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**Examining financial management of local government in South Africa: a case study of
Alfred Duma Local Municipality in KZN**

By

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of

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DECLARATION

“I, Nonzwakazi Mbatha, student number 204511816 wish to declare that:

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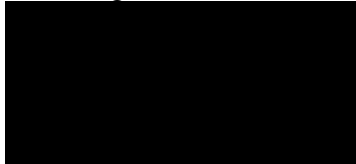
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Date

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DEDICATION

This dissertation is dedicated to 5 beloved people who mean so much to me. First and foremost, to my mother and father Nomusa and Nhlanhla Mbatha who taught me the value of education from a very young age. Next, my Fiancé Honorable Sibonelo Mtshali whose love for me knows no bounds and the one person who has taught me the value of hard work. Thank you Hlabangane. Finally, I am dedicating this to my daughters Zenande and Esihle through whom I find so much peace and happiness, I love you my ‘rats’.

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LIST OF ACRONYMS

ADLM	Alfred Duma Local Municipality
AG	Auditor General
AO	Accounting Officer
CFO	Chief Financial Affairs
IDP	Integrated Development Planning
KZN	KwaZulu Natal
MFMA	Municipal Finance Management Act
MPAC	Municipal Public Accounts Committee
MTEF	Medium Term Expenditure Frameworks
NDP	National Development Plan
PFMA	Public Finance Management Act
SDBIP	Service Delivery and Budget Implementation Plan
SCM	Supply Chain Management

ABSTRACT

This study sought to examine the factors affecting financial management in the Alfred Duma Local Municipality (ADLM) in KwaZulu Natal (KZN) Province of South Africa. The study focused on four broad objectives that sought to determine the availability and use of oversight structures for sound financial management, to assess the systems and processes for financial management, to ascertain the level of skills and competencies among municipal officials, and to examine the nature of the relationship between politicians and Municipal administrators with regard to municipal financial management. The study draws on a pragmatic paradigm that was premised on the use of a mixed-methods approach where questionnaire surveys, interviews and documents were used to collect data. The findings of the study revealed that oversight structures that include Municipal Public Accounts Committees (MPAC) and Oversight Committees exist although their role is ineffective in safeguarding municipal finances. The findings further acknowledged the existence of processes such as Integrated Development Planning and participatory budgeting towards sound municipal financial management. However, as reported in the findings, Alfred Duma Municipality still needs to upgrade its skills base in the Finance Department to be able to obtain clean audits. The conclusions drawn for this study are that, to achieve sound financial management, the nature of the relationship between politicians and municipal administrators must be well-managed, and skilled people must be hired towards improving community service delivery. The study, therefore, recommends Alfred Duma Municipality to implement regular financial audits through either internal or external auditing procedures. This should help to detect fraud and corruption at an early stage. This can be realised through regular training and development workshops to capacitate the municipal officials through the acquisition of satisfactory financial expertise that should enhance their competencies in monitoring service delivery.

Key words: Financial management, local municipalities, good governance, service delivery

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CHAPTER 1: INTRODUCTION AND OVERVIEW

1.1 Introduction

In South Africa municipal service delivery is dire owing to failure to adhere to good governance principles specifically good financial management. Mokoena (2013:6) lamented the declining state of service provision due to the growing culture of non-compliance with financial reporting and sound financial management within local government. Every year the Auditor-General of South Africa raises serious concerns about financial mismanagement in KwaZulu Natal's municipalities, which prevents them from receiving clean audits. Financial embezzlement, unauthorised expenditure, and failure to implement the Auditor General's recommendations is rife in South African Local Government, which triggers community-wide service delivery protests (Chu, Grasse & Ludwig, 2010). Although South African local municipalities are guided by various statutory and regulatory frameworks such as the *Division of Revenue Act 4 of 2020* and the *Municipal Systems Act 32 of 2000*, financial mismanagement is still a serious impediment to the achievement of the *National Development Plan, Vision 2030* among other government plans. Whilst these legal frameworks direct the processes and offer principles to help municipalities to confront corruption, lack of compliance and accountability adversely affect service delivery (Rabin, Hildreth & Miller, 2007). Financial mismanagement underpinned by corruption negatively affects the capacity of local municipalities in South Africa to function efficiently and ultimately this leads to economic decline as the state is forced to recover losses through increasing taxes and tariffs (Pillay, 2013:9). Unethical conduct of public officials and corruption pose a significant challenge to local municipalities and the public sector at large. When these issues occur, constitutional democracy and the values enshrined in the *Constitution* are undermined (Shah, 2007:88). However, sound financial management is premised on the availability of committed and skilled municipal officials who are ready to inspire change in the communities that they serve. Understanding that there is a lacuna between the financial management needs and the availability of skilled municipal financial managers, this study intends to investigate the financial management challenges being experienced by Alfred Duma Local Municipality towards effective service delivery. The following section outlines the background of financial management in South African municipalities.

1.2 Background of the study

There are three spheres of government in South Africa namely: the national, the provincial and the local. According to Mashiyane (2017:127) policies must be formulated within national and provincial spheres to ensure their implementation in the allocation of financial resources including allocation to the closest sphere positioned to render services to local communities, which is the local government. The post-Mandela administration in 1994, adopted various policy frameworks and legislative prescriptions to restructure the country's economy and thereby to stabilise the political and social aspects (Mishrah, 2008:47).

Challenges of financial mismanagement continue to haunt South African Local Government, as noted in a series of Auditor General Reports. For instance, in 2018, the AG report highlighted that some financial mismanagement which has persisted has, in fact, deteriorated over the past decade. A report compiled by Deloitte (2017:2) indicated that only a few municipalities in South Africa have improved in their financial management conduct but that cases of regression and financial mismanagement continue to occur. Findings of the AG Report (2018) pointed out that poverty and poor service provision in many communities is triggered by the failure to uphold financial accountability in many government entities. In KwaZulu Natal, the lack of technical skills was regarded as the main impediment for achieving good financial management in local municipalities (Holtzhausen, 2016).

Several cases related to financial mismanagement in KwaZulu Natal, Eastern Cape, Limpopo and Mpumalanga provinces resulted from poor financial accountability (AG Report 2018:254). Resulting from service delivery challenges associated with financial mismanagement, Alfred Duma Local Municipality is not immune to this scourge as service delivery backlogs were witnessed in the past. The service delivery systems in this Municipality are characterised by political infighting which affected decision-making and which has triggered service delivery protests. President Zuma, the former President of South Africa, in his State of the Nation Address in 2011, emphasised that municipalities were experiencing service delivery backlogs due to financial mismanagement and failure to uphold financial accountability (RSA, 2011).

1.3 Research Problem

The need to serve local people in an efficient and sustainable manner has always been a priority for the government. The framework advocates implementation of financial accountability as a

good governance imperative. The essence of accountability in local government is to ensure that public funds are used efficiently to enhance the quality of lives of the citizens who are the taxpayers. Further, good governance is encapsulated in the relevant chapter of the *Constitution of The Republic of South Africa 1996* which established various bodies to oversee accountability in the affairs of local municipalities and related government departments. In municipal finance management, the Accounting Officer (AO) should ensure that good financial management processes are followed including financial systems that must be established. As an overseer of municipal finance management, the AO is expected to ensure that, all municipal departments uphold financial accountability when delivering services. Regrettably, corruption, fraud and financial embezzlement have adversely affected local municipalities in South Africa. These issues have undermined service delivery in communities and lowered the standards of living of the people. Alfred Duma Municipality has borne the brunt of corruption as previous reports from AG 2019 onwards have pointed out financial mismanagement. For instance, Ndaliso (2019) confirmed that Alfred Duma Local Municipality was investigated for corruption and fraud that included millions of rands. This follows Cooperative Governance and Traditional Affairs (COGTA) move to place Uthukela District under administration for almost ten months. Drawing from such cases, financial management is at risk as local municipalities continue to defy regulations and principles regarding financial accountability. In this regard good governance is under threat as lack of compliance with AG recommendations is not being adhered to. Few municipalities in KwaZulu Natal receive clean audits annually which demands urgent redress. Good financial management in local government is a necessity to enhance service delivery. Only in a comparatively few cases have South Africa municipalities adhered to good financial management since 1994 which may be due to the desire of these few municipalities to comply with the AG recommendations for 2019 (Mantzaris, 2016:305).

Recent research has shown that to enhance financial management in local municipalities, proper budgeting is an absolute requirement as budgetary reforms improved how the Integrated Development Planning (IDP) is implemented (Hanabe, Taylor & Raga, 2017). The enactment of the *Municipal Finance Management Act* (MFMA) brought new hope to local municipalities who are expected to adhere to its provisions in the delivery of services. However, poor financial accountability and lack of transparency in municipal finance management adversely affect the capacity of the local municipality to uphold good governance (Laubscher, 2015). As a result,

service delivery in communities is poor as there will be limited funds to address the needs of the communities efficiently and effectively. Therefore, this research differs from other studies conducted in the field of public finance management that focus on compliance with legal provision for financial management instead of advocating for clear oversight, accountability, and transparency in the management of municipal finances. The study is relevant as it was conducted at the time many local municipalities are grappling with financial management challenges and how to spearhead service delivery during the COVID-19 pandemic outbreak. To this end, therefore, this study examines the factors affecting municipal financial management in the Alfred Duma Municipality and it offers suggestions for how this can be improved in line with good governance principles.

1.4 Aims and Objectives

The study will investigate the factors contributing to poor financial management in local government administration and it will further recommend corrective interventions to enhance service delivery. The main aim, objectives and key questions of this study are presented below:

1.5 Research Questions

- What are the oversight structures for good financial management in local government?
- Which systems and processes allow for effective and good financial management in local government?
- What are the available skills and competencies that enhance good financial management in local government?
- How does the nature of the relationship between politics and administration affect good financial management in the context of local government?

1.6 Research Objectives

- To examine oversight structures for good financial management in local government;
- To examine systems and process that allow for good financial management in local government;
- To examine the skills and competency required for good financial management in local government; and

- To examine the nature of the relationship between politics and administration in local government.

1.7 Rationale of the study

Following the audit determinations of the Auditor-General for 2017/18, Alfred Duma Local Municipality was faced with financial management challenges that were triggered by massive service delivery backlogs. Abiding by the principle of good financial management such as financial reporting has been a problem in municipal service delivery. Previous research conducted on KwaZulu Natal municipalities points to a gap in terms of financial management. This study is being done at a time when local municipalities are confronted with poor financial management reports. Therefore, the study will attempt to provide a roadmap for Alfred Duma Municipality indicating how it can enhance its financial management strategies to improve service delivery.

1.8 Definition/Clarification of Concepts

1.8.1 Financial Management

According to Sibanda (2017:315), financial management seeks to develop indicators based on available resources. Proper use of citizens' money implies efficient methods of spending resources. Block & Hirt (119:11) state that day-to-day financial Management involves credit management, inventory control and management of receiving and disbursing funds. In this study, therefore, financial control includes matters such as revenue, creditors, debtors, stock, and liquidity monitoring and control (Maclean, 2014:88). Financial regulation is regarded as the period when a municipality focuses on executing its financial plans or projections with the input and improvement mechanism required to ensure that the institution's goals are properly followed.

1.8.2 Public Financial Management

According to McKinney in Visser & Erasmus (2010:18), the management of public finances is a mechanism when a public institution uses its financial resources efficiently following defined goals to obtain and distribute such resources and to use appropriate measures to meet common needs. It expects all relevant public officials to assess the optimal use of resources to obtain effective and efficient policy goals (Visser & Erasmus 2010:9). Municipal councils must, therefore, be held accountable by the electorate as they are the custodians of public funds. So, it becomes imperative that all public entities maintain control and accountability (Visser & Erasmus, 2010:11).

1.9 Dissertation Layout

Five distinct chapters comprise this research. Chapter 1 provides an introduction to the study and it presents the layout of chapters. It also discusses in detail the background of the study and it further presents the research problem, the research questions and the objectives of the dissertation. Chapter 2 focuses on the conceptual framework for financial management by discussing in detail the existing literature. It further discusses the theoretical framework for this research, particularly the financial control theory, and it considers the policy and legal frameworks governing financial management at the local government level in South Africa. In addition, the chapter examines the obstacles confronting local government in its quest to enhance good financial management. It also discusses the oversight structures that exist to safeguard municipal finances in local municipalities. Chapter 3 discusses the research methods used in this study. Chapter 4 presents, analyses, and interprets data regarding financial management in the Alfred Duma Local Municipality. Quantitative data will be presented using SPSS Version 26.0. Graphs, charts and tables were used to present the data, and thematic analysis was used to analyse qualitative data from interviews. Chapter 5 draws conclusions, provides recommendations to enhance municipal finance management and provides a direction for future studies.

1.10 Chapter Summary

This chapter provided an overview of the study, a brief discussion on the nature of financial management in South African municipalities and the problem statement that the research seeks to answer. A preliminary review of literature has shown that many municipalities including Alfred Duma, are failing to observe principles of good financial management such as financial accountability, reporting and transparency. Cases of corruption highlighted in the AG's Reports were noted. These indicate the dire state of service delivery in communities as municipalities continue to underperform. Through triangulation of both qualitative and quantitative approaches, the study aims to examine how financial management can be improved in local municipalities amid corruption fraud and general financial mismanagement. The following chapter unpacks the theoretical issues underpinning financial mismanagement globally and in South Africa.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter seeks to conceptualise the factors behind bad financial management in local municipalities using Alfred Duma Local Municipality as a case study. It draws from literature on financial management in the global and local contexts to assess if proper financial management strategies were followed when rendering public goods and services. The chapter commences by describing what financial management is and it explores related concepts such as public financial management. It further describes and explains the theory adopted for financial management in local municipalities and discusses the challenges confronting municipalities in terms of financial management. The chapter presents the legal and policy frameworks governing financial management in South African local government.

2.2 Definition of financial management

Whilst scholars provide different definitions of ‘municipal financial management’ they do achieve a consensus on the notion that it focuses on the creation of resource controller indicators (Ntonzima, 2011; Sibanda, 2017; Ritonga, Clark & Wickremasinghe, 2019). The prudent and wise spending of people’s funds means that conventional metrics of honesty and spending and the productive utilisation of resources are necessary. The effective use of public money requires financial control in places to make sure resources are used cost-effectively. Public financial management is, therefore, a mechanism by which a public institution uses the resources and/or money to procure and distribute these based on defined goals, and then to use tools and controls to fulfil publicly established needs for efficiency (McKinney in Visser & Erasmus, 2010). This includes all critical activities by government representatives to decide on the best possible use of limited resources for realising policy goals efficiently and effectively (Visser & Erasmus, 2010). Municipal councils are the custodians of citizens money hence they are supposed to account for how they used the funds. To achieve sound municipal finance management, Fourie (2007) advocates that financial controls should be put in place to assess the performance of finance managers. Through municipal budgeting, adequate revenue must be raised and allocated properly depending on the needy areas that require service delivery (Fourie, 2007). Besides, the Annual Service Delivery and Budget Implementation Plan (SDBIP) there should be quarterly reports on progress concerning the implementation of the budget. Throughout the five-year cycle, the SDBIP

is used to monitor the progress of the Integrated Development Plan (IDP) periodically (Thornhill & Cloete, 2014). To achieve sound municipal finance management, Zhou (2012) contends that strong financial control mechanisms are the key to socio-economic development. The availability of financial resources can result in an improvement in service delivery of local municipalities. Therefore, sound municipal finance management rests on accountability, transparency and visionary leadership that can allocate resources adequately and hold municipal officials accountable for service delivery matters.

When studying local government financial systems, one cannot divorce public finance management from municipal finance as the two terms are often used interchangeably. According to Fourie (2007), public finance management includes mechanisms and processes by which decisions on the distribution and control of public resources have been taken and enforced. Public financial management draws on the core principles that include budget planning and preparation, appropriation, evaluation, financial reporting, transparency and auditing (Pauw, Woods, Van der Linde, Fourie & Visser, 2009). It further includes statutory arrangements and processes involving the creation of Medium Term Expenditure Frameworks (MTEF) and forecasting revenue and expenditures (Coe in Fourie 2007). In addition, cash management and spending monitoring and other financial principles are critical in public financial management and in systems which also receive assistance from various accounting procedures and the Auditor General (Van der Walddt, 2016). Therefore, public finance management focuses on accountability and transparency, placing an emphasis on budgeting and financial regulation in the sense of performance management. Therefore, the financial management of public administration is essential (Cloete, 1998).

2.3 Elements of Financial Management

Munge, Kimani & Ngugi (2016) conducted an ethnographic study of financial control in Kenyan public secondary schools to assess how financial management was used to improve good governance. Evidence from their research revealed that public officials governing these school could not effectively budget their finances which created negative effects for financial management. The findings showed improper recruitment of unskilled workers who did not have proper trail records. The incapability to prepare financial year-end reports that adhered to Auditor General demands was triggered by the failure to implement suitable financial controls.

Recent research has shown that the implementation of financial controls within local municipalities demands a strong will from the officials (Hayle, 2005). Following proper

procedures in daily operations is fundamental for directing financial management strategies. Rosen & Gayer (2010) claim that resource mismanagement has continued to be the case in many state entities which constrains community service delivery. In the study of Avery & Obah (2018), it was revealed that the Nigerian public sector is a recipient of poor financial management. The authors' argument was based on the legal frameworks governing financial management in Nigerian civil service. From this discussion, one can argue that good financial management associated with proper financial controls is critical to municipal service delivery.

Apart from the described limitations, this research is based on the views of Ostman (2009) who affirms that financial controls are crucial for effective financial management. In local government, as alluded to in the literature, poor financial management has triggered service delivery backlogs in communities. Therefore, financial control theory submits that, to achieve good governance, correct procedure in all financial transactions and relations between parties should be observed. The control theory further assumes that components of the total control systems that are developed should respond to an existing structure as well as reinforce the properties and tendencies of this structure. In this study, the control theory helps inform how financial controls can be established to enable municipal officials to maintain accountability and to improve municipal finance management. The control theory was used in a study of Wakiriba (2014) in Kenya where it was useful in examining how public funds were used in service delivery. The effective implementation of financial controls in Alfred Duma Municipality should help to shape the image of the Municipality whilst adhering to principles of good financial management.

2.4 Conceptualisation of Municipal Finance Management: A South African Perspective

This section provides a discussion on municipal finance management and its key concepts such as accountability that are crucial in the management of municipal finances.

2.4.1 Financial Planning and Management

In terms of public finance, local or municipal finance is particularly important because it is nearest to the people (Ijeoma, Nzewi & Sibanda, 2013:229). The municipal finance system is a rather complex and technical aspect of the local administration and management (Pauw, Woods, Van der Linde, Fourie, & Visser, 2002: 235). Practitioners, including financial professionals, executive directors and even consultants undertaking financial decisions daily must, therefore, research and maintain a comprehensive understanding of this mechanism in the Financial Management field

(Pauw et al., 2002: 325). Credit management, procurement, monitoring and receipt of funds are part of the daily financial management activities (Block & Hirt, 1992:11). Three main financial reporting activities were listed by (Atril, 1997) as follows:

Financial planning: includes creating financial projections and plans that include a cash flow statement and an income statement that can assist managers to examine the suitability of a proposed course of action.

Financial decisions: include assessment and locating of potential sources of funding for the organisation and this involves deciding on the correct financial structure.

Financial control: relates to how the programmes are executed. Once plans are decided upon, administrators will need to make sure that things are implemented as expected. The control and monitoring of revenue, debtors, stocks, creditors and liquidity must be exercised in informing funding decisions.

2.4.2 Financial accountability

To ensure transparency and accountability in municipal finance management, the *Municipal Systems Act (MSA)* and *Municipal Finance Management Act (MFMA)* were introduced as aspects of good governance. Scott (2000:40) describes financial responsibilities as an obligation or liability for transparency in financial matters by government officers. It is up to them to clarify or justify and explain how they carry out their financial responsibilities. Financial accountability as Rabrenovic (2009:30), believes refers to answerability or justification for action and conduct, and to financial responsibility. The responsible regulation of public money is what financial accountability aims to achieve (Redlynch, 2001:15). Financial accounting as an aspect of accountability focuses on the distribution, use reporting and tracking of financial resources (Brinkerhoff, 2001:10). Budgeting and auditing are the key accounting tools used to make sure public officials adhere to financial management and control laws, rules and regulations.

2.4.3 Good governance and accountability

In local municipalities there must be accountability, openness, people-centred governance, performance standards, productivity, and the responsible use of resources (Ijeoma et al., 2013). To function properly in line with good governance principles municipalities should have internal and external audit committees. Good governance and transparency are of utmost importance to realise the desired financial outcome. As an organisational structure governance allows for a better understanding of the governing mechanism (Wilson & Game, 2002:138). Exercising good

governance can help local municipalities to safeguard municipal finances through strong financial controls (Harelimana, 2017)).

2.5 Theories Underpinning Financial Management: Financial control theory

According to the Financial controls theory by Ostman (2009) institutions such as the public sector should be viewed from many perspectives. Human beings in the public sector serve in major roles that can be evaluated through the success or otherwise of institutional activities and outputs. The second assumption is that in all institutions the structure, activities and transactions are interlinked with various parties. Thirdly, the control system for methods and procedures must be aligned to functions that safeguard resources. The financial control theory assumes further that people and their personalities remain significant in terms of finance (John et al., 2014). As asserted by Osman (2009), financial instruments, accounting, control models and related aspects must be reflected in the operation of organisations. The author reiterates that to enhance financial accountability in government, accounting procedure must be adhered to where all expenses are accounted for in the same timeframe in which the expenditure takes place.

Authors such as Avery & Obah (2018) state that the use of the financial control theory reveals that in Nigeria, a positive relationship exist between accountability and internal audit. Similarly, Munge, Kimani & Ngugi (2016) state that the use of this theory has demonstrated statistically the nexus between financial and budgetary management in Kenyan public secondary schools. The oversight role exercised by these schools to assess the costs and expenditure helped develop internal mechanisms to achieve targets that were possible within the available budget.

Unfortunately, Effah's (2011) view constitutes a serious criticism of the theory of financial control when he reminds us that fundamental to financial control is that it is only a structure that aims to guide behaviour but that fallible human beings still do the day-to-day activities. Further, Laynnoye (1999) states that no matter how well the financial control system is designed some activities, conditions and events are beyond management's control. Therefore, it is evident that poor judgement in decision-making, the manager's ability to override controls, as well as human error are some limitations of financial controls.

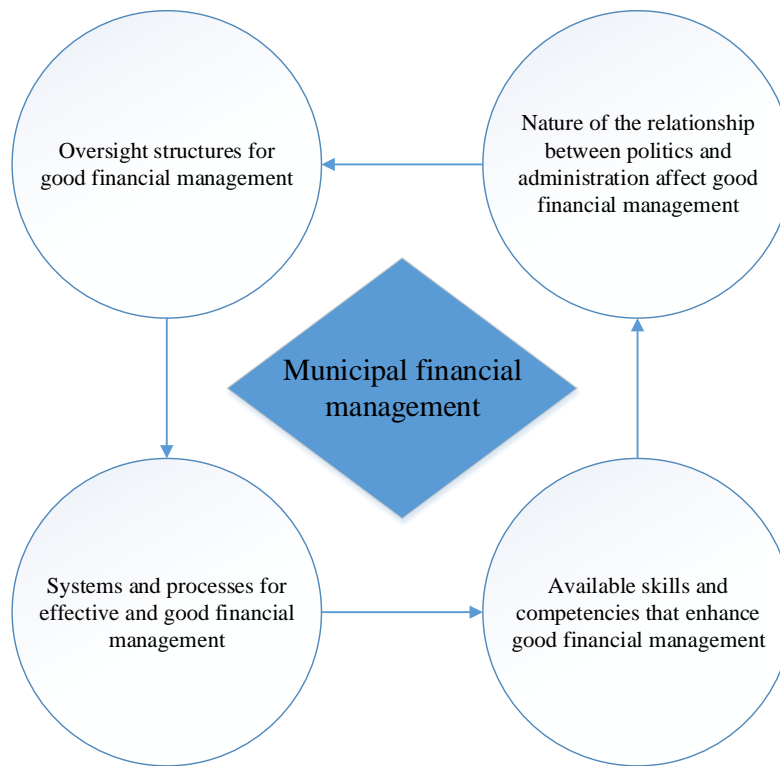
Despite the stated weaknesses, this study draws on the work of Osman, (2009) to argue that patterns of transactions and relations amongst parties are a significant component of the total control system. Further to this, control systems such as systems of financial accounting and management control are openly introduced. Ostman's financial control theory also draws attention to the impact of the structures of institutions as well as the financial control systems on the outcomes. Stating that at a certain point in time these systems and structures form a basis for every specific process in an institution. The results of such a process affects the functioning of individuals therefore, in principle, the structure of the entire economy and the control system is marginally affected when individual processes in the institution take place. To this end, Ostman's conceptualisation of financial control concludes that all public institutions should revisit and revise their financial control systems time and again.

In this research, the financial control theory allows for an improved consideration of the complexities surrounding accountability in an organisation and points out the constructive relationship between accountability and financial control that reflects a major influence on the overall financial management of the institutions.

2.5 Conceptual Framework

Imenda (2014:190) reasons that the application of the theoretical or conceptual frameworks in research serve as epistemological paradigms that are used by researchers as diagnostic instruments to address a problem statement. Roberson (2012:674) describes a conceptual framework as a mental illustration of a structure that is applied in situations where a more comprehensive picture is needed to resolve a puzzling situation. Improvements in financial management within local government are not a once-off event but are rather the continuous processes that involve many different stakeholders who are committed to bringing about positive changes in this governance.

Figure 2.1: Framework for Financial Accountability in Municipalities



Source (Author 2020).

Figure 2.1 shows the framework this study has devised to achieve good financial management. This incorporates oversight structures, systems and processes, relationships between politics and administration including the available skills needed to achieve good financial management in local municipalities.

2.6 Oversight Structures for Financial Management in Local Municipalities

To achieve good financial management in South African local municipalities, the following oversight structures should be used.

2.6.1 Municipal Public Accounts Committee (MPAC)

To hold the executive accountable for public expenditure the MPAC is useful for its oversight function. The MPAC is appointed in huge metros including category B municipalities, and it is used to play an oversight role that supports section 80 committees. However, smaller municipalities in South Africa may not have an adequate number of councillors to implement section 79, therefore, they may appoint only one oversight committee to play an oversight role within the ambit of the provisions of the MSA 2003. In establishing MPAC in municipalities, section 79 requires that the municipal council is mandated through council resolution to establish MPAC, and to decide on the roles of the committee as well as its terms of reference. It, delegates

work to MPAC, in line with agreed roles and responsibilities of the committee, and it decides on the procedures of the committee. It further allows the members of MPAC to determine which councillors are to be selected by the municipal council. Section 160(8) is relevant to the functioning of the committee as it allows parties' interests to be reflected in the Council's deliberations through MPAC representation. The MPAC chairperson is appointed by the council and this appointment can be rescinded at any time by the same council. Despite the existing guidelines on how MPAC should function, financial mismanagement still exists in municipalities in SA. Makhado et al., (2012) stress that in establishing conditions for the efficiency and effectiveness of the MPAC, they still need to do more to improve their work on a continuous basis.

2.6.2 Municipal Council and the Accounting Officers

The Municipal Council should undertake essential procedures to implement regulations that govern them by adopting policies, resolutions and budget aspects vital to implement government regulations. Regarding Regulation 13, a municipality can delegate its powers and duties to proper officials who can enforce regulations. Further, public officials are required to have proper training in workshops that are offered through National Treasury to ensure proper implementation of business and financial plans in the municipality or municipal entity that can enable the enactment of these regulations, mandated modifications and upgrades including the requirement to submit reports with solutions to the municipality's elected council, and board of directors that can then enact the resolutions, policies and budgetary provisions.

2.6.3 The Internal Audit Committee (IAC)

The oversight committee and the IAC are mandated to operate autonomously and to report to the AO and AC as stipulated by the *Treasury Regulations of May 2000*. The committee is mandated to assess several risks that may occur in a government entity and its procedures. It further provides investigative services for the accounting officer including assessing whether or not a public institution is using its resources efficiently and effectively. Assessing compliance with legislation and regulations, computer auditing and forensic auditing are some of the roles of the Committee. Within the IAC, there is a risk-based unit and relevant programmes mandated to offer assistance to the AO while reporting to the AC on the in-house plans and risk management strategies. It should be noted that this committee is crucial as it helps local municipalities decide on financial and risk management.

2.6.4 Municipal Budget and Treasury Office

The MFMA mandates each municipality to create the Treasury Office which should comprise a Chief financial officer, office bearers and any individual hired to work for the municipal council. The MFMA in section 81(1) allows the CFO of the local government to be accountable for budgeting including budgeting for the Treasury Office.

The accounting officer receives advice from the CFO when exercising his/her duties in line with the Act. Further, the CFO helps the Accounting Officer in the budgeting, planning and management of municipal finances. Senior executives also receive advice from the CFO regarding the exercise of their delegated duties. Every Senior manager and municipal manager is required by *Section 78(1) of MFMA* to ensure effective financial management by ensuring that all financial systems and internal controls are developed for the Municipality to guard against unauthorised and irregular expenditure and to comply with legislation regarding the Act to ensure that section 79 is complied with in the management of municipal finances. This framework is vital for this study as it shows the rules and regulations and functions of different players in the Municipal financial management structure.

2.6.5 Budget Steering Committee

This committee is established under Section 53 of the MFMA. The mayor gets help from this Committee when implementing financial strategic planning, IDP, including approving the budget in line with the Service Delivery and Budget Implementation Plan (SDBIP). It is the role of the committee to help the Mayor in developing the yearly senior management performance contracts and in publishing specified information on the municipality's budget and performance. There will be advisory boards and senior management, including budgeting and maintenance executives, in the Budget Steering Committee. Political and administrative experience is combined (Steytler et al., 2009).

2.7 Challenges of Financial Management in Municipalities

This section discusses various challenges hindering local municipalities from achieving good financial management as an imperative for good governance in South Africa.

27.1 Financial mismanagement

Unreliable financial management has most definitely been a prominent problem affecting local municipalities. De Vries et al., (2008:62) argue that financial management hampers progress, development and growth in government entities in South Africa. This raises questions about the integrity and honesty of the government, as well as the economic situation because the government is obliged to recoup losses due to corruption by increasing taxes. Gcora & Chigona (2019) claim that, financial mismanagement can be regarded as misleading the public concerning their legal position by giving incomplete and vague information concerning the public expenditure. In local government, such cases are rife whereby huge sums of public money are embezzled through corrupt means.

2.7.2 Lack of skilled staff

Shortage of skills to implement legislation and municipal finance development programmes is a hindrance facing local municipalities in South Africa. This was confirmed by Oberholzer (2013) who noted that local government is failing to achieve sound financial management because of the absence of competent officials willing to steer the boat in an appropriate direction. The author also argues further that achieving sound financial management needs qualified people in the right positions to build internal capacity continuously rather than relying on external parties, for example, consultants. Many municipalities are struggling to increase municipal capacity due to low municipal budgets that decreased productivity and efficiency. The lack of proper financial management skills often results in poor financial accountability as observed in the Auditor General's report for KwaZulu Natal municipalities (Corne, 2013). Similar observations were made by Sibanda (2017) who claims that local municipalities in South Africa are receiving unqualified audits every year due to lack of compliance with legislation on municipal finance and poor financial management strategies. This is because many municipalities depend on outsourcing to audit firms to identify any errors and omissions. Due to skills shortage municipalities are failing to comply with an agreed upon accounting standard, with an inadequate registry of fixed assets and without underlying supporting schedules.

2.7.3 Weak leadership and unethical conduct

Many local municipalities attract negative public confidence in service delivery (Mafunisa in Moeti, 2007). This is attributed to many different reasons. In the management of municipal finances, local municipalities are failing to win public trust because of politicians and officials who

apply immoral standards and display unethical conduct (Ndlovu, Maramura & Enaifoghe, 2020). In most cases weak leadership is behind the unethical conduct of municipal officials in local municipalities. These views are supported by Kanyane (2006) who views poor strategic management, inept corporate governance and shortage of skills for hampering the implementation of financial management and its related legislation. Furthermore, Nombembe (2008) argues that other municipalities face poor financial administrative capacity thereby experiencing poor accounting, credit control, budgeting, and financial monitoring systems. As Meyer & Cloete (2006:305) submit, the lack of strong, clear and transformative leadership in politics and the executive bodies hampers the achievement of sound financial governance in local municipalities in South Africa. To have improved cities, towns and communities, Maserumule (2008:441) advocates for innovative leadership in municipalities that is ethical and accountable to the citizens they serve. Both the administrative and political components of municipalities need to employ skilled people in the finance section to ensure that funds meant for development are used accordingly without any deviations. Nevertheless, institutional constraints adversely affect local municipalities in delivering services. Therefore, the successful use of relevant and sound financial management strategies should, be implemented by the local government.

2.7.4 Poor monitoring and evaluation (M&E)

In the quest for good governance in municipal financial management, M&E is significant. Several studies on local municipalities revealed that monitoring and evaluation are lacking in municipal finance development programmes of municipalities (Govender & Reddy, 2014; Kariuki & Reddy, 2017; Nkuna & Nemutanzhela, 2012). Monitoring is defined by Engela & Ajam (2010) as a mechanism that focuses on the assessment of the performance of the projects and their daily activities through data collection and evaluation that includes the use of social research methods to test social interventions for conceptualisation, design, implementation and usefulness (Rossi, Lipsey & Freeman, 2014). Ensuring the viability of municipal finances requires the two principles of monitoring and evaluation to be implemented to ensure that programmes being undertaken to realise municipal revenue are conducted in an accountable and transparent manner. Ensuring municipal viability is becoming a challenge due to the lack of monitoring and evaluation (Davids, 2011; Notsi, 2014). Although critical to the sustainability of local municipalities implementing monitoring and evaluation procedure is often a complex task resulting in wasteful expenditure, corruption and poor service delivery. The likelihood is great that if municipal officials who deal

with finances account for their actions, corruption can be minimised and service delivery could be improved (Kariuki, 2017). Arguably, the significance of M&E in ensuring that municipal finances are spent wisely is fundamental to the establishment of a stable municipal revenue base and to an increased chance of ensuring quality service delivery. As noted by Jordan & Fourie (2013) financial accountability is important in government and in the private sector. However, many local municipalities are marred by financial mismanagement and corruption which produces negative effects on community service delivery. The absence of accountability structures triggers financial mismanagement as the average citizen is not able to hold a public official accountable (Kariuki, 2017:270).

2.7.5 Weak human resource capacity

Local government is confronted with poor human resources capacity to provide talented management (Koketso, 2011). In many cases, local municipalities fail to demonstrate knowledge of talent management, which is crucial for identifying experts in municipal finance, who can drive the developmental agenda in a cost-effective manner (Nzewi, Ijeoma, Sibanda & Sambumbu, 2016). Due to weak and incompetent human resource staff, unskilled people are hired to fill key positions in the municipality which results in poor performance management. The failure to deploy skilled staff may be influenced by cadre deployment where the political hand interferes in the administration of municipalities (Bwower, 2019). When municipalities become politicised, identification of talent becomes a challenge as the recruitment and selection procedure are manipulated to serve political party interests (Vaiman & Collings, 2013). Financial accountability in such a scenario is non-existent paving the way for the embezzlement of municipal finances through lack of compliance with legislation regarding management of municipal finances (Vermeulen, 2015). The lack of an effective human resources department to carefully execute talent management programmes has a detrimental effect on municipal performance management. This can further lead to misalignment of legislation regarding municipal finance with the vision and mission of local municipalities (Van der Westhuizen, 2016). Arguably, therefore, a weak Human Resources Department leads to poor management of municipal finances and this has adverse effects on community service delivery.

2.7.6 Political interference

Many scholars have written on the politics-administration dilemma that prevented many municipalities in South Africa from upholding good governance practises (Azunu, 2013; Boshoff,

2011; De Visser, Steytler & May, 2009). In his study, Mafunisa (2010) acknowledged the challenges confronting local municipalities whereby the political authority interferes with decision-making. The battles are usually fought between the mayor and municipality manager as both offices are supposed to ensure effective service delivery (Thornhill, 2012). The Auditor General (2013) in the *Local municipalities and the State of Local government report 2009* confirmed that political tensions could trigger poor accountability and ultimately poor municipal financial management. The root cause of such conflicts, as the Auditor General believes, is failure to establish control over municipal resources which is a challenge in achieving financial accountability. Political interference in municipal financial management was noted by Ambe & Badenhorst-Weiss (2012) in local government procurement systems where contracts are awarded to undeserving parties based on political affiliation. Therefore, political interference defeats the capacity of local municipalities and derails the implementation of AG audit opinions including financial control strategies for utilising citizens' money in a cost-effective manner. Furthermore, political interference in the financial matters of a municipality results in conflicts, poor planning, lack of compliance with legislation and poor decision-making (De Visser, 2010). It is arguable therefore that, political interference in the form of political appointments in key municipal positions has detrimental effects on financial accountability.

2.7.7 Corruption and financial management

Corruption is another factor constraining financial management in local government. It emanates from unethical practises and manipulation of various municipal systems to benefit a few individuals. Local government corruption is rampant in the public procurement systems where tenders are awarded to friends, families and individuals without following due procedure. In many cases, huge amounts of municipal funds are stolen either through overpricing of municipal contracts or through tenders submitted by the service providers. Corruption, as defined by Craythorne (2003), refers to the moral deterioration that reveals itself through corrupt activities that include theft, fraud and bribery. Following various commissions of inquiry in South Africa such as the Zondo Commission, revelations of corruption came to light that involve senior public officials at the local and national levels. Corruption has adverse effects on the functioning of government departments and community service delivery at large (Basheka, 2008). Several communities have been deprived of the much-needed services due to corrupt activities which result in many service delivery strikes. It can be deduced from these arguments that corruption can

deplete municipal accounts especially through the procurement system which leads to poor service delivery as municipalities under-perform and some end up under provincial administration. Mitigating corruption is never a simple job, nonetheless, local municipalities together with stakeholders can devise whistleblowing mechanisms that can help minimise corrupt activities for the benefit of communities who depend on services from local municipalities.

2.8 Skills and competencies required for good financial management in South African

Local Government

The following section provides a discussion on the skills and competencies needed to enhance financial management in South African local municipalities.

2.8.1 Monitoring and oversight

Financial governance, in local municipalities in South Africa is required to monitor and play an oversight role to safeguard municipal finances. As noted by Van der Waldt (2016), the Chief of Financial Officers (CFO) also offers oversight and supervisory services regarding municipal finances within the local government, relevant committees under financial governance and permanent members of local government. The MFMA allows a municipality to create in-house and external audit committees to promote sound municipal financial management while formation of MPACs must be encouraged in compliance with *Article 79 of the Act on the Municipal Structures of the Local Government (No. 117 of 1998)* as a way of performing a watchdog role representing the city council. The different pieces of legislation have been integrated to create the institutional financial management system in South Africa. Under *Section 216(1), of the Constitution*, a national treasury may be established to recommend measures to ensure adequate regulation of the spending in each of the three levels of government. To strengthen the work of municipal finance managers, *Section 195(1)* states that in all three tiers of government, public administration needs to demonstrate accountability in the use of public resources. As Smit & Cronje (1992), hold, local municipalities need to strengthen their human and financial resources as they are crucial for achieving sound municipal financial management.

2.8.2 Accountability and Transparency

As a framework for ethics, the idea of municipal financial accountability has produced a variety of interpretations (Day & Rudolf, 1987:33). It is typically associated with terms like responsibility, accountability, and enforcement. (Huddleston, 1982:320). As Sibanda (2017) observed, responsibility and accountability are concepts that are closely related and require public officials

to be responsible for programmes, and decisions regarding citizens' money. Public financial management should be transparent and perceptible. Accountability according to Khalo (2013:581) is a duty to expose, explain and justify the actions taken. Financial accountability as noted by Fourie (2007:741) means public officials occupying authoritative positions who must account for their use of public money.

Political accountability requires routine and consistent methods of sanctioning or recompensing public confidence holders by internal control mechanisms. Administrative transparency, on the other hand, means internal control mechanisms for government and this includes guidelines, rewards, codes of ethics and administrative evaluations of public service (Fourie, 2007:742). Democratic philosophy emphasises the importance of ideals and public accountability. Locke's Theory of supremacy of representative democracy is based on the understanding that only if the administered are isolated from the rulers is accountability possible (Locke, Lindberg, 2013:203). The theory of Jeremy Bentham that "the more we are watched, the more we are behaving..." best reflects the prerequisite for transparency (Hood et al., in Lindberg, 2013:203).

Rendering services efficiently and effectively, demands the accountability of how municipal finances are spent. Accountability can provide an acceptable interpretation and clarification of one's actions when executing technological, administrative, political, or financial duties (Ola & Effiong in Adejuwon, 2012:27). Accountability is based on both accounting transparency and accountability. Accountability, as Blind (2011) noted applies to transparency, dignity, equality, justice, and fairness. Answerability and enforcement encompass the concept of accountability (Adejuwon, 2012). Answerability involves the state and supervisory bodies offering explanations of actions taken in performing a particular task. The regulatory agency often can determine that an offending party may be disciplined, or the offending party can declare an individual or entity liable for accountability. Drawing from these competing clarifications, accountability is therefore essential for good governance and effective municipal financial administration. Adejuwon (2012:27) argues that transparency is essential for holding executives who exercise power accountable so that their acts or inactions can be kept accountable. The expectation in a democracy is that authority and power and a simple system of administrative transparency must be used responsibly. Transparency and good governance are therefore imperatives in financial management. In this regard, accountability is a crucial element for promoting ethical and sound

financial management (Adejuwon, 2012:34; Carrington et al., 2008:35). In this respect, as pointed out by Fourie (2007:742) the financial manager is responsible and accountable for whatever type of behaviour is exhibited by officials. Therefore, an official must be reproached for his or her unethical behaviour, so that this official is seen to be responsible to the public. Effective control mechanisms must be developed to ensure transparency for sound public financial management. Key stakeholders need to be provided with timely, unbiased, comprehensible and balanced reports. Also, the impeccable keeping of accounts and records is important to maintain an efficient financial control system (Ngoepe & Ngulube, 2015). Therefore, oversight and accountability remain critical for financial accountability and viability of local government (SALGA, 2012).

The lack of financial oversight is one of the factors preventing local municipalities from upholding transparency when they spend public money. As a functionary of municipal financial accountability, Khalo (2013) affirms that oversight aims to enhance service provision by protecting against unethical practices, resource and power misuse, thereby strengthening transparency and accountability in local government. Municipalities are therefore expected to establish MPACs in connection with *Section 79 of the Municipal Structures Act*. The MPAC has an oversight of ensuring that local government provide reports, tracking and promoting good governance for the Executive Officers of the Council (South African Local Government Association 2012). Nonetheless, the *Municipal Systems Act* should be used to determine the functions of the MPAC.

2.8.3 Systems and Process for Good Financial Management in Local Municipalities

The failure of municipalities to implement recommendations of the Auditor-General leads to unqualified audits every year in South Africa. This is attributed to numerous reasons that include, a skills deficit, the reluctance to comply, political interference and lack of general will to enhance service delivery. Apart from the strong legal framework that South Africa has, Enwereji & Uwizeyimana (2019) lamented over the lack of compliance with legislation with regard to municipal financial management. This has been noted in the previous Auditor General reports for municipalities especially in KwaZulu Natal, where corruption and financial mismanagement are rife. Few municipalities in the KwaZulu Natal province received clean audits in the year 2019/20. Empirical evidence attributes this to irregular, wasteful and unauthorised expenditure (AG, 2018). The Auditor-General noted poor municipal financial accountability which has adverse effects on community service delivery. Although, many public officials were investigated on corrupt charges very few were convicted due to lack of evidence to warrant sentencing. Despite

the strategic measures taken by law enforcement, the embezzlement of municipal finances is escalating. It can be argued that the existence of oversight mechanisms such as MPACs and Standing Committees on Public Accounts (SCOPAs) has not done justice to safeguarding municipal finances. This is because municipal officials often bypass the MFMA and the *Public Finance Management Act* which are supposed to be the legal frameworks that guide municipal financial conduct. These acts are manipulated by powerful political office-bearers to siphon off municipal funds. Therefore, in the absence of municipal financial accountability, adherence to AG reports is a challenge which calls for stakeholders, including government, to collaboratively work together to mitigate the scourge of corruption and financial mismanagement.

Reviewing the Auditor General reports for KZN municipalities shows that, financial accountability is a necessity to enhance service delivery. For example, the 2018 AG report indicates that 74 per cent of the municipalities failed to pursue allegations of fraud in supply chain management, 45 per cent did not have adequate investigative or monitoring systems, and 62 per cent failed to make required inquiries into illegal, irregular and wasteful expenditure. Close to R71.1 billion accumulated due to irregular expenditure was never investigated. The AG lamented over poor financial accountability in local municipalities whereby leaders do not comply with legal provisions when executing their financial mandates. Several prominent financial positions in local municipalities remain vacant leaving municipalities vulnerable to fraud and financial embezzlement. Also, implementing recommendations from the AG seems to be a huge task for local municipalities due to lack of competent people who know how to implement financial reforms to turn around the finances of municipalities (Enwereji & Uwizeyimana, 2019). It was noted through the AG report that, many municipalities could not effect M&E to ensure that municipal finances are being used for the intended purpose of rendering services. The absence of M&E and lack of accountability in terms of municipal finances was the main cause of poor community service delivery.

To improve on the management of municipal finances, local municipalities can adhere to the following principles which include risk management, implementing internal controls, benchmarking, and training of employees.

Risk management

This aspect is vital for enhancing the management of municipal finances. According to Stanleigh (2016), risk management includes the process of ascertaining, evaluating and controlling both

internal and external barriers that may hinder productivity in an organisation. The barriers may include financial uncertainty, poor investments, weak business acumen, management errors, natural disasters and accidents. As Enwereji & Uwizeyimana (2019) note, local municipalities must assess the risk to devise strategic solutions to be successful. The risks in local government include threats and opportunities that must be handled effectively. Local municipalities must classify what they believe to be risks and find alternative ways of mitigating such risks with minimal deviations (Fourie, Opperman, Scott and Kumar, 2011). Failure to manage risks can result in poor financial accountability in municipalities which can result in poor service delivery.

Internal control

For municipalities to manage their finances effectively, a strict internal control mechanism should be put in place. According to Fourie et al., (2011), the internal control mechanism includes the process of managing the financial resources of organisations in a risk-averse manner. Organisations implement internal control mechanisms to ensure that they achieve their objectives by using reliable financial reporting and compliant procedures that conform to legal provisions and policies (Banerjee, 2015). The internal control mechanism can help municipalities to tighten their financial accounting systems and to avoid corrupt activities from occurring (Micheni 2017). Implementing internal control mechanisms helps municipalities to become efficient and effective in their operations through transparent, reliable financial reporting and compliance with legislation such as the MFMA and the PFMA.

Benchmarking

This is a strategic management tool for examining organisational performance in relation to a defined standard (Gyure, 2012). Role players in an organisation use benchmarking as an extremely important tool to assess their performance and to make modifications where appropriate. Through benchmarking, municipalities may define opportunities, set targets, enforce priorities and determine objectives using benchmarking against a standard (Gyure, 2012). Benchmarking considers the three main dimensions of consistency, cost and time. Overall, in municipalities, benchmarking provides the basis for assessment and for comparison of quality outcomes (Enwereji & Uwizeyimana, 2019). Benchmarking can be used as a tool to determine the financial position of municipalities where the output is measured against the municipal expenditure incurred which is crucial for the effective service provision.

Financial monitoring and coordination

For municipalities to deliver services to the people in an effective manner, sound financial management is required. Financial management is regarded by Paul et al., (2013) as an activity that encompasses planning, coordinating, controlling and monitoring of financial resources of the organisation to achieve the stated objectives. It further involves all responsibilities relating to how the company obtains its financial resources (Fourie et al., 2013). In municipalities, financial management includes activities such as the purchase of assets, use of funds, transfers, evaluation of risks and other financial practices (Stanleigh, 2016). Financial reporting, auditing and budgeting enable good management of municipal finances. Mitigating corruption in local municipalities requires strong financial management which includes effective accountability mechanisms that help safeguard municipal finances. It can be concluded from this discussion that to achieve good governance municipal finances should be properly managed. By implementing stringent measures, municipalities can use municipal finances efficiently for community service delivery.

Training of employees

Enwereji & Uwizeyimana, (2019) argue that skills training of municipal officials is crucial for enhancing the delivery of public goods and services. This was affirmed by Martin, Kolomitro & Lam (2014) who suggest that training is fundamental for educating employees on how to acquire new knowledge skills to do specific tasks. By training public officials, Zhao (2019) confirms that mental capacities are developed to enable them to perform a specified task with minimal challenges. From a public human resource perspective, training is fundamental for local municipalities. Given the trends in the technological environment, public officials need to be equipped with the technical know-how for instance on how to utilise modern technologies which appear to be dominating the public and corporate affairs of many governments. Training can, therefore, be regarded as a catalyst for improving skills and performing tasks effectively and efficiently (Kolomitro & Lam, 2014). Municipalities in, KwaZulu-Natal, should ensure that they conduct regular training for municipal officials to equip them with skills to perform public duties, particularly in the municipal finance sector. If finance managers are regularly trained, chances are high that municipal finances will be protected from systematic manipulation or general financial mismanagement or from irregular expenditure. In summary, weak financial mismanagement is

regarded as a serious concern as the AG's reports every year point to lack of strong financial management mechanisms that could prevent corrupt financial abuse of public funds.

2.8.4 Auditor-General & the External Audit Function

Eliminating fraud and unethical conduct in local municipalities is fundamental for ensuring peoples' finances are used for the intended purpose. In exercising public accountability, Van der Waldt (2016) states that the Auditor General requires all local municipalities to present full records of all public financial matters. To satisfy the requirements of the Auditor General in municipal finance management, performance auditing and accounting are some of the requirements. *Section 188(1) of the Constitution* provides for the AG to report on and to audit government accounts, and to produce a financial statement including financial mismanagement of all national and provincial state departments, administrations and all municipalities. Annually, reports regarding municipal financial management are tabled by the AG and another government department (Van der Waldt, 2016). In compliance with the *Public Audit Act (PAA No. 25, 2004)*, the Auditor General shall issue a judgment on the audit-based public financial statements, the General Notice given by it and the International Auditing Code.

2.9 Policy and Legal Frameworks for Financial Management in South African Municipalities

Various legislative frameworks governing financial management in South African Municipalities are discussed in the following section.

2.9.1 Constitution of the Republic of South Africa 1996 (Act 108 of 1996)

All government departments are required to uphold accountability, openness and responsiveness under *Section 1(d) of the Constitution*. *Section 41(1)(c)* which further advises all departments to develop a transparent, accountable and coherent system of governance. Section 43 further provided for the establishment of legislation and authorities to be represented in the national, provincial government as well as in the municipal council. Also, *Section 139(4) of the Constitution* and *139(a) and (b) of the MFMA* stipulates that in the event a municipality cannot achieve its statutory obligation to pass a budget or of implementing strategies to raise revenue, the provincial executive can intervene. When this happens a strategy to raise municipal revenue must be put in place. Where a municipality is financially bankrupt, *Subsection 5 of the MFMA* provides for the provincial sphere to intervene and to implement reasonable strategies towards increasing revenue flow. This framework is important as it informs the dynamic at local government level concerning municipal financial management.

2.9.2 The Municipal Finance Management Act 2003 (MFMA) Act 56 of 2003

This framework controls municipal finances in local municipalities (Motake, 2005:18). The introduction of the MFMA should improve the functioning of local government as it focuses on compliance with procedures and regulations (National Treasury 2008:158). One-year, line-item budgeting was used in local municipalities, but it failed to help the long-term strategic planning or to take account of available resources. The weaknesses of this approach are that resources were distributed based on historical status instead of community needs. This was worsened by poor reporting and performance management as reports were falsified and not comprehensive. The National Treasury (2008:158) contends that weakness in financial reporting and control continue to trigger accountability challenges in local municipalities. These frameworks are essential in this study as they inform the Alfred Duma Municipality how municipal funds should be managed to enhance service delivery.

2.9.3 The Public Finance Management Act, 1999 (Act 1 of 1999)

This act seeks to regulate financial management in both the national and provincial spheres of government. Its focus is on revenue, assets, liabilities and expenditure in all these spheres. The framework advocates for compliance among office-bearers dedicated to financial management in these spheres. It further provided a platform to make decisions regarding local government spheres and assisted the Minister of Finance to suggest strategies in line with *Section 168. Section 76(4) of the PFMA* which provides for the National Treasury to produce guidelines for all government entities as a way of adhering to the provisions of the Act. Enforcing compliance with that instruction is also the role of National Treasury as per *Section 168 of the MFMA*. Furthermore, *section 38(1)(a)(iii) of the PFMA* stipulates the role of accounting officer in promoting an effective supply chain management mechanism to be implemented in a transparent, fair competitive, equitable and cost-effective manner. This framework helps understand the functioning of public funds within government entities in South Africa.

2.9.4 The Auditor General Act 1995 (Act 12 of 1995)

This Act provides for the appointment of an Auditor-General South Africa and specifies the roles, duties and powers of this appointee. It also demands that the AGSA be appointed. The AGSA is mandated to audit and review all public administrative accounts and to report on its conclusions to Parliament (Visser & Erasmus, 2002:57). As an autonomous assessment of the views regarding the financial statement, this audit is fundamental in safeguarding the use of public funds (Jones &

Pendlebury, 1992:233). Auditing of information collected and examined, or facts presented in management reports and supporting documents to provide an independent, knowledgeable and qualified opinion on representations and statements is crucial in local municipalities (Mckinney, 1995:404). The opinion of AGSA is the key component of the *Municipality Audit Report*. Poor results of the audit will show a lack of adherence to principles of openness, and to the fair use of public resources. Municipal administration and accounting incompetencies, insufficient internal controls and risks management are some of the important shortcomings dealt with in the audit report (*Government Budgets and Expenditure Analysis, 2008*). In public organisations, auditing is codified under the *Public Audit Act, 2004 (Act 25 of 2004)*. The AGSA is now the head of public auditing in South Africa (Conradie, 2007:18). The audit should reflect views concerning the auditee. AGSA offers its views regarding the fair representation of the financial position of a financial institution by the financial statements audited. Also, an opinion on the performance of audited organisation information concerning defined goals shall be expressed in the AGSA's report (Conradie, 2007).

2.9.5 The Intergovernmental Fiscal Relations Act, 1999 (Act 97 of 1999)

Further co-operation between three tiers of government demands the use of the *Intergovernmental Fiscal Relations Act* as it promotes cooperative governance, the Act formalises the intergovernmental budget process. Cooperative governance is embedded in the three principles that are interdependent, distinctive and interrelated. Government departments are expected to collaborate to achieve their goals which is what cooperative governance is all about (Mathebula, 2007:11). The Act shall provide a mechanism to promote cooperation when implementing laws, including (a) a cohesive government response, b) transparency and (c) proper financial management of all central, provincial or local governments and all state bodies.

2.10 Chapter Summary

In every municipality globally, transparency and accountability, are essential principles of good financial management structures. They should direct cultural, social and infrastructural expansion including the development of local governments and their communities. The effective use of financial management principles rests on effective legislation that is implemented by skilled, experienced, and qualified personnel who are to plan and design. Minimal political or administrative interference is key to ensuring that local municipalities in South Africa implement efficient principles of managing municipal finances to enhance service provision. The review of the literature revealed several challenges confronting local municipalities in South Africa that prevent

them from achieving sound financial management. These include, inter alia, political interference, skills shortage, poor governance, corruption and financial embezzlement. These challenges constrain local municipalities including Alfred Duma Local Municipality from attaining good financial management in service delivery.

CHAPTER 3: RESEARCH METHODOLOGY AND DESIGN

3.1 Introduction

Chapter two reviewed some of the empirical writings that are related to this study. This chapter presents the methodology of the dissertation. The researcher discusses the research paradigm, design, and approach, study site, the target population, sampling strategies, data collection instruments, data analysis techniques, quality test and data quality and the ethics observed in this study. This is a case study that employs a mixed-method approach for gathering data.

3.2 Research Paradigms

Lincoln & Guba (1994: 5) describe a research paradigm as a world view or basic belief employed by a researcher to direct an investigation. This is further explained as a framework that guides theory and research through critically assessing underlying key issues, methods used to answer research questions and basic assumptions (Leedy & Omro, 2013; Neuman, 2014). The researcher needs to understand the paradigm chosen for a specific research study because its philosophical assumptions have an impact on the research output. Furthermore, it should be noted that the researcher must have a thorough knowledge of the paradigm applicable to the study because this influences how the researcher understands the phenomenon under investigation (Wahyuni, 2012). In social science studies the dominant paradigms are critical realism, positivism, constructivism and pragmatism because most studies are either qualitative or quantitative (Lincoln & Guba, 1994). These paradigms explain ontology, axiology and epistemology differently because they are underpinned by different philosophical ideologies. The following sections discuss the researcher's paradigms underpinning this study.

3.21. Constructivist Paradigm

The constructivist paradigm is grounded in a qualitative method that focuses on appreciating the phenomena and perspectives of the research participants (Creswell, 2018). The constructivist paradigm is applied in qualitative research to explore the phenomenon under study. The philosophical ideology that underpins the constructivist paradigm was derived from Max Weber and Wilhelm Dithery. They argued that understanding of reality is shown by the manner in which humans react, think and act (Neuman, 2014). This shows that reality has a variety of perspectives since human understanding and experiences are different. Therefore, this illustrates that the constructivist paradigm is evolving in both the psychological as well as the academic fields. On the use of constructivism, Yin (2009:32), however, warns that when using this method, biasness

must be avoided in understanding people's experiences, in constructing meaning and in deriving knowledge of the social environment. Hence, participants' views are important in understanding the environment and the phenomenon being researched.

3.2.2 Positivist Paradigm

Augustus Comte is regarded as the developer of the positivist paradigm (Neuman, 2014, and Lincoln & Guba, 1985). He believed that scientific methods should derive knowledge and trustworthiness, and that logic and observation should prevail in understanding the social climate and truth (Lincoln & Guba 1985). In other words, information obtained using non-scientific methods should not be recognised because it cannot be confirmed by experimental and statistical (quantified) natural sciences (Hennick et al., 2011). Positivist investigators rely on quantitative methods in their interpretation of fact, so numbers and statistics play an important role in testing theories (Wahyuni, 2012). Researchers should use scientific methods to collect information describing the social environment because they are value free (Kraus, 2005).

Positivist (quantitative) researchers, such as Leedy & Omrod (2013) believe that, understanding truth requires an unwavering focus on the scientific method as opposed to qualitative researchers who use a broader variety of approaches to obtain information. Ontology is described as the perception of truth (Lincoln & Guba, 2004). Positivist researchers thus conclude that truth is autonomous, and that only tests and findings can be used to explain truth (Neuman, 2014: 97-98). To collect reliable data from the participants natural science is useful when utilising a questionnaire.

3.2.3 The Pragmatist Paradigm

The pragmatist paradigm is believed to have originated from the writing of Pierce around (1878, and 1905). A mixed-method philosophy is drawn from the pragmatist approach (Johnson & Onwuegbuzie, 2004). The researcher adopted a pragmatist approach because she believed that it is suitable for this type of study as it interrogates realism, interprets various phenomena and renegotiates the truth in social research (Du Plooy, Davis & Bezuidenhout, 2014). The pragmatist paradigm is regarded as essential for undertaking mixed methods research (Grafton et al., 2011). The pragmatist paradigm further embraces real practice, work and the activity as well as thinking (Moshe, Christopher & Boin, 2015). The key imperative, as noted by Green & Hall (2010), is that the paradigm directs social inquiry decisions. Creswell & Clark (2011) state that pragmatism is associated with mixed methods research found in the literature (Tashakkori & Teddlie, 1998).

Although pragmatism is accepted by researchers as the most acceptable theoretical paradigm for mixed-method research, it suffers from criticism as a philosophy due to its failure to address the diverse assumptions of quantitative and qualitative approaches (Maarouf, 2019). This paradigm is used in this study to help the researcher achieve a diverse objective that is linked to various worldviews (Kumar, 2010). The pragmatic paradigm in this study will be employed to discover answers to complex problems that emerge through using quantitative and qualitative approaches.

3.2.4 Ontology of Pragmatism

Ontology is defined as a philosophy of reality (Lincoln & Guba, 1994). But Maarouf (2019) argues that in pragmatic philosophy, ontology is largely ignored. It is often regarded as an Epistemological and methodological stance, not as a whole integrated paradigm. Contrary to quantitative studies that believe in a single reality through the application of natural science to social science studies, qualitative studies believe in multiple realities. Pragmatism is regarded as ‘intersubjective’ which refers to objectivity and subjectivity simultaneously as it accepts that both exist within a single reality including admitting that individuals have diverse interpretations of reality (Morgan 2013). This notion relates to ontology within the constructivist paradigm that depends on experiences of humans and their views regarding a phenomenon being researched (Lincoln & Guba, 1985).

For example, Neuman (2014) notes that the nature of reality and several realities are established by individuals in groups within the ontology of constructivism. Reality as noted by Creswell (2018:23) is established through lived experiences and through associating with other people. This research establishes that financial management is shaped by financial controls that help mitigate cases of financial mismanagement. By establishing reality municipal officials are held to account for their actions in service delivery which is what ontology of constructivism demands.

3.2.5 Epistemology of Pragmatism

Epistemology is characterised as the philosophy of information (Lincoln & Guba, 1994). Qualitative researchers assume that sufficient information is derived from human thinking, views and interpretation of the phenomena under examination by respondents (Kraus 2005). Therefore, information that the researcher gathers from the natural setting through means of observation or being part of the group is acceptable in the studies of social science. Furthermore, in qualitative studies, researchers are subjective as they network with study participants. Furthermore, in qualitative studies, researchers are subjective as they network and communicate with respondents

making findings more valuable. Epistemology from the constructivist perspective distinguishes qualitative and quantitative studies because quantitative studies understand a phenomenon from the point of view of a sole truth and then generalise to a broader context, while in a qualitative study, multiple realities are endorsed (Leedy & Omrod, 2013). In the opinion of Kraus (2005) the epistemology of constructivism regards knowledge as interpretive hence the truthfulness can be determined by studying events and activities. Washam (1993), claims that in epistemology knowledge is obtained from social realities that consist of documents, language and systems. Morgan (2013: 19) states that pragmatism reflects the change from traditional philosophical arguments concerning the nature of reality and the possibility of the truth. Hall (2013:19) claims that pragmatism offers “an alternative epistemological paradigm”. For Dewey (2008) in such a worldview, knowledge includes warranted assertions. Whereas qualitative research is subjective and quantitative is objective, the pragmatic approach in social research challenges the traditional distinction between both approaches to carrying out research. As Teddlie & Tashakkori (2009) point out from an epistemological perspective, pragmatists are of the view that at some point, research takes a relatively objective approach by not engaging with subjects, although at another stage it may become necessary for the researcher to engage the subjects to construct realities. The pragmatic method used in this research was flexible on allowing the use of the most practical approach for addressing the research questions. Using both quantitative and qualitative research approaches, pragmatism ensures that singular and multiple realities can be studied (Creswell & Clark, 2011). For this study, the epistemology of pragmatism helped to obtain the knowledge of the implementation of good practises of financial management in local municipalities by reviewing AG reports, legal frameworks and financial statements that inform the use of public money.

3.2.6 Axiology of Pragmatism

According to Creswell (2013:62), axiology assesses what a researcher regards as important and those ideas will enable the research to determine the value of the research findings. The constructivists assert that in research, social investigations must have independent significance or may be constructed. The ideas of individuals and ethical conduct are honoured and are negotiated amongst individuals. Pragmatic researchers are therefore expected to exercise bias only by the degree essential to improve their research and to assist in addressing the research question. Researchers regard this as the ‘necessary bias principle’

As compared to natural sciences such prejudice is perceived to be needed in a study process. As difficulties are evident it is complex to liberate people from their understanding and life experiences (Johnson & Onwuegbuzie, 2004). This why positivist values affect their choices of the research topic, objectives, collection of data and interpretation. The researcher therefore examines the oversight structures to see if they bring about sound financial management which is crucial for service delivery in the Alfred Duma Local Municipality.

3.3 Research Design

A research design is described by Kumar (2011:94) as a “plan and strategy of the investigation so conceived as to obtain answers to research questions or problems”. Research designs are forms of inquiry within mixed methods, quantitative and qualitative approaches (Denzel & Lincoln, 2011). The definitions above show that the research design entails a plan employed to solicit information from study participants. This research draws on a qualitative approach and therefore used a qualitative research design in soliciting data from the research participants. The dominant research designs are quantitative and qualitative designs. For this study, the researcher adopted descriptive and exploratory research designs that are explorative and explanatory.

Explorative research design falls under qualitative research and it aims to locate loopholes in past research (Jackson, 2011). Therefore, it intends to find out new realities and experiences related to the topic of the study (Creswell, 2014: 78). As noted by Bhattacharjee (2012:6) exploratory research is often conducted to examine the scope and magnitude of a certain problem or behaviour, to develop some preliminary ideas or feelings regarding a certain phenomenon, or to determine the suitability of carrying out a study. This design fits into this study; because the researcher seeks to explore factors that are contributing to poor financial management in local government. This information was obtained through digging deep into (exploring) financial reports and into the Auditor General’s Reports.

3.4 Research Approach

Creswell (2008) defines the research approach as a blueprint that is used by researchers to interpret, collect and analyse data from the participants. Neuman (2014: 61) claimed that the research approach is a strategy used for responding to questions of the research. Creswell (2003) and Maree (2007) highlighted that a researcher must choose an approach with which they have adequate experience. They must address the problem of the research in a manner that the readers of their

study can interpret and understand. In social science studies, the dominant approaches are qualitative, quantitative and mixed methodologies (Creswell, 2009).

Maree (2007: 50) states that a qualitative approach enables the researcher to obtain rich descriptive data in understanding what is being observed or studied. The data is collected in word format or through direct observation and face-to-face interviews with research participants (Styrdom & Hans, 2015:2). As Babbie & Mouton (2009) claim, the qualitative researcher seeks to obtain the hidden truth by asking ‘*why*’, ‘*what*’ and ‘*how*’ in relation to the research problem. This shows that a qualitative approach focuses on the “subjective assessment of attitude, opinions and behaviours” (Kothari, 2004:5). A qualitative approach is grounded in constructivism which believes in multiple realities in understanding a phenomenon (Jackson, 2011). Furthermore, Green (2008:17) affirms that a qualitative approach utilises an inductive approach for generating theory and usually applies interpretivism to assess existing realities of a phenomenon. Therefore, qualitative researchers gather extensive data when investigating a phenomenon. This is supported by various methods of data collection they use which include interviews, observation, focus group discussions and document analysis (Meyers, 2009). The qualitative approach applies to this research because the researcher aims to understand the financial management process and challenges faced in local government and how other factors such as political interference can affect municipal financial management. A quantitative approach that depends on data to record societal aspects was utilised in this research (Bless & Higson, 2002: 86). This approach further assesses the problem of humans by testing a theory with measurable variables that are statistically analysed to examine whether or not the truth can be found from predictive generalisations (Creswell, 1994:1). As Neuman (2014) believes several assumptions underpin a quantitative approach. It is drawn from positivism that applies scientific methods to obtain valid and reliable findings. In describing a social context, quantitative researchers employ numbers in contrast to words in their research designs (Leedy & Omrod, 2013). These researchers utilise experiments and surveys to collect data on programmed instruments that produce statistical data. Creswell (2003) highlights that a quantitative approach employs science to predict and understand people’s experiences. Failure to use scientific methods can lead to flawed results. The researcher used a questionnaire survey to record numerical responses of municipal officials in the Alfred Duma Municipality on how they view the effectiveness of oversight mechanisms of financial management.

3.5 Study Site

This research was conducted in the Alfred Duma Municipality classified as a category B municipality situated in Northern KwaZulu Natal. It came into existence following the *Municipal Demarcation Act 1998*. Several municipalities during this era were dismantled and their initial areas of jurisdiction merged under the new municipalities which consist of Emnambithi/Ladysmith and Indaka into one local Municipality. From this merging, Alfred Duma Municipality came into existence in the uThukela District positioned on the N3 corridor connecting Durban and Gauteng province including the N11 connecting Mpumalanga and Free State Province.

Figure 3.1: The map below illustrates the study site:

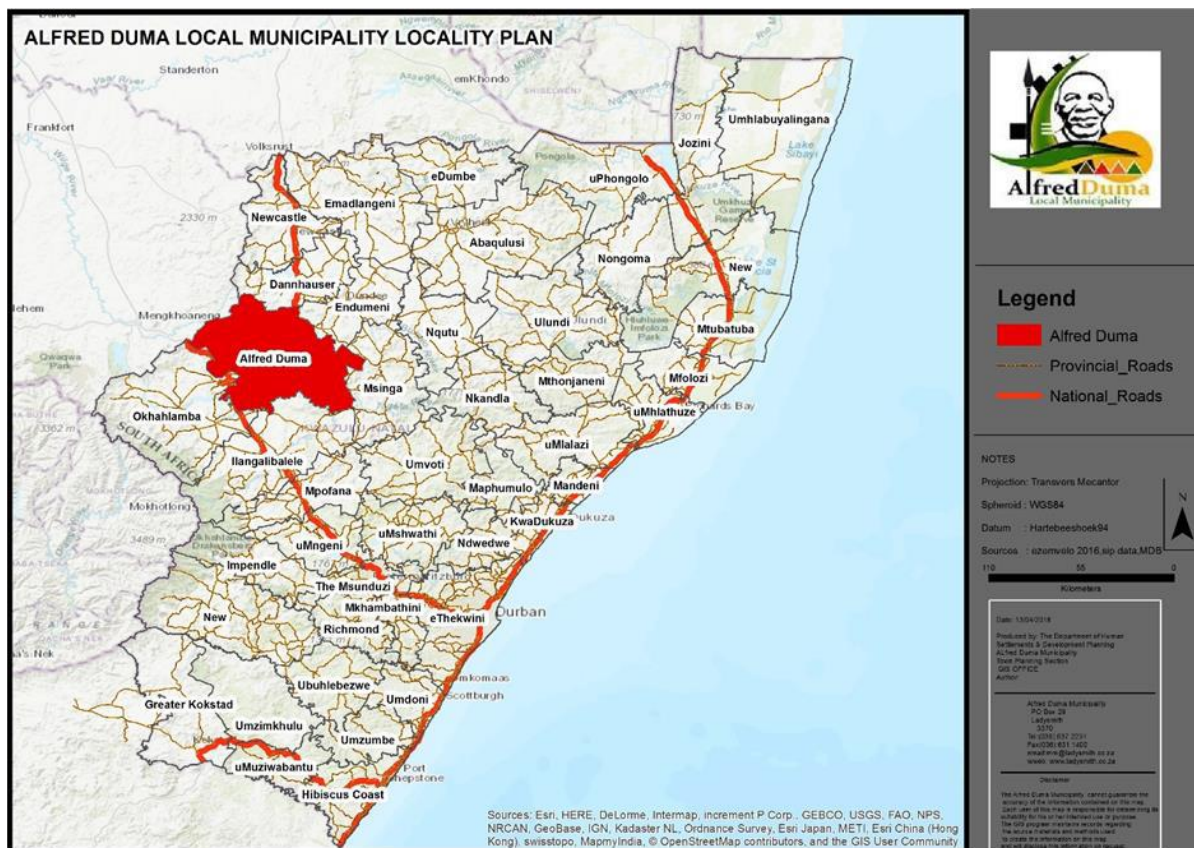


Figure 3.1 Location of the study

3.6 Target Population

Creswell (2014: 76) states that population is used to set limits on the research components. The term refers to human units in the world that have definite traits in which the researcher is interested.

Bryman (2016: 187) asserts further that, population denotes mainly a set of units from which the sample is selected. The population for this study consists of all 109 officials in the Alfred Duma Local Municipality.

3.7 Sampling Strategies

In social science research, not everyone can be part of the study because it is time-consuming to gather, analyse and interpret the massive amount of data (Neuman, 2014). Therefore sampling is vital for deciding the number of respondents who can participate in a survey including the technique used for identifying them (Yin, 2009). This means researchers identify a sample within the larger population to take part in this study (Yin, 2009). In this study, participants were selected through purposive sampling.

As Welman, Kruger & Mitchell (2005) say, purposive sampling falls into the category of non-probability sampling where everyone cannot be included in the research. The non-probability sampling as De Vos et al., (2011) noted is used to identify participants based on their availability at the research site. Purposive sampling is referred to as the process where the researcher identifies participants for a study due to their knowledge of the subject (Teddlie & Yu, 2007: 77). The research made use of 109 participants who were selected using a purposive sampling procedure. This included the Municipal Manager, Chief Financial Officer, Public Participation, Local Economic Development and IDP Managers because they have a great deal of information on financial management. 100 participants from Finance and Administration staff responded to the questionnaire survey. This strategy was utilised as it permits investigator to collect large quantity of data from the participants who are experts in sound financial management in Alfred Duma Municipality. The table 3.1 below explains the sample used in this study:

Table 3.1: Sample of the study

KZN: Alfred Duma Local Municipality	Departments	Population	Sample	Non-probability Sampling method	Structured Interviews	Questionnaire survey
Executive	Municipal Manager (AO) & Chief Financial Officer	9	2	PURP OSIV E (Sampl	2	

Directors	Cross- functional	5	5		5	
Managers	Cross- functional	18	10			10
Finance and other Administration staff	Finance & Accounting officials	79	54			54
Council	Political Members	32PRC 36WC	36			36
TROIKA Members	Mayor or Deputy Mayor, Speaker & WHIP	5	3		3	
TOTAL		184	110		10	100

Source: (Researcher, 2020)

The Table 3.1 above shows the sample used for this study. It is noted that only 110 participants from a total number of 184 were selected for this study. These participants included executive, managers, financial and administrative staff and council members.

3.8 Recruitment Strategy

Social science research involves interaction with human beings; therefore, a series of protocols must be observed to uphold human rights and ethics that guide research studies (Maree, 2007). The researcher of this study applied for and obtained an ethical clearance letter from the Research Ethics Committee at the University of KwaZulu Natal. This letter enabled the researcher to conduct her study for an academic purpose. The researcher had already acquired gatekeeper's permission from the authorities of ADLM to conduct the study in their Municipality.

The Chief Financial Officer assisted by gathering participants for this study by circulating a letter inviting the following employees for interviews: Municipal Manager (AO), CFO, Managers, Finance/Accounting and other operational staff and councillors. The number of potential participants was emailed to the researcher and logistics were discussed with the informants on what date and time to participate in the interview discussions. The researcher contacted participants a day before to ensure the agreement to participate by confirming their availability and place to conduct the interviews.

3.9 Data collection Methods

Data collection methods refer to processes used in collecting information from the participants (Creswell, 2018). These processes differ depending on the research design that underpins the study (2018). It should be noted that qualitative and quantitative studies have different data collection methods, the latter seeks to gather the information that was quantified into numerical data while qualitative gathers soft data in form of words and illustrations (Maree, 2007). This research utilised quantitative and qualitative research methods to obtain data. Holloway (2016: 56) elaborates that, qualitative data collection methods include observation, interviews, focus group discussions and participation. A questionnaire survey and interviews were employed for collecting data from study participants

3.9.1 Structured Interviews

De Vos et al., (2011) define an in-depth interview guide as an instrument used by researchers to gather qualitative data. Maree (2007) claims that the interview guide allows participants to engage and express their thoughts and views freely. The questions in the interview guide were made up of unrestricted questions that enabled respondents to answer in a flexible manner (Leedy & Omrod, 2013). In this research an interview guide was used to solicit data from the Executives and Managers from Alfred Duma Local Municipality. The interview guide was made up of 10 questions that were used to obtain data from research participants. An in-depth interview guide was applied in this study as it provided a platform for the researcher to gather detailed information from research participants. Furthermore, it was more suitable for this complex phenomenon that assesses the financial management challenges in local government.

3.9.2 Survey Method

A questionnaire survey is described by Kumar (2011) as a method for collecting data based on questions which respondents must answer regarding the specific study. Du Plooy (2014) explains that a survey as an inspection of phenomena, and a survey refers to the tool of collecting information which comprises a sequence of questions intended to get data from respondents. The study used a structured and unstructured questionnaire survey. It helped the researcher to gain detailed information on the challenges in financial management being encountered in the Alfred Duma Municipality. Also, a survey is flexible, and it can be widely administered to many respondents at a marginal cost. Babbie (2016) explains that a structured direct questionnaire has questions that are asked in a word format. The questionnaire had open and closed-ended questions

in four sections: A (demographics and occupational information); B (oversight structure); C (systems and processes); (skills and competence); (Nature of relationship between politics and administration) and D, the last section which included general questions. They were formulated following the study's research questions.

3.9.3 Document analysis

Document analysis was employed in this study to assess the background information and to review literature on factors affecting local government financial management in South Africa. Ritchie & Lewis (2010) assert that document analysis helps investigators to analyse relevant data through assessing their style and meaning through wide coverage. In this study, all published documents and reports relevant to financial management in ADLM and other municipalities in The Republic of South Africa were used. The study utilised documents due to their availability which minimised costs and due to their non-reactiveness as contact with the respondents was not established (De Vos, 2005).

3.10 Data Quality Control

The process of data quality control safeguards data quality and examines whether or not an honest and transparent analysis was conducted (Plooy-Cilliers et al., 2014). Several aspects of data quality control in qualitative research were used to promote trustworthiness, transferability, reliability, and validation of research results (Kumar, 2011). Credibility was used to check for the quality and trustworthiness of the findings (Creswell, 2018: 145). In addition, credibility involves “establishing that the results of qualitative research are believable from the perspective of the participants in the research” (Trochim & Donnelly, 2007:149). There are various methods used to check for the trustworthiness of findings and these include member checking, pilot testing of the instruments and use of several data collection sources. For this study, the researcher piloted the testing of the instruments. The structured interview guides were presented to officials in Alfred Duma Local Municipality to go through the questions. Their feedback was vital to the researcher as it assisted in modifying ambiguous questions.

Bryman (2016: 163) stipulates that dependability is a process that ensures consistency when findings are under observation again under the same circumstance. This means that the researcher

replicates the data gathering method in a similar environment using the same participants and must still obtain similar results. Bitch (2005:860) asserts that the researcher must maintain, “the stability of findings over time”. Various strategies were employed by the researcher to obtain dependability of findings that were coded and re-coded and peer examined. For this study, peer coding and re-coding were adopted. This involved the researcher thoroughly going through the data gathered from the participants and ensuring that the right major themes were formulated, and that the sub-themes were responding to the major themes.

Gordon (2016:112) explains that conformability entails how the results can be substantiated and supported by other scholars. Furthermore, confirmability is parallel to objectivity which is used by researchers to determine conformability of results are data audit, triangulation of observers, theory, measurements and methods (Neuman, 2014). Data audit was utilised in this research. The researcher was assisted by experienced qualitative researchers (Postgraduate fellows) who revised the data collection process, analysis and presentation. This was done to ensure that, correct procedures were followed.

Anney (2014) defines transferability as a process that determines if results can be generalised to another context. Guba & Lincoln (1985) suggest that generalisability is the degree to which the account of a circumstance or community can be applied to other individuals, times or settings than those studied directly.

The methods used by qualitative researchers to test for transferability of findings are through using detailed descriptions that employ verbatim extracts from participants’ accounts (Kumar, 2011). The research process and methods used by qualitative research experts in the School of Management, Information Technology and Governance were explained by the researcher. These experts were able to evaluate whether or not the findings can be generalised.

3.11 Measurements

The tools used for gathering data in this study were structured interviews and questionnaire surveys. To solicit information from the Executive and Managers, Finance and Administration Staff, the Public Participation Manager and Ward Councillors of Alfred Duma Local Municipality,

a structured interview guide was used. The interview questions were derived from the research questions of this study. The questionnaire survey was used to solicit information on the perceptions of municipal officials in Alfred Duma Local Municipality on the handling of municipal finances towards delivering services. A few broad themes were covered in the questionnaire to obtain some insights into the use of oversight structures in financial management of local municipalities and to see how the processes can influence service delivery. The aim was to determine whether or not skills are available to execute good financial practices to enhance municipal service provision. The participants further asked how the relationship between politics and administration can affect good financial management in Alfred Duma Municipality. The data collection instrument included a five-step Likert scale where respondents were asked to rate their level of agreement in terms of financial management rate (1 = Strongly disagree, 2=Disagree, 3=Somewhat agree, 4=Agree and 5=Strongly agree). These questions are also known as Matrix questions (Bailey, 1982: 365 in Babbie, 2002: 250) and they were used to rate the satisfaction levels of respondents with regard to financial management in the study area. In this study, therefore; a questionnaire survey was used to explore the opinions of respondents on nature, challenges, processes and systems that contribute to financial management in the study area.

As alluded to in the chapter on methodology, the researcher successfully distributed and administered the questionnaire to 100 respondents. Table 1 shows the Cronbach's Alpha for all the covariates

The dependent and independent covariates were measured by five-point Likert scale items and a reliability test for the questionnaire was required. The internal consistency was tested using Cronbach's alpha in the SPSS with a sample of 100 respondents. Cronbach's Alpha for all the covariates is higher than 0.7, which shows high level of inner uniformity for these scale items with this specific sample.

3.12 Data Analysis

Creswell (2018: 221) defines the process of data analysis as the reduction of collected data into manageable patterns trends, themes and relationships. It is a process of arranging and simplifying the considerable amount of data obtained for this research (De Vos et al., 2011). The analysis aims to manage the data and to break it down into understandable themes that can be used to draw conclusions (Jackson, 2011). This study used qualitative data gathering methods and techniques.

3.12.1 Qualitative Data Analysis

The data gathered from participants were analysed using qualitative data analysis. The researcher derived themes from interview data and documents. The researcher then used thematic analysis in interpreting and presenting the qualitative data gathered from the participants from Alfred Duma Local Municipality. Thematic analysis was described by Bogdan & Biklen (2003) as “working with the data themes, organising them, breaking them into manageable units, coding them, synthesising them, and searching for patterns”. The large amount of qualitative data obtained from participants was analysed by the researcher using the following steps in the thematic analysis (Clarke & Terry, 2012):

- “Getting used to the data;
- Group primary coded data;
- Searching similarities from coded data;
- Studying and reviewing the possible themes;
- Final classification of themes and subthemes; and
- Giving a report on the data collected.” (Clarke & Terry, 2012).

The steps elaborated above assisted the researcher in developing major themes and subthemes that were derived from them which respond to the questions of the study. This simplified research analysis and interpretation of findings for the readers.

3.12.2 Quantitative Data Analysis

Mouton (2001:10) defines data analysis as “breaking up the data into manageable themes, patterns, trends and relationships to reduce data to an intelligible and interpretable form so that the relations of research problems can be studied tested and conclusions are drawn”. Du Plooy, Davis & Bezuidenhout (2014) affirm that quantitative data analysis is well-defined and is regarded as an orderly approach to investigations during which data collected by the scholar is converted into numerical data. Quantitative data as Bless & Higson (2002:86) maintain, employs quantitative research methods to record aspects of society. Furthermore, this method records statistical data based on a testing theory that includes measurable variables that are analysed to examine if generalisations of the theory hold true or not.

In this study, quantitative data was cleaned, coded and entered into the computer with the help of an employed statistician at the university. The Software Package for Social Sciences (SPSS) version 23, analysed the data, categorised it and compiled a report on the research findings. After the data is cleaned and coded, findings were displayed in charts graphs and tables.

3.12 Ethical consideration

Kumar (2011) describes ethics as behaviour that is acceptable when conducting scientific research in a research community. Ethics demands the rights of research participants to be respected when conducting scientific research (Saunders et al., 2009). Using the understanding of research Saunders et al., (2009), research ethics were followed in this study by observing confidentiality, avoiding harm, and by getting informed consent.

3.12.1 Informed consent

In scientific studies, consent should be voluntary, and the respondent must not be forced into participating (Kumar, 2011). The researcher should explain to the participant the nature of the research and how it may affect the participant (Leedy & Omrod, 2013). In the event the researcher intends to ask sensitive questions, respondents have the right to know that at any time they can withdraw from participation. (Kumar, 2011). In this study, the participants' consent was obtained before data collection. Before data collection, the participants were given an informed consent form which they read and signed before being interviewed.

3.12.2 Confidentiality and anonymity

It is considered to be very important to respect the confidentiality and anonymity of participants in a research study. It is unethical to use information from a respondent other than for the declared research (Kumar, 2011). Thus, information collected from research participants is confidential including identities of institutions and companies, and names and addresses of respondents (Babbie, 2016). Researchers, therefore, should guarantee the anonymity of their respondents (Kumar, 2011). In this study, anonymity was observed by giving codes for participants so that, their identities were protected. Therefore, codes such as KI1-KI10 (key informant 1-10) were used in place of the names of interview participants to maintain their anonymity. Furthermore, confidentiality was upheld by withholding collected data from other participants, their superiors or from any other person. Lastly, the interview guides were kept by the supervisor until the research was finalised and will later be destroyed as a method of ensuring confidentiality.

3.12.3 Avoidance of harm

The investigator's role is to assess the harm that may be incurred to participants during the research process (Kumar, 2011). As noted by Babbie (2016) harm can involve emotional harm where the researcher asks respondents sensitive or embarrassing questions or asks for discomforting information. Respondents were informed on what the research was all about and the researcher assured them that they had the right not to respond to any sensitive questions. Lastly, they could withdraw from the interview if they felt the questions being asked had the potential to cause mental and emotional strain on themselves. Participants were informed, that in case the interview affected them psychologically they should notify the researcher so that, professional health workers can be engaged to assist them.

3.12.4 Gate keeper's letter

The researcher obtained an ethical clearance certificate from UKZN Research Ethics Committee to conduct this research project. Furthermore, the researcher acquired gatekeeper's permission from the accounting authorities of the Alfred Duma Municipality to identify and interview the municipal officials.

3.13 Limitations of the study

Every scientific research has its limitations. The following should be noted: The research was conducted in Alfred Duma Local Municipality during the restrictions imposed by the South African government due to the Coronavirus pandemic. Therefore, administering face-to-face interviews can be a challenge as physical contact is not allowed. Therefore, participants for this study were fewer than originally intended although the researcher resorted to telephonic interviews as a remedy for data collection. To overcome these data collection limitations, questionnaire surveys were emailed to identified participants in the Alfred Duma Municipality to complete and email back the researcher. Another limitation related to the unavailability of respondents due to their political affiliations which may have scared some officials off from responding to questions related to financial management in their Municipality. Nonetheless, the researcher ensured that these limitations did not hinder effective data collection unduly nor did they compromise the quality of data that was collected in the Municipality.

3.14 Chapter Summary

This chapter focused on research methodology and design of this research. It also explained the study procedure used, and specifically mentioned the research paradigm, the research design and approach, data collection methods and instruments used, the population of the study, sample and sampling strategy adopted, data analysis, ethical principles observed and shortcomings of the study. Chapter four explains how the researcher presented and discussed the research findings.

CHAPTER 4: AN ASSESSMENT OF FACTORS AFFECTING FINANCIAL MANAGEMENT IN ALFRED DUMA LOCAL MUNICIPALITY

4.1 Introduction

The main focus of this chapter is to assess the financial management challenges encountered by Alfred Duma Local Municipality in its efforts to increase public service delivery. The data presented in this chapter were collected through interviews and questionnaire surveys filled in by respondents. Critical research findings are presented in graphs, pie charts and tables. The chapter commences by providing an overview of demographic data regarding the research participants. Findings are presented in line with the four broad research questions. The chapter presents data collected on the factors affecting financial management in Alfred Duma Local Municipality. Secondly, the chapter offers a discussion on the availability of processes and systems to enhance good financial management. This is followed by a discussion on skills and competency required to improve financial management as well the nature of the relationship between politics and administration in the Municipality. Finally, a synopsis of the chapter is provided.

4.2 Biographical data of the Participant Population

To examine the challenges affecting Alfred Duma Municipality in its quest to achieve good financial management, questionnaire surveys were administered by the researcher to respondents in the Municipality and key informant interviews were held with municipal officials from Alfred Duma Municipality to determine their views regarding financial management. The tables in this section provide brief biographical data regarding the respondents who participated in this study, and these include sex, age, and marital status.

4.2.1 Gender of the respondents in Alfred Duma Local Municipality in KZN

The researcher needed to know the gender of the respondents in Alfred Duma Local Municipality as it was vital to understand the officials involved in financial management matters and whether there was gender balance in positions occupied or not. Figure 4.1 shows the gender of respondents from the Alfred Duma Local Municipality.

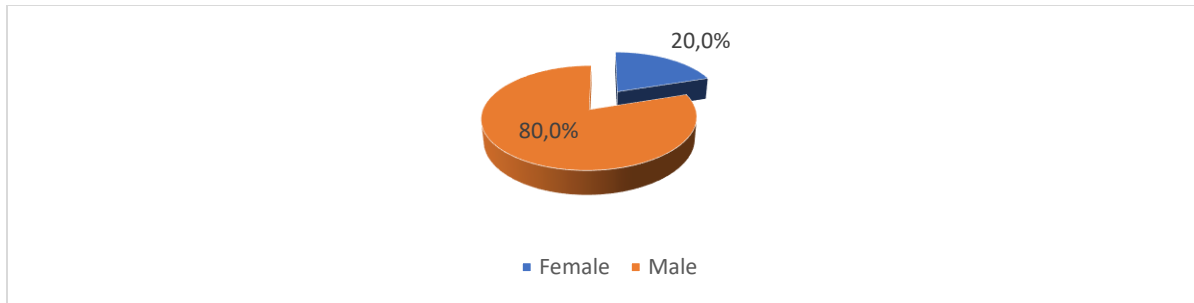


Figure 4.1: The classification of the respondents according to their gender in Alfred Duma Local Municipality

According to Figure 4.1 20 per cent of the respondents were female and 80 per cent were male.

4.2.3 Age of the respondents in Alfred Duma Local Municipality in KZN

The researcher needed to know the age distribution of respondents as this could have implications for the management and oversight of municipal, finances in Alfred Duma Local Municipality. Figure 4.2 shows the age of the respondents in the Alfred Duma Local Municipality.

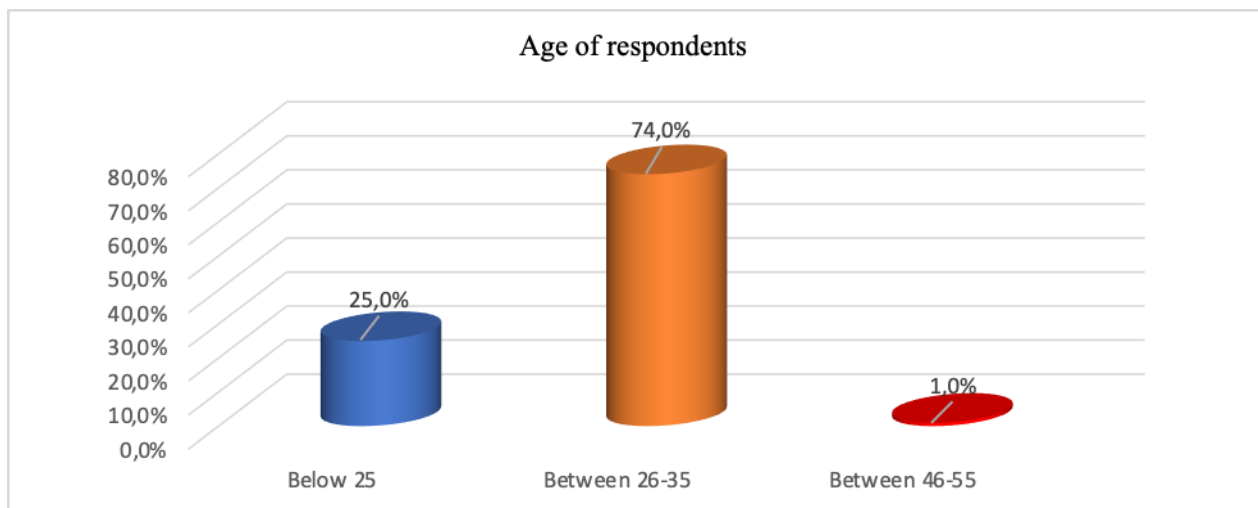


Figure 4.2: The classification of the respondents according to their age in Alfred Duma Local Municipality

Many respondents were between the ages of 26-35, with the highest percentage of 74 per cent; followed by respondents below the age of 25 years. The percentage of respondents between the ages of 46-55 was 1,0 per cent. These were the staff. It was not surprising perhaps that most participants were in the age range of 26-35 because the older administrators in Alfred Duma Local Municipality were not willing to participate in the surveys considering the issues surrounding

financial management which were sensitive and related to their work. The young population working in the Municipality were therefore willing to participate in the surveys as it appears, they know the importance of sound financial management in municipalities as this may contribute to good service delivery in the community.

4.2.4 Marital status of the respondents in Alfred Duma Local Municipality in KZN

The researcher needed to know the marital status of the participants in Alfred Duma Local Municipality since this could affect their participation in a survey regarding financial management. Figure 4.3 shows the marital status of the participants in Alfred Duma Local municipality.

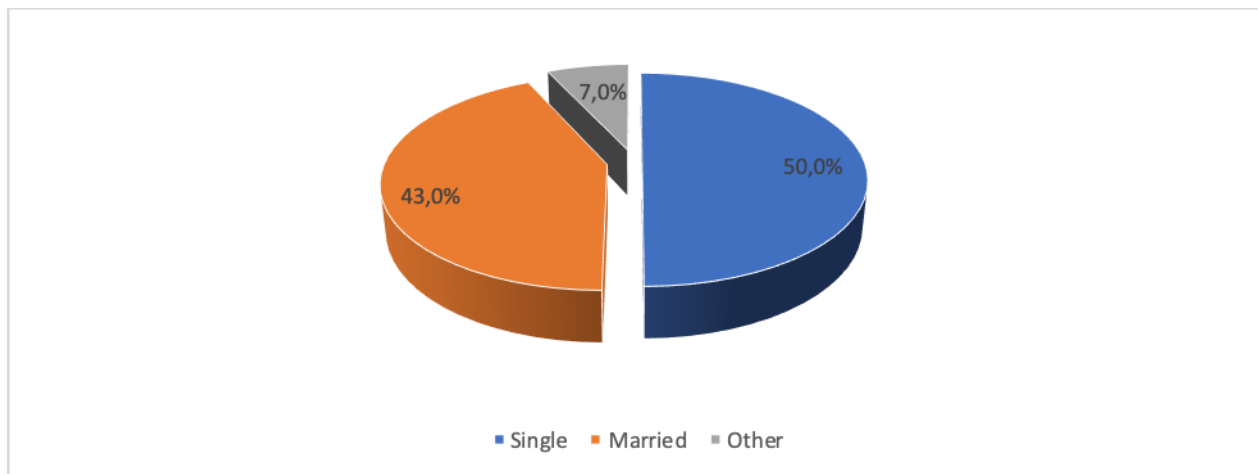


Figure 4.3: The Marital status of the respondents in Alfred Duma Local Municipality in KZN

In Figure 4.3, half of the respondents (50%) were single while 43 per cent of the respondents were married and only 7 per cent of the respondents had another status which could mean their relationships were either complicated, open relationships, separated or widowed.

4.2.5 Education of respondents

The researcher needed to know the education levels of respondents as this could determine their participation in questionnaire surveys distributed in Alfred Duma Local Municipality. Figure 4.4 shows the education levels of these respondents in Alfred Duma Local Municipality.

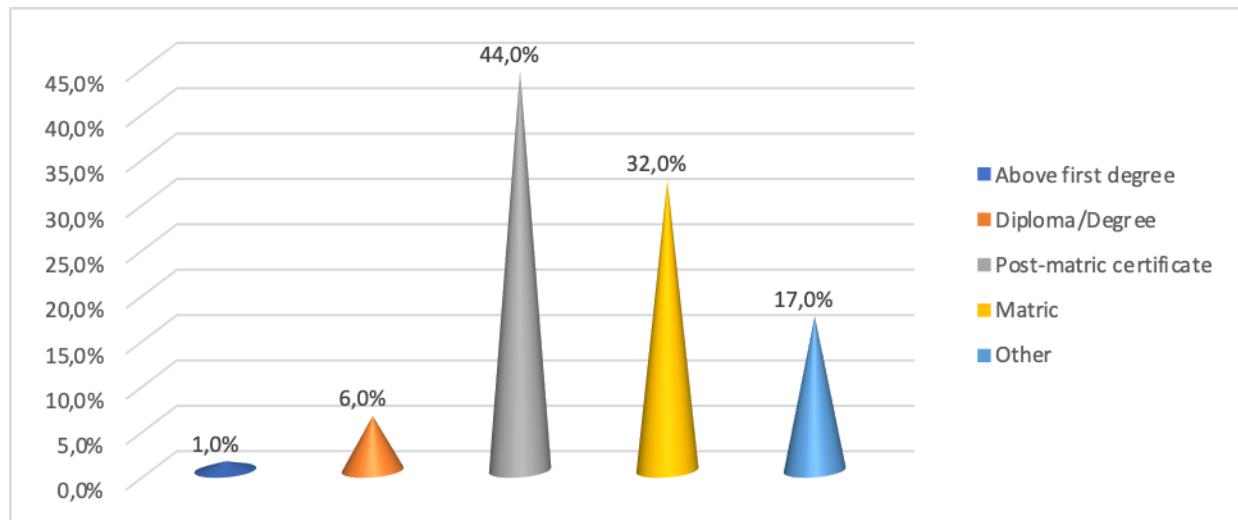


Figure 4.4: Education of respondents

The majority of the respondents at 44 per cent had a Post-matric certificate or degree; while 32 per cent of the respondents had a Matric certificate; 17 per cent of the respondents had other certificates or degrees; 6 per cent of the respondents had a Diploma or a Degree, and only 1 per cent of the respondents had above the first-degree.

4.2.5 Participant's Category

The researcher needed to know the participant's category with regard to financial management within Alfred Duma Local Municipality. Figure 4.5 shows the category in the Municipality concerning financial management.

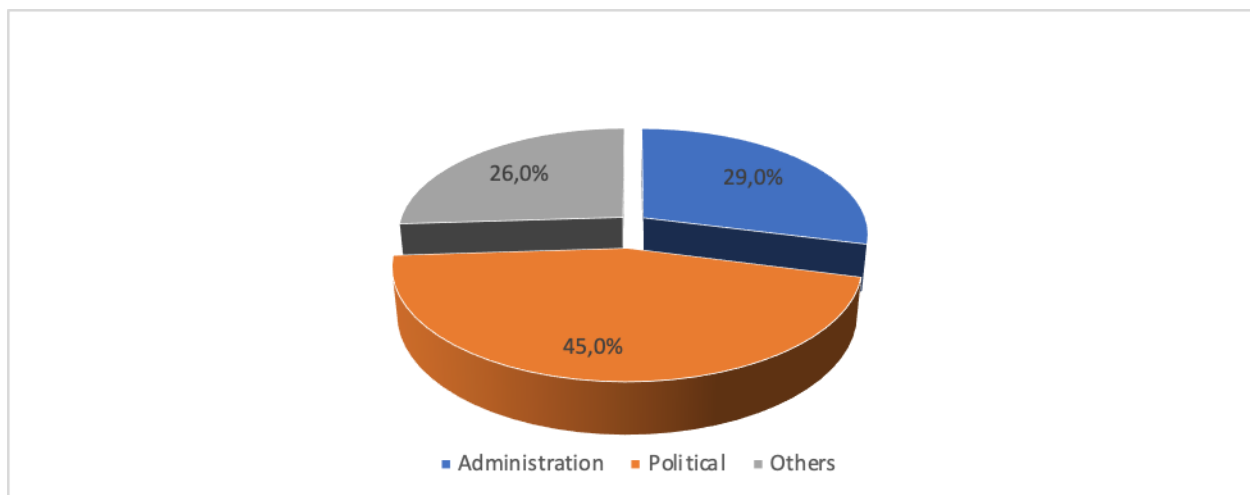


Figure 4. 5: The participant's category

In Figure 4.5, many of the respondents (45%) are in the political category; while 29 per cent of the respondents are in the administration category; and 26 per cent of the respondents are in another category. The reason for such a small percentage of chief directors is due to the small size of the Department.

4.2.6 Level of Involvement in Financial Matters

The researcher needed to know the level of involvement of respondents in the financial matters of Alfred Duma Local Municipality. Table 2 shows this level of involvement.

Table 4.2: Respondents Level of Involvement in Financial Matters

		Frequency	Percent
Valid	Yes	63	63.0
	No	37	37.0
	Total	100	100.0

Respondents were asked about their level of involvement in financial management matters in Alfred Duma Local Municipality. Findings showed that 63 per cent of the respondents were directly involved in the financial matter, while 37 per cent of the respondents were not involved in the financial matters of the municipality.

4.2.7 Level of Involvement in decision making

The researcher needed to know the level of involvement of the respondent regarding financial management in Alfred Duma Local municipality. Figure 8 below shows the levels of involvement in decision-making in this Municipality.

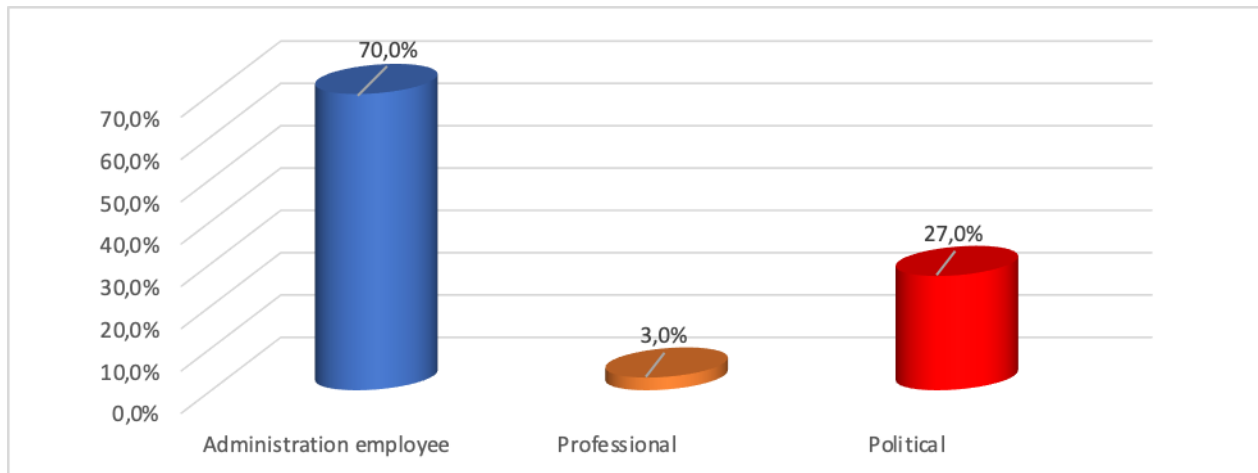


Figure 4.6: Level of Involvement in decision-making

Figure 4.6 shows that 70 per cent of the participants involved in decision-making regarding financial management were administrative employees while 27 per cent of informants were political office bearers and 3.0 per cent were professionals. The reason for the higher percentage of administrative employees is that this group ensures the day to-day running of the Municipality while political office bearers focused mainly on police affairs although their relationship cannot be divorced from decision-making.

4.2.8 Respondent category

The researcher needed to know the category of respondents in Alfred Duma Local Municipality regarding their participation in financial management matters. Figure 4.7 below shows these categories.

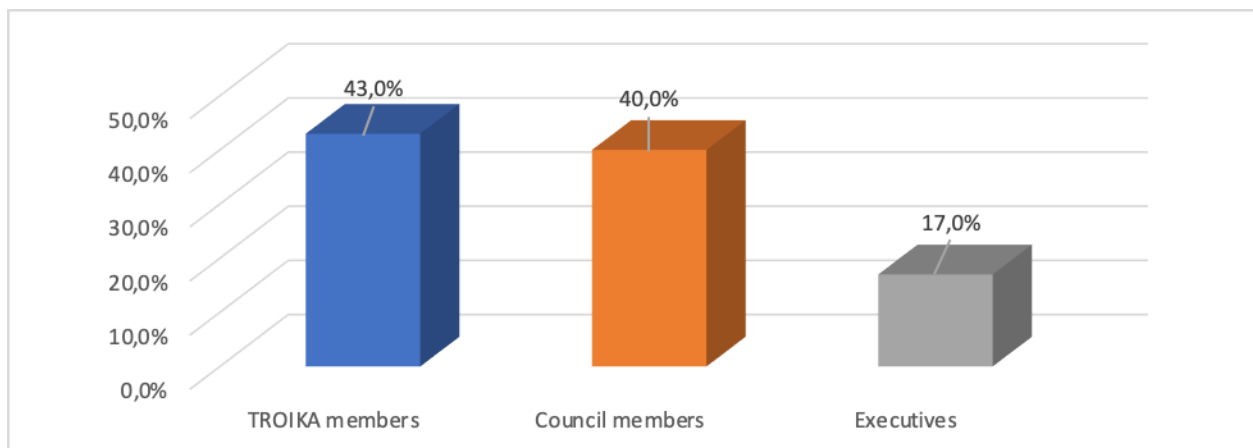


Figure 4.7: Respondent Category

Figure 7 shows that many participants who constituted 43.0 per cent were Troika members, while 40 per cent were Council members and 17.0 per cent were executives. This distribution of respondent's categories indicates who has the most influence on financial management decisions in Alfred Duma municipality.

4.3 Oversight Structures for sound financial management in local government

The researcher needed to know whether or not oversight structures play a critical role in safeguarding municipal finances in Alfred Duma Local Municipality. Figure 7 below shows the respondents views regarding oversight structures in Alfred Duma Municipality.

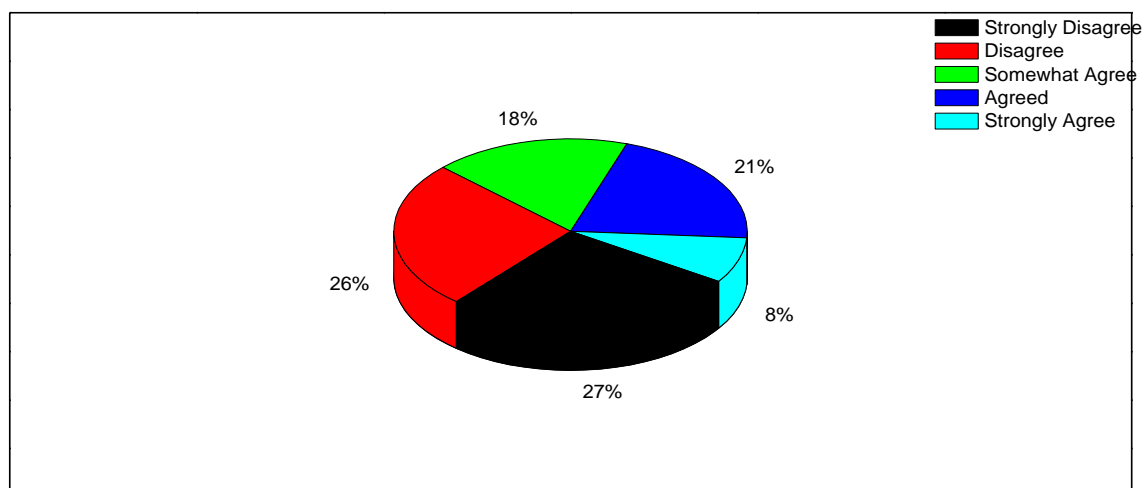


Figure 4. 8: Oversight structures are capacitated enough to prevent fraud and corruption in municipal finance management

Figure 4.8 shows that 27 per cent of the respondents strongly disagreed that oversight structures in Alfred Duma Municipality play a pivotal role in safeguarding municipal finances being followed by 26 per cent who opposed the statement. Respondents who agree with the statement combined constitute 47 per cent which indicates that most respondent disagreed with the statement that oversight structures are useful in any way regarding the management of finances in the Alfred Duma Local Municipality. One of the interviewees remarked that:

In this Municipality, we have Council, Audit Committee, MPAC which are meant to play the oversight role; however, they are useless I don't even know why these committees exist (KI 1).

Another participant added:

To make sure no one steals the money of the municipality MPAC is there. It is a good structure that keeps officials on track all the time and it allows for accountability (KI 3).

These conflicting views of the respondents both confirmed and disagreed with the findings. Although it is noted from the quantitative findings that the majority disagreed that oversight structures are capacitated enough to detect fraud and corruption, the other participant thinks these committees enable municipal officials to be held accountable for their actions. A closer analysis may make one conclude that although oversight committees exist, their role is minimal as cases of corruption and fraud occur right under their noses which is a capacity gap evident in the structure of oversight committees. It might be possible that those nominated to serve in these oversight committees cannot play an oversight role as they are incapable of detecting any trail of fraud and financial mismanagement.

The researcher wanted to know whether or not oversight committees face many challenges when implementing the principles of sound financial management in the Alfred Duma Local

Municipality. Figure 4.9 below shows the views of respondents regarding the challenges that municipal oversight officials encounter in connection with financial management.

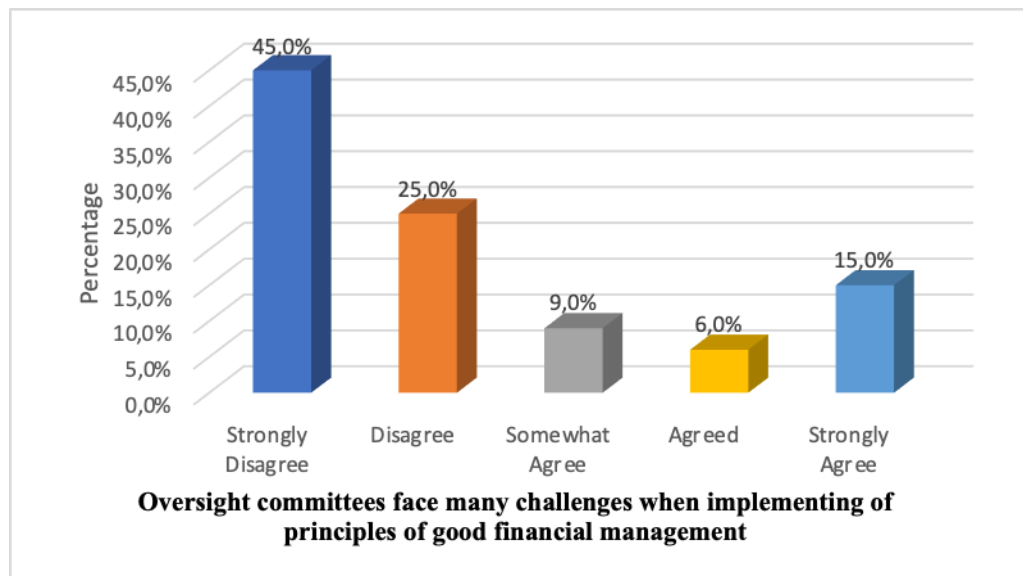


Figure 4.9: Oversight committees face many challenges when implementing principles of good financial management

Figure 4.9 shows that a large majority, (45%) of the respondents strongly disagreed that any challenges are faced by oversight committees when implementing principles of good financial management while 25 per cent opposed this view. Moreover, 15 per cent of the participants strongly agreed that challenges are faced by oversight committees, 9 per cent somewhat agree, and a smaller percentage of 6 per cent agreed that challenges are encountered by oversight committees when it comes to implementation of the principles of sound financial management. Combined, the majority of respondents (70%) dismissed the view that challenges are faced, which could make one believe there is proper implementation of financial management principles as part of good governance in Alfred Duma Local Municipality. These findings were echoed by one interviewee who noted that:

In our Municipality, the MPAC and Audit committees are doing a sterling job as they make sure no loopholes exist when it comes to the finances of our Municipality. In other words, I can confirm that we are running a watertight ship here where every member is geared towards meeting the goals of this Municipality (KI 5).

A closer analysis of these responses may make one conclude that the Alfred Duma Municipality might have its challenges regarding financial management, but that, overall, the Municipality is succeeding with regard to financial management through a careful and proper implementation of good governance principles that help safeguard municipal finances.

4.4 Systems and Processes for Sound Financial Management

This section offers a discussion and presentation of findings on the systems and processes that allow for effective and sound financial management in local government.

4.4.1 Financial systems and processes to ensure effective financial management

The study sought to find out from the views of participants if there are financial systems and processes in place to ensure effective financial management in the ADLM as demonstrated in Figure 4.10 below.

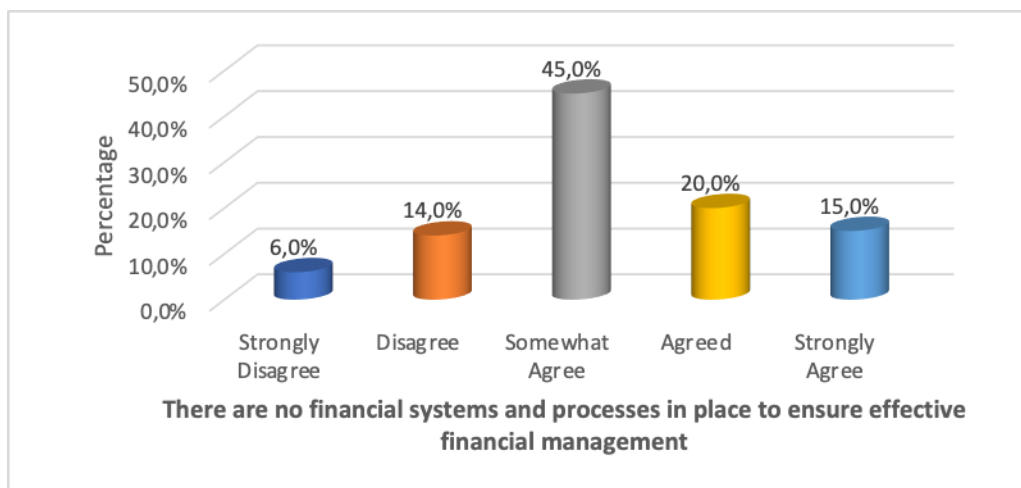


Figure 4.10: Financial systems and processes in place to ensure effective financial management

The Figure 4.10 shows that a large majority of 45,0 per cent somewhat agreed that the Alfred Duma Municipality does not have financial policies and procedures which ensure operative financial controls while 20 per cent agreed and 15,0 per cent strongly agreed with the statement. A marginal number of participants (14, 0%) was followed by 6 per cent of the respondents who strongly disagreed that no financial systems and processes exist to ensure effective financial management. The findings paint a worrisome picture, , as the majority of respondents combined constitutes 81 per cent who fully endorse the statement that financial systems and processes are

missing in the municipality. These findings are consistent with the view of one participant who stated that:

In this municipality, there is a huge problem concerning financial management because the Treasury and National decision-makers are not aligned to the Municipal Finance Management Act (MFMA) (KI 4).

Another participant added that:

The municipality has good systems and processes in place if only these were followed then all the implementation of policies was going to be smooth. The biggest challenge is if those municipal officials don't follow processes which lead to many inconsistencies regarding municipal finance management (KI 6).

These views from these participants corroborate the quantitative findings as processes and systems regarding financial management exist on paper only and municipal officials do not comply with them. The lack of compliance is a common problem in South African municipalities as manipulation and bypassing of financial processes and systems results in embezzlement of funds and bureaucratic corruption which in turn harms community service delivery. The findings have pointed out the gaps with regard to systems and processes as a lack of implementation is always the hindrance to safeguarding municipal finances.

4.4.2 The Municipality regularly conducts financial audits to safeguard Municipal finances

The researcher needed to know whether or not the Alfred Duma Municipality holds regular audits to safeguard municipal finances. Figure 11 below shows how often financial audits were conducted in the Alfred Duma Municipality to safeguard municipal finances.

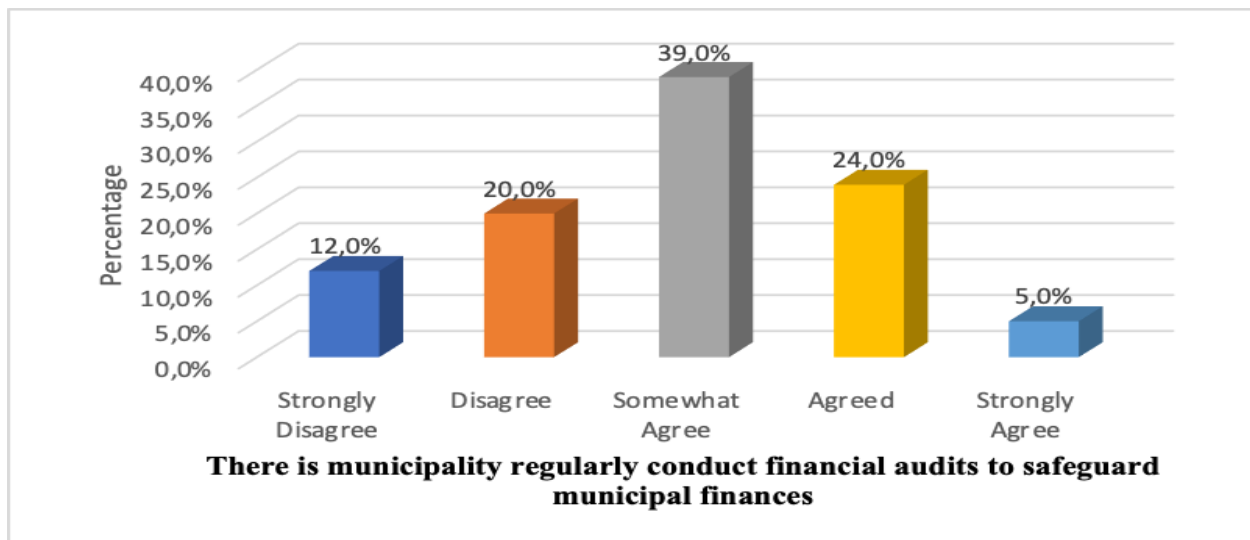


Figure 4.11: The Municipality regularly conducts financial audits to safeguard Municipal finances

Figure 4.11 shows that many respondents (68%) concur that the Alfred Duma Local Municipality conducts regular financial audits to ensure that municipal finances are safeguarded from any form of embezzlement. A smaller percentage of 12 per cent strongly disagreed and 20 per cent disagreed that financial audits are conducted regularly in Alfred Duma Municipality. Supporting the availability of financial audits in the Alfred Duma Municipality, one of the participants **KI 3** noted that:

Financial audits in this municipality are conducted in line with [the] Municipal Finance Management Act (MFMA) and Public Finance Management Act (PFMA) as they guide us on how we should budget the municipal finances and resources to effectively render service delivery.

Commenting on the availability of the financial audits **KI 7** added that:

*Although our municipality has systems in place to ensure effective financial auditing, we need a national policy that [has] good internal control systems that officials will adhere to. [to] make sure audits are done regularly in line with existing legislation as this helps to speed up service delivery (**KI 7**).*

From the analyses of these findings, the researcher concluded that, financial audits are conducted in the Municipality, which is a legal requirement, to ensure that financial resources are used wisely to render public goods and services. Interestingly the second participant acknowledges the need

for strong internal control systems as they help whistleblowing on any act of fraud and corruption that is likely to occur. Also, these internal control mechanisms, if capacitated enough, can help improve the financial health of the Municipality, which is of paramount importance to service provision.

4.4.3 Compliance with legislation regarding financial oversight

The researcher wanted to know whether or not the Alfred Duma Local Municipality complies with legislation such as that of the MFMA when exercising financial oversight. Figure 12 below shows the responses of respondents regarding compliance with legislation in the Alfred Duma Municipality.

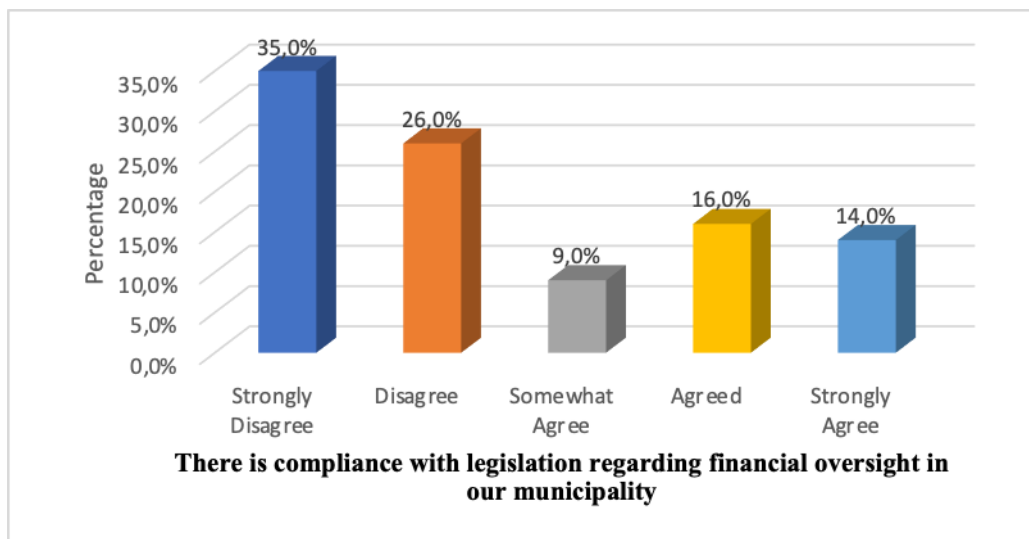


Figure 4.12: Compliance with legislation regarding financial oversight in our municipality

The Figure 4.12 above shows that a majority (35%) strongly disagreed that the Alfred Duma Local Municipality conducts financial audits regularly as part of its oversight exercise being followed by 26 per cent of the respondents who disagree while 9,0 per cent, being a smaller percentage of the respondents, somewhat agree. Further, 16,0% of the participants concurred and 14% firmly agreed that the Alfred Duma Municipality complies with legislation regarding financial oversight. The findings were confirmed by one participant who states:

We have existing legislation on how we should oversee the running of municipal finances. This municipality has been consistent in that regard and those leaders who were given the powers to play an oversight role are just doing that so that public money is safe (KI 9).

The strong confirmation by this participant indicates that legislation such as that prescribed by the MFMA, PFMA is possibly being followed by the authorities in the Alfred Duma Municipality as a way of ensuring that municipal finances are safeguarded from theft and embezzlement.

4.4.4 Public participation in the budgeting process of the Municipality

The researcher wanted to know whether or not adequate participation with regard to municipal budgeting was done in the Alfred Duma Local Municipality. Figure 4.13 indicates the levels of public participation in the budgeting process.

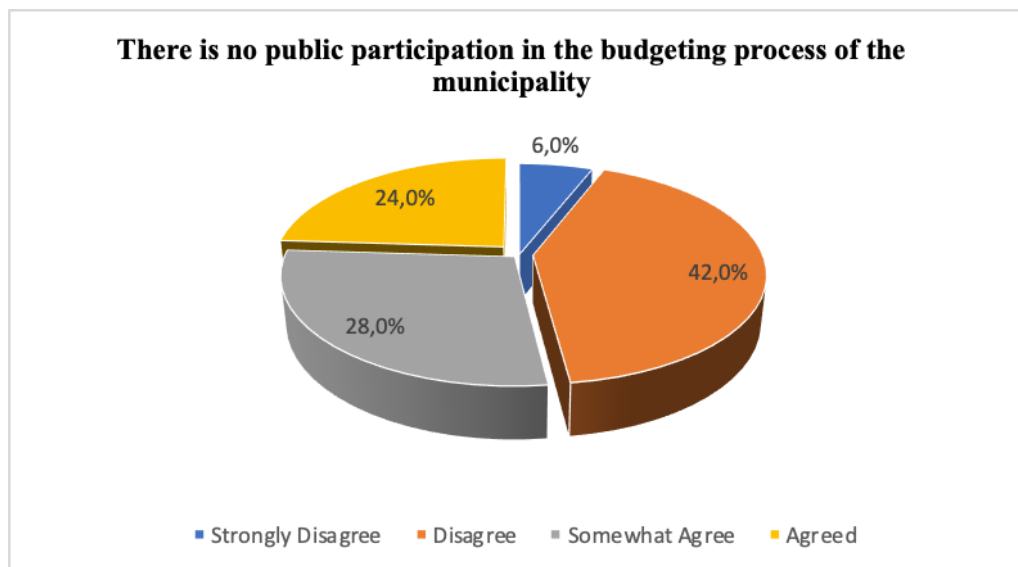


Figure 4.13: Public participation in the budgeting process

The Figure 13 demonstrates that 6.0 per cent of the participants strongly disagreed that there is no public participation in the Municipal budgeting system, 42 per cent disagreed while 28,0 per cent somewhat agree that public participation in municipal budgeting is available and 24 per cent agreed as well that the Alfred Duma Municipality conducts public participation. It can be seen from this figure that most respondents that constituting 52 per cent agreed that the public does participate in the municipal budgeting systems. These findings are confirmed by one participant **KI 10** who states that:

When we conduct our municipal budgeting every year, we make sure every stakeholder is available to provide input although some people do not want to participate (KI 10).

It shows that the Alfred Duma Municipality conducted participatory budgeting, although a vast majority, as evidenced in the quantitative findings, disagree. Therefore, there is a need to enhance participatory budgeting in the Municipality, which is crucial for Municipal service delivery. Stakeholder input is fundamental as the needs of communities are integrated into the municipal IDP hence a participatory budget is key.

4.5 Skills and competency required for sound financial management in local government

This section offers a discussion of and presentation of findings on the skills and competency required for sound financial management in local government.

4.5.1 The Municipality has skilled officials with knowledge and experience to play an oversight role

The researcher wanted to know whether or not the Alfred Duma Municipality has skilled officials with knowledge and experience to exercise an oversight role with regard to financial management. Figure 14 shows the responses of respondents regarding skills availability and experience of financial oversight.

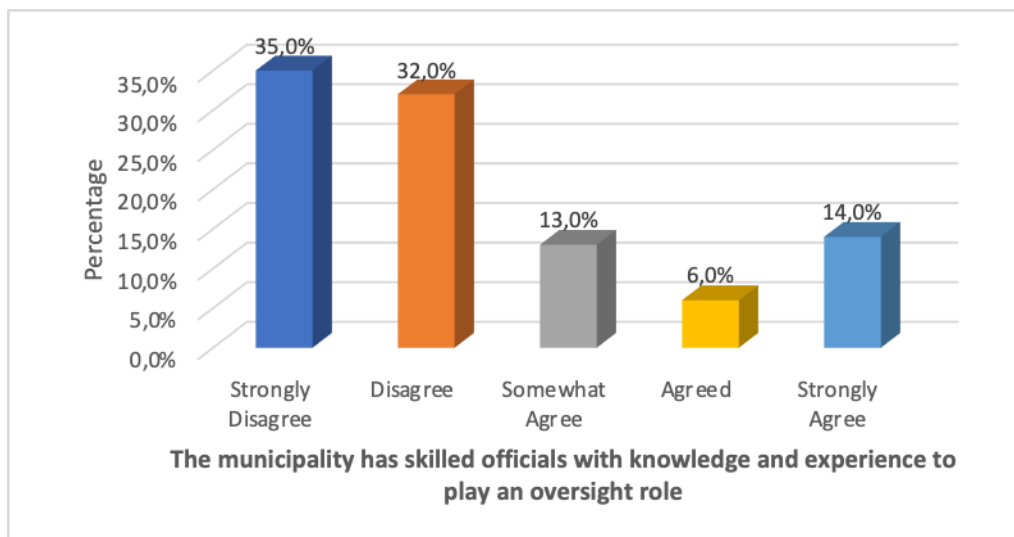


Figure 4.14: Skilled municipal officials and oversight role

Figure 14 shows that 35 per cent of the participants are firmly opposed to the notion and that 32,0 per cent disagreed that Alfred Duma Local Municipality has skilled officials with knowledge and experience regarding financial oversight. On the other hand, only 13,0 per cent somewhat agreed,

6% agreed, and 14 per cent strongly agreed that the Alfred Duma Municipality has skilled officials with knowledge regarding financial oversight. It can be noted from the graph that a large majority constituting 67 per cent overall disagreed with the statement which indicates the lack of skills and knowledge regarding financial oversight in the Alfred Duma Municipality. Regarding the availability of skills to play an oversight role, one of the interviewed participants remarked that:

Our municipality follows treasury regulations and I can strongly say on competency we are good and improving very slowly. Even the political appointees we make sure they are [well] competent when performing financial oversight roles (KI 1).

The Alfred Duma Municipality has political cadres in various municipal appointments who represent party interests, as confirmed in the responses. The top management tries to make sure that these cadres are responsive and are well capacitated to execute their public mandates. Although literature contradicts this finding, stating that the shortage of skills is evident in the Municipality with factors such as political appointments being among other phenomena triggering poor performance management in the Municipality.

4.5.2 There is duplication of functions on the roles and the responsibilities between Municipal Public Accounts Committee and the Audit Committee in the Municipality

The researcher wanted to know whether duplication of duties in the roles and responsibilities between the Municipal Public Accounts Committee and the Audit Committee in the Alfred Duma Local Municipality existed. Figure 15 shows the views of participants on the duplication of the above-mentioned functions in the Municipality.

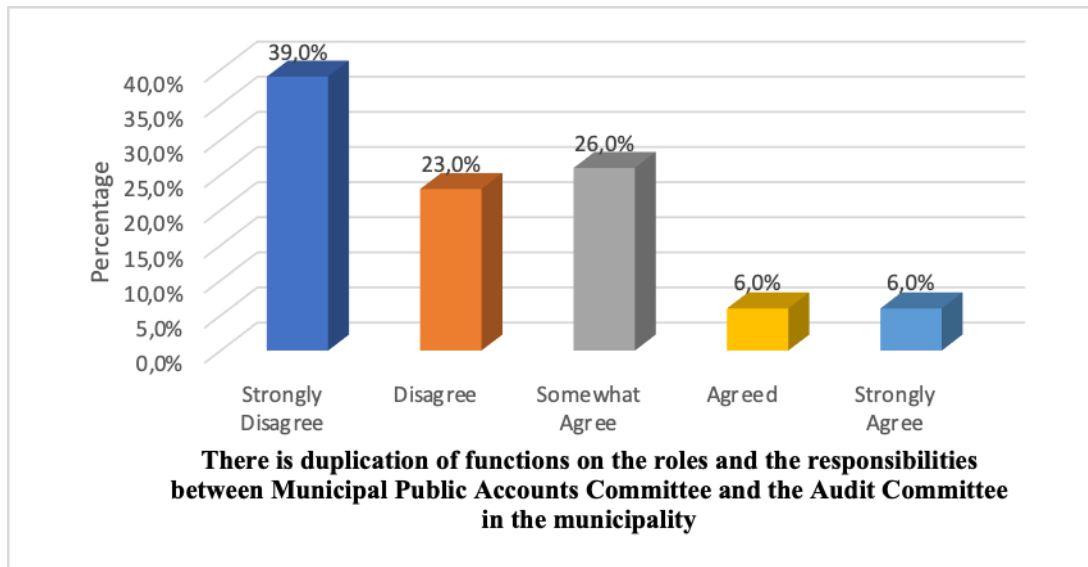


Figure 4.15: Duplication of functions, roles and the responsibilities between the MPAC and the Audit Committee

Figure 15 shows that 39 per cent of participants strongly disagreed that any replication of duties, roles and the responsibilities between MPAC and the Audit Committee exists in the Alfred Duma Municipality. In contrast, 23 per cent did not agree, 26 per cent somewhat concur, and the smaller percentage of 6 per cent both concurred and strongly concurred, respectively, that duplication of functions, roles and the responsibilities between MPAC and Audit Committee exists in the Alfred Duma Local Municipality. From this figure it can be seen that a larger combined majority of 62 per cent disagreed that there is a replication of duties, roles and responsibilities between MPAC and Audit Committee in Alfred Duma Municipality. One of the interviewed participants **KI 4** commented that:

The Municipal Public Account Committee and Audit Committees do not interfere in the functions of the other as their roles and responsibilities are slightly different although heir common goals are to ensure that municipal finances are used cost-effectively without any form of deviations. So, I don't think there is any duplication of roles.

It is evident from the analyses of the findings that the roles of the MPAC and the Audit Committees are intertwined as they all serve the primary goal of safeguarding municipal finances. Therefore, these two committees do not duplicate each role instead they complement one another towards meeting the aspirations and intentions of the Municipality's service provision.

4.5.3 Financial reporting and monitoring

The researcher wanted to know if financial reporting and monitoring are conducted as part of implementing acceptable financial practices in the Alfred Duma Local Municipality. Figure 15 below shows the views of respondents regarding financial reporting and monitoring as part of good governance in the Municipality.

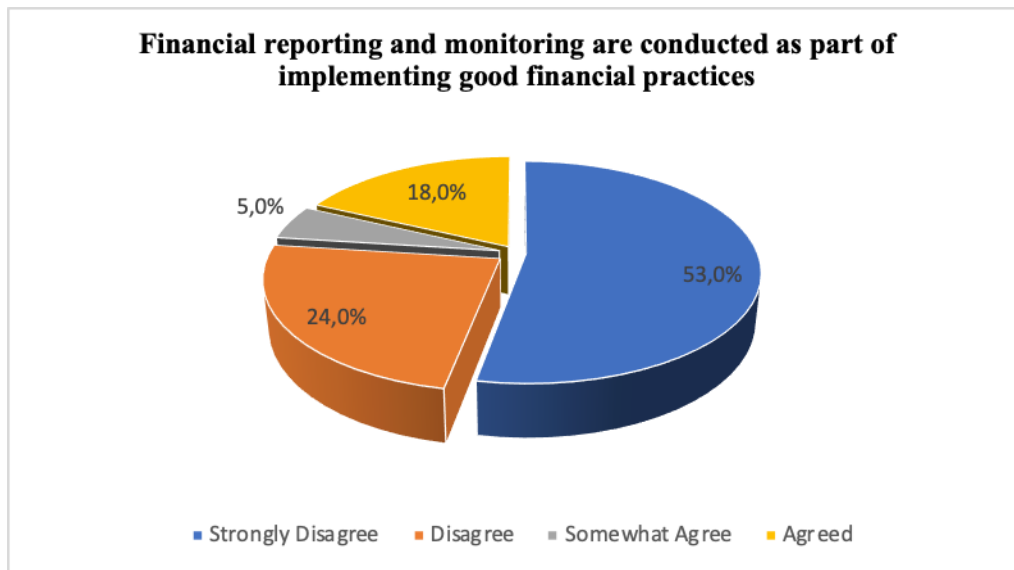


Figure 4.16: Financial reporting and monitoring are conducted as part of implementing good financial practices

The Figure 16 above shows that a large, combined majority of participants (53%) firmly disagreed, and 24 per cent did not agree that financial reporting and monitoring are conducted as part of implementing acceptable financial practices in the Alfred Duma Local Municipality. Only 18 per cent of the respondents agreed while a smaller parentage of 5 per cent somewhat agreed that Alfred Duma Municipality had conducted financial reporting and monitoring as part of implementing acceptable financial practices. From a closer comparison of these findings, it can be noted that both financial monitoring and reporting are not regularly conducted in this Municipality to ensure that municipal finances are protected from theft and corruption. One of the interviewed participants supports these findings stating that:

It is rare in this Municipality to see finance managers sitting down to conduct a financial audit. It is done occasionally after reports have flooded their offices that there can be financial mismanagement (KI 8).

Another participant added that:

The internal control in this Municipality is fragile hence they do not conduct financial reporting and monitoring to see if the funds are being used for the intended purposes. Although treasury always sends [puts in place] new systems, this Municipality always falls short of [the] capacity to implement new measures that help detect fraud and corruption when it comes to municipal finances (KI 9).

It is arguable from these findings that, exercising financial reporting and monitoring of municipal finances is a complex task for the Alfred Duma Municipality which may be due to a skills deficit, cadre appointment, as well as confusion, regarding the new system that is always developed at the national level of government. Although conducting financial monitoring can be done internally, the findings state otherwise as such audits are conducted after long periods. This suggests the needs to revamp the financial structures within the Municipality to make sure that they align with principles of sound financial management.

4.5.4 The Municipal Public Accounts Committee transparency

The researcher wanted to know whether or not the Municipal Public Accounts Committee is transparent when it is executing its supervision functions. Figure 16 below shows the views of the participants on the transparency of the Municipal Public Accounts Committee when it is carrying out its Oversight functions.

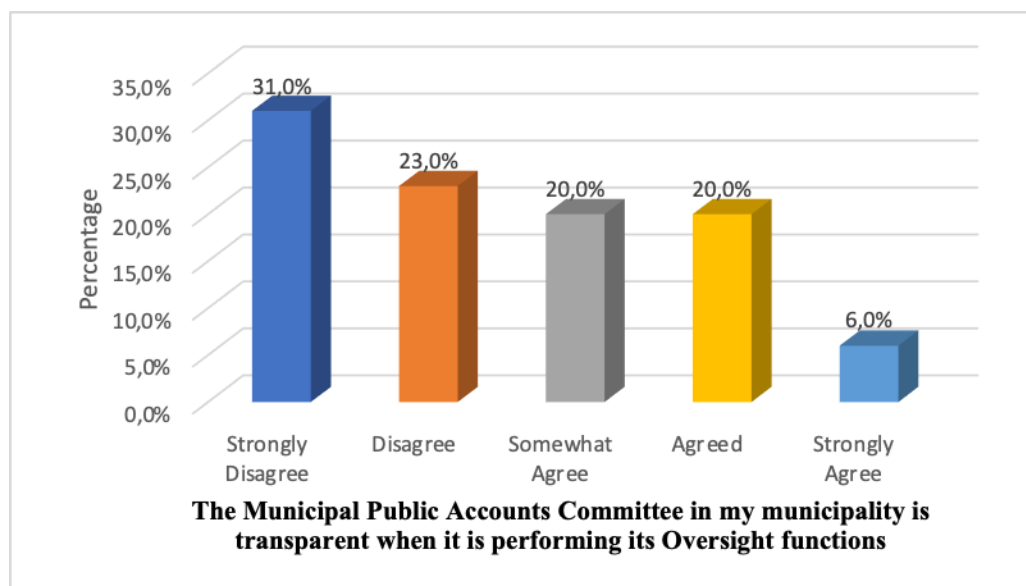


Figure 4.17: Municipal Public Accounts Committee transparency in its Oversight functions

The Figure 17 shows that 31 per cent of the respondents strongly disagreed, being followed by 23 per cent who disagreed that Municipal Public Accounts Committee are transparent when carrying out supervisory role in the Alfred Duma Local Municipality. Furthermore, the figure shows that those respondents who somewhat agreed and agreed constitutes 40 per cent combined and a smaller percentage constituting 6 per cent of the respondents strongly agreed that Municipal Public Accounts Committee is not biased during supervisory activities. The analysis of these findings shows that the majority do not agree that the MPAC is particularly transparent when exercising its oversight role regarding municipal financial management. This can be a result of tension between municipal officials and political office bearers within the Municipality which often results in a lack of trust between the two. One of the interviewed participants holds a distinct view by stating that:

The MPAC in our Municipality does not have a backbone when it comes to discharging its duties as it appears as though it protects the looters instead of the public purse. There is little transparency as to how officials who misuse municipal finances are brought to book. (KI 2)

Commenting on the same issues one of the participants **KI 6** added that:

The MPAC seems to exist on paper as its effectiveness is not seen in this Municipality.

Literature reviewed showed that oversight committees exist to play an oversight role regarding municipal finances. However, they are constrained due to several factors. These include incompetence of committee members and a general lack of understanding of how municipal finances should be handled. This calls for a drastic change with regard to the staffing of oversight committees as their function and roles should complement municipal efforts to enhance financial management and render public services. The sections below concentrates on the discussion of the findings of this study.

4.6 Nature of the relationship between politics and administration in local government

This section offers a discussion and presentation of findings on the above sub-heading.

4.6.1 Political office bearers and Municipal administrators work well together in Municipal finance

The researcher wanted to know whether or not the nexus between politics and administration affected the financial management matters of the Alfred Duma Local Municipality. Figure 18 below shows the relationship between the political and administration office.

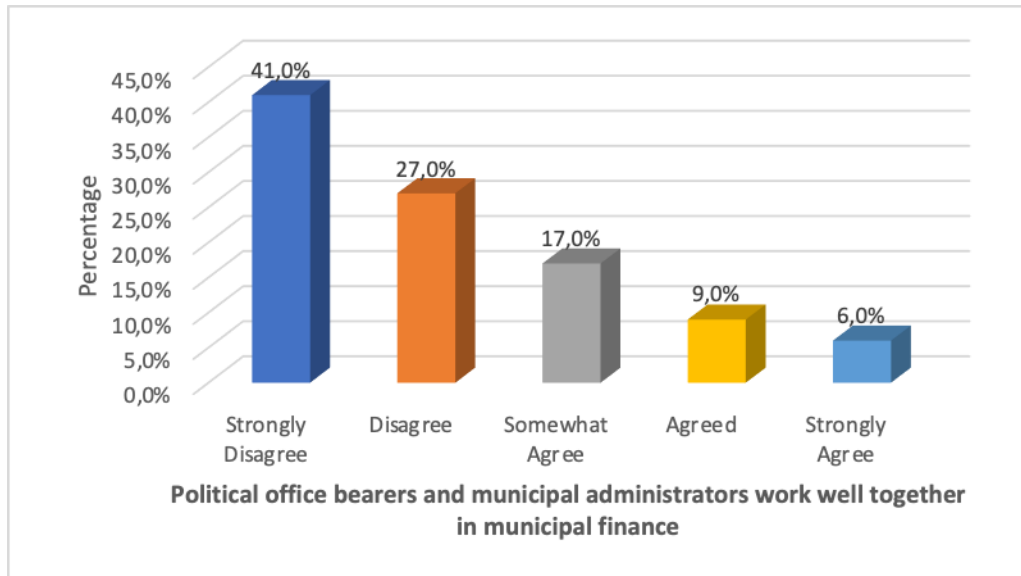


Figure 4.18: There are political and administrative disputes in the financial management process

The Figure 4.18 shows that a majority of respondents (41%) intensely disagreed that political office bearers and municipal administrators work well together, followed by 27 per cent who disagreed while only 17 per cent of the respondents somewhat agree that politicians and administrators work well together. The figure indicates that only 9 per cent of the respondents agreed, and a smaller percentage of 6 per cent strongly agreed that political office bearers and municipal administrators work well together with regard to municipal finance. It is evident from this figure that a combined majority of 68 per cent disagree with the view that politicians and administrators work in harmony. This perhaps reflects the fact that in the Alfred Duma Municipality, the relationship between political office bearers and administrators is well managed towards ensuring that municipal finances are used to achieve their intended purposes.

One of the interviewed participants however holds a different view when she states that:

Infighting between the mayoral and the office of the municipal manager is rife in this Municipality. This always affects our municipal, budgeting processes as the dispute drags on, which affects our capacity to effectively render services to our communities (KI 2).

Across various municipalities in South Africa, disputes between the two offices of the mayor and that of the municipal manager occur. In the Alfred Duma Municipality, it appears to be controlled by an acceptance of common goals. This is supported by another participant who holds that:

Yes, we have our differences when it comes to municipal budgeting and control as each office pushes towards our own goal. However, as a Municipality our overall goal is to see communities prospering so when doing our meeting on finances and budgeting, we make sure we reach a common ground for the sake of the citizens who entrusted us with their money (KI 9).

A closer analysis of these two assertions alerts the researcher to the political-administrative dichotomy that is well documented in South African literature. The findings show that although in the Alfred Duma Municipality disputes often arise between politicians and administrators, this can be controlled as both offices have the interest of the citizens at heart and are geared towards achieving a common goal which is service delivery. Managing differences in a municipal setup helps minimise issues of corruption and poor decision-making which affects the Municipality in future.

4.6.2 Political disputes in the financial management process

The researcher wanted to know whether or not political disputes exist in the financial management process in the Alfred Duma Local Municipality. Figure 4.19 below reflects on this statement drawing from views of respondents.

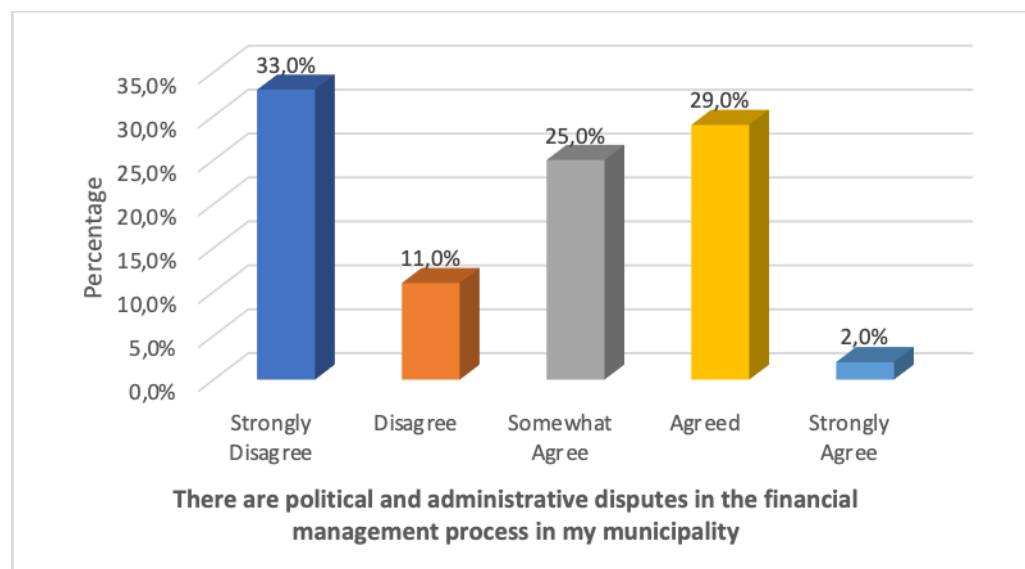


Figure 4.19: There are political disputes in the financial management process in my Municipality

Figure 4.19 above shows that 33 per cent of the participants firmly disagree, and 11 per cent disagree that there are political disputes in the financial management process of the Alfred Duma Municipality. The results indicate further that 25 per cent somewhat agree, 29 per cent agreed and a smaller percentage of 2 per cent strongly agreed that there are political disputes in the financial management process in my municipality. It is evident from these findings that a combined majority of 56 per cent of respondents are in favour of the statement that political disputes in the financial management processes of the Alfred Duma Municipality affect the functioning of the Municipality. This is because political interference is felt in many administrative sections of many government departments, including municipalities. One of the interviewed participants expressed the view that:

The municipal budgeting process is the most affected by political disputes in this Municipality. We take long to make sound decision and communities are at the receiving end of these disputes as service delivery gets delayed in many circumstances (KI 3).

It can be argued from these findings that, disputes between political office bearers and administrators regarding the way forward on the use of municipal finances does affect the communities who rely on municipal essential service provision. Reaching consensus in the face of political disputes can lead to good basic service delivery such as water or sanitation for the communities. The analysis of findings indicated that a shift in the operational strategy can be vital in enhancing municipal service delivery.

4.6.3 Accountability and transparency of political appointees

The researcher wanted to know if political appointees uphold accountability and transparency in the use of Municipal finances in the Alfred Duma Local Municipality. Figure 20 below examines this statement through the views of respondents.

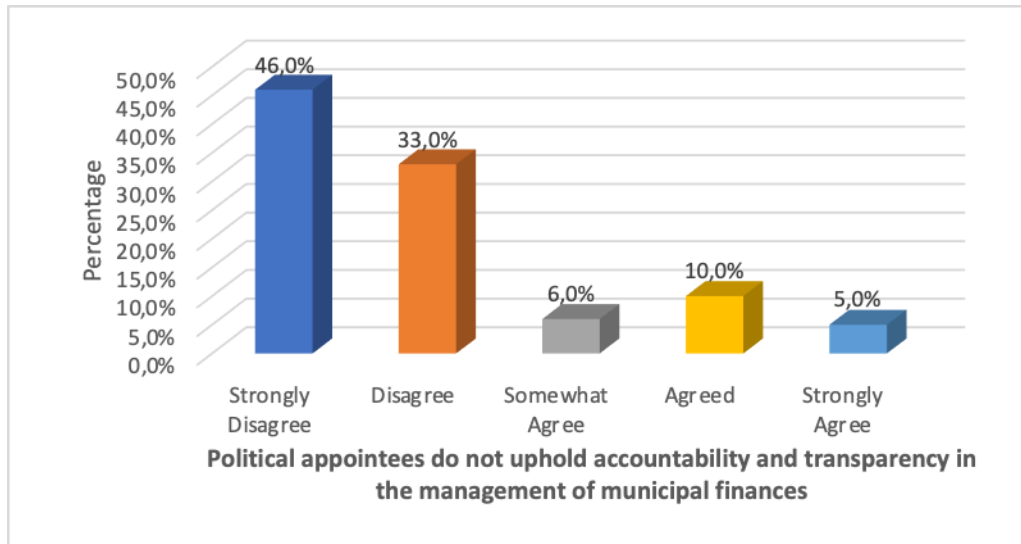


Figure 4.20: Political appointees' accountability and transparency

Figure 20 shows that the majority of respondents 46 per cent strongly disagreed, being followed by 33 per cent who disagreed that political appointees do not uphold accountability and transparency in the management of finances in the Alfred Duma Local Municipality. The results show further that, a smaller combined percentage of 21 per cent agree that political appointees do not uphold, accountability and are not transparent concerning municipal financial management. It is clear from these results that the majority disagreed with the statement that political appointees do not account for nor are they transparent in municipal financial management of the Alfred Duma Municipality. The analysis of these findings may dismiss the general view among the people that people who are appointed to municipal positions through ANC policy of cadre deployment are bosses unto themselves. The findings here seem to point in another interesting direction in which political cadres unexpectedly are the most abiding with municipal legislation on financial management.

4.6.4 Political influence in the work of administrators cripple service delivery in the Municipality

The researcher wanted to know whether or not political influence has any effect on the work of administrators in the Alfred Duma Local municipality. Figure 21 below shows whether or not political influence, in the opinion of the participants, cripples service delivery in the above-mentioned municipality.

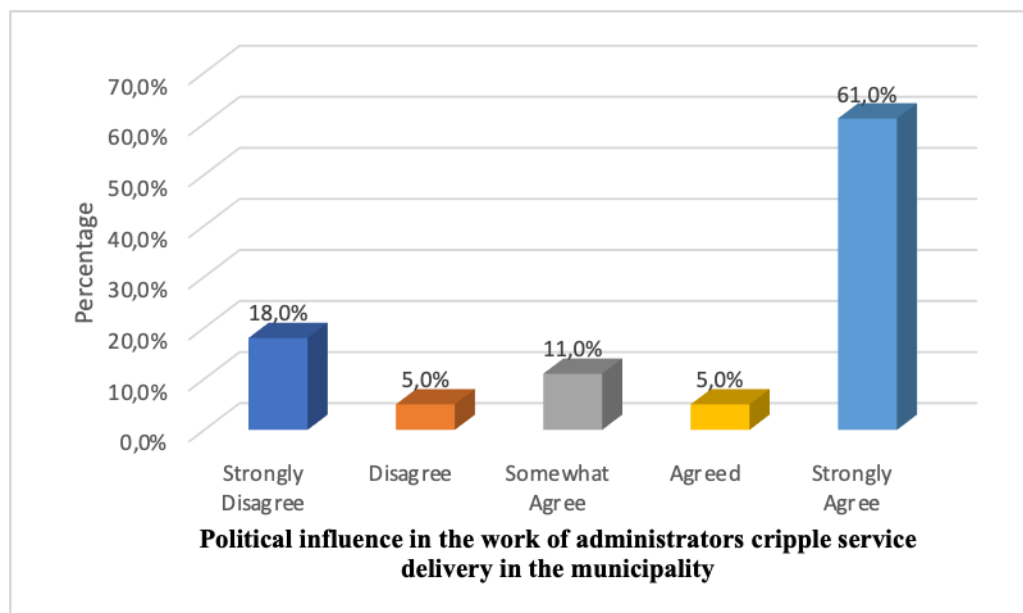


Figure 4.21: Political influence in the work of administrators affects service delivery

The Figure 21 shows that many respondents (61%) strongly concurred that political interference adversely affects the implementation of service delivery mandates in the Alfred Duma Municipality, being followed by 18 per cent of the participants who strongly disagreed that political interference affects the work of administrators. It can be noted from these findings that, a combined majority of 77 per cent agree that political interference affects the work of administrators in the Alfred Duma Municipality. These findings appear to contradict previous findings as stipulated in figure 18 where the respondents agreed that a good relationship exists between politician and administrators. Given the current circumstances in South African municipalities, politicians seem to be taking centre stage as the local government procurement systems are influenced by politicising. This observation is confirmed by one participant **KI 5** who states that:

It is a public secret that politicians always bulldoze their way in the financial management of this Municipality. Some of the decisions we have as financial administrators are forced decisions that do not correspond to our values or what we believe in. To protect our jobs sometimes we give in to political pressure thereby weakening our financial oversight expectations.

It is noted from the findings above that, and municipal officials are sometimes forced by prevailing circumstance to give in to political pressure for the sake of securing employment. The reason is

that politicians are believed to wield enormous political influence when it comes to municipal affairs. Therefore, the fight between politicians and municipal officials does affect service delivery and management of municipal finances. Commenting on this issue, another participant who corroborated the findings stated that:

In many cases in these municipalities, political office bearers always advance their cause by supporting poor ventures that lead to depletion of municipal coffers. They are aggressive and uncontrollable and trying to fight them can result in one losing a job (KI 10).

The analysis of these findings clearly illustrates the damage caused by political influence in the work of municipal administrators in financial management matters of the Alfred Duma Local municipality. Although previous findings attest to controlling the relationship, the evidence presented here indicates the opposite. It is evident that municipal protesters are rendered powerless by political office bearers and enforced management decisions show how fearless politicians are as administrators mainly seek to retain their jobs. Therefore, it can be concluded that political interference is detrimental to financial management in the Alfred Duma Municipality and can harm the capacity of the Municipality to deliver services to communities under its jurisdiction effectively.

4.7 Discussion

This section focuses on the discussion of the research findings centred on the four broad research questions and theory stipulated in Chapter 2.

4.7.1 Oversight Structures for sound financial management in local government

Research question 1 sought to assess the effectiveness of oversight Structures for sound financial management in local government paying attention to the Alfred Duma Local Municipality. The analysis of findings has pointed out that the Municipal Public Accounts Committee and the Audit Committees play a crucial role in attempting to ensure that municipal finances are properly used to render services. However, responses from the participants provide a mixed reaction as these oversight instruments are accused of lacking the backbone to ensure that officials who misuse public funds are held accountable for their actions. Challenges encountered by oversight structures are documented by Hanabe et al., (2017), who noted confrontation when it comes to municipal

budgeting processes throughout the Integrated Development Plan (IDP). Although new reforms were introduced in local municipalities in South Africa, many municipalities including Alfred Duma have not been able to receive a clean audit, which leads one to question the skills capacity and competency of municipal officials and oversight committees in general. Although local municipalities receive financial support from various guidelines, procedures and practises, the financial status of municipalities is still dire (Van der Waldt, 2016).

Further analysis of the findings revealed that oversight structures need to be staffed with people who have the skills and competency concerning financial management. This helps in detecting fraud and financial mismanagement as well as in making sound decisions that benefit the Alfred Duma Municipality. Competent officials will be able to uphold accountability, exercise financial monitoring and reporting as they are crucial elements in line with the principle of sound financial management. This view is further supported by Sibanda (2017) who noted that local municipalities in South Africa are receiving unqualified audits every year due to lack of compliance with legislation on municipal finance and poor financial management strategies. The same sentiments are held by Kariuki (2017:270) who criticised the ineffectiveness of oversight structures in local municipalities as they trigger corruption and the widespread abuse of state resources and the process causes community mistrust of public officials. For Jordan & Fourie (2013) there is a need to enhance financial governance and accountability in public departments as financial mismanagement causes the ordinary citizens to suffer as a result of the lack of essential service delivery. Therefore, for Alfred Duma Municipality to enhance its financial status, it should comply with legislation and principles of financial management that are crucial to the enhancement of service delivery.

4.7.2 Systems and processes that allow for sound financial management in local government

Research question 2 sought to examine the systems and processes that allow for good financial management in the ADLM. The findings of the study revealed that despite the availability of legislation regarding the proper management of municipal finances, Alfred Duma Municipality still struggles to keep up a good record as performance management declines owing to the political appointments, failure to adhere to policies and largely to a skills deficit. This is contrary to the capability approach which advocates for the humans to harness their capabilities to achieve an

outcome. In the same vein the financial control, theory adopted for this study advocates the setting up of personal functions for human beings to enhance the viability of an organisation (John et al., 2014). This speaks to the need to enhance financial management through proper structures which play a critical oversight in safeguarding municipal finances. Furthermore, these arguments are consistent with the study of Hanabe et al., (2017) that noted that when the MFMA and the Municipal Budgetary Reforms, were introduced in municipalities there has been a paradigm shift with regard to the core function of municipalities that now focus predominantly on stringent financial management protocols rather than on service delivery. Nevertheless, these assertions are disputed by Laubscher's (2015) study which holds that financial management systems of local government in South Africa are dire owing to misuse and absence of financial structures to uphold accountability and that play an oversight role. Comparing these two studies, it can be argued that while Alfred Duma Municipality has a structure in place, legislation regarding municipal finance management is not being adhered to as reported in the findings. This is worrisome given the shaky revenue base of that Municipality, hence poor structures and ineffective internal control open room for corruption and financial embezzlement as well as for poor service delivery to communities. Failure to comply with or even to formulate a proper structure that drives change, harms service delivery.

4.7.3 Skills and competency required for sound financial management in local government

Research question 3 sought to assess the skills and competencies required for sound financial management in local government using the Alfred Duma Local Municipality as a case study. In South African local government skills deficit and the inability to implement financial management legislation and finance development programmes is rife (Oberholzer, 2013). As noted in the quantitative findings, the Alfred Duma Municipality has many officials in the financial management section, although implementing legislation and other programmes is a challenge due to minimal skills. These challenges cut across many municipalities in South Africa, which often result from having weak leadership and from the hiring of unskilled people to key finance positions. In his study Sibanda (2017) confirms that many local municipalities in South Africa lack the necessary skills to obtain clean audits as adherence to financial management legislation is often non-existent. These claims may also point to the financial management status of Alfred Duma as the municipality has consistently failed to achieve a clean audit every year due to factors ranging

from lack of compliance but mainly from the lack of skills competency to be able to turn around the status of the Municipality.

It is pertinent to note that although the local government in South Africa is in dire need of skills, the hiring of qualified personnel is still a challenge. This is supported by Bwower (2019) who commented that the weak and incompetent Human Resources Departments hire unskilled people to fill key positions in the municipality, leading to poor results. The shortage of qualified employees can be affected by the deployment of executives, where the political hand interferes with local administration. These sentiments are further corroborated by Van der Westhuizen (2016) who states that the absence of an efficient Department of Human Resources to carry out talent recruitment projects harms the efficiency of local government officials. This can contribute to a misalignment of municipal financial legislation with local municipalities' vision and mission. For the Alfred Duma Municipality to emancipate its officials, financial skills development programmes must be implemented to safeguard municipal finances. These skills can help in minimising corruption and financial embezzlement, which leads to poor municipal performance and inadequate service delivery to communities.

4.7.4 The nature of the relationship between politics and administration in local government

Research question 4 sought to examine the nature of the above-mentioned relationship focusing on ADLM. As alluded to in the literature the politics-administration dichotomy is rampant in South African local government. This is a very complex phenomenon because political office bearers and municipal administrators must work closely together from policy formulation to the implementation stages of rendering service provision. Vilakazi & Adhetiba (2020:48) affirm that the politics-administration dichotomy in South African public administration is a significant concern regarding the operation of municipalities. When disputes arise between politics and administration, Naidoo (2017) lamented the resultant corruption as it adversely affects municipal finances in the process derailing public service provisions. Although the control theory advocates for enabling structures to be put in place to safeguard public money, the political administration disputes create loopholes leaving municipal finances vulnerable to embezzlement.

The analysis of quantitative findings indicated that overall, the political-administration relationship in the Alfred Duma Municipality is constraining effective municipal finance management. Through analysis of qualitative findings, municipal officials confirm bullying by politicians when it comes to decision-making regarding municipal finance. Although there is a demarcation between the political office of the mayor and the office of the municipal management, evidence shows that political interference has become a scourge to municipal finance management in the Alfred Duma Municipality. Although the relationship is contained sometimes for the sake of service delivery, its debilitating effect on community service delivery leaves a long-lasting legacy. This is confirmed by Pretorius (2017:1) who states that tensions in local government emanate from those in management who share different political affiliations which then influence their decision-making and interfere with various processes at local government level. These assertions are detrimental to municipal finance management; hence the relationship between political office bearers and municipal officials should be adequately handled to realise adequate service provision. Maqoko & Andoh (2019:80) further advocate for the tensions between politicians and demonstrators to be well-managed to enable the development of local municipalities. It can be deduced, therefore, from these discussions that, for Alfred Duma Municipality to excel in municipal finance management, the existing relationship between political and administrative structures must be handled in a professional manner where the leaders work collaboratively to safeguard municipal finances and to improve service provision to communities.

The analysis of findings for this study appear to contradict some of the provisions of the control theory for this study. Regarding oversight structures for sound financial management, the theory seems to blend well as it advocates for institutions within the public sector that should play various roles to produce an outcome. The findings have stated clearly that the availability of MPAC and Oversight committees is influential in the management of municipal finances in the Alfred Duma Municipality. Nevertheless, these structures appear to be poorly coordinated as the findings have stressed clearly that they exist in name and that their role is quite insignificant in safeguarding municipal, finances. The control theory stresses that institution and structures must be interlinked with various stakeholders towards achieving an outcome. The researcher could not find the proper link within oversight committees hence the failure by the Municipality to obtain a clean audit.

The skills and competencies needed to spearhead sound financial management were reported to be missing in Alfred Duma Municipality. Despite the fact that the control theory advocates that the control system for methods and procedures must be aligned to functions that safeguard resources, the findings contradict this thesis. The skills deficit was evident in both qualitative and quantitative findings. It means that in this regard, the theory could not properly support the findings hence a gap exists with regard to the skills shortage and it heightens the need for the Municipality to reconfigure its skills base to enhance service delivery.

The analysis of findings revealed that processes and systems exist in Alfred Duma to achieve sound financial management. This is in line with the control theory for this study which states that instruments, accounting, control models and related aspects must be reflected in organisations. Although models could not be reported on in the findings, processes such as Integrated Development Planning, Participatory Budgeting processes were reported to have been implemented in the Alfred Duma Municipality. Nonetheless, stakeholder participation was missing in these processes which adversely affected the success of financial development programmes. The most important element of citizen input was not found which for some showed that the theory was not properly adhered to in practice.

The nature of politics and administration in the Alfred Duma Municipality appears to be supported by the control theory as coordination between the two offices was noted with regard to municipal finances, although disputes exist. Alignment and coordination towards producing an outcome is discussed in the control theory hence findings seem to support these provisions. As indicated in the control theory, internal audits and accountability are crucial for improving relationships in organisations. Therefore, the interface between political office bearers and municipal administrators is of great significance to safeguarding municipal finances. The implication of the control theory for this study is that policy makers need to ensure that local municipalities are capacitated enough, and that committees such as MPAC must be strengthened to make sure that they play a critical oversight role regarding municipal finances. Scholars of public administration can therefore draw a lesson from this regarding the use of control and can relate this to theory in public accounting studies. Lastly, by employing the control theory in this study, readers can understand the whole, dynamic and complex public financial environment, how relationships can

be managed, processed and systems interact in a web towards improving service delivery. The theory, therefore, informs accountability and transparency in municipal finances as crucial elements in attaining sound financial governance.

4.8 Chapter Summary

Chapter four dealt with presentation of both quantitative and qualitative findings of this study. The analyses of findings were based on the four broad themes that were aligned to the objectives of the study. Regarding the first theme on oversight structures and systems the researcher found that the Alfred Duma Local Municipality has systems and structures in places such as the MPAC and Oversight Committees to safeguard municipal finances. However, there is a lack of required resources and expertise to bring corrupt officials to book nor is there the capacity to stop the embezzlement of municipal funds as noted in the literature. It appears that, through incompetence, people are hired to serve in these crucial committees without enough expertise. Although systems and processes are in place in Alfred Duma Municipality to safeguard municipal finances, the evidence has pointed to lack of compliance with legislation such as the MFMA and the PFMA among others. This failure is blamed on many issues such as political appointments and hiring of unskilled people, including the lack of commitment. It can be deduced from the analysis that, performance measurement among officials in this Municipality was not done to ensure that backlogs are noticed when it comes to municipal financial management. The analysis of findings further revealed that skills shortage is the leading cause of poor municipal finance mismanagement in the Alfred Duma Municipality. However, some quantitative findings support the use of oversight structures to safeguard municipal finances. These structures are administered by some inexperienced people who fail to detect the misuse of municipal finances. This is an evident gap noted in the analysis of findings that demands the Municipality enhance its skills through various training and skills development programmes. Finally, the nature of the relationship between political office bearers and municipal demonstrators was noted to be another constraining factor in achieving effective municipal management. Based on the analysis of findings, a mutually beneficial relationship is needed to achieve sound municipal financial management in the Alfred Duma Municipality. This can be achieved by politicians and officials working together to improve service delivery.

CHAPTER 5: SUMMARY, RECOMMENDATION AND CONCLUSION

5.1 Introduction

The main purpose of this research was to examine the factors affecting financial management in the ADLM in KZN Province of South Africa. This chapter summarises and draws conclusions from the four research objectives namely: to assess the oversight structures for sound financial management in local government; to explore the systems and process that allow for sound financial management in local government; to examine skills and competency required for sound financial management in local government; and to assess the nature of the relationship between politics and administration in local government. Proposed recommendations and implications of the study drawn from the research in the ADLM will be provided. The study will also demonstrate how ADLM can enhance its oversight structures for effective financial management.

5.2 A Summary of the study

Chapter 1 provided an overview the layout of chapters and discussed in detail the context of the study. It further outlined the research problem, questions and objectives. The chapter introduced the concept of financial management within a local government context highlighting the key challenges faced regarding the management of municipal finances.

Chapter 2 focused on the conceptual framework for financial management by discussing some of the pertinent existing literature. It further discussed the theoretical framework for this research, particularly the financial control theory. The chapter outlined the policy and legal frameworks governing financial management at the local municipal level in South Africa. The chapter examined further the obstacles confronting local municipalities in South Africa in their quest to enhance good financial management. It also discussed the oversight structures that exist to safeguard municipal finances in local municipalities. The gaps were noted in the literature regarding oversight structures as administrators do not have the necessary willpower to play an oversight role in protecting municipal finances. This was due to limited skills among the appointed members which can adversely trigger funds embezzlement. Also, political office bearers and municipal administrators were found to be at loggerheads regarding finance decisions although at times they come to a consensus on how to spearhead service delivery.

Chapter 3 examined the research methods used in this study. A pragmatic approach premised on a mixed-methods approach was employed where surveys and interviews were used to collect data. These tools enabled the researcher to collect the data used for this study effectively.

Chapter 4 presents, analyses and interprets data regarding financial management regarding the Alfred Duma Local Municipality. Quantitative data was presented using SPSS Version 21. In the presentation, Graphs, charts and tables were used for presentation of findings while analysis of qualitative data involved thematic analysis.

Chapter 5 draws conclusions, provides recommendations to enhance municipal financial management and to provide a direction for future studies. Oversight committees were found to be weak and the systems and processes meant to enhance municipal finance management were not effective. Politicians and municipal administrators were recommended to co-exist for the sake of municipal service delivery.

5.3 Conclusions with regards to the study's research objectives

Findings from chapter 4 helped in offering answers to this present research. The recommendations of this research were reached through reviewing research questions and objectives. The primary objectives and conclusions are highlighted in the next paragraphs, 5.3.1 to 5.3.4.

5.3.1 Oversight Structures for good financial management in local government

One of the major objectives of the research was to assess the value of oversight structures for good financial management in the Alfred Duma Local Municipality. The following conclusions were drawn from the findings:

- a) The majority of respondents agree that oversight structures that include MPAC exist although they were not effective in safeguarding municipal finances in Alfred Duma Municipality; and
- b) The findings pointed to a gap in terms of oversight committees, where there is a need to employ qualified people with knowledge and experience of oversight legislation and functions as this is crucial for holding finance officials accountable for administration of municipal funds.

5.3.2 Systems and processes that allow for good financial management in local government

The second objective was to examine the systems and processes that allow for effective financial management in the Alfred Duma Local Municipality.

- a) The majority of respondents confirm that systems and processes that promote good financial management exist in the Alfred Duma Local Municipality although lack of compliance with these systems is a huge constraint. The responses point to system deviation from procedures which all point to leadership that fails to reign in unscrupulous municipal officials who do not adhere to procedures.
- b) Regarding the participation of stakeholders in municipal IDP, the analysis pointed to a gap in limited public participation which therefore affected the successful implementation of good principles of municipal financial management.
- c) The systems and procedure underpinning municipal financial management, need to be institutionalised properly within Alfred Duma Municipality and officials must have the knowledge and understanding of how they operate.

5.3.3 Skills and competency required for good financial management in local government

The third objective was to assess the skills and competency required for good financial management in local government.

- a) The analysis of findings revealed that, with regard to municipal finance management, Alfred Duma Municipality has a deficit of skilled officials with good competency to drive the service delivery agenda. It was concluded that to attain good governance through effective municipal finance management, qualified officials who are competent must be hired to fill key finance positions as this helps in attaining clean audits and in rendering quality services in the municipality.
- b) To curb the skills deficit, it is concluded that skills development programmes and in-house training are necessary for equipping finance officials with modern skills to safeguard municipal finances and for effective service delivery.

5.3.4 Nature of the relationship between politics and administration in local government

The fourth objective was to assess the nature of the relationship between politics and administration in local government.

- a) From the analysis of findings, there seems to be a mixed reaction when it comes to the interface between politics and administration in connection with the financial management

of the Alfred Duma Municipality. Some respondents believe political interference is detrimental to municipal finance management while others dismiss the view. It was concluded that although political office bearers meddle in financial affairs, they often agree with municipal administrators on how municipal finances should be used to render public services. Therefore, the relationship is a controlled one despite the competition between the political and administration offices.

5.5 Implications of the study

The findings of this study have a fundamental implication for improving the management of finances in the Alfred Duma Local Municipality. For top management, the study has the following implications: There must be an improvement in the capacity of oversight committees to ensure that the processes and structures for financial management are effective and to execute their mandate in an accountable manner. For municipal administrators, the study can assist in recruitment and selection as it indicates that employing people with skills can help turn around the management of finances in the Municipality. For policymakers, the study helps to underscore the need for legislation to be proposed that ensures that municipal finances are protected through strong oversight committees. Scholars in the field of financial management and public sector accounting may gain insight into how municipal finances should be safeguarded for effective service provision while practitioners are alerted to the dangers of misusing municipal finances. Since the study was conducted during COVID 19 restrictions the researcher had difficulties in accessing all the intended beneficiaries hence she resorted to telephonic interviews and to Google survey questionnaires to collect data.

Since the previous paragraph provides implications for policy and practise, the researcher decided to provide implications for further research in the field of public finance management. In Public Administration as a discipline, Cloete (1967:58) stated that financing is one of the generic administrative functions that include organising, staffing, policymaking work procedures and controlling. Financing as a function informs the manner in which public funds are obtained, spent and controlled. This study was therefore conducted under the domain of public finance management which is regarded as crucial to the effective functioning and operation of public sector organisations in South Africa. As noted by Bourgon (2007:19), effective public administration is reliant on systematic and scientific methods of financial performance management, implemented

by capacitated, empowered and motivated public officials who play various roles according to their specialities to ensure the delivery of services. Public finance management is one of the roles performed by public officials that enables projects to be undertaken successfully with sound accountability and transparency that are fundamental when it comes to using public money (Chihi & Normandin, 2013). This study put the emphasis on financial management at local government level. Further research should be conducted at a provincial and at a national level. This would be necessary because the national sphere of government for example is mandated to allocate an equitable share to local municipalities hence good oversight and accountability is critical to ensuring that citizen funds are not misdirected or embezzled which may have a direct impact to community service delivery.

5.4 Recommendations

Objective 1 of the study sought to assess the availability of Oversight Structures for good financial management in local government. Research findings revealed that oversight committees and structures in the Alfred Duma Local Municipality are too weak to safeguard municipal finances. Their role is not efficiently utilised to curb fraud and corruption. Therefore, internally the Municipality is recommended to appoint competent committee members who have the required experience and knowledge on oversight regarding finance management—this should assist in detecting fraud early or financial mismanagement. The committees should also undertake regular monitoring and evaluation of municipal finances which is fundamental to holding finance officials accountable for their expenditure.

Objective 2 of the study examines the systems and processes that allow for good financial management in local government. The processes and structures for allowing sound financial management were reported to be inefficient in the Alfred Duma Municipality. The Municipality is recommended to ensure that all the appointed officials in finance are familiar with their roles and duties. This helps in reducing overlaps and duplication of functions and performance auditing is of significance to ensure that municipal officials are committed to their employment.

Objective 3 assessed the skills and competency required for good financial management in local government. It has been explained in the discussion of findings that, finance officials in the Alfred Duma Municipality do not have adequate financial skills to cope with trends in the dynamic financial environment. Therefore, the researcher recommends that, to achieve sound financial management, the Human Resources Department should exercise caution when hiring staff, and

only qualified people in the area of finance should be deployed to drive the Municipal finance development programmes while safeguarding municipal finances from embezzlement. The hiring of political appointees must be controlled and evaluated to ensure that, those who assume senior finance positions know their jobs very well.

Objective 4 determined the nature of the relationship between politics and administration in local government. The findings reported that the inevitable clash between of the mayoral and the municipal manager's office triggers conflicts that can be detrimental to municipal finance management in the Alfred Duma Municipality. Although others regard the existence of mayor and municipal management as crucial for development, there is a need for the two important offices to co-exist for municipal and community development. Therefore, the researcher recommends the two offices to act as checks and balances to each other to ensure that municipal finances are safeguarded against theft and fraud. Increased financial monitoring and evaluation is key to effective and accountable use of municipal finances. Furthermore, the Cooperative Governance and Traditional Affairs (COGTA) is encouraged to increase its oversight role to ensure that local municipalities comply with good principles of financial management and recommendations of the Auditor General in order to accelerate service delivery in communities.

5.6 Summary

The purpose of this chapter was to offer a synopsis of the study and the conclusions about the study objectives, recommendations established from the research findings and its implications for effective municipal financial management. The study has indicated that oversight structures and committees in the Alfred Duma Municipality must be well-equipped with skilled officials who have the competence to safeguard municipal finances. Such structures must portray strong leadership qualities that ensure internal controls are strengthened, and regular audits are conducted to ensure that public money is being used for the intended purpose of rendering service delivery. The study provides a recommendation to the two offices: of the mayor and municipal manager to work closely in harmony to improve the management of municipal and financial aspects for effective service provision. Finally, employing skilled officials is fundamental for enhancing compliance with legislation regarding municipal financial management and to improve the chance for the Alfred Duma Municipality to receive a clean audit form the South African Auditor General.

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LIST OF APPENDICES

Appendix A: Questionnaire

Questionnaire

2020/12/09, 16:00

Questionnaire

Ms Mbatha Research
UNIVERSITY OF KWAZULU NATAL

Researcher: Nonzwakazi Mbatha
Supervisor: Prof Sybert Mutereko.
School of Management, IT and Public Governance

Dear Respondent,

The information required in this questionnaire is meant to form part of an academic research process titled: Examining the factors that affect Financial Management of local Government in South Africa: a case study of Alfred Duma Local Municipality in KZN. It is a survey study involving some key employees in the municipality.

Your municipality has been chosen as a case study. Through your participation, the researcher will be able to ascertain the factors that affect the financial management in your municipality.

Kindly note the following in respect of your participation:

- a. that your participation in this study is voluntary. You have a choice to participate or not. You may also withdraw your participation at any time you deem without giving any reason.
- b. Your participation is highly confidential and anonymous. No one has the right to know of your participation, the information cannot, in anyway, be linked to you; hence, your name is not required for any reason.
- c. if you have any doubt, question or concern, you may, please, call on the researcher for explanation or contact the institution above;
- d. no incentives or benefit is available to participants and no risk is envisaged.

In light of the foregoing, your honest response to the questions will be highly appreciated. All information given shall be treated with strict confidentiality and will be analyzed as aggregated statistics data strictly for academic purpose.

Thank you for your corporation.

If you have any doubt, question or concern, you may please, call on the research supervisor;
Dr. Sybert Mutereko (muturekos@ukzn.ac.za+27312607951) or contact:

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.....
MBATHA, Nonzwakazi Pamela
083 7055 17

* Required

1. Email address *

2.

☐ Option 1

Consent to participate

3. I give my consent to participate

☐ Yes

☐ No

SECTION A

4. Sex

☐ Female

☐ Male

5. Age

- ☐ Below 25
- ☐ Between 26–35
- ☐ Between 36–45
- ☐ Between 46–55
- ☐ Above 55

6. Marital Status

- ☐ Single
- ☐ Married
- ☐ Other: _____

7. Highest Qualification

- ☐ Above first degree
- ☐ Diploma/ Degree
- ☐ Post-matric certificate
- ☐ Matric
- ☐ Other: _____

8. Participants category

☐ Administration☐ Political☐ Other: _____

9. Are you directly involved in financial management issues

☐ Yes☐ No

10. At what level are you involved in financial decision making

☐ Administration employee☐ Professional☐ Political

11. Respondent category

☐ TROIKA members☐ Council members☐ Executives☐ Directors☐ Managers: Finance☐ Finance and other Administration staff

Oversight Structures(Internal/External)

12. The municipality has strong oversight structures in place to oversee management of municipal finances.

- ☐ Strongly Disagree
☐ Disagree
☐ Somewhat Agree
☐ Agreed
☐ Strongly Agreed

13. There are proper financial controls to ensure effective management of municipal finances

- ☐ Strongly Disagree
☐ Disagree
☐ Somewhat Agree
☐ Agreed
☐ Strongly Agreed

14. Oversight structures are capacitated enough to prevent fraud and corruption in municipal finance management

- ☐ Strongly disagree
☐ Disagree
☐ Somewhat Agree
☐ Agree
☐ Strongly agree

15. Oversight committees face many challenges when implementing of principles of good financial management

- ☐ Strongly disagree
- ☐ Disagree
- ☐ Somewhat Agree
- ☐ Agreed
- ☐ Strongly Agreed

Systems and Processes

16. There are no financial systems and processes in place to ensure effective financial management

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Somewhat Agree
- ☐ Agreed
- ☐ Strongly Agreed
- ☐ Other: _____

17. There municipality regularly conduct financial audits to safeguard municipal finances

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Somewhat Agree
- ☐ Agreed
- ☐ Strongly Agreed

18. There is compliance with legislation regarding financial oversight in our municipality

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Somewhat agree
- ☐ Agreed
- ☐ Strongly Agreed

19. There is no public participation in the budgeting process of the municipality

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Somewhat Agree
- ☐ Agree
- ☐ Strongly Agree

Skills and Competency

20. The municipality has skilled officials with knowledge and experience to play an oversight role

☐ Strongly Disagree
☐ Disagree
☐ Somewhat Agree
☐ Agree
☐ Strongly Agree

21. There is duplication of functions on the roles and the responsibilities between Municipal Public Accounts Committee and the Audit Committee in the municipality

☐ Strongly disagree
☐ Disagree
☐ Somewhat Agree
☐ Agree
☐ Strongly agree

22. Financial reporting and monitoring are conducted as part of implementing good financial practices

☐ Strongly disagree
☐ Disagree
☐ Somewhat Agree
☐ Agree
☐ Strongly agree

23. The Municipal Public Accounts Committee in my municipality is transparent when it is performing its Oversight functions

- ☐ Strongly disagree
☐ Disagree
☐ Somewhat Agree
☐ Agree
☐ Strongly agree

Nature of relationship between politics and administration

24. Political office bearers and municipal administrators work well together in municipal finan

- ☐ Strongly Disagree
☐ Disagree
☐ Somewhat Agree
☐ Agree
☐ Strongly Agree

25. The are political and administrative disputes in the financial management process in my municipality

- ☐ Strongly disagree
☐ Disagree
☐ Somewhat Agree
☐ Agree
☐ Strongly agree

26. Political appointees do not uphold accountability and transparency in the management of municipal finances

- ☐ Strongly disagree
- ☐ Disagree
- ☐ Somewhat Agree
- ☐ Agree
- ☐ Strongly agree

27. Political influence in the work of administrators cripple service delivery in the municipality

- ☐ Strongly disagree
- ☐ Disagree
- ☐ Somewhat Agree
- ☐ Agree
- ☐ Strongly agree

This content is neither created nor endorsed by Google.

Google Forms

Appendix B: Interview Guide

Interview guide

1. What are the oversight structures for good financial management in local government?
2. Which systems and processes allow for effective and good financial management in local government?
3. What are the available skills and competencies that enhance good financial management in local government?
4. How does the nature of the relationship between politics and administration affect good financial management in local government?

Appendix C: Ethical Clearance



01 June 2020

Miss Monemakazi Pamela Mibatha (204511816)
School Of Man Info Tech & Gov
Westville Campus

Dear Miss Mibatha,

Protocol reference number: HSSREC/00001393/2020

Project title: Examining Financial Management of local Government in South Africa: a case study of Alfred Duma Local Municipality in KZN
Degree: Masters

Approval Notification – Expedited Application

This letter serves to notify you that your application received on 11 May 2020 in connection with the above, was reviewed by the Humanities and Social Sciences Research Ethics Committee (HSSREC) and the protocol has been granted FULL APPROVAL.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

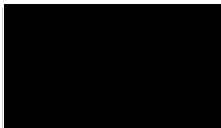
This approval is valid until 01 June 2021.

To ensure uninterrupted approval of this study beyond the approval expiry date, a progress report must be submitted to the Research Office on the appropriate form 2 - 3 months before the expiry date. A close-out report to be submitted when study is finished.

All research conducted during the COVID-19 period must adhere to the national and UKZN guidelines.

HSSREC is registered with the South African National Research Ethics Council (REC-040414-040).

Yours sincerely,



Professor Dipana Hinkile (Chair)

/dd

Humanities & Social Sciences Research Ethics Committee
UKZN Research Ethics Office Westville Campus, Steven Mbedi Building
Postal Address: Private Bag X29001, Durban 4001
Tel: +27 31 260 6908 / 4587 / 5007
Website: <http://research.ukzn.ac.za/research-ethics/>

Appendix D: Permission Letter



ALFRED DUMA LOCAL MUNICIPALITY

OFFICE OF THE MUNICIPAL MANAGER

Incorporating Mayoral Office, Internal Audit, Risk, PMS, IDP, Policy Research, Communications, IGR

Please ask for: Ms S S Ngiba/jg

My Ref:

Your Ref:

29 Ladysmith 3370
(036) 637 2231
Fax: (036) 631 1400
Email: mm@alfredduma.gov.za
Website: www.alfredduma.gov.za

09 March 2020

Prof. S Mutereko
University of Kwazulu-Natal
Private Bag X54001
DURBAN
4000

Sir

PERMISSION TO CONDUCT RESEARCH: MS NONZWAKAZI MBATHA: STUDENT NO. 204511816

Your letter dated 29 February 2020 with regards to the above, refers.

On behalf of the Alfred Duma Local Municipality, Ms Nonzwakazi Mbatha is hereby granted permission to conduct research titled ***"Examining Financial Management in Local Government with specific reference to Alfred Duma Local Municipality: A service delivery perspective."***

Relevant officials from the Department Budget and Treasury will assist Ms Mbatha with the required information for the study.

We are delighted to participate in this study and contribute to this research.

Ms Mbatha may contact the Chief Financial Officer on Tel: 036 6372231 for further assistance.

S S NGIBA
MUNICIPAL MANAGER

Appendix E: Language Editing Certificate

“Asoka ENGLISH LANGUAGE EDITING
45 Vausedale Crescent, Escombe, 4093.

Cell no.: 0836507817

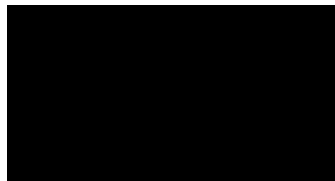


DECLARATION

This is to certify that the FOLLOWING DISSERTATION has been English Language Edited

***Examining the factors that affect Financial Management of Local Government in South
Africa: a case study of Alfred Duma Local Municipality in KZN***

Candidate: Mbatha N



DISCLAIMER

Whilst the English language editor has used electronic track changes to facilitate corrections and has inserted comments and queries in a right-hand column, the responsibility for effecting changes in the final, submitted document, remains the responsibility of the client and the editor cannot be held responsible for the quality of English Language expression used in corrections or additions effected subsequent to the transmission of this certificate on 22/12/2020.”

Prof. Dennis Schauffer, M.A.(Leeds), PhD, KwaZulu (Natal), TEFL(London), TITC
Business English, Emeritus Professor UKZN. Univ. Cambridge Accreditation: IGCSE
Drama. Hon. Research Fellow, DUT. Durban University of Technology.

Appendix F: Informed consent

“CONSENT LETTER

UKZN HUMANITIES AND SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE (HSSREC)

APPLICATION FOR ETHICS APPROVAL (For research with human participants)

Information Sheet and Consent to Participate in Research

Date:

Greetings,

Email: nonzwakazi.mbatha@gmail.com Cellular +27837055177

“You are kindly requested to consider participating in a research study titled “Examining Financial Management of local Government in South Africa: a case study of Alfred Duma Local Municipality in KZN”. The aim of this study is to explore financial management in the South African local government using a case study of ALFRED DUMA LOCAL MUNICIPALITY”

“This study is expected to involve municipal officials and council members, particularly, all employees involved in the financial management process at ADLM. The researcher shall conduct interviews with the Municipal Manager of the municipality and other participants at different municipal structural level. The questionnaire shall be administered to various municipal workers for wider representation and in-depth analysis. Please note the following in terms of your participation:

Your participation is absolutely voluntary. You have a choice to participate or withdraw participation at any time without any explanation.

Your participation is highly confidential and anonymous. No one has the right to know of your participation, the information supplied will not be linked to you for any reason except for the purpose of coding;”

- ☐ No incentives, monetary or otherwise, is available to participants and no risk is involved for the participants;
- ☐ All data, both electronic and hard copy, will be securely stored during the study and archived for 5 years after which they shall be destroyed;
- ☐ All information given shall be treated with strict confidentiality and will be analysed as aggregated statistics data strictly for academic purpose.

“Kindly note that this study was approved having been screened by the Ethics Board of the School of Management, IT and Public Governance, University of KwaZulu Natal in South Africa with approval no.

Considering the foregoing, your honest response to the questions will be highly appreciated.

If you have any doubt, question or concern, you may please, call on the research supervisor; Dr. Sybert Mutereko (muturekos@ukzn.ac.za; +27312607951) or contact:”

“Ms. Mariette Snyman,

Humanities & Social Sciences Research Ethics Administration

Research Office, Westville Campus Govan Mbeki Building

Private Bag X 54001

Durban 4000 KwaZulu-Natal, SOUTH AFRICA Tel: 27 31 2604557- Fax: 27 31 2604609

Email: HssrecLms@ukzn.ac.za”

Yours sincerely,

Mbatha, Nonzwakazi, P.

Researcher

CONSENT TO PARTICIPATE

I.....have been informed about the study entitled “Examining the factors that affect Financial Management of local Government in South Africa: a case study of Alfred Duma Local Municipality in KZN” by Nonzwakazi Pamella Mbatha.

“I understand the purpose and procedures of the study.

I have been given an opportunity to ask questions about the study and have had answers to my satisfaction.

I declare that my participation in this study is entirely voluntary and that I may withdraw at any time without affecting any of the benefits that I usually am entitled to.

I have been informed about any available compensation or medical treatment if injury occurs to me as a result of study-related procedures.

If I have any further questions/concerns or queries related to the study I understand that I may contact the researchers at nonzwakazi.mbatha@gmail.com; +27837055177 or

Ms. Mariette Snyman”

“Humanities & Social Sciences Research Ethics Administration

Research Office, Westville Campus Govan Mbeki Building

Private Bag X 54001 Durban, 4000

KwaZulu-Natal, SOUTH AFRICA

Tel: 27 31 2604557 - Fax: 27 31 2604609

Email: HssrecLms@ukzn.ac.za”

Additional consent, where applicable:

I hereby provide consent to:

SKYPE / ZOOM Audio-record my interview	YES / NO”
--	-----------

_____ Signature of Participant	_____ Date
-----------------------------------	---------------

Signature/Date of Witness (as applicable)

Signature of Translator (as applicable)