for the position of chairperson and thereafter voting should be made by a show of hands.

The speaker of the council indicated during the interview (5 October 2015) that two names were nominated. The speaker stated that one name was nominated from the ANC and the other one from one of the opposition parties. The speaker pointed out that the election for the position of chairperson was completed and it was later announced that a councillor from the UCDP had won by a majority vote (Interview: 5 October 2015). A UCDP councillor, who is an MPAC member, stated during an interview (5 October 2015) that the same procedure was followed when other members of the committee were elected and

that the ANC won the majority of the seats. The table below indicates how the MPAC of the Ramotshere Local Municipality is structured.

Name of Political Party	Number of MPAC Members	Gender	
African National Congress (ANC)	5	2 males	3 females
Congress of the People (COPE)	1	1 male	-
Democratic Alliance (DA)	1	-	1 female
United Christian Democratic Party (UCDP)	2	1 male	1 female

The total number of the MPAC members for the Ramotshere Local Municipality is 9 (Minutes of Council meeting, 22 November 2011).

The mayor stated during the interview (6 October 2015) that not all the members of the MPAC possessed the required skills, knowledge and experience to perform their oversight role effectively. The mayor maintained that the MPAC members, who understood what was expected of them, were those who were not elected as councillors for the first time. The mayor pointed out that those who were still learning were the ones who had been elected as councillors for the first time (Interview: 6 October 2015).

A DA councillor, who is a member of the MPAC, provided a different opinion during the interview (6 October 2015) that the members of the majority party were those that did not possess the required qualifications to perform their oversight functions. The DA councillor alleged that ANC councillors within the MPAC did only what they were told to do by their party and not what they were supposed to do as required by law (Interview: 6 October 2015).

The chairperson of the MPAC indicated (Interview: 6 October 2015) that the committee consisted of individuals who possessed the required financial management skill. The DA

councillor, who is a member of the MPAC, disputed the statement by the MPAC chairperson and argued that if there was capacity in the MPAC, transgressions such as irregular, unauthorized and wasteful expenditure would long have been detected and addressed (Interview: 6 October 2015). The councillor also confirmed that there was no commitment by certain members of the MPAC to listen and take advice from others in order to make the committee successful in performing its oversight roles.

In order to address the skills shortage and provide capacity to members of the MPAC, the CFO indicated during an interview (6 October 2015) that some of the councillors, including members of the committee, were sent to do a Certificate Programme in Municipal Finance for Development (CPMD) at the North West University. The CFO pointed out that the National Treasury, SALGA North West and the Department of Local Government also provided capacity on oversight and accountability to the councillors, including members of the MPAC.

On the duplication of functions with regard to the roles and responsibilities of the MPAC and the Audit Committee, the speaker confirmed that there was no duplication of functions between the two committees. The speaker further stated that even though the Audit Committee did not exist, its responsibility was to focus on the financial management of the municipality, while the MPAC focussed on oversight and accountability (Interview: 5 October 2015).

A UCDP councillor, who is a member of the MPAC, indicated during the interview (5 October 2015) that the committee was performing some of the functions that were the direct responsibility of the Audit Committee. The councillor indicated that the opposition parties in the council had raised concerns about the non-existence of the Audit Committee and further proposed that it be established. The UCDP councillor pointed out that the Audit Committee had never been established. The councillor said that because the Audit Committee did not exist, a comparison between the two committees could not be made (Interview: 5 October 2015).

The chairperson of the MPAC stated during an interview (5 October 2015) that the committee held its meetings whenever there were matters that were supposed to be discussed. The mayor confirmed during an interview (5 October 2015) that the chairperson of the MPAC was responsible for arranging the meetings of the committee. A COPE councillor, who is a member of the MPAC, complained during the interview (5 October 2015) that whenever the committee meeting had to take place, the chairperson did not inform them in time to allow them to prepare themselves. The councillor alleged that in many instances the chairperson made the participation of the opposition parties in the meeting difficult by not allocating them enough time to speak, compared to their counterparts (Interview: 5 October 2015).

An ANC councillor confirmed during the interview (5 October 2015) that the MPAC had been submitting the oversight reports of its meetings to the council. The councillor stated that even though there were instances when the opposition parties raised some concerns about the report, the ANC used its majority to adopt it. The speaker indicated that the council had never complained about the report of the MPAC, or part of it (Interview: 5 October 2015).

With regard to the transparent manner in which the MPAC performed its oversight functions, the mayor indicated during an interview (5 October 2015) that there was transparency in every action performed by the committee and the mayor also confirmed that every meeting of the MPAC was open to the public. The mayor further confirmed that whenever the MPAC presented its oversight report to the council, the public attended such meetings (Interview: 5 October 2015).

During an interview (5 October 2015), the municipal manager stated that the MPAC was performing its oversight role adequately. The municipal manager indicated that even though the MPAC had not been perfect in all respects, it had been committed to performing what it was elected to do. The UCDP councillor made the allegation (Interview: 5 October 2015) that the MPAC had not been able to name and shame those who were

suspected of having done things that were unlawful, such as using public funds inappropriately.

The mayor confirmed during the interview (5 October 2015) that the council had not delegated any of its functions to the MPAC. The mayor stated that the MPAC was still responsible for fulfilling its mandate of performing its oversight role and ensuring that it held the council accountable. The mayor was of the opinion that the council, on the other hand, was responsible for providing good governance and quality services to its communities (Interview: 5 October 2015).

The speaker of the council (Interview: 5 October 2015) rated the performance of the MPAC as good since its establishment. The speaker maintained that the oversight responsibility of the MPAC was difficult and challenging, but the committee did everything in its power to perform its functions to the best of its ability. The DA councillor provided a different opinion by saying that the MPAC was not performing its responsibilities independently of the ANC. The DA councillor argued that the chairperson failed to provide leadership in the MPAC and that the MPAC should be rated as fair (Interview: 5 October 2015).

6.3.1.14 The Municipal Public Accounts Committee for the Ratlou Local Municipality and matters that are related to the oversight

An official, who is responsible for the day-to-day administration of the MPAC for the Ratlou Local Municipality, confirmed during the interview (8 September 2015) that the MPAC was established during a council meeting held on 14 November 2011. An ANC councillor, who is not a member of the MPAC, indicated (Interview: 8 September 2015) that the first election was that of chairperson. The councillor indicated that two names were nominated and an ANC councillor was elected by majority vote. The councillor further stated that the elections of both the chairperson and other members of the MPAC were done by a show of hands. Below is a table that indicates how the MPAC of Ratlou Local Municipality is structured.

Name of Political Party	Number of MPAC Members	Gender	
African National Congress (ANC)	8	2 males	6 females
United Christian Democratic Party (UCDP)	1	-	1 female

The total number of the MPAC members for the Ratlou Local Municipality is 9 (Minutes of Council meeting, 14 November 2011).

An ANC councillor, who is a member of the MPAC, stated during an interview (9 September 2015) that some of the committee members possessed the required skills, knowledge and experience to perform their oversight role. The councillor confirmed that members of the MPAC had gained experience from the training conducted by SALGA in partnership with the North West Provincial Treasury. An official at North West SALGA confirmed (Telephone Interview: 9 September 2015) that according to their records, there was evidence that members of the MPAC from the Ratlou Local Municipality had attended some of the workshops on capacity building.

The CFO, during an interview (9 September 2015), indicated that some of the MPAC members had improved as far as financial management was concerned. The CFO further added that the MPAC had improved with time its understanding of its roles and responsibilities, as well as performing its oversight and accountability functions effectively.

The chairperson of the MPAC revealed (Interview: 10 September 2015) that there was no duplication of functions in the roles and responsibilities of the MPAC and the Audit Committee. The chairperson indicated that the reason for this was that the Audit Committee had never been established. The mayor confirmed (Interview: 10 September 2015) that attempts were made to establish the Audit Committee, but that never materialized.

The speaker of the council pointed out during the interview (10 September 2015) that the chairperson of the MPAC was responsible for arranging the committee's meetings. The speaker further said that the meetings of the MPAC took place when there were urgent matters to be discussed. The UCDP councillor and MPAC member alleged (Interview: 10 September 2015) that the issues that were discussed at the meetings of the MPAC were only introduced as a formality. The UCDP councillor stated that even if inappropriate decisions were taken, the ANC used its majority to endorse them.

The mayor confirmed (Interview: 10 September 2015) that there were MPAC reports that had been submitted to the council and further indicated that the council was satisfied with such reports. The UCDP councillor, who is also an MPAC member, provided a different view during an interview (10 September 2015) that the reports that were submitted to the council did not provide solutions to some of the issues that were raised by the AGSA. The UCDP councillor pointed out that the reports were only used as a way of complying with the legislation (Interview: 10 September 2015).

An ANC councillor, who is not a member of the MPAC, responded during an interview (10 September 2015) by saying that the MPAC was transparent when it was performing its oversight function. The councillor said that when the council was debating the reports of the MPAC, members of the community were allowed access to the council chamber. The UCDP councillor reiterated (Interview: 10 September 2015) that members of the community came to every council meeting when they decided to do so. The councillor stated that the community had never been invited specifically when the reports of the MPAC were to be discussed at a council meeting (Interview: 10 September 2015).

A UCDP councillor, who is an MPAC member, maintained during the interview (10 September 2015) that the MPAC was not transparent when it was performing its oversight functions. The councillor indicated that since its establishment the MPAC had never provided the public with any oversight information. An ANC councillor, who pleaded for anonymity, revealed during an interview (10 September 2015) that the MPAC had the responsibility to protect some of its members by making sure that serious allegations

made against them were not reported and investigated. The ANC councillor further pointed out that this was also done to protect the image and reputation of the party in the public domain (Interview: 10 September 2015).

The municipal manager stated during an interview (10 September 2015) that the MPAC was performing its oversight role effectively. The municipal manager maintained that the council had never complained about how the MPAC was performing its oversight role. The chairperson of the MPAC also agreed (Interview: 10 September 2015) in all respects with what was said by the municipal manager. The UCDP councillor (Interview: 10 September 2015) disagreed and stated that the municipal manager had appointed officials who did not possess the required competency levels to critical positions. The councillor alleged that the MPAC was in possession of this information, but that it was not doing anything about it. During the interview, the UCDP councillor was of the opinion that the situation would only be able to improve if the chairperson of the MPAC were an individual of good ethics (Interview: 10 September 2015).

The chairperson of the MPAC gave the assurance (Interview: 10 September 2015) that the council had not delegated any of its functions to the MPAC and further rated the MPAC as good. The UCDP councillor disagreed and said that the MPAC was not doing its work in accordance with the law (Interview: 10 September 2015).

6.3.1.15 The Municipal Public Accounts Committee for the Tlokwe City Council and matters that are related to the oversight

An official, who is a coordinator carrying out administration duties in the office of the MPAC, confirmed during an interview (2 October 2015) that the MPAC was established during a council meeting held on 27 November 2011. An ANC councillor, who is a member of the MPAC, indicated during the interview (2 October 2015) that the election of the committee members began with that of the chairperson and later ended with the election of all the members. The councillor further indicated that a proposal was made that the election be conducted through a secret ballot, and that the proposal was seconded. The ANC councillor confirmed that after all the councillors had voted, the announcement of

the results showed that a DA councillor had been elected as chairperson of the MPAC. The councillor further indicated that the results showed that the opposition parties had won the majority of seats in the MPAC (Interview: 2 October 2015). The table below indicates how the MPAC for Tlokwe City Council is constituted.

Name of Political Party	Number of MPAC Members	Gender	
African National Congress (ANC)	5	3 males	2 females
Congress of the People (COPE)	1	1 male	-
Democratic Alliance (DA)	3	3 males	-
Freedom Front Plus (FF+)	1	1 male	-
United Christian Democratic Party (UCDP)	1	1 male	-

The total number of the MPAC members for the Tlokwe City council is 11 (Minutes of Council meeting, 27 November 2011).

The executive mayor held the view during a telephone interview (2 October 2015) that members of the MPAC possessed the required skills, knowledge and experience to perform their oversight role effectively. The executive mayor confirmed that the MPAC had been submitting their oversight reports to the council to enable the municipality to improve on its governance. The DA councillor, who is also a member of the MPAC, provided a different view (Interview: 2 October 2015) about the skills, knowledge and experience of the MPAC members and referred to the report of the AGSA as an example. The DA councillor further alleged that the ruling party had elected to the MPAC the type of councillors who lacked the required qualifications, so that they would not be able to hold the council accountable (Interview: 2 October 2015).

The DA councillor pointed out (02.10.2015) that when their party recommended certain individuals to serve on a particular governance structure, they did so by looking at the capacity that those individuals possessed. The councillor confirmed that the DA councillors, who are members of the MPAC, possessed capacity in the area of financial management. The DA councillor pointed out that the reason for arguing about the lack of capacity by the members of the ruling party in the MPAC was that they were in the majority in the committee, but the status of the municipality in general did not improve to become better (Interview: 2 October 2015).

The UCDP councillor, who is also a member of the MPAC, stated in an interview (2 October 2015) that SALGA North West, the National Treasury and the North West Department of Local Government and Traditional Affairs had been inviting MPACs for training and workshops. The UCDP councillor confirmed that the workshops and training sessions were intended to capacitate the councillors in oversight and accountability. The UCDP councillor and also an MPAC member stated that the workshops and the training modules were very informative and helpful, but the attendance of the councillors was discouraging, because they did not take the initiative seriously (Interview: 2 October 2015).

The skills development officer in the human resource management unit confirmed during the interview (2 October 2015) that it was very difficult to plan for the capacity building of councillors. The skills development officer indicated that the majority of the councillors had not submitted their school qualifications since they had been elected to office in 2011. An official, who is responsible for governance and accountability at the National Treasury, also expressed her frustrations during a telephone interview (2 October 2015) that the councillors did not show any commitment and that they did not submit their tasks for assessment when they were requested to do so.

With regard to the duplication of functions in the roles and responsibilities of the MPACs and the Audit Committees, the chairperson of the MPAC stated during an interview (2 October 2015) that the two committees were established for different purposes and that

they would therefore not be able to perform the same functions. The FF+ councillor alleged during the interview (2 October 2015) that the opposition parties in the MPAC had requested several times that the Audit Committee be provided with the oversight report to allow it to go through it and express its own independent opinion that it was authentic, but that did not happen.

The speaker of the council stated during the interview (2 October 2015) that there were no exact dates on which the MPAC should hold its meetings. The speaker confirmed that the meetings of the MPAC were arranged by its chairperson and this happened when there were items that had to be discussed by the committee. The UCDP councillor made the allegation (Interview: 2 October 2015) that the chairperson dictated terms and conditions on when the meetings should take place and what items should be included on the agenda. The UCDP councillor maintained that the MPAC did not discuss important and critical matters that could improve the status of the municipality (Interview: 2 October 2015). The councillor further stated that the opposition parties in the MPAC had always approached the chairperson and requested that certain items be included on the committee agenda, but all the attempts had failed. The FF+ councillor pointed out (Interview: 2 October 2015) that the situation in the MPAC was frustrating, because the ruling party was doing as it wished. The FF+ councillor further argued that some of the contents of the oversight reports were not a true reflection of what was happening at the municipality (Interview: 2 October 2015).

On whether the MPAC has submitted any report of its oversight meetings to the council, the speaker confirmed (Interview: 2 October 2015) that it had been happening and that the council had never complained about that. The speaker added that in instances where the council was not comfortable with a certain item in the report, the council would refer that specific item back for further consideration and re-submission. The DA councillor, who is also a member of the MPAC, pointed out that the councillors of the ruling party usually referred certain items back when they had been captured in a manner that in the future would hold some of them accountable and would further warrant that they be investigated (Interview: 2 October 2015).

During an interview with the speaker (2 October 2015) on how transparent the MPAC was when it was performing its oversight functions, the speaker expressed satisfaction that the committee was transparent. The speaker confirmed that the meetings of the MPAC were open to the public and that this practice on its own was an indication of how transparent the MPAC was. The COPE councillor argued (Interview: 2 October 2015) that the MPAC was not transparent because the public was not informed about how the council spent its money. The councillor further pointed out that the cases of allegations of corruption which involved politicians and officials of the council were not taken to the public domain (Interview: 2 October 2015).

The DA councillor, who is also a member of the MPAC, pointed out during an interview (2 October 2015) that there were several areas in which the MPAC was not performing its oversight role adequately. The councillor referred to areas such as investigating the cases of corruption, irrespective of who was involved, and the reporting of such cases to the relevant authorities. The councillor further maintained that the MPAC had to organize community meetings at which the public would be provided with an oversight report. The councillor argued that the MPAC would be able to improve its oversight performance if the chairperson was a member of the opposition party (Interview: 2 October 2015).

The executive mayor confirmed during the interview (2 October 2015) that the council had not delegated any of its functions to the MPAC. The executive mayor further indicated that the responsibility of the MPAC was to perform oversight and the responsibility of the council was to exercise good governance. The FF+ councillor stated (Interview: 2 October 2015) that some of the MPAC members find themselves encroaching on the activities of the council and the FF+ councillor regarded that as illegal. The DA councillor confirmed (Interview: 2 October 2015) this and indicated that the matter had on several times been raised, but there had been no improvements.

During the interview (2 October 2015), the executive mayor rated the performance of the MPAC as good since its establishment. The executive mayor maintained that the MPAC had been performing its functions in the manner as expected. The DA councillor, during

the interview (2 October 2015), rated the performance of the MPAC as poor since its establishment. The councillor maintained that the MPAC failed to hold the council to account on all the findings of the previous years' AGSA reports (Interview: 2 October 2015).

6.3.1.16 The Municipal Public Accounts Committee for the Tswaing Local Municipality and matters that are related to the oversight

A DA councillor, who is also a member of the MPAC, indicated during the interview (28 August 2015) that the committee was established during a council meeting held on 22 November 2011. The DA councillor confirmed that the election of the MPAC members started with that of the chairperson. The councillor indicated that one name was nominated from both the ANC and DA, but the ANC won by a majority vote. Another DA councillor, who is not a MPAC member, also pointed out (Interview: 28 August 2015) that a similar approach was followed when all the members of the committee were elected. The DA councillor further indicated that the election of the chairperson and members of the MPAC was done by the show of hands. Below is a table that indicates how the MPAC of the Tswaing Local Municipality is structured.

Name of Political Party	Number of MPAC Members	Gender	
African National Congress (ANC)	7	5 males	2 females
Democratic Alliance (DA)	1	1 male	-
United Christian Democratic Party (UCDP)	1	-	1 female

The total number of the MPAC members for the Tswaing Local Municipality is 9 (Minutes of Council meeting, 22 November 2011).

The acting director of corporate services stated during an interview (7 September 2015) that the municipality did not have any information on its records about the academic

qualifications of all councillors, including those who were members of the MPAC. The acting director further indicated that although the academic qualifications of the MPAC members were not available, the committee was able to perform its oversight role effectively. A UCDP councillor, who is also an MPAC member, disputed the fact that the MPAC was performing its oversight role effectively. The councillor argued during an interview (7 September 2015) that if the MPAC was performing its oversight effectively, the municipality would not have been placed under section 139 (b) of the *Constitution, 1996* by the North West MEC for Local Government and Traditional Affairs.

In relation to providing capacity to the MPAC members, the acting CFO indicated during the interview (7 September 2015) that the municipality did not provide any training to the committee members because of financial constraints. The acting CFO also confirmed that members of the MPAC attended a capacity building workshop that was organized by SALGA on 23 June 2015 at the Ngaka Modiri Molema District Municipality. The CFO indicated that the workshop was part of the support mechanism to improve the effectiveness of the oversight and accountability role of the MPACs (Interview: 7 September 2015). An official at SALGA North West confirmed the workshop during a telephonic interview (7 September 2015), but further stated that only four councillors from the Tswaing Local Municipality attended, even though the invitation was extended to all members of the MPAC.

On whether there is a duplication of functions between the MPAC and the Audit Committee, the acting municipal manager pointed out during an interview (7 September 2015) that there was no duplication of functions between the two committees. The acting municipal manager maintained that the MPAC was performing its functions, but the Audit Committee had not yet been established.

An ANC councillor, who is not a member of the MPAC, said during the interview (7 September 2015) that the chairperson of the MPAC was responsible for arranging all the meetings of the committee. The chairperson of the MPAC confirmed what was said by the councillor (Interview: 7 September 2015) and further stated that the committee held

its meetings only when there were issues that needed urgent attention. A DA councillor, who is an MPAC member, pointed out (Interview: 7 September 2015) that when meetings were going to be held, they were invited telephonically and that they were not told what was going to be discussed. The DA councillor maintained that such an approach of arranging the MPAC meetings made it difficult for the opposition parties to prepare themselves adequately (Interview: 7 September 2015).

The acting municipal manager revealed during the interview (7 September 2015) that there were MPAC reports that had been submitted to the council. The acting municipal manager confirmed that the MPAC reports were adopted by the council. A UCDP councillor argued (Interview: 7 September 2015) that even though the opposition did not agree with the contents of the reports, the ANC used its majority to adopt the reports. The UCDP councillor argued that the reports did not reflect how the serious issues such as the 2011/12 findings of the AGSA were going to be addressed (Interview: 7 September 2015).

During an interview with the speaker of the council (7 September 2015), he confirmed that the council was satisfied that the MPAC was transparently performing its oversight functions. The speaker also added that no complaints had ever been submitted to the council regarding that matter. A DA councillor disputed that statement and said (Interview: 7 September 2015) that the opposition parties had previously submitted items that they wanted to be discussed at MPAC meetings, but such items were never included on the agenda. The DA councillor further stated that the MPAC had never arranged any public meeting to provide the communities with the findings of the AGSA (Interview: 7 September 2015).

An ANC councillor, who is not a member of the MPAC, stated that the committee was performing its oversight role adequately (Interview: 7 September 2015). The councillor argued that the submissions of the MPAC reports to the council were a perfect indication of that. A DA councillor stated that the MPAC had never submitted to the council the reports that provided information on why the municipality's financial position was not

satisfactory. The DA councillor further pointed out that the opposition parties in the MPAC had requested many times that an expenditure report of the municipality be submitted at an MPAC meeting for discussion, but their request had never been successful. The DA councillor argued that the situation would only improve if the chairperson of the MPAC was elected from one of the opposition parties (Interview: 7 September 2015).

According to the speaker of the municipality, the MPAC may be rated as good, because of its oversight and accountability performance (Interview: 7 September 2015). On the contrary, a DA councillor, who is a member of the MPAC, maintained (Interview: 7 September 2015) that the committee should be rated as poor because of its failure to perform its oversight duties. The councillor maintained that the municipality had also failed the community because the MPAC did not perform its oversight role effectively by holding the council accountable (Interview: 7 September 2015).

6.3.1.17 The Municipal Public Accounts Committee for the Ventersdorp Local Municipality and matters that are related to the oversight

The official, who is responsible for the administration in the office of the municipal public accounts committee at the Ventersdorp Local Municipality, confirmed during the interview (22 September 2015) that according to the records of the municipality, the committee was established during a council meeting held on May 2012. During the interview (22 September 2015), the speaker of the council indicated that the election of the committee started with that of the chairperson. The speaker further confirmed that two names were nominated, but it was finally won by an ANC councillor.

On how the political parties' representation was determined within the MPAC, a DA councillor, who is also an MPAC member, pointed out during an interview (22 September 2015) that a similar approach of nominating names was followed and the ruling party won many seats. The DA councillor indicated that the election of the chairperson and all the other members of the MPAC was done by the show of hands. The DA councillor revealed that the ANC used its majority to dominate the MPAC (Interview: 22 September 2015).

Below is a table that indicates how the MPAC of the Ventersdorp Local Municipality is structured.

Name of Political Party	Number of MPAC Members	Gender	
African National Congress (ANC)	4	3 males	1 female
Democratic Alliance (DA)	1	1 male	-

The total number of the MPAC members for the Ventersdorp Local Municipality is 5 (Minutes of Council meeting, 2012:05).

A member of the MPAC, who is an ANC councillor, stated during the interview (22 September 2015) that even though some of the councillors were new in the council and did not possess the required skills, knowledge and experience, they had learned before their arrival from those who had become councillors. A DA councillor provided a different view during the interview (22 September 2015) that the ANC councillors in the MPAC only did what their organization had told them to do or say. The DA councillor argued that the ANC councillors in the MPAC only used their majority when certain decisions had to be made, even if such decisions were unlawful. According to the chairperson of the MPAC, all the members of the committee had attended different workshops and training modules on capacity building and oversight. The MPAC chairperson indicated that such workshops were conducted by SALGA North West and the National Treasury (Interview: 22 September 2015).

With regard to capacity in financial management and accounting by members of the MPAC, an official at the directorate of corporate services, who is responsible for keeping the personal files of all employees and political office bearers, was unable during the interview to confirm the academic qualifications of the MPAC members (Interview: 22 September 2015). The official was also not in a position to provide proof of such qualifications. The human resource official, who is responsible for skills development,

pointed out (Interview: 22 September 2015) that no plan was in place for the training of politicians. The official said there was also no budget available for such a programme.

The administrator, who had been seconded by the office of the MEC in the Province, also confirmed (Interview: 2 September 2015) that even though the North West SALGA and the National Treasury had provided workshops and training for MPAC members, there was still a lack of capacity to perform the oversight function. The administrator (Interview: 22 September 2015) gave an indication that the MPAC had not been functioning well. A DA councillor also maintained during the interview (22 September 2015) that the lack of capacity in the MPAC to hold the council accountable further contributed to the municipality being placed under section 139 (b) of the *Constitution, 1996* by the North West MEC for Local Government and Traditional Affairs.

During the interview (22 September 2015), the speaker of the council indicated that there was no duplication of functions between the MPAC and the Audit Committee. The speaker said the roles and responsibilities of the MPAC only focussed on holding the council accountable on issues of governance. The speaker further confirmed that the Audit Committee had never been established at the Ventersdorp Local Municipality and based on that, no comparison could be made between the two committees (Interview: 22 September 2015).

The chairperson of the MPAC confirmed (Interview: 22 September 2015) that the MPAC held its meetings when there were matters that needed urgent attention and such meetings were arranged by the chairperson. The DA councillor was of the opinion (Interview: 22 September 2015) that the MPAC had not been holding its oversight meetings and further alleged that the MPAC was dysfunctional. The DA councillor pointed out that attempts had been made several times through the office of the chairperson to have an MPAC meeting, but that did not happen (Interview: 22 September 2015).

An ANC councillor, who is not a member of the MPAC, revealed (Interview: 22 September 2015) that the MPAC had not been submitting any oversight reports to the council. The councillor argued that the chairperson of the MPAC had a tendency of making verbal

submissions to the council. The DA councillor confirmed (Interview: 22 September 2015) that several complaints about the functionality of the MPAC had been taken up with the office of the speaker for intervention, but there had never been any response.

The speaker of the council maintained during the interview (22 September 2015) that the MPAC was performing its oversight function transparently. The speaker indicated that, although several complaints had been received with regard to the lack of capacity by the MPAC, the lack of transparency on the part of the MPAC had not been brought forward. The speaker argued (Interview: 22 September 2015) that whenever the MPAC made its submissions to the council, it did so in the presence of members of the public who had attended such council meetings. An ANC councillor, who is not a member of the MPAC, indicated (Interview: 22 September 2015) that when members of the public attended council meetings, they did so of their own free will and that did not mean that they had been invited by the MPAC.

The DA councillor disputed what the speaker said and argued (Interview: 22 September 2015) that the MPAC was not performing its functions in a transparent manner. The DA councillor said that the MPAC had never arranged any meeting where the public was provided with information on the financial status of the municipality and all matters related to governance and accountability. The DA councillor pointed out that the MPAC was unable to hold the council accountable (Interview: 22 September 2015).

During the interview (22 September 2015), one of the ANC councillors also expressed dissatisfaction that the public was not informed about what was happening in the council. The councillor said that the municipality did not have any communication strategy or plan in place that could be used to reach out to the public. The ANC councillor further indicated (Interview: 22 September 2015) that, in order to improve the situation, the council had to develop an MPAC website where all matters relating to the oversight were published. The DA councillor maintained (22.09.2015) that the approach the council could consider with regard to improving oversight and enforcing accountability was to ensure that the chairperson of the MPAC was elected from the opposition party.

With regard to the delegation of the functions of the council to the MPAC, the mayor confirmed during the interview (22 September 2015) that the council still performed its functions that differed from those of the MPAC. The mayor confirmed that the same applied to the MPAC, which was only responsible for performing the oversight function. The mayor further argued that the performance of the MPAC might be rated as work in progress (Interview: 22 September 2015).

On responding to the same questions, the DA councillor indicated during an interview (22 September 2015) that the difference of who was doing what between the council and the MPAC could not be determined. The councillor indicated that the reason for this was that when there were allegations of involvement in unlawful practices by certain councillors from both the MPAC and the council, no investigations were conducted to establish the truth. The DA councillor concluded by saying (Interview: 22 September 2015) that the performance of the MPAC since its establishment should be rated as poor because the municipality was still under section 139 (b) of the *Constitution, 1996*.

6.4 RESEARCH THEMES

Table 6.2 illustrated the relationship between qualitative data and the themes that have been identified in the research study. As indicated in section 1.4.6 of chapter one of this research study, qualitative research lends itself to the analysis of data in accordance with research themes that are based on predetermined theoretical frameworks. Creswell (2012:90) maintains that the analysis of qualitative data can best be achieved through a process of inductive analysis, where the primary purpose is to allow the research findings to emerge from the significant themes found in the data. Vaismoradi, Turunen and Bondas (2013:398) refer to themes as the main product of data analysis that yields practical results in the field of study. Category refers to the descriptive level of text and is the explicit manifestation of the participant's account. In this research study, themes have been identified and qualitative data has also been classified into categories and themes.

Table 6.2

EMERGING THEMES	KEY CATEGORIES OF THEMES	INITIAL THEMES (ELEMENTS) IDENTIFIED
Skilled MPAC	Accountability	<ul style="list-style-type: none"> • Capacity in financial management and accounting. • Required skills, knowledge and experience for promoting effective financial management.
Public Involvement	Transparency	<ul style="list-style-type: none"> • Public participation meetings organized to ensure transparency. • Sharing of information on government activities.
Oversight Function	Good Governance	<ul style="list-style-type: none"> • Perform oversight function to promote good governance. • Holding council accountable through the submission of various reports.
Oversight Meetings		<ul style="list-style-type: none"> • Holding oversight meetings to submit oversight reports to council.

During the qualitative data analysis, themes were identified and data was classified into categories and further transformed into the external format including interview transcripts, literature, journals, documents and government publications. This, in a way, implies triangulation because it is an indication that data comes from various points or angles towards a measured position.

6.5 SUMMARY

In most countries legislatures have been established as independent institutions able to provide information that can be relied on. Such organizations include the supreme audit institutions, the anti-corruption commissions and the public protectors. In the Commonwealth countries the office of the AGSA is known as the supreme audit institution

and it is also the main source of providing information as far as public accounts committees are concerned. The AGSA further serves the purpose of monitoring the management of public funds, the quality and credibility of the information concerning the accountability of the funds that legislatures receive from the government.

In South Africa, the AGSA has been established in terms of Chapter 9 of the *Constitution, 1996*, as an independent institution that supports democracy. In terms of the *Constitution, 1996*, the AGSA has to audit and report on the accounts, the financial statements and the financial management of the national and provincial state departments and the municipalities. In addition, the office of the AGSA must provide support to the public accounts committees in the form of training as well as acting as an expert witness during the hearings.

In South Africa, all the municipalities must prepare and adopt their annual reports as required by the *MFMA*. The AGSA in South Africa must examine the fair presentation and the absence of material misstatements in the financial statements; and the reliable and credible performance information for the purpose of reporting on predetermined performance objectives and compliance with all the laws and regulations that govern financial matters. The audited institutions may achieve a clean audit only if their financial statements are unqualified, with no reported audit findings in respect of either reporting on predetermined objectives or compliance with laws and regulations.

The AGSA must plan and perform the audit in order to achieve reasonable assurance that the financial statements are free from material misstatements. The audit must focus on examining a test basis, the evidence that supports the audit outcomes, and further investigate the key risk areas within the municipality. The audit must also focus on evaluating the impact that was achieved as a result of the involvement by the key role-players on the audit outcomes and the assessment of the key controls and the root causes.

The North West District and Local Municipalities prepared and adopted their annual reports for the financial year that ended in 2012/13. The audit was conducted in

accordance with the International Standards of Auditing. This type of auditing should be read in conjunction with the General Notice No.1512 of 2006, as stated in the Government Gazette No.29327 of 27 October 2006.

Semi-structured interviews had to be conducted with the key role-players of all the identified municipalities of the North West Province. The reason for conducting the interviews was to ensure that the data collected for the purpose of the research study was reliable. Intimidating questions that could lead to the respondents being suspicious that they had to defend or justify the operations of the MPACs and their related systems had to be avoided. Ambiguous or vague questions or concepts also had to be avoided. Care also had to be taken to ensure that the questions that could influence the way in which participants responded to the questions were avoided.

The situation of the municipalities in the North West Province remains a deeply worrying issue. The ability of the municipal officials, including the administrators who were appointed to implement government-driven intervention strategies, left much to be desired. The aim of those who were in authority and willing to improve the situation was to turn the performance of these institutions around through the intervention of sections 139 and 154 of the *Constitution, 1996*. However, the fact that no interventions seem to have brought about any improvements is a great concern.

Finally, the audit had to focus on the evaluation of the overall financial statements that were presented by the municipalities. In order to achieve reliable results, research study interviews had to be conducted with the key role-players and the MPACs of the identified municipalities in the North West Province.

CHAPTER SEVEN

CONCLUSIONS AND RECOMMENDATIONS

7.1 INTRODUCTION

Organizational transparency and oversight reporting are two aspects of the management of public funds which complement each other in ensuring that there is accountability (Conradie, 2007:17). Section 40 of the *PFMA* (as amended by Act 29 of 1999) emphasizes the importance of financial reporting as an integral part of sound financial management. In terms of section 195(1)(f) and (g) of the *Constitution, 1996*, financial reporting by the municipalities is a determination of the quest for accountability. Essentially, the Auditor-General South Africa (AGSA) is there to ensure that the funds that have been allocated to the municipalities are spent effectively and efficiently. In this particular instance, accountability and transparency are generally regarded as the cornerstones of a strong government and the process of auditing is also key to this (Masemola, 2015:13).

In order to achieve its intended oversight and accountability, sections 33 and 79 of the *Structures Act* read with section 4(2)(b) of the *Systems Act* provide a municipal council with adequate legal authority to shape and promote the performance of the committees of council. Based on the above two sections of the *Structures Act* and the *Systems Act*, each municipal council must subsequently use its Municipal Public Accounts Committee (MPAC) as a mechanism to exercise oversight and ensure the financial accountability of its particular municipality. The two sections of the *Structures Act* provide the municipal council with the required and enabling governance tool such as the MPAC to exercise oversight and ensure accountability on all the functions of responsibilities (Masemola, 2015:14).

Municipal Public Accounts Committees (MPACs) need to build on the solid legislative foundation laid down by the *MFMA* and other regulations that are guiding the spending of public funds. Thus, the main aim or objective of the study was to assess the role of the

MPACs in promoting effective financial accountability at selected municipalities in the North West Province. In addition, operational guidelines for the effective functioning of MPACs in the North West Province were to be developed from the empirical findings.

Emerging from the main objective, the research study had to achieve the following co-objectives:

- To determine through extensive literature research (journal articles and legislative frameworks) the purpose and meaning of financial accountability for municipalities in the North West Province and the role of Municipal Public Accounts Committees (MPACs) to promote effective accountability at the local government sphere;
- To contextualize the theoretical and conceptual perspectives of municipal financial management and accountability for good governance;
- To explore the legislative and policy framework for effective municipal financial management and accountability;
- To investigate the structures and systems for organizational control and accountability at the local government sphere;
- To assess the realities, challenges and effectiveness of the MPACs in promoting financial accountability at the local government sphere; and
- To develop operational guidelines on how these challenges can be disentangled in order for MPACs to fulfil their responsibility in promoting effective financial accountability at the local government sphere in the North West Province.

A thematic approach of seven chapters was followed throughout the research study. Chapter 1 introduced the study by presenting the background to the study, the problem statement, underlining research objectives, research methodology, ethical considerations, limitations of the study and the demarcation of the study. Chapter 2, which focussed on literature review, presented an extensive review of literature related to a theoretical foundation of municipal financial management and accountability for good

governance in South Africa. Certain key concepts, for example, accountability, transparency, public accountability, ethics and good governance were declared in this chapter. The meaning of financial accountability for municipalities in the North West Province was also analysed. Chapter 3 focussed on the Legislative and Policy Framework for effective municipal financial management in South Africa. The provisions of the *MFMA* were declared as creating a platform for further enforcement of the principles of good governance by paving the way for effective and efficient municipal financial management, as well as the strengthening of accountability at the local government sphere. Acts such as the *MFMA*, the *Municipal Structures Act*, the *Municipal Systems Act* and other relevant legislation and policies were critically analysed to determine whether municipalities in the North West Province comply with the principles of good governance. Chapter 4 focussed on operational guidelines (structures and systems) that have to be implemented by municipalities to achieve effective internal organizational control. These structures and systems of organizational controls could be viewed as preventative instruments of accountability because they are used to prevent undesirable contingencies from taking place. A critical evaluation of the role of the MPACs as a mechanism for promoting effective municipal financial accountability was discussed. In Chapter 5, the focus was on realities and challenges faced by MPACs in promoting effective municipal financial accountability. A number of challenges and realities, such as a lack of expertise and comprehensive financial corruption, were addressed in this chapter. An overview and analysis of the current situation of municipalities in the North West Province in terms of the effective operation of MPACs were included. Chapter 6 of this research study presented the research methodology followed in this study as well as the empirical findings. The empirical findings were presented and discussed and the purpose was to attain the research objectives. Chapter 7 concluded the study. The aspects discussed included the conclusions drawn from the literature review and the empirical study, and also provided operational guidelines as recommendations on how MPACs could be used as essential tools to maintain financial accountability and control at the local government sphere and thereby improve the oversight role of the municipal council at municipalities in the North West Province.

7.2 CONCLUSIONS BASED ON LITERATURE REVIEW

The literature review in this research study provided some critical conclusions for consideration. Since the dawn of the new dispensation there is an enormous demand by South African citizens for quality services from the government. This demand is aimed in particular at the local sphere of government. The objectives of local government are, among others, to provide effective, efficient and accountable government to local communities. Furthermore, other important objectives are to provide quality services to local communities, create institutional structures to improve the functions of responsibilities, develop operational procedures and ensure effective oversight performance for accountability and good governance. In addition, the focus should not only be directed to the intended objectives of local government, but also on how they could be achieved.

As provided for in the literature review, municipalities are increasingly facing challenges regarding their ineffectiveness in matters related to accountability and governance. Politicians and officials simply neglect, ignore and deliberately disobey the law, but no decisive action to enforce the legislated consequences for transgression has been taken against them. However, the involvement of Municipal Public Accounts Committees in the local government system of South Africa can enable the municipal councils to perform their functions effectively and efficiently. According to McEldowney (2008:3), the principle of oversight on public funds was first introduced and enforced by the House of Commons. This was done by establishing the Public Accounts Committees. Wehner (2003:3) points out that the public accounts committee approach is effective and can bring about improvement on how public funds are spent by public institutions.

In South Africa, Municipal Public Accounts Committees are established in terms of section 79 of the *Structures Act*. Even though the National Treasury (2011:5) provides that the MPACs should perform the same functions as those of the Standing Committees on Public Accounts at national and provincial legislatures this should include performing certain functions such as the subpoena of individuals. Municipalities in the North West

Province have incurred huge irregular, fruitless and wasteful expenditure, but nothing has been done about that. It is concluded that the MPACs failed to call upon their respective accounting officers to appear before them and provide them with information or clarity on the matter. Municipalities also failed to implement the recommendations made by the AGSA to address the audit findings. Based on this, it is recommended that the MPACs should ensure that investigations are conducted and that the recommendations made in the report of AGSA are implemented.

7.2.1 Conditions for a successful oversight

In order to perform effective and successful oversight roles, Snape (2002:9) maintains that councillors who serve on the committee responsible for the function should drive the process fairly and provide genuine leadership. Wehner (2009:29) is of the view that the committee can be effective only if it is independent of the ruling majority party in government. The historical perspective that has been acquired by the public accounts committees provides an opportunity to learn from past mistakes and prepare for the future. For the committee to achieve its intended impartiality, Rabrevonic (2009:76) proposes that the chairperson should be elected from members of the opposition parties. This practice is supported by McGee (2002:97) who confirms that in 67% of the Commonwealth countries, chairpersons of the public accounts committees are elected from members who belong to the opposition parties.

Even though it is not compulsory on the part of the MPAC to follow this route, the suggestion that a chairperson of the committee be elected from members of the opposition parties is also supported by McEldowney (2008:4). The author also maintains that because the reports of the committee are usually drafted and endorsed by all the members, the committee should be non-partisan and also a unanimous decision maker. According to Pellizo *et al.* (2006:5), when the chairperson of the committee is elected from the opposition parties it gives a signal that there is a possibility from both the majority and the minority parties within the committee to work in a bipartisan manner. This also

enables the government to increase transparency and thus decreases the possibility of maladministration and corruption.

The literature review requires that councillors, who are members of the MPAC, must be trained to enable them to perform their oversight function. Members of the MPAC must be adequately capacitated with the necessary knowledge such as being familiar with budget processes, and the planning and implementation thereof. As representatives of the public and different political parties, the MPACs of 15 municipalities lack information on the status of their financial management and are therefore not in a position to hold their councils accountable.

The literature review pointed out that a political environment conducive to working as a collective within the MPAC may enable the MPAC to perform its oversight function effectively. The political environment refers to issues such as the nature of policies in the MPAC as well as in the council. In addition, the literature review indicated that the success of the MPACs does not depend exclusively on their designs, characteristics and features, but also on the commitment of its members and their effective functioning. Members of the committee have to act in a non-partisan manner and should have a good mutual working relationship. In spite of the possible partisan differences, members of the MPAC should always strive for consensus.

7.3 CONCLUSIONS BASED ON THE EMPIRICAL FINDINGS

In this section, the results of the questionnaire and semi-structured interviews conducted in order to achieve the research objectives are presented. The interviews were conducted with specific role-players from the 15 selected municipalities in the North West Province as part of the identified population. All the six co-objectives that originated from the main research objectives were achieved as follows:

7.3.1 Objective 1: To determine through extensive literature research (journal articles and legislative frameworks), the purpose and meaning of financial accountability for municipalities in the North West Province and the role of Municipal Public Accounts Committees (MPACs) to promote effective accountability at the local government sphere

In Chapter 2 of the study, an extensive review of literature on municipal financial management and accountability for good governance in South Africa was conducted. To investigate the role of MPACs, a literature review was conducted which involved the use of secondary sources such as journal articles, books, conference papers, theses and internet sources. The literature review also involved primary sources such as government reports and legislative frameworks. The chapter further focussed on certain key concepts such as accountability, transparency, public accountability, ethics and good governance. An analysis of the meaning of financial accountability for municipalities in the North West Province was conducted in Chapter 3 of the study and the focus was on the Legislative and Policy Framework for effective municipal financial management in South Africa. The provisions of the *MFMA* for creating a platform for further enforcement of the principles of good governance by paving the way for effective and efficient municipal financial management, as well as the strengthening of accountability at local government sphere, were declared. This was done by means of the literature review of primary sources such as government reports and the legislative framework. Secondary resources such as journals, books and internet were also used.

7.3.2 Objective 2: To contextualize the theoretical and conceptual perspectives of municipal financial management and accountability for good governance

Chapter 3 of the study placed into context the meaning of financial management and accountability and Chapter 2 provided the principles of good governance. The findings in Table 6.1 (Chapter 6) show that 40% of the respondents are aware that the council is responsible for accountability and good governance and 47% say the MPAC is responsible for oversight. The findings indicate that 100% of the respondents know that

the council has not delegated any of its functions to the MPAC and 27% point out that even though there is no such delegation of functions, MPACs are performing the functions of council. The findings also indicate in Table 6.1 that 73% of respondents rate the MPACs as good since they were established and 80% rate them as poor. 7% of the respondents say the reason for this is that the MPAC does not investigate and expose corruption. 40% point out that this fails to hold councils accountable and 13% say they are not performing their oversight function effectively. Based on all of the above, it is concluded that the MPAC is not aware of its responsibilities and those of council. It is therefore recommended that the MPAC should be trained to differentiate between its functions and responsibilities and those of council and avoid the duplication of functions.

7.3.3 Objective 3: To explore the legislative and policy framework for effective municipal financial management and accountability

The findings from interviews shown in Table 6.1 (Chapter 6) illustrate that 87% of the respondents indicate that the MPAC is performing its oversight functions transparently, while 47% say the MPAC is not performing its oversight role adequately. The findings indicate that 60% provide different reasons for holding such a view, but 47% state that one of the reasons is that the MPAC does not expose or investigate issues such as corruption. The findings point out that 20% of the interviewees indicate that the MPAC is reluctant to report such allegations and 13% suggest that investigations should be conducted on such issues. The findings show that 33% maintain that the MPAC is performing its oversight role adequately. The findings also show that 53% make suggestions on how the MPAC can improve its oversight role. Based on the figures provided by the findings, it is concluded that the MPAC lacks capacity in legislative and policy framework as well as financial management and accounting. It is recommended that members of the MPAC be trained and familiarized with all legislation governing financial matters in local government.

7.3.4 Objective 4: To investigate the structures and systems for organizational control and accountability at the local government sphere

The findings from the interviews in Table 6.1 (Chapter 6) illustrate that there is 100% confirmation that the MPAC has been established in all the municipalities. However, the findings also reveal that the number of MPAC members differ because of the different sizes per each municipality, including the district municipalities. 7% of the respondents point out that they are unable to compare the MPAC and the Audit committee, because the MPAC was still newly elected. The table further shows that 60% of the respondents indicate that the Audit Committee does not exist in their respective municipalities and 7% state that this type of situation compromises transparency. The table shows that 13% of the respondents point out that there has been a request from other municipal councils for the establishment of Audit Committees, but the request has not been successful. Based on the figures that are reflected in the findings, it is concluded that Audit Committees have not been established in most of the municipalities in the North West Province. It is recommended therefore that the MPACs should recommend the establishment of Audit Committees in all the municipalities of the North West Province.

7.3.5 Objective 5: To assess the effectiveness of the MPACs in promoting financial accountability at the local government sphere

The findings in Table 6.1 (Chapter 6) show that a significant number (87%) of the respondents state that members of the MPAC do not possess the required skills, knowledge and experience to perform their roles. However, the findings illustrate that 53% of the MPAC members possess the required skills, knowledge and experience to perform their roles and responsibilities. The findings of the interview reveal that 50% of respondents do not know or cannot confirm whether members of the MPAC possess capacity in areas such as financial management and accounting. The findings indicate that 64% MPAC members do not have financial management and accounting capacity. 36% say members have capacity in areas of financial management and accounting and 7% say MPAC members have improved their capacity. It is concluded from the figures

that members of the MPAC do not possess the required skills, knowledge and experience to perform their roles. The figures also reveal that members of the MPAC do not have financial management and accounting capacity. It is recommended that members of the MPAC be capacitated in accordance with the functions they are performing such as the oversight role and ensure that good governance prevails in the municipality.

7.3.6 Objective 6: To develop operational guidelines for Municipal Public Accounts Committees (MPACs)

The main objective of the research study was to develop operational guidelines for Municipal Public Accounts Committees (MPACs) aimed at promoting effective financial accountability at the local sphere of government. Based on the literature study and the empirical findings, the operational guidelines have been developed and presented in section 7.4.4.

7.4 IMPLICATIONS AND RECOMMENDATIONS OF THE STUDY

7.4.1 Implications

The findings of the research study consist of critical implications for local government in its pursuit of promoting accountability and good governance. As part of a broader public financial management accountability system that includes other stakeholders such as the office of the Auditor-General, the MPAC should perform its functions effectively in order to ensure that good governance prevails in the municipality. The fact that the findings reveal that members of the MPAC do not possess the required skills, knowledge and experience to perform their roles and that they do not have capacity in the areas of financial management and accounting should be a matter of serious concern for municipal councils. In addition, the findings of the research study established that a significant impediment to capacity building of the MPACs is a lack of funds at the level of the municipalities. This matter should also be viewed as a disturbing factor for leadership in local government as well as other stakeholders. Furthermore, as indicated in the findings that members of the MPAC did not display serious commitment during the training and

capacity building offered by SALGA, the Provincial Treasury and Local Government should be a matter of concern for top officials of government and political leadership in particular, taking into account the amount of public money invested in such training. The failure by the MPAC to make use of the training opportunity offered by the above stakeholders will render local government ineffective in its pursuit of good governance. Finally, the research made an attempt to identify the areas of concern such as weaknesses, failures and challenges facing the MPACs to perform their functions effectively and made some recommendations that will improve the situation. The study serves as a tool to guide the MPACs on how to improve their oversight role and promote effective financial accountability in local government in the North West Province.

7.4.2 Recommendations

- **Financial management**

The transformation of South Africa from an undemocratic to a democratic state has paved the way for institutional restructuring. Even though this move prepared the way for effective oversight and improved financial management, municipalities are faced with an enormous lack of accountability and poor governance. The research findings show that municipalities in the North West Province have incurred huge irregular, unauthorized, fruitless and wasteful expenditures. The findings reveal that within the 15 municipalities that are used in the study, 10 received a disclaimer audit opinion from the Auditor-General, 3 received a qualified and 2 received an unqualified audit opinion. It is concluded that the MPAC is reluctant to ensure that the mismanagement of public funds is investigated and reported. Therefore, it is recommended that the MPAC should advocate that an investigation be conducted into all such incidents and ensure that they are reported to council. The MPAC must hold council accountable by ensuring that the accounting officer of a municipality report those expenditures to the mayor or the MEC of local government and the office of AGSA as required by section 32(4)(a)(b) and (c) of the *MFMA*.

- **Public involvement**

The research findings show that a lack of public participation through community meetings organized by the MPAC remains a great challenge in many of the municipalities in the North West Province. A good relationship between the government and its citizens has the ability to improve governance. Good governance involves public participation and has the potential to produce efficient, well-functioning and sound public institutions. Consistent interaction between government and the public will improve accountability and transparency. It is recommended therefore that MPACs should hold meetings with communities and provide them with information on the state of the municipality. Section 16(1) of the *Systems Act* draws specific attention to the fact that municipalities should facilitate the participation of local communities in all processes that are related to integrated development plans. The information provided to communities should include issues such as the medium-term budget, the annual report, the oversight report and municipal programmes. An annual report is a key reporting instrument for municipalities and should therefore demonstrate how money was spent on service delivery operations, particularly for that financial year. This information on accountability will provide the public with an understanding of what the municipality has done with the resources and the responsibilities conferred. However, the information should not only be about what the municipality has done with the resources, but should also be about what resources were allocated and what has been achieved with regard to the responsibilities conferred. Holding a community meeting as a sign of public involvement by the MPAC will empower the local community with the knowledge of its roles and responsibilities in local government.

- **MPAC meetings**

The findings of the research study confirm that oversight meetings of the MPACs take place only when there are matters that need to be discussed and resolved urgently. This occurs because the MPACs do not have fixed schedules in place for holding their meetings. However, it is important that such meetings should be held

to discuss and resolve critical matters such as the evaluation of the annual report of the municipality and recommending its adoption, providing assistance for the finalization of other reports including any other issues that need to be tabled before the council for adoption. The oversight meetings also enable the MPAC to come up with an oversight report that the council may use for introspection. The failure of the MPAC to hold its meetings regularly as per the schedule approved by council will make the situation difficult for council to ensure that its policies and programmes are implemented. Based on these findings, it is recommended that the MPAC should hold its oversight meetings regularly and submit the reports to council.

To perform an oversight role requires knowledge, skills and experience in the areas of financial management and accounting. This also refers to knowing, understanding and being able to implement all the rules and regulations governing local government finance. Members of the MPAC should further be capable enough to promote accountability, transparency and good governance within their municipal councils. In this instance, the findings of the research study point out that members of the MPACs in the North West Province do not have the required qualifications to perform their oversight roles. It is recommended therefore that members of the MPACs should be adequately capacitated with the necessary knowledge in order to enable them to provide support to the councils when they are exercising financial management, good governance and accountability.

7.4.3 Other recommendations

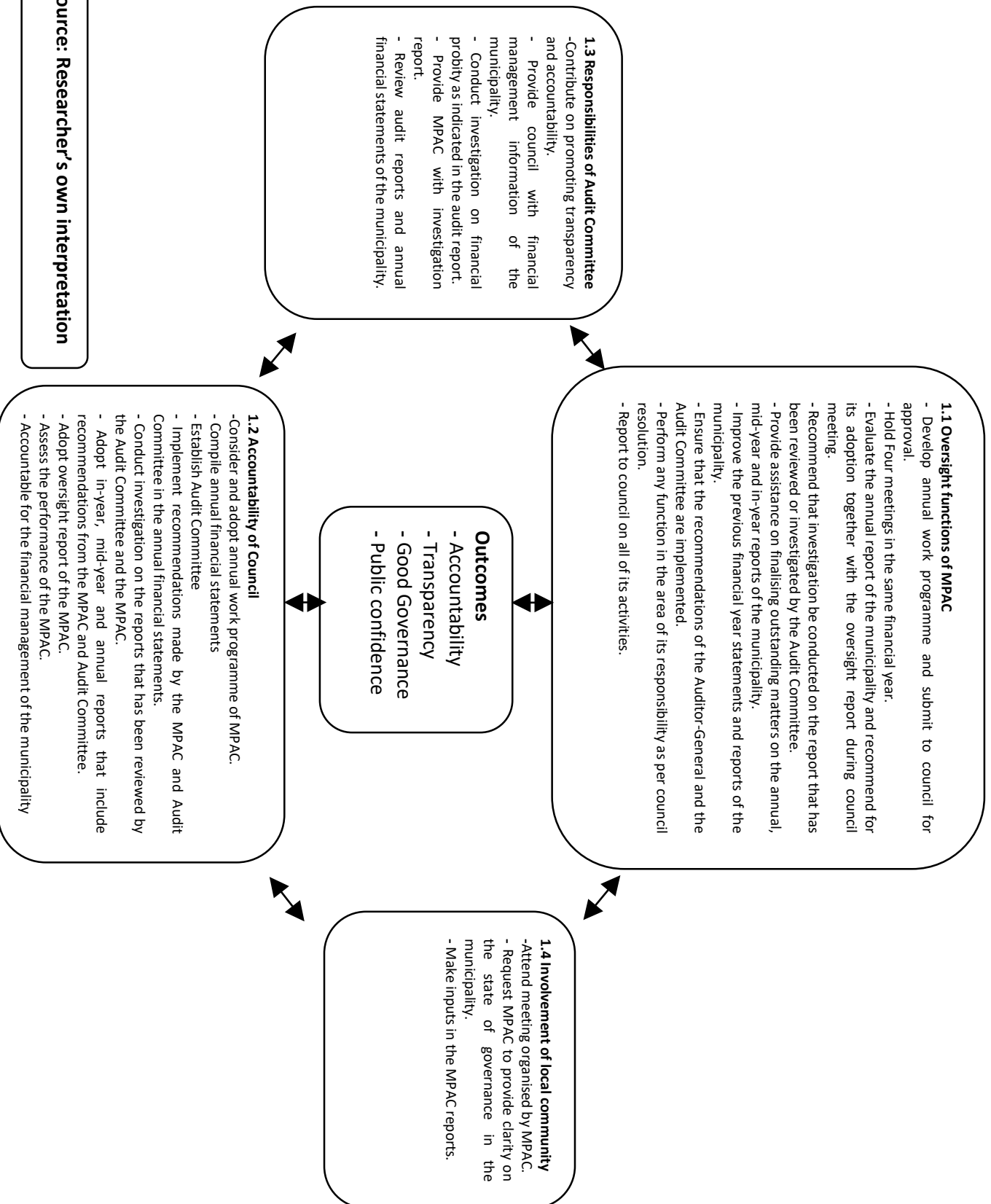
- Municipalities should develop and adopt a comprehensive MPAC policy. The adopted comprehensive policy should be used as a strategic tool to inform council on the effective performance of the MPAC or lack thereof.
- Municipalities should allocate a sufficient budget for the training of MPACs and non-MPAC councillors.

- Municipalities should be in possession of the academic qualification of all councillors. This information will be helpful to the administrator during the preparation for training and capacity building of MPACs and other councillors.
- Councils should monitor the progress of MPAC members and councillors who are attending capacity building workshops and training. This exercise will enable the council to come up with an intervention mechanism on how to deal with councillors who do not show any commitment to the programme.

7.4.4 Operational guidelines for promoting effective financial accountability in local government

Based on the recommendations that emanated from the literature review and empirical findings, operational guidelines for promoting effective financial accountability in local government were developed. The operational guidelines for the MPACs consider factors such as holding municipal councils accountable, making sure that transparency, good governance and a sound relationship with the Audit Committees and other committees prevail. The operational guidelines also make provision for other critical issues such as financial and public accountability. This means taking into account the consultation processes with local communities and other stakeholders such as the office of the Auditor-General. The operational guidelines emphasize the importance of the oversight meetings of the MPACs, as well as the submission of oversight reports to council. The operational guidelines recommend that MPACs should investigate any matter in its area of responsibility through a resolution of council. Finally, the operational guidelines recommend that the MPAC, the council, the Audit Committee and the local community should work together to achieve the intended outcomes such as accountability, transparency, good governance and public confidence.

Figure 7.1: Operational guidelines for promoting effective financial accountability



Source: Researcher's own interpretation

The proposed operational guidelines shown in Figure 7.1 are an attempt to present the integrated approach of areas and factors that should be taken into consideration by the municipalities when promoting effective financial accountability.

- **Oversight function of MPACs**

The MPACs are a statutory structure in terms of section 79 of the *Structures Act*. The MPAC has a variety of roles to perform to ensure that a municipality complies with all the laws governing local government. However, the MPAC may not be in a position to achieve its objectives if it operates in isolation from other stakeholders such as the Audit Committee, the local community and council. Before it can begin to perform its functions, the MPAC has to develop an annual work programme and submit it to council for approval. The intention here is to enable the council to monitor and assess its performance.

The MPAC should hold four meetings in the same financial year. At these meetings, the MPAC should examine the audit reports and evaluate the financial statements of the municipality and recommend them to council for adoption. The MPAC should recommend to council what should be done to bring about improvements on the previous financial statements and reports of the municipality. In addition, the MPAC should further recommend and ensure that the municipal council implement the recommendations of the Auditor-General and the Audit Committee. This is a way of holding the council accountable. The oversight roles of the MPAC are not limited to its functions only, but the MPAC may also perform other functions in the area of its responsibility as requested by council resolution. The MPAC may recommend to the council to conduct an investigation on any report that has been conducted or reviewed by the Audit Committee. Finally, the MPAC should hold meetings with the local community and provide information on the status of the municipality and also report on other activities of the council.

- **Accountability of the council**

The council is accountable for the effective management of public funds and the promotion of good governance and transparency within the municipality. In order to achieve that, municipalities in the North West Province should establish Audit Committees as required by section 166(1) of the *MFMA*. The council of a municipality should compile the annual financial statements and submit them to the Audit Committee. The MPAC and the Audit Committee should then examine, evaluate and review the validity of the information contained in the annual financial statements, the in-year and mid-year reports of the municipality including the audit report of the Auditor-General. Thereafter, such reports should be submitted and tabled in a council meeting for adoption. The primary purpose of reviewing the audit report is to establish whether the municipality has responded appropriately to the findings of the Auditor-General. During some of its meetings the council should also consider and adopt the proposed annual work programme of the MPAC, including the oversight report. Thereafter, the council should assess whether the MPAC is performing its functions in accordance with the approved annual work programme.

- **Responsibility of the Audit Committee**

The Audit Committee should be comprised of individuals who are not councillors. This is to demonstrate its independence from the council. The Audit Committee should on a regular basis liaise with external auditors in order to identify the risk areas that need to be attended to within the municipality. The Audit Committee should assist the council in its efforts of promoting transparency and accountability. The Audit Committee should do this by reviewing the audit report and ensuring that the council develop an action plan and put it in place to address the qualification issues raised in the audit report. The review of the financial statements serves to make an assessment of their credibility. The Audit Committee should at all times provide council with the financial management information of the municipality. The Audit Committee should conduct an

investigation into financial probity as indicated in the audit report and provide the council and MPAC with the findings of the investigation including all other reports. The investigation should be conducted only when there is a council resolution demanding that it be carried out.

- **Involvement of local community**

Community involvement is a mechanism that should be used to ensure that society participates in the affairs of government. Section 16(1) of the *Systems Act* requires that municipalities should facilitate such participation. The MPAC should organize a community meeting as per the annual work programme approved by council. The MPAC should provide the local community with information relating to all its oversight reports and the information on the reports of the Audit Committee. The local community should be afforded an opportunity to engage with the reports by seeking clarity and further be given the chance to make submissions on the reports. The submissions from the community should form part of the report that will be tabled in council.

7.5 LIMITATIONS OF THE STUDY

According to Cooper and Schindler (2011:235), all research studies consist of limitations. Therefore, this study is no exception. The fact that the sample for data collection was made up of role-players as part of the identified population from the 15 selected municipalities in the North West Province, conclusions and recommendations are limited to these municipalities and cannot be generalized. Even though in-depth and semi-structured interviews were used to collect qualitative information from the interviewees, additional and important information was gathered. This information was not audio-recorded, because interviewees preferred to be anonymous for fear of victimization. In the future, a research study on this topic may be conducted, taking into consideration the limitation that it cannot be generalized. This can be done by targeting respondents from other municipalities in the North West Province.

During the data collection process, other respondents who were targeted for the research study did not avail themselves for interviews. It was also discovered that the sampling technique showed limits in that other respondents never understood the research topic when it was explained to them. This shortcoming limited their interest in responding to the interview questions. Some of the respondents expressed positive attitudes and it was appreciated, but others were negative, critical and showed some signs of suspicion, but that was also accepted and appreciated. These cases may have resulted in far-reaching consequences of reducing the level of reliability and the quality of some of the information gathered, but all that did not lower the standard and the quality of the empirical research findings.

7.6 FURTHER RESEARCH IMPLICATIONS AND RECOMMENDATIONS

The research study has provided the recommendations that emanated from the conclusions which are based on the empirical findings. However, it is further recommended that:

- Firstly, investigations should be conducted into the challenges faced by the MPACs in performing their oversight functions.
- Secondly, investigations should be conducted to assess the improvement of capacity as a result of training provided to the MPACs.
- Thirdly, investigations should be conducted into the implications of the policy positions of the municipalities with regard to the effective/non-effective functionality of the MPACs.
- Lastly, to establish a possibility of providing other non-MPAC councillors and senior managers with the same training that is provided to members of the MPAC in order to have sufficient and well-trained councillors available for any replacement.

7.7 CONCLUDING REMARKS

Sound financial management practices in South Africa are critical for the sustainability of the municipalities. The statutory framework for financial management includes regulations and public policies. In order to monitor compliance with such regulations and public policies, municipalities should establish their own public accounts committees. The MPACs are statutory structures in terms of section 79 of the *MFMA*. The establishment of public accounts committees in the Commonwealth countries have played a substantive role in assisting governments in the effective management of their public funds. Therefore, the use of MPACs in the local government system of South Africa and particularly in the North West Province will not be an exception. The report of the AGSA reveals that municipalities in the North West Province are struggling to improve the management of their funds. However, MPACs have been established to ensure that accountability, transparency and good governance are achieved in the municipalities of South Africa.

The aim of the research was to promote effective financial accountability by developing operational guidelines for municipal public accounts committees in the North West Province. Based on the research findings, the operational guidelines were developed. The main objectives and six co-objectives of the research study were achieved through the data collection process of using government documents, books, journals, newspapers and in-depth and structured interviews. A simple random sampling method was used to select 160 respondents, even though only 137 respondents participated in answering the questionnaire. There were also 44 officials who were selected for interviews from the 15 identified municipalities and other government departments, such as the Provincial Treasury, SALGA, the Department of Local Government (North West Province) and the North West Provincial Treasury.

The main research findings were that:

- There was a 100% establishment of MPACs in all the 15 municipalities that have been selected for the research study in the North West Province.

- Based on the findings of the research study, members of the MPACs do not possess the required skills, knowledge and experience to perform their oversight roles. Municipalities do not provide funds for training but rather depend on other stakeholders such as SALGA, the provincial department of Local Government and the Provincial Treasury to assist with training. The findings further revealed that members of the MPACs do not have capacity in the knowledge of policies, regulations, legislation governing local government and financial management and accounting.
- The findings of the research study indicated that some of the MPACs do not hold their oversight meetings, even though a significant percent showed that meetings are held only when it is necessary to do so. The findings also discovered that the obstacles faced by the MPACs in holding their meetings are the manner in which such meetings are arranged.
- From the research findings, it is found that there is failure on the part of the MPACs to hold councils accountable. This is indicated by the fact that in some of the municipalities in the North West Province, Audit Committees have not been established. An Audit Committee can contribute to the promotion of accountability and also has the ability of providing the council with information on financial management of the municipality. The research findings further point out that in the municipalities where Audit Committees have been established, there is no sound relationship between the two committees.
- The findings of the research study point out that the MPACs have not arranged a single meeting with local communities. The findings further reveal that local communities are not provided with information regarding the status of governance within the municipalities of the North West Province. The findings also indicate that the MPACs are not holding their councils accountable and are therefore not performing their functions adequately. Finally, the findings of the research study point out that MPACs in the North West Province are rated poor since their establishment because they are not investigating the allegations of corruption within the municipality.

Finally, based on the findings of the research study, recommendations that were specifically directed at improving the functionality of the MPACs were formulated.

BIBLIOGRAPHY

Achemfour, A., A. 2013. *Interaction between Ethnicity and Entrepreneurship in South Africa: Case Study of Naledi Municipality*. Unpublished Thesis. Bloemfontein: Central University of Technology.

Agboli, E., K. 2013. *The Influence of Entrepreneurial and Market Orientation on Small Scale Agricultural Enterprises in the Vryburg Region*. Unpublished Thesis. Bloemfontein: Central University of Technology.

Ahmed, N. 2009. *Development and Working of Parliament in South Asia*. Asian Journal of Political Science, 9(1).

Archibald, V. 1994. *Accruals accounting the Public Sector*. Harlow Essex; Longman in Association with the Service College.

Asselin, R. 1995. *Integrated Financial Management in Latin America*. LATPS occasional paper series no. 18. Washington DC: World Bank Institute.

Audit Commission. 2002. *To Whom is given*. Wetherby, UK: Audit Commission Publications[Online] Available at:<http://www.auditcommisiion.gov.uk/nationalstudies/localgov/pages/towhommuchisgiveness.aspx> Date accessed: 10 August 2009.

Baily, C., A. 2007. *A guide to qualitative field research*. Thousand Oaks, California: Pine Forge Press.

Bailey, K.D. 1982. *Methods of Social Research*. New York: Free Press.

Babbie, E. 1995. *The practice of social research*. London: Wadsworth.

Babbie, E. R. 2013. *The practice of social research*. Cengage learning. Wabsworth publisher, Belmont, Calif.

Babbie, E. and Mouton, S. 2001. *The Practice of Social Research*. Cape Town: Oxford University Press.

Blanche, M.T. & Durrheim, K. 1999. *Research in practice: applied methods for the social sciences*. Cape Town: University of Cape Town Press.

Bless, C. 2013. *Fundamentals of Social Research Methods: An African Perspective*. Fifth edition. Cape Town: Juta and Company Ltd.

- Bloomberg, D. and Volpe, M. 2012. *Completing your Dissertation: A road map from the beginning to end*. New Delhi: SAGE Publications.
- Botha, R. 2001. *Councillors in Successful Local Governance*. Institute of Municipal Finance Officers, 2(2).
- Brazier, A., Flinders, M., and McHugh, D. 2005. *New Politics, New Parliament? A review of parliamentary modernisation since 1997*. London: Hansar of Society.
- Brinkerhoff, D. 2001. *Taking Account of Accountability. A Conceptual Overview and Strategies Options*. Washington D.C.: World Bank Institute.
- Brynard, P A & Hanekom, S.X. 2013. *Introduction to research in management-related fields*. Pretoria: Van Schaik.
- Cameron, R.S., and Stone, A.B. 1995. *Serving the public: A guide for practitioners*. Pretoria: Van Schaick.
- Canadian Council of Public Accounts Committees. 1989. *Guidelines for Public Accounts Committees in Canada*. Available at: <http://www.ccpac.ca/jurisdic>. Date accessed: 10 August 2009.
- Carrim, Y. 2009. *Report on The State of Local Government*. Local Government Bulletin, 11(4).
- Carsten, M.J. and Mathebula, F.M. 2007. *Intergovernmental Cooperation Agreement*. 1(2).
- Cheminais, J., Bayat, S., Van der Waldt, G. and Fox, W. 1998. *The fundamentals of public personnel management*. Kenwyn: Juta and Co.
- Cloete, F. and Wissink, W. 2000. *Improving Public Policy*. 1st Edition. Hart field Pretoria: Can Schaick Publishers.
- Conradie, J. 2007. *The Public Finance Law: Have They Improved Public Accountability?* The Institute of Municipal Officers, 8(17).
- Coombs, H.M. and Jenkins, D.E. 1997. *Public Sector Financial Management*. London: Chapman and Hall.
- Cooper, D. and Schindler, P.S. 2011. *Business Research Methods*. 3rd Edition. UK: Mc Graw-Hill Education.

- Cranston, N., Ehrich, L. and Kimber, M. 2003. *Ethical Dilemmas Faced by Senior Public Sector Managers: Towards an Exploratory Model*. Available at: <http://www.gu.edu.au>. Date accessed: 10 June 2011.
- Craythorne, D.L. 2003. *Municipal Administration*. The handbook. 5th Edition. Landsower: Juta and Co.
- Creswell, J.W. 2012. *Research design. Qualitative and quantitative approaches*. London: Sage.
- Creswell, J., W. and Miller, D., L. 2000. *Determining Validity in Qualitative inquiry*. Theory in Practice, 39 (3) 124-131.
- Deighton - Smith, R. 2004. *Regulatory Transparency in OECD Countries: Overview, Trends and Challenges*. Australia Journal of Public Administration, 63(1).
- Demirag, I., Dubnick, M. and Khadaroo, M.I. 2004. *A Framework for Examining Accountability and Value for Money: Journal for Corporate Citizenship*. UK. 15(1).
- De Villiers, A. and Michael, P. 2007. *Governance in Municipalities: Appropriate Mindset?* The Institute of Municipal Finance Officers. 8(2).
- De Visser, J. 2002. *The Institutional Framework for Developmental Local Government: Making good on the promise of development?* South Africa: Konrad-Adenener Stiftung.
- De Vos, A.S., Strydom, H., Fouché, C.B. and Delpont, C.S.L. 2011. *Research at Grass Roots: For the Social Sciences and Human Service Professions: 4th Edition*. Pretoria: Van Schaik Publishers.
- De Wet, P. 2012. *"Power to the people still a pipe dream"*. Mail and Guardian, March, 7.
- Dubnick, M.J. and Frederickson, H.T. 2010. *Accountable Agents*. UK. Federal Performance Measurement and Third-Party Government, Journal of Public Administration Research and Theory. 20(1).
- Du Plessis, P. 2003. *Policies and Procedures in Local Government*. The Institute of Municipal Finance Officers, 4(22).
- Du Plooy-Cilliers F, Davis C. and Bezuidenhout, R.M. 2014. *Research Matters*. 1st Edition. Cape Town: Juta & Company.
- Dye, K. and Staphenurst, R. 1997. *Pillars of Integrity: Importance of Supreme Audit Institutions in Curbing Corruption*. Washington D.C.: World Bank Institute.

Eisner, E.W. 1991. *The enlightened eye: Qualitative Inquiry and the Enhancement of Educational Practice*. New York, NY: Macmillan Publishing Company.

Etzioni, E. 2001. *Value for Money Audit in the Public Sector. The Nigerian Accountant*. Journal of the Institute of Chartered Accountants of Nigeria, 34(4).

Fanoë, W. 2006. *Working towards excellence in Local Government: From Compliance to Quality*. The Institute of Municipal Finance Officers, 7(66).

Faul, M.A., Pistorius, C.W.I., Van Vuuren, L.M. and De Beer, C.S. 1994. *Accounting: An Introduction*. 4th Edition. Durban: Butterworth.

Fessha, Y., T. 2008. *Holding the municipal executive to account*. Local Government Bulletin, 10 (2).

Fisher, H. 2006. *An assessment of the state of e-government in South Africa. The case of government employees pension fund*. Available at: <http://upetd.up.ac.za/thesis/available/154208/unrestricted/00front.pdf>. Date accessed: 18 May 2012.

Foddy, W. 1993. *Constructing Questions for interviews and questionnaires: Theory and practice in social research*. Cambridge University Press.

Fox, W. and Meyer, I.H. 1995. *Public Administration Dictionary*. Kenwyn: Juta and Co. Ltd.

Ghutto, S. 2007. *Oversight and Accountability Model. Asserting Parliament's Oversight Role in Enhancing Democracy*. Journal of Political Science, 20(10).

Gildenhuys, J.S.H. 1993. *Public Financial Management*. Pretoria: J.L. Van Schaick.

Glynn, J.J. and Murphy, M.P. 1996. *Public Management: Failing Accountabilities and Failing Performance Review*. International Journal of Public Sector Management, 5(6).

Godi, T. 2009. *The role of a Public Accounts Committee in ensuring effective municipal governance*. Government Digest, 28 (12).

Govender, P. 2008. *Report of the Independent Panel Assessment of Parliament*. Cape Town: Clerk of the Papers, Parliament of the Republic of South Africa.

Hanekom, S.X. 1987. *Public Policy: Framework and Instrument for Action*. Halfway House: Southern Book Publishers.

Hair, J.F., Bush, R.P. and Ortinau, D.J. 2003. *Marketing research within a changing information environment*. New York: McGraw-Hill Irwin.

- Harvey, H. and Brown, D.R. 2001. *An Experiential Approach to Organisation Development*. 6th Edition. New Jersey: Prentice Hall.
- Healy, M., Perry, C. 2000. *Comprehensive criteria to judge Validity and Reliability of Qualitative within the Realism Paradigm*. *Qualitative Market Research*, 3(3) 118-126.
- Hedger, E and Blick, A. 2008. *Enhancing accountability for the use of Public Sector resources: How to improve the effectiveness of Public Accounts Committees*. A background paper produced for the 20th Commonwealth AGSA Conference held in Bermuda in July 2008.
- Hendrikse, J. and Hendrikse, L. 2004. *Business Governance Handbook*. Cape Town: Juta Academic.
- Henning, E. 2013. *Finding your way in qualitative research*. 9th Edition. Pretoria: Van Schaik Publishers.
- Henly, D.L., Perrin, J., Evans, M., Lapsey, I. and Whiteoak, J. 1992. *Public sector Accounting and Financial Control*. 4th Edition. London: Chaman and Hall.
- Institute On Governance. 2006. *Forum on Municipal Governance and Accountability: A Summary Report*. June 15, 2006. Ottawa. Available at: <http://www.ioq.ca/view>. Date accessed: 12 September 2009.
- Johnston, M. 2003. *Good Governance: Rule of Law, Transparency and Accountability*. USA: Colgate University.
- Jones, B. 1996. *Financial Management in the Public Sector*. Berkshire: McGraw-Hill.
- Jones, P. and Bates, J. 1990. *Public Sector Auditing: Practical Techniques for an Integrated approach*. London: Chapman and Hall.
- Jones, R. and Pendlebury, M. 1992. *Public Sector Accounting*. London: Pitman.
- Joppe, M. 2000. *The Research Process*. Available at: <http://www.ryerson.ca/~mjoppe/rp.htm>. Date accessed: 25 February 2000.
- Kamuf, P. 2007. *Accountability: An Ever-Expanding Concept*. Australia: *International Review of Administrative Science*, 78(3).
- Kana, S. 2010. *Understanding and Unlocking the Benefits of Sound Corporate Governance in Government and the Public Sector*. South Africa: Pricewaterhousecoopers.

- Kernaghan, K. and Landford, J.W. 1990. *The Responsible Public Servant*. New York: The Institute for Research on Public Policy.
- Khan, M.M. 1998. *Good Governance: The Case of Bangladesh*. African Journal of Public Administration and Management, 10(2).
- King, M. 2002. *King II Report*. Johannesburg, South Africa: Institute of Directors.
- Kondlo, K. and Maserumule, M.H. 2010. *The Zuma Administration: Critical Challenges*. Cape Town: HSRC Press.
- Krishnan, H.B. 2008. *Public Accountability: From Concept to Practice in the South African Local Government*. Durban: University of Kwazulu-Natal.
- Leary, Z. 2004. *The essential guide to doing research*. New Delhi: SAGE Publications.
- Leedy, P.D. and Ormrod, J.E. 2010. *Practical Research: Planning and Design*. 9th Edition. Boston: Merrill Publishers.
- Lees, D., J. 1977. *Legislatures and Oversight: A Review Article on a Neglected Area of Research*, *Legislative Studies Quarterly* 2(2).
- Longley, L. D. and Davidson, R. H. 1998. (eds) *The new Roles of Parliamentary Committees*. London: Frank Cass.
- Loney, P. 2008. *Critical Success Factors for Public Accounts Committees*. Proceedings of the 2008 Annual Conference of the Association of Public Accounts Committees. Johannesburg, 6 October 2008.
- Lubisi, D. 2008. *"Incompetence has no place in municipalities:"* City Press, South Africa, June, 8.
- Mafunisa, M.J. 2000. *Public Service Ethics*. Kenwyn: Juta.
- Maganlal, M. and Partick, J. 2010. *Review of The Local Government Fiscal Framework*. Local Government Bulletin, 12(4).
- Makwetu, K. 2015. *Good news from AGSA*. Insession, 15 (1).
- Maree, K. & Van der Westhuizen, C. 2007. *Planning a research proposal*. In *First steps in research*, ed. K Maree, 23-45. Pretoria: Van Schaik.

- Martinez, M. and Soliman, M. 2003. *Parliamentary Reform in Africa and the World. Latest Trends UNDP's Constitution, 1996*. New York: Parliamentary Library.
- Masemola, R. 2015. *Audit Outcomes and SALGA Support*. Voice of Local Government, 15(1).
- Maykut, P. and Morehouse, R. 2001. *Beginning Qualitative Research: A Philosophic and Practical Guide*. London: Routledge Farmer.
- McEldowney, J. F. 2008. *Accountability and the Public Accounts Committee: Lessons in Parliamentary Oversight: The United Kingdom Experience*. Proceedings of a Seminar on Accountability and Constitution, 1996. Implementation on the African Continent. University of Cape Town, 10 April 2008.
- McGee, D., G. 2002. *The Overseers: Public Accounts Committees and Public Spending*. London: Commonwealth Parliamentary Association and Pluto Press.
- McGregor, S.L.T., & Murnane, J. A. 2010. *Paradigm, methodology and method: Intellectual integrity in consumer scholarship*. International Journal of Consumer Studies, 34(4), 419-427.
- McKinney, J., B. 1995. *Effective Financial Management in Public and Non-profit Agencies: A practical and Integrative Approach*. 2nd Edition. Westport, Connecticut: Quorum Books.
- McMillan, J.M. and Schumacher, S. 2001. *Research in Education: A Conceptual Introduction*. 5th Edition. USA: Addison Wesley Longman Inc.
- Meigs, R.F., Meigs, M., A Bettner, M. and Whittington, R. 1998. *Financial Accounting* Boston, Massachusetts: Irwin/Mcgraw-Hill.
- Mezey, M. 1976. *Constituency Demands and Legislative Support: An Experiment*. Comparative Legislative Research Centre, 1(1).
- Michels, A. and Meijer, A. 2008. *Safeguarding Public Accountability on horizontal government*. Public Management Review, 10 (2).
- Mle, T.R. and Maclean, S. 2011. *Ethic, Integrity and Good Governance: The Case of South Africa's Local Sphere of Government*, 46(4).
- Morgenrood, P. 2008. *Intergovernmental Relations: Government Digest*, 27 (7).
- Motake, A. 2005. *Municipalities Come of Age*. The Institute of Municipal Finance Officers. 5 (3).

- Mouton, J. 2005. *How to succeed in your Master's & doctoral studies*. A South African guide and resource book. Pretoria: Van Schaik.
- Mouton, J. 2012. *Understanding Social Research*. Pretoria, South Africa: Van Schaik Publishers.
- Mokopanele, T. 2006. *Government Cracks the Whip on Officials Learning Finances*. Institute of Municipal Finance Officers (IMFO), 7(1).
- Mulgan, R. 2000. *Accountability: An Ever-Expanding Concept*. Australia: International Review of Administrative Science, 78(3).
- Mustafa, A. 2010. *Research Methodology*. New Delhi: A.I.T.B.S. Publishers.
- Murray, D.J. 1997. *Ethics in Organizations: Values, Codes, Vision, Strategies, Action*. London: Kogan Page Ltd.
- Nachmias, C. and Nachmias, D. 2008. *Research Methodology in Social Science*. 7th Edition. New York: Worth Publishers.
- Njoko, T. 2006. "What is Corporate Governance". The Institute of Municipal Finance Officers, 7 (2).
- Ntliziywana, P. 2010. *Leadership Matters: Professionalising Political Leadership*. Local Government Bulletin, 12(4).
- Oliver, D. 1991. *Government in the United Kingdom*. The Search for Accountability, Effectiveness and Citizenship: Open University Press.
- O'Neill, O. 2006. *Transparency: The Key to Better Governance?* Oxford: Oxford University Press.
- Parliamentary Centre of Canada and the World Bank Institute. 2007. *Parliamentary Accountability and Good Governance: A Parliamentary Handbook*, Parliamentary Centre: Ottawa [online]. Available at: <http://www.paricent.ca./publications/pdf/sourcebooktext.pdf> Date accessed: 5 June 2009.
- Patton, M., Q. 2000. *Qualitative Evaluation and Research Methods*. 3rd Edition. Thousand Oaks, CA: Sage Publications, Inc.
- Pauw, J.C., Wood, G., Van der Linden, G.J.A., Fourie, D. and Visser, C.B. 2002. *Managing Public Money: A System from the South*. Cape Town: Heinemann Publishers (Pty) Ltd.

Pellizo, R., Stapenhurst, R. and Oslon, D., M. 2006. *Trends in Parliamentary Oversight*. World Bank Institute Working Paper. The World Bank: Washington D.C.

Pillay, S. 2004. *Corruption, the Challenge to Good Governance: A South African Perspective*, 17(7).

Political Corruption. net. 2009. *Types of Corruption Found in Local Government*. Available at: <http://www.politicalcorruption.net>. Date accessed: 10 August 2009.

Rabrenovic, A. 2009. *Financial Accountability as a Condition for European Union Membership*. Institute of Comparative Law, 64(10).

Radhakrishma, A. 2008. *Mitigating Financial Risk: How can the Audit Committee assist?* The Institute of Municipal Finance Officers, 9 (1).

Redlynch, S. 2001. *Holding to Account. The Review of Audit and Accountability for Central Government*. Available at: www.hm-treasury.gov.uk. Date accessed: 10 August 2009.

Republic of South Africa. 1994. *The Public Service Act, 1994 (Act 103 of 1994)*. Pretoria: Government Printers.

Republic of South Africa. 1995. *Department of State Expenditure. Manual on Internal Audit in the Public Sector*. Prepared by the Directorate: Strategic Planning and Performance Measurement, December. Pretoria: DSE.

Republic of South Africa. 1995. *The Auditor-General Act, 1995 (Act 12 of 1995)*. Pretoria: Government Printers.

Republic of South Africa. 1996. *Constitution, 1996 of the Republic of South Africa, 1996 (Act 108 of 1996)*. Cape Town: Formeset Printers (Pty) Ltd.

Republic of South Africa. 1998. *Local Government Municipal Demarcation Act, 1998 (Act 27 of 1998)*. Pretoria: Government Printers.

Republic of South Africa. 1998. *The White Paper on Local Government*. Pretoria: Government Printers.

Republic of South Africa. 1998. *Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998)*. Pretoria: Government Printers.

Republic of South Africa. 1998. *Municipal Structures Act, 1998 (Act 117 of 1998)*. Government Printers: Pretoria.

Republic of South Africa. 1998. *The Skills Development Act, 1998* (Act 97 of 1998). Pretoria: Government Printers.

Republic of South Africa. 1999. *Intergovernmental Fiscal Relations Act, 1999* (Act 97 of 1999). Pretoria: Government Printers.

Republic of South Africa. 1999. *Public Finance Management Act, 1999* (Act 1 as amended by Act 29 of 1999). Available at: <http://www.treasury.gov.za>. Date accessed: 10 June 2009.

Republic of South Africa. 2000. *Municipal Systems Act, 2000* (Act 32 of 2000) Government Printers: Pretoria.

Republic of South Africa. 2000. National Treasury: Treasury Regulations for Departments, *Constitution, 1996a* Institutions and Trading Entities, issued in terms of the *Public Finance Management Act, 1999* (Act 1 of 1999). Available at: (<http://www.Fianance.gov.za>). Date accessed: 11 August 2010.

Republic of South Africa. 2000. *Preferential Procurement Policy Framework Act, 2000* (Act 32 of 2000). Pretoria: Government Printers.

Republic of South Africa. 2001. *Division of Revenue Act, 2001* (Act 5 of 2001). Available at: <http://www.treasury.gov.za>. Date accessed: 14 March 2012.

Republic of South Africa. 2003. *Municipal Finance Management Act, 2003* (Act 56 of 2003). Pretoria: Government Printers.

Republic of South Africa. 2004. *National Treasury Circular No: 7. Implementation Plan*: Government Printers.

Republic of South Africa. 2004. *The Public Audit Act, 2004* (Act 25 of 2004). Pretoria: Government Printers.

Republic of South Africa. 2005. *Municipal Supply Chain Management Regulations*. Government Gazette No 27636 of May 2005. Pretoria: Government Printers.

Republic of South Africa. 2005. *Intergovernmental Relations Framework Act, 2005* (Act 13 of 2005). Pretoria: Government Printers.

Republic of South Africa. 2005. *Guidelines for Legislative Oversight through Annual Reports: Research Paper Commissioned by the National Treasury for further discussion and debate by Parliament and Provincial legislatures, with the aim of improving the process for using annual reports as a Key Oversight tool*. Government Printers.

Republic of South Africa. 2005. *MFMA Circular No.28. Budget Content and format, 2006/07 MTREF*. Pretoria: National Treasury, Government Printers.

Republic of South Africa. 2006. *General Notice in Government Gazette No. 29327, 27 October*. Pretoria: Government Printers.

Republic of South Africa. 2006. *Guidelines for Legislative Oversight through Annual Reports*: Government Printers.

Republic of South Africa. 2006. National Treasury Circular No: 7. *MFMA Implementation*. Pretoria: National Treasury, Government Printers.

Republic of South Africa. 2006. National Treasury Circular 32. *The Oversight Report*: Government Printers.

Republic of South Africa. 2006. National Treasury Circular, Municipal Budget and Reporting Regulations: applicable to Municipalities and Municipal Entities in terms of the *Municipal Finance Management Act, 2003* (Act 56 of 2003). Available at <http://www.treasury.gov.za>. Date accessed: 1 July 2009.

Republic of South Africa. 2006. *South African Management Development Institute*. Pretoria: Government Printers.

Republic of South Africa 2008. *Government Budgets and Expenditure Review*. Financial Management and *MFMA* Implementation. National Treasury: Formest Printers (Pty) Ltd.

Republic of South Africa. 2009. *State of Local Government in South Africa*. Pretoria: Cooperative Governance and Traditional Affairs.

Republic of South Africa. 2009. *The Municipal Budget and Reporting Regulations*. Pretoria: Government Printers.

Republic of South Africa. 2010. *MFMA Circular No.51. Municipal Budget Circular for 2010/11 MTREF*. Pretoria: National Treasury, Government Printers.

Republic of South Africa. 2010/11. *Report of the AGSA on the Status of Municipalities*. Pretoria: Government Printers.

Republic South Africa. 2011. Guidelines for the establishment of Municipal Public Accounts Committees (MPAC) National Treasury, 4.

Republic of South Africa. 2011. *Guidelines for the establishment of Municipal Public Accounts Committee*. National Treasury: Formeset Printers (Pty) Ltd.

Republic of South Africa. 2012. *Determination of Upper Limits of Salaries, Allowances and Benefits of Different Members of Municipal Councils*. Government Gazette No.35962, of 7 December 2012; Pretoria: Government Printers.

Republic of South Africa. 2012. *MFMA Circular No.66. Municipal Budget Circular for the 2013/14 MTREF*. Pretoria: National Treasury, Government Printers.

Republic of South Africa. 2012. *Municipal Public Accounts Committee: Enhancing Oversight in the Municipality*. South African Local Government Association: Pretoria: Government Printers.

Republic of South Africa. 2012/13. *Report of Auditor General*. Pretoria: Government Printers.

Republic of South Africa. 2013. *Division of Revenue Bill, 2013 (B2-2013)*.

Republic of South Africa. 2013. *Division of Revenue Act, 2013 (Act 2 of 2013)*. Pretoria: Government Printers.

Republic of South Africa. 2013. *MFMA Circular No.70. Municipal Budget Circular for the 2014/15 MTREF*. Pretoria: National Treasury, Government Printers.

Republic of South Africa. 2013. *National Treasury Circular No:68. Unauthorised, Irregular, Fruitless and Wasteful Expenditure*. Pretoria: Government Printers.

Republic of South Africa. 2014. *Regulations on Standard Chart of Accounts*. Government Regulation Gazette No. 10178 of April 2014. Pretoria: Government Printers.

Republic of South Africa. 2014. *MFMA Circular No.74. Municipal Budget Circular for 2015/16 MTREF*. Pretoria: National Treasury, Government Printers.

Republic of South Africa. 2014. *The report of the AGSA, 2012/13*. Pretoria: Government Printers.

Richards, B. 2009. *The Role of Public Accounts Committee in ensuring effective municipal governance*. Government Digest, 28 (11).

Richards, R. 2010. *Quality of Political Leadership*. Local Government Bulletin, 12(3).

Robson, C.1993. *Real World Research*. Oxford: Blackwell.

Rohilla, P. 2010. *Research Methodology*. New Delhi: APH Publishing Corporation.

Salking, N.J. 2009. *Exploring Research*. New Jersey: Pearson Prentice Hall.

- Saul, B. 2015. *"Municipalities in North West are really awesome."* Mahikeng Mail, November, 13.
- Saunders, M., Lewis, P. and Thornhill, A. 2000. *Research Methods for Business Students*. 2nd Edition. London: Prentice Hall.
- Sawyer, L.B., and Dittenhof, M.A. 1996. *Sawyer's Internal Auditing: The Practice of Modern Internal Auditing*. Altamote Springs, Florida: Institute of Internal Auditors.
- Schacter, M. 2000. *When Accountability Fails: A Framework for Diagnosis and Action*. Institute on Governance, Policy Brief No.9 of May 2000. Ottawa: Canada. [online] Available at: http://www.iog.ca/view_publication.asp?publicationitemID=44 Date Accessed: 29 July 2009.
- Schedler, A., Diammond, L. and Plattner, M. F. 1999. *The Self-Restraining State: Power and Accountability in New Democracies*. Boulder Co: Lynne Rienner.
- Schick, A. 1976. *Congress and the details of Administration: Public Administration Review*, 36(1).
- Schick, A. 1996. *Budgeting for results: Recent development in five industrialised countries*, in D.J. Savoie (ed). 1990. *Budgeting and Management of Public Spending*. Cheltenham, UK: Edward Elgar.
- Schwella, E., Burger, J., Fox, W. and Muller, J.J. 1996. *Public Resource Management*. 1st Edition. Kenwyn: Juta and Co. Ltd.
- Scott, C. 2000. *Accountability in the Regulatory State*. Journal of Law and Society, 27(1).
- Seale, L. 2013. *Time for Resolve: Most Municipalities Continue to Fail to Get Clean Audits*. The Star Africa Edition, August 6.
- Shah, A. 2007. *Local Budgeting*. Washington: The World Bank.
- Shaoul, J., Stafford, A. and Stapleton, P. 2011. *Accountability and Corporate Governance of Public Private Partnerships*. Manchester UK: Elsevier Ltd.
- Sheldon, D.R. 1996. *Achieving Accountability in Business and Government: Managing for Efficiency, Effectiveness and Economy*. Westport, Connecticut.
- Sinclair, A. 1995. *The Chameleon of Accountability: Accounting, Organisations and Society*, 20(2).

- Sindane, A.M. 2009. *Administrative Culture, Accountability and Ethics: Gateways in Search of the Best Public Service*. Journal of Public Administration, 44(3).
- Smit, M. 2007. *Risk Management: Implementing the Process*. The Institute of Municipal Finance Officers, 8(2).
- Snape, S., and Leach, S. 2002. *The Development of Overview and Scrutiny in Local Government*. Report produced for the Office of the Deputy Prime Minister: London. Available at:
<http://www.communities.gov.uk/documents/localgovernment/pdf/133640.pdf>. Date accessed: 12 September 2009.
- South African City Network. 2007. *The Impact of Unfunded Mandates in South African Intergovernmental Relations*. Pretoria: Financial and Fiscal Commission.
- Stapenhurst, R. Saghal, V. Woodley, W. and Pellizo, R. 2005. *Scrutinising Public Expenditures: Assessing the Performance of Public Accounts Committees*. World Bank Institute: World Bank Policy Research Working Paper 3613. Accessed: May 2005.
- Stapenhurst, R., Saghal, V., Woodley, W. and Pellizo, R. 2006. *Scrutinising Public Expenditures: The role of Public Accounts Committees*. Available at:
<http://econ.worldbank.org>. Date accessed: 5 June 2009.
- Steytler, N., De Visser, J. and May, A. 2009. *Formulating pillars of turnaround strategy*. Local Government Bulletin, 11(5):98-107.
- Strom, K. 1998. *Parliamentary Committees in European Democracies*. Journal of Legislative Studies, 4(1).
- Talbot, C. 1996. *Ministers and Agencies: Control, Performance and Accountability*. London: Chartered Institute of Public Finance and Accountability (CIPFA).
- Terre Blanche, M., Durrhein, K. and Painter, D. 2006. *Research in practice: Applied Methods for Social Sciences*. South Africa: University of Cape Town Press (Pty) Ltd.
- Thornhill, C. and Hanekom, S.X. 1995. *The Public Sector Management*. Durban: Butterworth Publishers.
- Thorton, G. 2014. *Municipal Public Accounts Committees hold key to clean audit reports*. <http://www.gt.co.za>.
- Vaismoradi, M., Turunen, H. and Bondas, T. 2013. *Content Analysis and Thematic Analysis: Implications for conducting a Qualitative Descriptive Study*. Nursing and Health Sciences: 15(3).

Valsamakis, A.C., Vivian, R.W. and Du Toit, G.S. 1992. *The Theory and Principles*. (In Ansell, J. and Wharton, F., ed.) *Risk Management*. Durban: Butterworth.

Van der Riet, M & Durrheim, K. 2009. *Putting design into practice: writing and evaluating research proposals*. In M. Terre Blanche, K. Durreheim & D. Painter (Eds.) *Research in Practice*. Cape Town: UCT press.

Van der Walt, C. 2007. *The Statutory and Regulatory Framework for Local Government, in Municipal Management: Serving the People, 62*. Cape Town: Juta.

Veal, A.J. 1997. *Research Methods for Leisure and Tourism: A practical guide*. 2nd Edition London: Pitman.

Visser, C.B. and Erasmus, P.W. 2002. *The Management of Public Finance: A Practical Guide*. Cape Town: Oxford Southern Africa.

Vyas-Doorgapersad, S.G., Subban, M. and Pillay, S. 2008. *Ethics for Good Local Governance in South Africa*. Paper presented at IIAS Conference in Uganda.

Vyas-Doorgapersad, S. and Ababio, E. 2010. *The Illusion of Ethics for Local Governance in South Africa*. *Journal for Transdisciplinary Research in Southern Africa*, 6(2).

Walters, S. 2009. *Ethics and Leadership for Good Governance*. Available at: <http://www.74.6.239.185/search/srpcache/>. Date accessed: 15 August 2010.

Wehner, J. 2003. *Principles and Patterns of Financial Scrutiny: Public Accounts Committees in the Commonwealth*. *Commonwealth and Comparative Politics*, 41(3).

Welman, C., Kruger, F., and Mitchell, B. 2005. *Research Methodology*. Cape Town: Oxford University Press.

West, W. and Cooper, J. 1989. *Legislative Influence Versus Presidential Influence: Competing Models of Bureaucratic Control*. *Political Science Quarterly*, 104(3).

Wharton, F. 1992. *Risk Management, Basic Principles*. (In Ansell, J. and Wharton, F., ed.) *Risk Analysis, Assessment and Management*. Chichester: John Wiley and Sons.

Wilkinson, J. 2008. *Internal Controls: Optimisation*. *The Institute of Municipal Finance Officers*, 9(12).

Willis, G., B. 2005. *Cognitive interviewing: A tool for improving questionnaire design*. Thousand Oakes, California: Sage.

Winter, G. 2000. *A Comparative discussion of the notion of Validity in Qualitative and Quantitative Research*. The Qualitative Report, 4 (3 and 4). Available at: <http://www.nova.edu/ssw/QR/QR4-3winter.html>. Date accessed: 12 February 2009.

Wolf, A. 2000. *Accountability in Public Administration: Recording Democracy, Efficiency and Ethics*. Proceeding of First Specialised International Conference. Sunningdale, United Kingdom. Brussels: IIAS.

Yamamoto, H. 2007. *Tools for Parliamentary Oversight: A Comparative study of 88 National Parliaments*. Geneva, Switzerland: Inter-Parliamentary Union.

Yende, S.S. 2006. "Unqualified people get top provincial positions." City Press, October, 12.

APPENDIX A

INTERVIEWED KEY ROLE-PLAYERS (RESPONDENTS) OF THE MUNICIPALITIES AS MENTIONED BELOW.

Bojanala Platinum District Municipality

Respondents

Date of interview

Acting Coordinator in the MPAC office

Interview: 17 September 2015

Executive Mayor of Council/ANC Councillor

Interview: 17 September 2015

Speaker of Council/ANC Councillor

Interview: 17 September 2015

2 ANC Councillors

Interview: 17 September 2015

APC Councillor

Interview: 17 September 2015

COPE Councillor

Interview: 17 September 2015

DA Councillor

Interview: 17 September 2015

City of Matlosana

Respondents

Date of interview

Administrator in the MPAC office

29 September 2015

Executive Mayor of Council/ANC Councillor

29 September 2015

Speaker of Council/ANC Councillor

29 September 2015

2 ANC Councillors

29 September 2015

COPE Councillor

29 September 2015

DA Councillor

29 September 2015

FF+ Councillor

29 September 2015

Ditsobotla Local Municipality

Respondents	Date of interview
Administrator Seconded by the MEC	23 July 2015
Official seconded by MEC for Governance and Transformation	24 July 2015
Speaker of council/ANC Councillor	29 July 2015
Acting Municipal Manager	04 August 2015
Chief Financial Officer	25 July 2015
Unit Manager for Administration	22 July 2015
Human Resource Manager	24 July 2015
Skills Development Officer	25 July 2015
Official for Expenditure	04 August 2015
Official of SALGA North West	29 July 2015
Official of NW Treasury for Governance and Accountability	04 August 2015
2 ANC Councillors	17 July 2015
COPE Councillor	28 July 2015
FF+ Councillor	20 July 2015
UCDP Councillor	29 July 2015

Dr Kenneth Kaunda District Municipality

Respondents	Date of interview
Manager in the Speakers Office	25 September 2015
Executive Mayor of Council/ANC Councillor	25 September 2015
Speaker of Council/ANC Councillor	25 September 2015
Chairperson of MPAC/ANC Councillor	25 September 2015
Municipal Manager	25 September 2015
Skills Development Officer	25 September 2015
ANC Councillor	25 September 2015
COPE Councillor	25 September 2015
DA Councillor	25 September 2015
FF+ Councillor	25 September 2015

Kagisano Molopo Local Municipality

3 ANC Councillors	08 October 2015
UCD Councillor	08 October 2015
Coordinator in the Office of the MPAC	08 October 2015
DA Councillor	08 October 2015
Speaker/ANC Councillor	08 October 2015
Chairperson of MPAC/COPE Councillor	08 October 2015

Kgetleng Local Municipality

Speaker of Council/ANC Councillor	12 October 2015
Mayor/ANC Councillor	12 October 2015
2 ANC Councillors	12 October 2015
Human Resource Official	12 October 2015
Skills Development Officer	12 October 2015
Official in the North West Provincial Treasury	12 October 2015
DA Councillor	12 October 2015

Mahikeng Local Municipality

Respondents	Date of interview
Official in the MPAC office	28 September 2015
Executive Mayor of Council/ANC Councillor	28 September 2015
Speaker of Council/ANC Councillor	28 September 2015
Chairperson of MPAC/ANC Councillor	28 September 2015
Chairperson of the Audit Committee	28 September 2015
Municipal Manager	28 September 2015
Director for Corporate Department	28 September 2015
Skills Development Officer	28 September 2015
2 ANC Councillors	28 September 2015
COPE Councillor	28 September 2015

DA Councillor	28 September 2015
UCDP Councillor	28 September 2015

Maquassi Hills Local Municipality

Respondents	Date of interview
Speaker of Council/ANC Councillor	14 September 2015
Chairperson of MPAC/ANC Councillor	14 September 2015
3 ANC Councillors	14 September 2015
COPE Councillor	14 September 2015
2 DA Councillor	14 September 2015
Human Resource Management Official	14 September 2015

Ngaka Modiri Molema Municipality

Respondents	Date of interview
Former Administrator of Ngaka Modiri Molema District Municipality	12 August 2015
Official in the MPAC office	12 August 2015
2 ANC Councillors	13 August 2015
EFF Councillor	13 August 2015
SAPP Councillor	13 August 2015
Speaker of Council/ANC Councillor	13 August 2015
DA Councillor	13 August 2015

Chief Financial Officer	13 August 2015
2 Cope Councillors	14/17 August 2015
Speaker of Council/ANC Councillor	14 August 2015
AIC Councillor	19 August 2015
Chairperson of MPAC/ANC Councillor	17 August 2015

Ramotshere Moiloa Local Municipality

Respondents	Date of interview
Coordinator in the MPAC office	05 October 2015
Mayor of council/ANC Councillor	05 October 2015
ANC Councillor	05 October 2015
Speaker of Council/ANC Councillor	05 October 2015
UCDP Councillor	05 October 2015
DA Councillor	06 October 2015
Chairperson of MPAC/ANC Councillor	06 October 2015
Chief Financial Officer	06 October 2015
Municipal Manager	05 October 2015

Ratlou Local Municipality

Respondents	Date of interview
Administration Officer in the MPAC office	08 October 2015
3 ANC Councillors	08 October 2015

Official of North West SALGA	09 October 2015
Chief Financial Officer	09 October 2015
Chairperson of MPAC/ANC Councillor	09 October 2015
Speaker of Council/ANC Councillor	09 October 2015
Municipal Manager	09 October 2015

Tlokwe City Council

Respondents	Date of interview
Coordinator in the MPAC office	02 October 2015
ANC Councillor	02 October 2015
DA Councillor	02 October 2015
Executive Mayor/ANC Councillor	02 October 2015
UCDP Councillor	02 October 2015
Skills Development Officer	02 October 2015
Official at National Treasury	02 October 2015
FF+ Councillor	02 October 2015
Speaker of Council/ANC Councillor	02 October 2015
COPE Councillor	02 October 2015

Tswaing Local Municipality

Respondents	Date of interview
DA Councillor	28 August 2015

Acting Director for Corporate Services	07 September 2015
UCDP Councillor	07 September 2015
Acting Chief Financial Officer	07 September 2015
North West SALGA Official	07 September 2015
Acting Municipal Manager	07 September 2015
2 ANC Councillors	07 September 2015
Chairperson of MPAC/ANC Councillor	07 September 2015
Speaker of Council/ANC Councillor	07 September 2015

Ventersdorp Local Municipality

Respondents

Date of interview

Administrator in the MPAC Office	22 September 2015
Speaker of Council/ANC Councillor	22 September 2015
DA Councillor	22 September 2015
2 ANC Councillors	22 September 2015
Official for Records Keeping	22 September 2015
Skills Development Officer	22 September 2015
Administrator from MEC office	22 September 2015

Madibeng Local Municipality

Respondents

Date of interview

Mayor of Council/ANC Councillor	16 October 2015
---------------------------------	-----------------

Coordinator in the MPAC office	16 October 2015
2 ANC Councillors	16 October 2015
Speaker of Council/ANC Councillor	16 October 2015
Chairperson of MPAC/ANC Councillor	16 October 2015
DA Councillor	16 October 2015
FF+ Councillor	16 October 2015
Official in Human Resource Department	16 October 2015
Chief Financial Officer	16 October 2015

APPENDIX B

RESEARCH QUESTIONNAIRE

- Has the Municipal Public Accounts Committee (MPAC) already been established in your municipality and if not, provide reasons.

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

- If the MPAC in your municipality has been established, on what date did that happen and what procedures were followed?

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

- If the MPAC has not been established, provide reasons why and what procedures should be followed?

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

- If your municipality is a multiparty council, briefly explain how party representation in the MPAC was determined.

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

- In your view, do the members of the MPAC in your municipality possess the required skills, knowledge and experience to perform their Oversight role effectively or not. Give reasons why you hold such a view.

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

- In relation to the above question, give your comments on the capacity that the MPAC in your municipality poses on areas such as financial management and accounting.

.....

.....

.....

- If members of the MPAC are not adequately capacitated, what mechanisms have been put in place to overcome this challenge?

.....

.....

.....

- In terms of your observation, are there any duplication of functions on the roles and the responsibilities of the MPAC and that of the Audit Committee in your municipality?

.....

.....

.....

- When often do the MPAC in your municipality hold its meetings and who is responsible for arranging such meetings?

.....

.....

.....

- Has the MPAC in your municipality submitted any report from its meetings to council and if it did, how did the council respond to that?

.....

.....

.....

- Are you satisfied on how the MPAC in your municipality is transparent when it is performing its Oversight functions?

.....

.....

-
- In your opinion, are there any areas that the MPAC in your municipality is not adequately performing its Oversight role and how can this be improved?

.....

.....

.....

- Has the council in your municipality delegated any of its functions to the MPAC, and if so, mention them.

.....

.....

.....

- How do you rate the performance of the MPAC in your municipality since its establishment?

.....

.....

.....