



**Evaluation of financial accountability, financial control and financial reporting at Umtshezi Municipality: a case study**

**By**

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## DECLARATION

I, Manqoba Wiseman Khanyile, declare that this dissertation is a representation of my own work both in conception and execution. This work has not been submitted in any form for another degree at any university or institution of higher learning. All information cited from published or unpublished works have been acknowledged.

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Date

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Supervisor Name

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Signature

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Date

## **ACKNOWLEDGEMENTS**

Firstly, I am indebted to God for giving me the strength and ability to accomplish my goals and endeavours.

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## **ABSTRACT**

Financial accountability, financial control and financial reporting are the three main elements that determine the performance of the municipality. An analysis had to be made on each of these elements to find any limitations and gaps that negatively impact on the performance of the organisation. The aim of the study was to evaluate financial accountability, financial control and financial reporting of Umtshezi Municipality.

The study was a census study and it was quantitative, descriptive and cross sectional in nature. The target population comprised of 45 employees from the finance department which was divided into five units, namely, Supply Chain Management, Expenditure, Asset/Fleet, Revenue and Budget. The IBM Statistical Package for Social Sciences (SPSS) version 22.0 was used to determine statistical results.

The findings of the study discovered that officials lack educational qualifications and adequate understanding of the MFMA. The respondents also indicated that there was political influence affecting administration within the municipality.

The study recommended that the municipality should provide funds to train employees. National Treasury should conduct consistent reviews on the implementation of the MFMA. The Department of Cooperative Governance and Traditional Affairs (COGTA) should intervene to protect the administration from political threats.

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>DECLARATION</b>	i
<b>ACKNOWLEDGEMENTS</b>	ii
<b>ABSTRACT</b>	iii
<b>TABLE OF CONTENTS</b>	iv
<b>LIST OF TABLES</b>	ix
<b>LIST OF FIGURES</b>	x
<b>LIST OF ABBREVIATIONS</b>	xi
<b>APPENDICES</b>	xii

### CHAPTER ONE: INTRODUCTION AND BACKGROUND OF THE STUDY

	<b>PAGE</b>	
<b>1.1</b>	<b>INTRODUCTION</b>	1
<b>1.2</b>	<b>BACKGROUND TO THE STUDY</b>	1
<b>1.3</b>	<b>RESEARCH PROBLEM</b>	3
<b>1.4</b>	<b>AIM AND OBJECTIVES OF THE STUDY</b>	6
<b>1.4.1</b>	<b>Aim</b>	6
<b>1.4.2</b>	<b>Objectives</b>	6
1.4.2.1	Research questions	6
<b>1.5</b>	<b>RATIONALE OF THE STUDY</b>	7
<b>1.6</b>	<b>RESEARCH METHODOLOGY</b>	7
<b>1.6.1</b>	<b>Research type</b>	8
<b>1.6.2</b>	<b>Target population</b>	8
<b>1.6.3</b>	<b>Pilot study</b>	8
<b>1.6.4</b>	<b>Reliability and validity</b>	8
<b>1.6.5</b>	<b>Data collection</b>	9
<b>1.6.6</b>	<b>Ethical consideration</b>	9
<b>1.7</b>	<b>OVERVIEW OF CHAPTERS</b>	9
<b>1.7.1</b>	<b>Chapter one</b>	9

1.7.2	Chapter two	9
1.7.3	Chapter three	9
1.7.4	Chapter four	10
1.7.5	Chapter five	10
1.8	LIMITATIONS	10
1.9	CONCLUSION	11

## CHAPTER TWO: LITERATURE REVIEW

		<b>PAGE</b>
2.1	INTRODUCTION	13
2.2	EXPLANATION OF KEY CONCEPTS	14
2.3	SPHERES OF GOVERNMENT	14
2.3.1	National government: role, powers and functions	15
2.3.2	Provincial government: role, powers and functions	16
2.3.3	Local government: role, powers and functions	16
2.4	TYPES OF MUNICIPALITIES	17
2.5	ANALYSIS OF FINANCIAL ACCOUNTABILITY	18
2.5.1	Comprehensive development framework (CDF)	18
2.5.2	International overview of financial accountability	19
2.5.3	National overview of financial accountability	20
2.5.4	Mechanisms for enhancing financial accountability	21
2.5.5	Financial accountability cycle	25
2.6	OVERVIEW OF FINANCIAL CONTROL	26
2.6.1	MFMA framework	27
2.6.2	Key players in financial control	28
2.7	MUNICIPAL FINANCIAL CONTROL ROTATION	34
2.8	INTERNAL AUDIT	36
2.9	PERFORMANCE APPRAISAL	37
2.10	OVERVIEW OF FINANCIAL REPORTING	38
2.10.1	GRAP framework	38

<b>2.11</b>	<b>AG's ROLE ON AUDIT OUTCOME</b>	41
<b>2.11.1</b>	<b>Root causes of poor audit outcomes</b>	41
<b>2.12</b>	<b>YEARLY FINANCIAL REPORTING PROCESS</b>	42
<b>2.13</b>	<b>OVERVIEW OF AUDIT COMMITTEE</b>	45
<b>2.14</b>	<b>DEVELOPMENTAL LOCAL GOVERNMENT</b>	46
<b>2.15</b>	<b>CONCLUSION</b>	49

### **CHAPTER THREE: RESEARCH METHODOLOGY**

#### **PAGE**

<b>3.1</b>	<b>INTRODUCTION</b>	50
<b>3.2</b>	<b>RESEARCH DESIGN</b>	50
<b>3.2.1</b>	<b>Descriptive research</b>	51
<b>3.2.1.1</b>	Quantitative versus qualitative	51
<b>3.2.2</b>	<b>Time horizon</b>	51
<b>3.3</b>	<b>TARGET POPULATION</b>	52
<b>3.4</b>	<b>CASE STUDY</b>	52
<b>3.5</b>	<b>CENSUS SIZE</b>	53
<b>3.6</b>	<b>MEASURING INSTRUMENT</b>	54
<b>3.6.1</b>	Questionnaire design	54
<b>3.6.2</b>	Questionnaire administration	55
<b>3.6.3</b>	Data flowchart	56
<b>3.7</b>	<b>PILOT TESTING</b>	58
<b>3.8</b>	<b>PILOT TESTING RESULTS</b>	58
<b>3.9</b>	<b>DATA COLLECTION</b>	58
<b>3.10</b>	<b>DATA ANALYSIS</b>	59
<b>3.10.1</b>	<b>Descriptive statistics</b>	60
<b>3.10.2</b>	<b>Inferential statistics</b>	61
<b>3.11</b>	<b>RELIABILITY</b>	62
<b>3.12</b>	<b>VALIDITY</b>	63
<b>3.12.1</b>	<b>Factor analysis</b>	63

3.12.1.1	KMO & Bartlett's test of sphericity	64
<b>3.13</b>	<b>ETHICAL CONSIDERATION</b>	64
3.13.1	Letter of information and consent	64
3.13.2	Anonymity	65
3.13.3	Confidentiality	65
3.13.4	Data storage	65
<b>3.14</b>	<b>CONCLUSION</b>	65

## **CHAPTER FOUR: PRESENTATION, INTERPRETATION AND DISCUSSION OF EMPIRICAL FINDINGS**

		<b>PAGE</b>
<b>4.1</b>	<b>INTRODUCTION</b>	66
<b>4.2</b>	<b>RESPONSE RATE</b>	66
<b>4.3</b>	<b>THE RESEARCH INSTRUMENT</b>	67
<b>4.4</b>	<b>RELIABILITY STATISTICS</b>	68
<b>4.5</b>	<b>VALIDITY TESTING: FACTOR ANALYSIS</b>	69
<b>4.6</b>	<b>BIOGRAPHICAL DATA</b>	73
4.6.1	Level of education of the respondents	74
4.6.2	Gender of the respondents	75
4.6.3	Home language of the respondents	76
<b>4.7</b>	<b>EXAMINATION OF RESULTS IN ACCORDANCE WITH THE STUDY OBJECTIVES</b>	77
4.7.1	Objective 1: To review South African legislation in the context of financial accountability, financial control and financial reporting of municipalities	77
4.7.2	Objective 2: To provide an international perspective of legislation regarding financial accountability, financial control and financial reporting of municipalities	94



<b>4.7.3</b>	<b>Objective 3: To identify the strengths and weaknesses in financial accountability, financial control and financial reporting of municipalities</b>	95
<b>4.8</b>	<b>CHI SQUARE TEST</b>	96
<b>4.9</b>	<b>HYPOTHESIS TESTS: P-VALUE (ROWS VS COLUMNS)</b>	99
<b>4.10</b>	<b>CORRELATIONS</b>	102
<b>4.11</b>	<b>CONCLUSION</b>	103

## **CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS**

		<b>PAGE</b>
<b>5.1</b>	<b>INTRODUCTION</b>	104
<b>5.2</b>	<b>CONCLUSIONS ON THE FINDINGS</b>	104
<b>5.3</b>	<b>RECOMMENDATIONS FOR PRACTICE</b>	110
<b>5.3.1</b>	<b>Educational qualifications are needed</b>	110
<b>5.3.2</b>	<b>Prevention of political conflict</b>	111
<b>5.3.3</b>	<b>Improving MFMA understanding</b>	111
<b>5.3.4</b>	<b>Assistance must be given to internal audit function</b>	111
<b>5.4</b>	<b>RECOMMENDATIONS FOR FUTURE RESEARCH</b>	112
<b>5.5</b>	<b>CONCLUSION</b>	112
	<b>List of references</b>	113

## LIST OF TABLES

		<b>PAGE</b>
Table 2.1	Structures of government	15
Table 3.1	Target population of the finance department of the Umtshezi Municipality	52
Table 4.1	Response rate	67
Table 4.2	Cronbach's alpha reliability test	69
Table 4.3	KMO and Bartlett's test	70
Table 4.4	Rotated Component Matrix: for financial accountability	71
Table 4.5	Rotated Component Matrix: for financial control	72
Table 4.6	Rotated Component Matrix: for financial reporting	72
Table 4.7	Gender vs race of the respondents	75
Table 4.8	Responses on financial accountability	78
Table 4.9	Chi square: Responses on financial accountability	82
Table 4.10	Responses on financial control	83
Table 4.11	Chi square: Responses on financial control	88
Table 4.12	Responses on financial reporting	89
Table 4.13	Chi square: Responses on financial reporting	94
Table 4.14	Chi square tests – single variable	97
Table 4.15	Chi square tests of the questionnaire statements	100

## LIST OF FIGURES

		<b>PAGE</b>
Figure 1.1	Management problem	4
Figure 1.2	Uthukela District Municipalities	11
Figure 2.1	Political and administrative structure	24
Figure 2.2	Accountability cycle	25
Figure 2.3	Financial control process	35
Figure 2.4	GRAP legislative and accounting framework	40
Figure 2.5	Financial reporting process	43
Figure 3.1	Collecting data flowchart	57
Figure 3.2	Data analysis process	60
Figure 4.1	Level of education of the respondents	74
Figure 4.2	Home language of the respondents	77
Figure 4.3	Responses on financial accountability	79
Figure 4.4	Responses on financial control	84
Figure 4.5	Responses on financial reporting	90

## LIST OF ABBREVIATIONS

<b>Abbreviation</b>	<b>Description</b>
AG	Auditor General
ANC	African National Congress
ASB	Accounting Standard Board
BEE	Black Economic Empowerment
CA	Chartered Accountant
CDF	Comprehensive Development Framework
CFO	Chief Financial Officer
COGTA	Cooperative Government and Traditional Affairs
DUT	Durban University of Technology
GAMAP	Generally Accepted Municipal Accounting Practice
GEAR	Growth, Employment and Redistribution
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standard
IDP	Integrated Development Plan
IFRS	International Financial Reporting Standard
IPSAS	International Public Sector Accounting Standard
IREC	Institutional Research Ethics Committee
KMO	Kaiser-Meyer-Olkin
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
NCOP	National Council of Provinces
NQF	National Qualification Framework
OSEO	Office for Serious Economic Offences
PFMA	Public Finance Management Act
PGDS	Provincial Growth and Development Strategy
SEC	Securities and Exchange Commission
SPSS	Statistical Package for Social Scientists
USA	United States of America

## APPENDICES

	<b>PAGE</b>
<b>APPENDIX A: CONSENT LETTER</b>	120
<b>APPENDIX B: IREC LETTER OF INFORMATION AND CONSENT</b>	122
<b>APPENDIX C: QUESTIONNAIRE</b>	128
<b>APPENDIX D: GATEKEEPER'S PERMISSION LETTER</b>	134
<b>APPENDIX E: BIVARIATE CORRELATIONS</b>	135

## **CHAPTER ONE**

### **INTRODUCTION AND BACKGROUND OF THE STUDY**

#### **1.1 INTRODUCTION**

This chapter provides a brief background to the study. The research problem of the study, the aim and the objectives are discussed and the significance of the study is highlighted. This chapter also provides an overview of the research methodology, the limitations as well as an outline of the dissertation. The research topic evaluates the three elements of financial performance in the local government sphere, i.e., financial accountability, financial control and financial reporting. These three elements are the utmost importance when it comes to determining the success or failure of local government in South Africa.

#### **1.2 BACKGROUND TO THE STUDY**

Local government is an important sphere of government because it is close to communities. It is where most basic services such as water, electricity and housing are rendered directly to the community. Therefore, both elected politicians and appointed officials are constantly in contact with the community. It is for this reason that leadership and accountability should be enhanced to strengthen local democracy and to promote improved efficiency in local governance and service delivery initiatives.

The local government sphere is faced with ever-increasing poor financial accountability in local government across the country. Poor financial accountability has been covered in newspapers, radio stations and national television where communities are vocally expressing their dissatisfaction with the slow delivery of municipal goods and services which hampers progress and growth. Singh (2014: 02) stated that the Minister of Cooperative Governance and Traditional Affairs (COGTA), Nomusa Dube, urged the South African Local Government Association (SALGA) in KZN to play an active role in monitoring progress in KZN's municipalities. The reason being that last year's (2013) assessment of progress has revealed that a significant number of municipalities in KZN were still grappling with establishment issues and that

there were skills deficiencies in many municipalities, especially in rural areas. Nomusa Dube said that the findings reflected that the main problems undermining the performance of KZN municipalities were poor capacity and inadequate accountability mechanisms.

Effective financial control is critical to any organisation. In the context of local government, a lack of sound financial control will have a diverse impact on service delivery as there is a strong correlation between sound financial control and effective service delivery. Mokoena (2013: 06) mentioned that it is distressing that the level most responsible for service delivery, particularly to the poor, seems to be the weakest link. The Auditor General received too many reports about maladministration, mismanagement of public funds and abuse of resources by officials at local government levels. It seems that there is a need to rethink how systems of financial control can be applied at the local government level. Within the South African municipal sector, procurement irregularities are rife. Others reported that corrupt practices are channelling funds into personal bank accounts, using political influence to ensure certain officials escape prosecution and distributing food parcels and funds to secure votes in local government elections.

The next crucial area of focus is timeous and regular financial reporting. Financial activities need to be reported daily, weekly, monthly and quarterly depending on their scale and frequency. This allows for better preparation of audit. The principles of should underlie the preparation and presentation of financial statements that are required to give a true and fair view of financial position and performance of a municipality. The Auditor General report (2013: 14) revealed that only 18% of South Africa's 278 municipalities got clean results from local government audit which was done in 2013. Out of the 278, eight are metropolitan municipalities, 44 are district municipalities and 226 are local municipalities. The findings revealed that municipalities are failing to provide credible and quality information in their financial records. Some annual reports are not in compliance with the Municipal Finance Management Act (MFMA).

The three elements of financial performance (financial accountability, financial control and financial reporting) have to be executed under the guidance of the MFMA. The MFMA seeks to address the historical weakness in budgeting, accounting, reporting

and provide tools for improving efficiency in the use of public funds. The reforms introduced by the MFMA are the cornerstone of the broader reform package for local government outlined in the 1998 White Paper on local government (National Treasury MFMA Learning Report 2006: 19).

The MFMA replaced an antiquated system of local government finance that focussed on compliance with rules and procedures. Practices such as one-year, line item budgeting did not support long-term strategic planning nor match resources with needs over the medium term. This resulted in councils allocating resources based on historical commitments rather than looking at current priorities and the future needs of communities (National Treasury MFMA Learning Report 2006: 16).

Therefore, the study is aimed at finding out different opinions from the Umtshezi Municipality employees on the effectiveness and efficiency in financial accountability, financial control and financial reporting and also their perceptions towards the usefulness of the MFMA and other municipal legislation.

The finance employees within the entire population of Umtshezi Municipality will be the focus of the study.

### **1.3 RESEARCH PROBLEM**

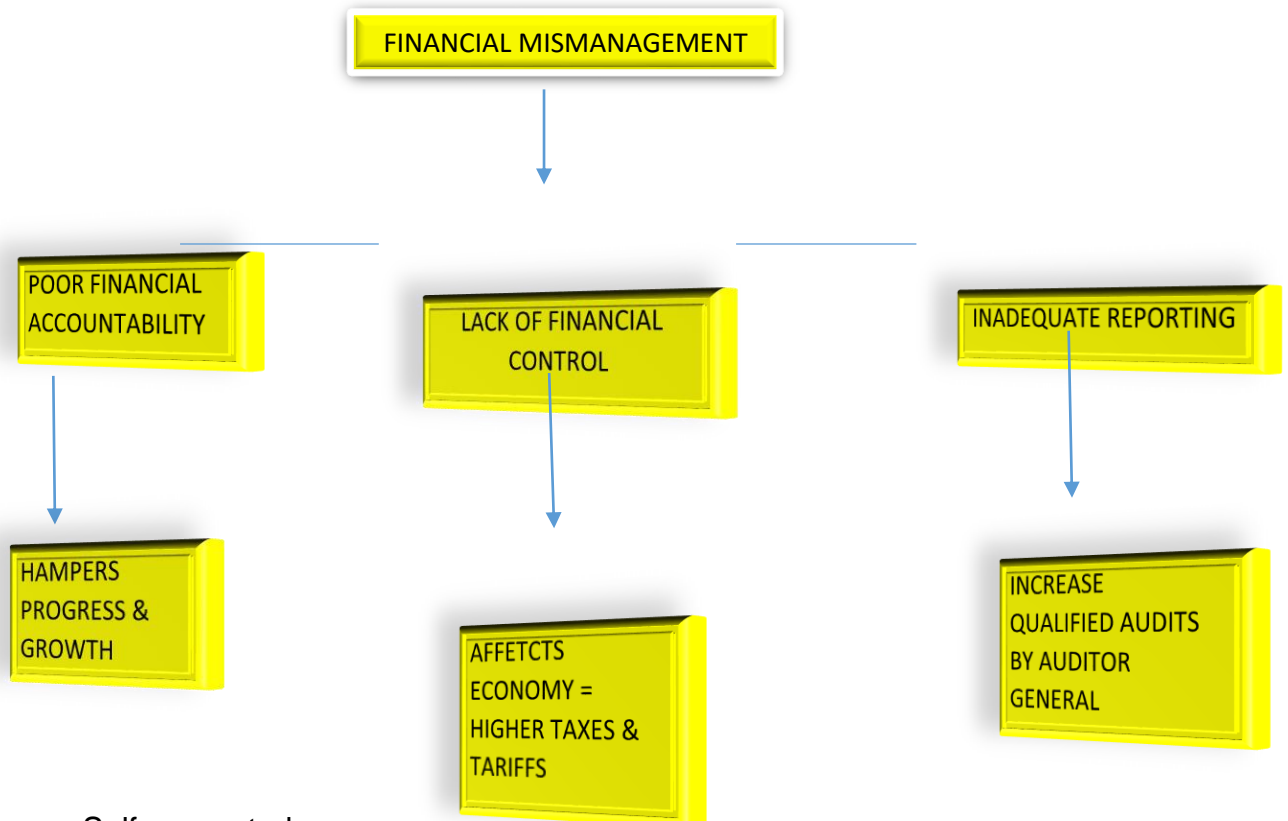
Management of public funds is one of the most sensitive parts of public life in all developed or emerging democracies. Municipalities do not take criticism by the AG seriously, since legislation is not adhered to, debt is incurred in an injudicious manner and proper cash flow management is ignored (Chu, Grasse, Park and Porsche-Ludwig 2010: 66).

Financial management in the public service has become crucial today and cannot be glossed over. When the issue of financial management at government level is raised, the first thoughts that comes to mind are corruption, mismanagement, inflation of contract and decline in standard (Rabin, Hildreth and Miller 2007: 142). These unacceptable situations call for an in depth study and analysis aimed at tutoring stakeholders in the public service on how their actions and inactions have individually and collectively contributed to the collapsing state of their organisation.



Figure 1.1 illustrates the core challenges faced by municipalities due to the lack of accountability, financial mismanagement and non-compliance with applicable accounting standards. Financial mismanagement has many aspects. However, this study will be restricted to financial accountability, financial control and financial reporting, as highlighted in figure 1.1.

**Figure 1.1: Management Problem**



Source: Self-generated

As illustrated in figure 1.1, financial mismanagement in the South African public sector hampers progress and development of growth. Community services are not met timeously if there is a lack of financial management in the municipality. Inadequate attention is given to infrastructure programmes and essential services (Zondo 2014: 06). Poor oversight of financial transactions and a lack of transparency and accountability by elected officials and appointed management personnel have resulted in corruption and scandals in local government which have negatively affected growth in the country (Kunene 2012: 09). A lack of public accountability is one of the biggest threats to democracy and development. Problems of accountability arise when: governments ignore or transgress social ethics and constitutional and legal provisions in conducting public affairs; administrative systems are fragmented; tasks to be

performed are so complex or unspecified that it is difficult to identify whose responsible for what; and activities are underfunded so that implementation is very difficult or impossible. All these factors contribute negatively towards the progress and growth of the country (Govender 2013: 02).

Pillay (2013: 09) indicates that corruption and mismanagement affect the economy to such an extent that government is obliged to recover such losses by means of higher taxes and tariffs. Corruption is a social scourge that impacts negatively on service delivery and economic development of local communities. Corruption and unethical conduct by municipal officials and elected representatives of the municipalities pose a major challenge within the municipalities and the entire public sector. Whenever it occurs, it threatens democracy and undermines the values of the Constitution, which aims at improving the lives of the people, and if it has to be defeated, it should be defeated at local government (Shah 2007: 88).

According to the Auditor General's Annual Report (2012: 02), financial procedures and standards presently governing municipalities are not being applied accordingly. Such non-compliance is witnessed by an increase in the number of qualified audits reported by the AG. Municipal finance practices are not rooted in a culture of performance and regular reporting. Reports are often irregular or inaccurate or contained too much data and too little useful information. Often, municipalities do not publish annual reports and do not submit their financial statements for audit on time or at all. Such negligence caused an increase in the number of municipalities with qualified audit (Mc Nabb 2005: 32).

Considerable doubt exists as to the adequacy of financial accountability, control and reporting in municipalities (Bogui 2008: 29). Critical comments, remarks and attitudes of the general public towards financial mismanagement during the past few years have contributed to this doubt. This situation prompted a study pertaining to the evaluation of financial accountability, financial control and financial reporting in an attempt to determine if these three elements of financial performance are being applied in accordance with the MFMA framework.

## **1.4 AIM AND OBJECTIVES OF THE STUDY**

### **1.4.1 Aim**

The aim of the study is to evaluate financial accountability, financial control and financial reporting of Umtshezi Municipality.

### **1.4.2 Objectives**

This study is conducted in terms of the following objectives and sub-objectives:

1. To review South African legislation in the context of financial accountability, financial control and financial reporting of municipalities;

This objective has the following three sub-objectives:

- 1.1 To assess the role of various stakeholders responsible for financial accountability at municipalities;
  - 1.2 To establish the role of the Municipal Finance Management Act (MFMA) in ensuring financial control at municipalities; and
  - 1.3 To determine whether sound financial reporting is implemented by municipalities in terms of acceptable practice and standards;
2. To provide an international perspective of legislation regarding financial accountability, financial control and financial reporting of municipalities;
  3. To identify the strengths and weaknesses in financial accountability, financial control and financial reporting of Umtshezi municipality; and
  4. To offer recommendations in improving financial performance at Umtshezi Municipality.

#### **1.4.2.1 Research questions**

The following research questions were developed:

- What is the role of various stakeholders responsible for financial accountability at municipalities?
- What is the role of MFMA in ensuring financial control at municipalities?
- Is sound financial reporting implemented by municipalities in terms of acceptable practice and standards?
- What is the international perspective of legislation regarding financial accountability, financial control and financial reporting of municipalities?

- What are the strengths and weaknesses in financial accountability, financial control and financial reporting of municipalities?
- What recommendations can be offered in improving financial performance at Umtshezi Municipality?

## **1.5 RATIONALE OF THE STUDY**

The purpose of this study is to assess the three elements of financial performance and determine if they are being applied in accordance with the relevant municipal legislation which will assist the municipality to render effective service delivery to the community.

Municipalities are in the face of the media. On a daily basis, reports are being released reflecting disappointing financial statuses of municipalities. The status of municipalities is not pleasing as there are very few municipalities that receive unqualified audits, which reflect that financial procedures and standards presently governing municipalities are not being applied accordingly (Khumalo 2014: 04). An analysis has to be made on financial accountability, financial control and financial reporting to find the exact loopholes that cause downfall in terms of financial performance in local government.

The study will contribute by creating positive suggestions that the municipality can use to solve its financial problems and comply with legislation and regulatory standards. The study will also assist the municipality by making progressive recommendations that will, hopefully, enable it in achieving a clean audit.

## **1.6 RESEARCH METHODOLOGY**

The research methodology of this study is based on the research type, target population, data collection methods, questionnaire and the techniques used to analyse data.

### **1.6.1 Research type**

The study is quantitative, descriptive and cross-sectional in nature and it is aimed at exploring the constraints facing the Umtshezi Municipality in terms of financial accountability, financial control and financial reporting.

### **1.6.2 Target population**

The target population of this study comprises of 45 employees from the finance department which is divided into five units, namely, Supply Chain Management [10], Expenditure [07], Asset/Fleet [11], Revenue [09] and Budget [08]. Due to the small target population, the census technique will be used to gain insight into the constraints affecting financial accountability, financial control and financial reporting in the Finance Department of the Umtshezi Municipality, Estcourt.

### **1.6.3 Pilot study**

The data gathering phase of the research process will begin with pilot testing. The pilot study will be conducted in the form of questionnaires which will be distributed to five section managers from the Supply Chain Management Unit [1], Expenditure Unit [1], Asset/Fleet Unit [1], Revenue [1] and Budget Unit [1]. The detailed results of the pilot study will be presented in chapter three of the dissertation. According to Dawson (2009: 98), a pilot study is a small scale preliminary study conducted to evaluate feasibility, time, cost, adverse events and predict an appropriate sample size and improve the study design prior to performance of a full scale research study.

### **1.6.4 Reliability and validity**

In a research study, reliability and validity are two important judgement criteria of the correctness of a measure for specific inferences, decisions and consequences (Muijs 2011: 56). The author describes reliability as a measure to see if the study repeats the same results if the same experiment is performed again and validity is an instrument to see if the study measures what it intended to measure. Validity in this study will be ensured by conducting a pilot study with a selected group of five people from the finance department. Cronbach's alpha will be used to test the reliability of the study.

### **1.6.5 Data collection**

The study will use close-ended questions. The researcher will self-administer the questionnaires. Dawson (2009: 85) advocate that closed-ended questions are very popular because responses provide a greater uniformity and are more easily processed. For the purpose of this study, a questionnaire will be used to reveal information to be disclosed.

### **1.6.6 Ethical consideration**

The relevant ethical issues will be considered in this study. Cohen, Manion and Marrison (2011: 62) state that formal procedures of obtaining permission to conduct a research study should be carried out in all research fields. The researcher will respect the respondents' rights by obtaining a permission letter from Umtshezi Municipality, Estcourt. The respondents will be asked to sign a written consent before participating in the study. Their names, telephone numbers, addresses and other details will not be included in the questionnaire to ensure confidentiality.

## **1.7 OVERVIEW OF CHAPTERS**

### **1.7.1 Chapter one**

The first chapter clearly outlined the management problem. The researcher expanded on the problem statement by identifying the relevant statistical trends. Clear reasons why this research is important and the value of the study were discussed. The researcher indicated the constraints/restrictions of the study.

### **1.7.2 Chapter two**

The second chapter will focus on the extensive review of the existing literature regarding financial accountability, financial control and financial reporting.

### **1.7.3 Chapter three**

The third chapter will provide a clear and concise explanation of the following aspects of research methodology: research design, target population, sampling method, measuring instrument, data analysis, pilot testing, delimitations, limitations, validity and reliability, ethical consideration/confidentiality and anonymity.

#### **1.7.4 Chapter four**

The fourth chapter will analyse and interpret the information from questionnaires and use the findings to either confirm or reject the findings in the literature review.

#### **1.7.5 Chapter five**

The fifth chapter will provide conclusions in relation to the study's objectives and recommendations based on the interpretation of the results.

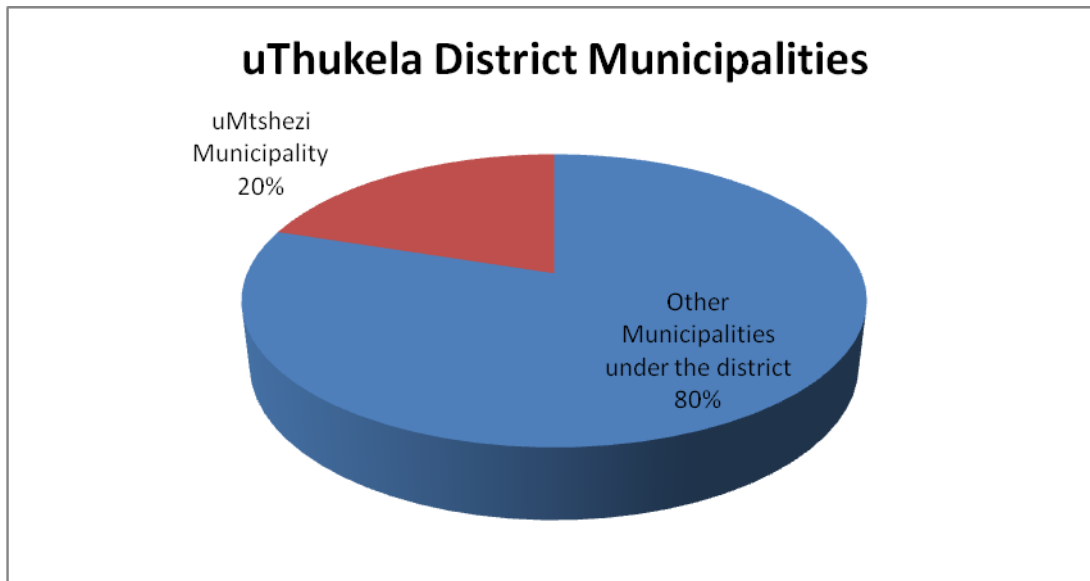
### **1.8 LIMITATIONS**

There are five local municipalities under the Uthukela District:

- Umtshezi Municipality;
- Indaka Municipality;
- Imbabazane Municipality;
- Ukhahlamba Municipality; and
- Ladysmith Municipality.

Due to cost and time constraints, only one local municipality was chosen for this study. This study will be based on a small sample which will be limited to the greater Estcourt area in the province of KwaZulu-Natal. Figure 1.2 indicates that the one local municipality selected as a sample of this study forms 20% of the local municipalities under Uthukela District. Therefore, the results of this study are restricted to the greater Estcourt area and cannot be generalized to the whole country.

**Figure 1.2: Uthukela District Municipalities**



Source: Self-generated

As illustrated in figure 1.2, the Umtshezi Municipality is situated in Estcourt, KwaZulu-Natal and it is one of the five local municipalities under the Uthukela District in Estcourt. The Umtshezi Municipality (also known as Umtshezi) was incorporated into a Transitional Local Council in February 1995 with the town of Estcourt and nearby Wembezi merging to form one town with well-established industrial, commercial and residential areas. These two areas linked up with Weenen to become known as Umtshezi, which is administered by a combined council of 14 councillors.

## **1.9 CONCLUSION**

In this chapter, a strong case was made for this study by presenting a background on the research problem. Furthermore, relevant elements of the study, namely, the research problem, objectives, rationale, limitations of the study and a brief overview of subsequent chapters were discussed in this chapter. Municipalities face a challenge of increasingly limited resources that should be used for service delivery to all citizens. It has, therefore, become critically important for government to account, control and report on programme performance to all relevant stakeholders.



Chapter two will review the literature pertaining to financial accountability, financial control and financial reporting which are the main elements that determine the financial performance of the municipality. The literature will also focus on the MFMA and other theoretical frameworks that must be complied with for effective accountability, control and reporting. This chapter will discuss models, theories and also summarize previous studies. Theoretical ideas mentioned against the background will be explored.

The related literature will be reviewed using academic journals, newspaper articles, books and different reports pertaining to the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

Chapter one outlined the background for this study. Relevant elements of the study, namely, the research problem, objectives, rationale, research methodology, limitations and a brief overview of subsequent chapters were discussed.

The aim of the literature review is to provide a context for the entire research study. It is within this context that the researcher is able to develop a solid case for undertaking the study. Reviewing existing literature, on the aspect in question, allows the researcher to identify the gap that exists. The researcher achieves this by performing an in-depth critique of the existing literature. An in-depth critique entails identifying shortcomings on the existing literature and making possible contributions. Furthermore, the literature review gives direction to the research methodology which has to be used in this study (Dawidowicz 2010: 14).

The first objective of this study is to review South African legislation in the context of financial accountability, financial control and financial reporting of municipalities;

This objective has the following three sub-objectives:

- 1.1 To assess the role of various stakeholders responsible for financial accountability at municipalities;
- 1.2 To establish the role of the Municipal Finance Management Act (MFMA) in ensuring financial control at municipalities; and
- 1.3 To determine whether sound financial reporting is implemented by municipalities in terms of acceptable practice and standards.

The aforementioned sub-objectives are addressed in this chapter.

The second objective of this study is to provide an international perspective of legislation regarding financial accountability, financial control and financial reporting. This objective has been integrated in the presentation of the literature review.

The third objective of this study is to identify strengths and weaknesses in financial accountability, financial control and financial reporting on municipalities. Like the second objective, this objective is integrated in the presentation of the literature review.

This chapter commences with the definitions of key concepts. The spheres of government and the types of municipalities are outlined. Thereafter, the issues relating to financial accountability, financial control and financial reporting, in terms of the above sub-objectives, are presented in terms of international, national and local perspectives.

## **2.2 EXPLANATION OF KEY CONCEPTS**

The following three concepts constitute the key ingredients of this study:

**Financial Accountability** – relates to the ability to explain how funds available to the municipality are assigned and utilized (Bergsteiner 2012: 107);

**Financial Control** – refers to the efficient and effective control or management of funds in such a manner as to accomplish the objectives of the municipality (Ebel and Petersen 2012: 68); and

**Financial Reporting** – can be seen as the summary of the municipality's performance, or capacity, in raising, handling and using public money (Gross, McCarthy and Shelmon 2005: 24).

## **2.3 SPHERES OF GOVERNMENT**

The supreme law of the country, the Constitution of the Republic of South Africa Act, No. 108 of 1996 (hereinafter referred to as the Constitution) provides for three distinct spheres of government: national, provincial and local. Municipalities constitute the local sphere of government.

Table 2.1 clearly illustrates the structures of each government:

**Table 2.1: Structures of government**

<b>SPHERE</b>	<b>LEGISLATURE</b>	<b>EXECUTIVE</b>	<b>ADMINISTRATION</b>
<b>NATIONAL</b>	Parliament	President and Cabinet	Directors General and Departments
<b>PROVINCIAL</b>	Legislature	Premier and Executive Council	Heads of Department and staff
<b>LOCAL</b>	Council	Mayor and Mayoral Committee	Municipal Manager, HOD and staff

Source: National Treasury MFMA Learning Report (2006: 17)

As indicated in table 2.1, the elected members (Legislature) – represent the public, approve policies and laws and monitor the work of the executive and department. The cabinet or executive committee (Executive) co-ordinates the making of policies and laws and oversees implementation by the government departments. The department and public servants (Administration) is responsible for doing the work of government and account to the executive (National Treasury MFMA Learning Report 2006: 21).

### **2.3.1 National government: role, powers and functions**

Laws and policies are approved by Parliament which is made up of the National Assembly and the National Council of Provinces (NCOP). The National Assembly is made up of members of Parliament, elected every five years. The NCOP was set up to ensure that provincial and local government are directly represented in Parliament. It is made up of representatives of provincial legislature and the local government. Each province has a set number of permanent and rotating representatives. The NCOP has to debate and vote on any law or policy that affects provincial or local government (National Treasury MFMA Learning Report 2006: 20).

The president is elected by Parliament and appoints a Cabinet of Ministers. The Cabinet of Ministers act as the executive committee of government and each Minister is the political head of a government department. Each government department is responsible for implementing the laws and policies decided on by Parliament or the Cabinet. The Presidency co-ordinates the work of government and provides direction and strategic support to ministers and departments. The Presidency monitors and evaluates overall progress towards achieving government goals (National Treasury MFMA Learning Report 2006: 21-22).

### **2.3.2 Provincial government: role, powers and functions**

There are nine provincial governments. Each province has a Legislature made up of between 30 to 90 members of the Provincial Legislature. Some provincial laws are approved by the Legislature. The Legislature also passes a provincial budget every year. Legislatures are elected in provincial elections that are held with national elections, every five years (National Treasury MFMA Learning Report 2006: 22).

A Premier is elected by the Legislature and appoints Members of the Executive Council (MECs) to be the political heads of each provincial department. The MECs and the Premier form the Provincial Executive Council (Cabinet) (National Treasury MFMA Learning Report 2006: 22).

Each province has to develop a Provincial Growth and Development Strategy (PGDS) that spells out the overall framework and a plan for developing the economy and improving services. The provincial MEC and the Department of Local Government are responsible for co-ordination, monitoring and support of municipalities in each province (National Treasury MFMA Learning Report 2006: 22).

### **2.3.3 Local government: role, powers and functions**

The whole of South Africa is divided into local municipalities. Each municipality has a Council where decisions are made and municipal officials and staff implement the work of the municipality (National Treasury MFMA Learning Report 2006: 23).

The Council is made up of elected members who approve policies and by-laws for their area. The Council has to pass a budget for its municipality each year. The work of the Council is co-ordinated by a Mayor who is elected by Council. The Mayor is assisted by councillors in an Executive Committee (elected by council). The Mayor together with the Executive Committee also oversees the work of the Municipal Manager and department heads. In some very small municipalities, the whole Council forms the executive and this is called a Plenary Executive (National Treasury MFMA Learning Report 2006: 23).

The work of the municipality is done by the municipal administration that is headed by the Municipal Manager and other officials. The Municipal Manager is responsible for employing staff and co-ordinating them (staff) to implement all programmes approved by council (National Treasury MFMA Learning Report 2006: 23).

The three types of municipalities are listed below.

## **2.4 TYPES OF MUNICIPALITIES**

According to Crawford and Hartmann (2008: 39), there are three different types of municipalities in South Africa:

### **❖ Metropolitan Municipalities**

Metropolitan municipalities exist in the six biggest municipalities in South Africa. They have more than 500 000 voters and co-ordinate the delivery of services to the whole area. There are metropolitan municipalities in Johannesburg, Cape Town, Durban, Pretoria, Port Elizabeth and the East Rand.

### **❖ District Municipalities**

District municipalities are made up of a number of local municipalities that fall in one district. There are usually between four to six local municipalities that form a district council. While metropolitan municipalities are responsible for all local services, development and delivery in the metropolitan area, district municipalities share that responsibility with local municipalities. This is especially the case in very rural areas, where district municipalities will have more responsibility for development and service delivery.

### **❖ Local Municipalities**

Areas that fall outside of the six metropolitan municipal areas are divided into local municipalities. There are a total of 231 of these local municipalities and each municipality is broken down into wards.

The Umtshezi Municipality, which is the location of this study, is regarded as a local municipality.

The following section and subsections focus on the discussion of financial accountability from the international, national and local perspectives.

## **2.5 ANALYSIS OF FINANCIAL ACCOUNTABILITY**

Bergsteiner (2012: 107) mentioned that financial accountability is about promoting and reporting publicly on performance. Solomon (2007: 81) elaborated that financial accountability requires governments to manage finances prudently and integrate their financial and non-financial reporting. Government is required to report comprehensively on what they have achieved with their expenditure of funds, and that stakeholders behave ethically.

Consequently, any municipality that manages and reports on its finances mitigates the risk of wrongdoing, builds good quality and openness into its financial and non-financial analyses, fulfils its performance reporting and reflects sound financial accountability (Spearman 2013: 67).

These strengths partially fulfil the third objective of the study relating to the identification of strengths of financial accountability of municipalities.

### **2.5.1 Comprehensive development framework (CDF)**

The CDF constitutes an important part of financial accountability and relates to the objective relating to international legislation.

According to Cypher (2014: 137), CDF calls for good and clean government as it requires a minimum of four elements: effective public financial accountability relationships between a country's governing bodies and its executive management; transparent decision making; stakeholder's participation and ethical practices. Cypher (2014: 136) defines CDF as an approach to development planning initiated and pursued by the World Bank. It includes financial, economic and fiscal aspects as well as social and humanitarian factors to coordinate a coherent framework of macroeconomic, structural and social reforms for poverty reduction.

According to Lennie and Tacchi (2013: 88), the four elements mentioned above are mutually reinforcing. For example, where there are effective relationships of financial accountability, financial control and financial reporting performance are likely to be managed and reported fairly and honestly.

The findings of Cypher (2014: 200) concurred with the study conducted by Lennie and Tacchi (2013: 91) that the implication from effective relationships of financial

accountability minimizes systematic corruption, mitigates fraud, waste and abuse of public funds.

The above strengths are relevant to the third objective in terms of the strengths relating to financial accountability of municipalities.

### **2.5.2 International overview of financial accountability**

The study by Kathyola and Job (2011: 101) investigated the extent to which global measures influence the effectiveness or ineffectiveness of financial accountability on government sector. The study was conducted in Tanzania's largest city called Dar es Salam. The city had a population of 2 497 940.

The findings revealed that, in Tanzania, the institutional and legal framework, which regulate the relations between central and local government is complex, excessively and self-defeatingly control-oriented and is somewhat ambiguous and fragmented. The findings also revealed that there are also overlaps and conflicts between major pieces of legislation. Some of the problems emanate from the framework set-up during the decentralization era which remained intact despite the restoration of local authorities.

Furthermore, governance problems emanate from the fact that relations between political leaders at national and local level, civil society organizations and the council are weak and sometimes antagonistic. Within the councils, clear opposition exists between councillors and the technical staff. Kathyola and Job (2011: 101) also noted that the other major problem is that local authorities in Tanzania operate under severe financial constraints. There has been regular political interference by the central government agencies in revenue collection by councils. The councils themselves have not been effective in organising equitable or efficient collection, nor has the central government operated a clear grant system with clear indications for local councils to improve performance.

The above results showed that Tanzanian governance can be seen as inefficient, non-transparent and unaccountable and rife with corruption.

A study conducted by Ijatuyi-Morphe (2014: 62) revealed similar findings to the study by Kathyola and Job. Ijatuyi-Morphe (2014: 62 - 63) conducted a study in Nigeria to evaluate financial accountability in the public sector. The findings revealed that the



government sphere in Nigeria is often seen as nurturing grounds for barefaced corruption and near absence of accountability in the conduct of governance. It also stated that the lack of integrity and accountability at the level of governance constitutes a heavy toll on the well-being of ordinary Nigerians.

The findings of the studies from the aforementioned international countries clearly indicate that their governments are failing to execute their functions and powers that are aimed at achieving progressive financial accountability.

### **2.5.3 National overview of financial accountability**

From a national perspective, Van Donk, Swilling, Pieterse and Parnell (2008: 41) state that municipalities in South Africa can be viewed as both the “engine rooms” of democracy and the important link on the accountability chain in the sphere of government. This has been reinforced through the passing of national legislation aimed at ensuring greater public accountability in local government. The Municipal Structures Act, No. 117 of 1998, Municipal Systems Act, No. 32 of 2000, and, most notably, Municipal Finance Management Act, No. 56 of 2003 were enacted to create an enabling environment for good governance and public accountability.

On the contrary, Wildeman and Jogo (2012: 93) argue that the national legislation in South Africa has not been fully effective, since accountability and good governance are not evident to some municipalities. His argument can be supported by the following findings.

The attendance of council meetings and training sessions by councillors was low at the Mandela Bay Metropolitan Municipality in the Eastern Cape province. The attendance registers for certain councils indicated an attendance as low as 21 percent. At the Mandela Bay Metropolitan Municipality, only 8 out of 27 councillors attended a training course on the first day; and only 4 on the second day while 3 apologies were submitted. It was indicated that measures were not instituted to ensure councillors’ attendance in the training sessions and meetings.

On the other hand, Van Der Linde and Feris (2010: 109) claim that the introduction of the Municipal Structures Act No. 117 of 1998 and the Municipal Systems Act No. 32 of 2000 has ensured that some municipalities have structured mechanisms of accountability to meet the community’s priority needs and to operate in a transparent

manner. The following discussion confirms the positive impact of the introduction of relevant legislation.

Prior to 1998, before the Municipal Structures Act No. 117 of 1998 and the Municipal Systems Act No. 32 of 2000, the Moqhaka Local Municipality in the Free State province did not organise road budget shows to inform the public of how the financial resources allocated by the government will be utilised to meet their needs. The municipality did not have a monthly municipal council meeting, where the members of the community have to be present to witness all the decisions that are taken by council. That situation caused the municipality to obtain disclaimer opinions as per the auditor report because it did not have supporting documentations as to how the funds of the municipality are being utilised. After the two acts mentioned above were introduced and implemented, the audit reports revealed that substantial improvement was made by the municipality as the acts were binding and yielded positive outcomes.

#### **2.5.4 Mechanisms for enhancing financial accountability**

The mechanisms to enhance financial accountability include the constitutional and legislative bodies, policies and rules. These mechanisms also include the adoption of a code of conduct and administrative mechanisms pivotal in enhancing accountability in the organisation such as role models and supportive leadership, training and development, performance appraisal and the reward system (Maelah 2009: 82). The following analysis relates to the three accountability systems, namely, legal, political and administrative accountability systems.

- **Legal accountability**

Farral and Rubenstein (2009: 71) explained that the constitutional bodies, laws and policies are essential mechanisms that enhance legal accountability, sound financial control, sound financial reporting and commitment to citizens in all spheres of government, including municipalities. Ratner, Abrams and Bischoff (2009: 61) support Farral and Rubenstein (2009: 71) that the legal accountability system involves the relationship between the municipalities and outside bodies established by the legislature that exercise legal control or sanctions.

In relation to local government, legal accountability involves the councillors and municipal officials to explain openly what has been done and why it is done and the responsibility is discharged by the submission of reports and the preparation of

financial statements, which must be audited by higher officials and by the constitutional and other investigative bodies. Furthermore, on the basis of the account rendered, appropriate action is taken by the council or higher tiers of government, namely, the national and provincial government. In South Africa, institutions such as the AG, the Public Protector, the courts of law, Commissions of Inquiry and the Office for Serious Economic Offences (OSEO) are the major mechanisms utilised to combat serious maladministration, corruption and misappropriation or to check unaccountable and unethical behaviour (Busuioac 2013: 64).

Yusuf (2010: 123) argued that municipal officials do not have adequate experience and proper qualifications to be in management positions. The Department of Cooperative Government and Traditional Affairs (COGTA) states that as many as 36% of managers have only matric with a diploma or less, and one municipal manager does not even have a matric qualification. The report also stated that 37% of municipal managers have less than 5 years' experience in local government.

In addition Yusuf (2010: 125) also mentioned that municipal councillors are a further contributory factor to the lack of expertise in municipalities as there is a tendency to appoint politically connected individuals as municipal managers and senior managers. Too many skilled professionals were being denied job opportunities in municipalities because they were outside the party political networks that have captured civil service jobs for patronage.

Yusuf's arguments imply that, as long as unqualified managers with political connections are being rewarded with excessive salaries and performance bonuses, municipalities will not succeed in providing effective and efficient service delivery.

- **Political accountability**

Ziegenhain (2015: 44) defined political accountability as a pervasive phenomenon that entails the commitment of the officials and councillors to pay attention to special needs of certain groups or stakeholders. He further explained that the stakeholders include people such as supporters and voters in the municipality, community interest groups and professionals such as accountants and administrators. The councillors, as representatives of the party, are politically accountable to their constituents.

The findings of a study by Collier (2011: 86) identified inadequate political accountability to be a significant factor of the public's mistrust of politicians. A national study of trust in local government in the USA revealed that less than half of the chief city administrative officers felt that citizens would characterize government as honesty and trustworthy.

Similarly, Western European Eurobarometer results placed the national government and political parties at the bottom of a list of trusted institutions. The army and the police, which are the two most non-democratic bodies in the list, enjoyed the trust of two out of three respondents. Political parties enjoyed the least support, with a whopping 75% of respondents saying that they tended not to trust them (Curtin, Mair and Papadopoulos 2012: 112).

- **Administrative accountability**

Administrative accountability refers to the control mechanisms devised to keep the bureaucracy or the organisational structures under surveillance and in check. The administrative accountability is influenced by, among other factors, the attitudes and socio-economic background, the extent of training, development and professionalism of the organisational members, the work procedures and the hierarchical relationships among the members of the institution (Afzal and Considine 2015: 120).

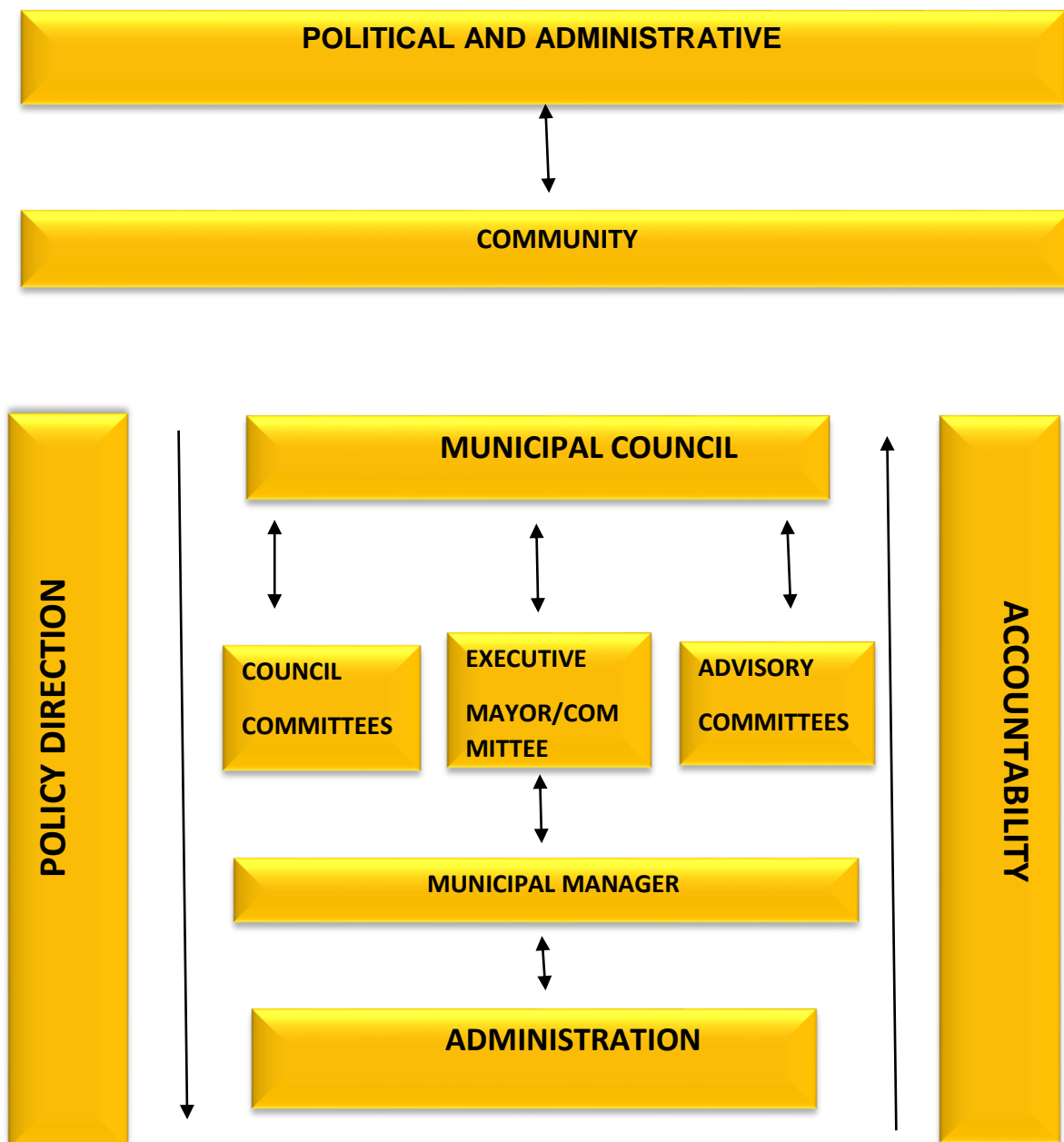
Hoexter (2012: 39) claims that administrative accountability is effective in the local sphere of South African government. This was evident through the survey done on most Gauteng municipalities in 2011 to assess the level of professionalism and relationship amongst employees and it was discovered that 85% of these municipalities gave favourable results, i.e., workers have positive attitudes towards executing tasks and the element of team work was evident on the survey.

Conversely, Van Zyl (2013: 07) disagreed with the above findings by stating that South African municipalities appear on the media more often showing lack of professionalism and an increasing rate of laziness in a work place. Van Zyl (2013: 07) stated that the Kwa Nongoma Municipality, in KwaZulu-Natal, together with other local municipalities appeared in the newspapers, where it was mentioned that, on their pay day, they are seen around town doing shopping during working hours and putting their groceries on the municipal vehicles. The newspapers

further stated that community members have to wait for hours to get help as the municipal offices are empty, with municipal employees gallivanting on their pay day. Van Zyl also stated that general workers, who work on roads and parks, are seen spending most of their work hours sitting in groups chatting and tasks take too long to finish.

Figure 2.1 illustrates the political and administrative structures required for effective decision-making and accountability.

**Figure 2.1: Political and administrative structure**



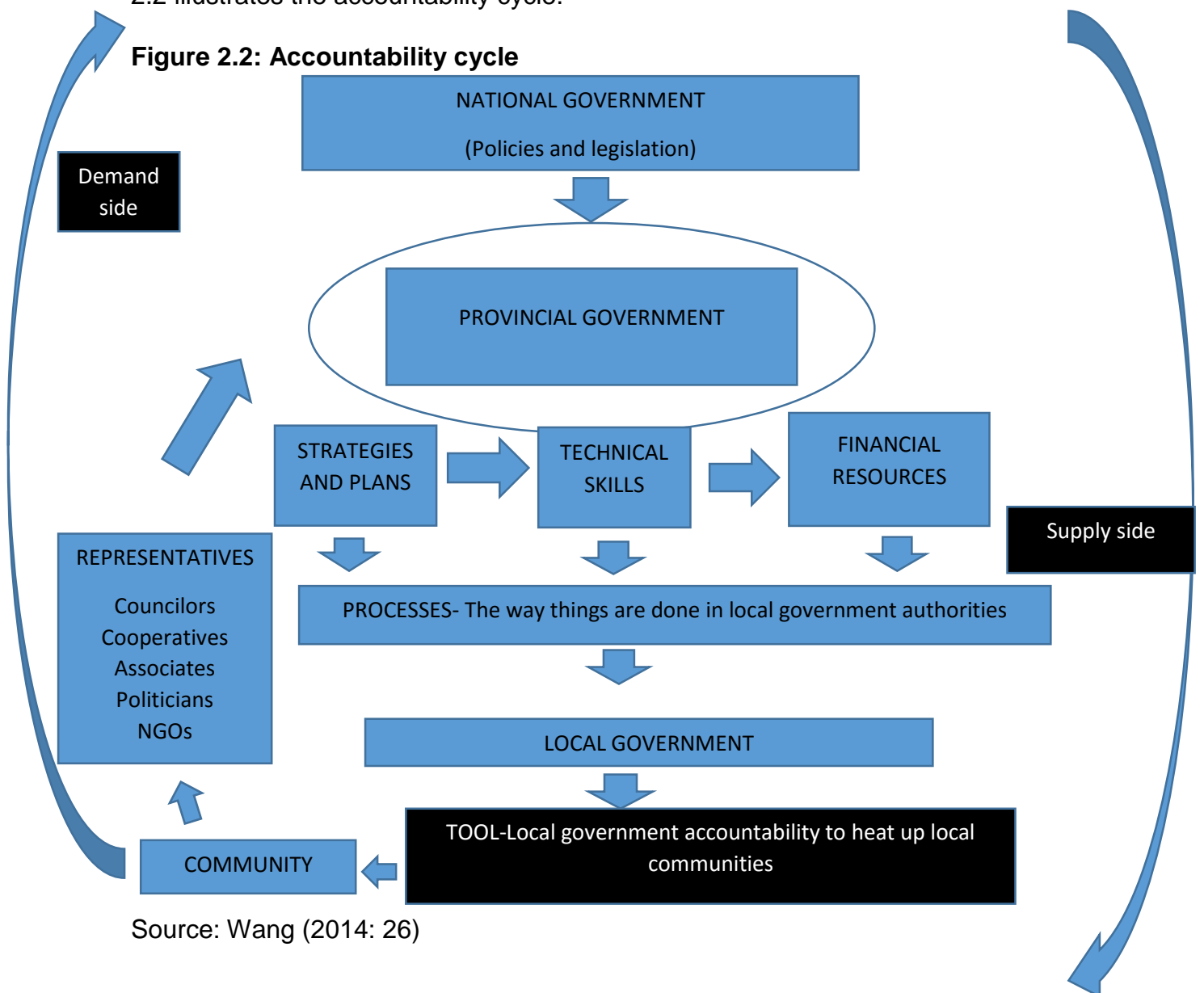
Source: Self-generated

As illustrated in figure 2.1, in accordance with the financial governance principles, the MFMA clearly establishes separation of roles and responsibilities between the mayor and council, and between the mayor and the municipal manager and other senior officials. It thus creates clearer lines of authority between the council, which must approve council policy; the mayor, who must provide political leadership; and the municipal manager, who is accountable to the mayor and council for implementing those policies, thereby leading to effective financial accountability.

### 2.5.5 Financial accountability cycle

Government plays a role of supplying the required services to the community while the community holds the government accountable by demanding services. Figure 2.2 illustrates the accountability cycle.

**Figure 2.2: Accountability cycle**



Source: Wang (2014: 26)

The cycle in figure 2.2 shows the co-operation, integration and co-ordination between the spheres of government and the community.

According to Wang (2014: 27), effective financial accountability vests on the distinctiveness, interdependence and interrelatedness of the spheres of government and how efficiently service delivery is rendered to the community. As indicated in figure 2.2, the national government formulates policies and legislations and the provincial government then oversees the implementation of those policies through strategies and plans, employing people with technical skills and then allocating funds. The local government then uses the strategies, skills and funds to provide services to the communities. As illustrated, the community demands effective policies and legislation which are the main sources of service delivery.

The above presentation addressed one of the core issues of this study, i.e., financial accountability. The next important issue of this study, i.e., financial control, is addressed below.

## **2.6 OVERVIEW OF FINANCIAL CONTROL**

Lexuan (2011: 93) observed that sound financial control practices are essential to the long-term sustainability of municipalities. They underpin the process of democratic accountability. Weak or opaque financial control results in the misdirection of resources and increases the risk of corruption. Lexuan (2011: 95) stated that no municipality will be able to render sustainable services without effective financial control.

One of the sub-objectives of this study was to establish the role of the MFMA in exercising financial control at municipalities. This sub-objective is addressed in the following discussion.

The MFMA framework was introduced to modernise financial control practices in municipalities in order to maximise the capacity of the municipalities to deliver services to all their residents, customers and users.

### **2.6.1 MFMA framework**

According to Craythorne (2006: 42), the MFMA is a key driver of financial reforms in the sphere of local government. The framework was established to modernise budget, accounting and financial management practices by placing local government finances on a sustainable footing in order to maximise the capacity of municipalities to deliver services to communities.

However, Brown (2014: 08) indicated that there appears to be a gap between what the act prescribes and the actual implementation thereof. This limits the effectiveness of the act in bringing about improvements in local government finance control. This argument is based on the report of the AG of KwaZulu-Natal, who stated that 37 of the 61 municipalities in the province have failed to meet the due dates for submission of financials of the municipality to the auditors for an annual external audit.

On the other hand, Farvacque-Vitkovic and Kopanyi (2014: 56) stated that, compared to where local government was in 2003, significant strides have been made with implementing the new financial management arrangements spelt out in the MFMA and its regulations. Farvacque-Vitkovic and Kopanyi (2014: 57) explained that the past budgets were incremental (one year) and backward-looking as they were based on the previous year's budget. The budgeting and planning processes were not integrated, often operating completely separately. Budgets were presented in considerable financial detail, hampering effective policy and planning processes and making understanding difficult and consultation unwieldy. Revenue and capital estimates were unrealistic, which resulted in poor service delivery performance and failure to meet community expectations. There appeared to be little or no link to a comprehensive long-term fiscal or financial strategy and little co-ordinated community development. In addition, financial reporting was often inaccurate or ineffectual and internal controls were poor or non-existent. These are some of the tendencies that the MFMA framework has eradicated.

The findings from the above studies showed how different researchers view the effectiveness and ineffectiveness of the MFMA framework towards financial control on local government.

Financial control is exercised by several role players, whose role functions are presented below.



## 2.6.2 Key players in financial control

Different role players exercise a critical role in the financial control of a municipality in respect of the implementation of the MFMA. Municipalities take decisions to manage their financial affairs in relation to the collection, distribution, allocation, control and monitoring of the resources. It is imperative to note that the success of the implementation of the MFMA depends entirely on the role of all the below mentioned role players.

Similarly, failure to implement the MFMA is due to the non-commitment of these role players. This means that the MFMA can only be effectively implemented if and only if the role players are determined to discharge their duties as required by the provisions of this Act. Inevitably, the smooth running of the financial governance structures and implementation of the MFMA depends largely on the role played by the following elected and appointed members in relation to a municipality's financial affairs:

- Municipal council;
- Executive mayor;
- Municipal manager;
- Chief financial officer;
- Other officials of municipality;
- Ward committees; and
- Local community.

### ❖ **Municipal council**

In order for the MFMA to be implemented properly, municipal councils must take ownership of the implementation process. This legislation aims to significantly reform municipal finance management to ensure the improved and sustainable delivery of municipal services through the sustainable management of the fiscal and financial affairs of the municipalities. The council has the overall responsibility for the approval of policy and budget related plans for the provision of basic services. It is in this context that the council plays a critical role in the implementation of the Act when it executes its functions effectively in line with the provisions of the Act (Craythorne 2006: 61).

According to Motsoeneng (2014: 11), municipal councils in certain parts of the country approve and prioritise spending of municipal finances to those communities where the ruling party obtained most votes during the elections. The study explained that, in the Alfred Nzo Municipality in the Eastern Cape, local towns, like Cedarville and Matatiele, which have strong support towards African National Congress (ANC), the ruling party, are always given priority by the municipal council when using municipal funds to render services to the community. These towns have access to electricity, water and other services, while, on the other hand, places like Maluti, which support opposition parties, receive the least services from the council. The study further explained that the Maluti community have protested numerous times and they did not seem to get positive feedback from the government officials.

Again, Craythorne (2006: 87) indicated that both the Municipal Systems Act and the MFMA state that the municipal councils' oversight role means that they cannot play an operational role, as this would interfere with the role of the executive mayor and municipal manager and weaken the accountability of officials of the council. It is important for the municipal councils to understand that they cannot be both players and referees. This is in line with the role of elected representatives in parliament and the provincial legislatures, who do not become involved in the day-to-day activities of the executives. Hunsraj (2013: 03) mentioned that the municipal council at Phalaborwa Local Municipality in Limpopo had influence on the tender committee as to whom the bids must be awarded. This practice is a contravention to the Municipal Systems Act and MFMA.

Based on the above, it is evident that some municipalities do not act in the best interests of the community. It must be remembered that the residents and ratepayers of a municipality elect the municipal council to decide on their behalf, and on the overall direction and policies for the municipality. It must be also noted that the municipal council must, at all times, act honestly and with reasonable care and diligence when performing its official duties.

### ❖ **The mayor**

The mayor is responsible for the management of policy, budgets and outcomes. He or she has oversight role over the municipal manager. This means that the mayor must oversee the work of the municipal manager. The mayor is the principal guide as to the spending, sharing and fiscal policies as well as the municipality's development objectives. The mayor must study all reports and, if he or she has any suspicious or concerns over financial accountability, transparency or other issues, he or she must take the following steps:

- Respond to the problem promptly;
- Initiate any remedial steps;
- Reduce spending; and
- Alert council and the relevant MEC to the problem (Pini and MacDonald 2011: 79).

In preparing the municipality's budget in terms of the MFMA, the mayor must, inter alia:

- Provide political guidance;
- Provide leadership and control over a municipal entity;
- Co-ordinate the process for preparing the annual budget, the Integrated Development Plan (IDP) that accompanies it; and
- Consult with any other relevant stakeholders. This could include consultation with other municipalities, the provincial and national treasuries and government departments that have responsibility to provide basic services such as water, electricity and sanitation (Pini and McDonald 2011: 79).

Mkhize (2015: 01) argued that mayors in local government associate themselves with acts of dishonesty. This argument is based on the report that the mayor of Dikgatlong Local Municipality in the Northern Cape and his family were linked to a R3 billion alleged tender. The mayor was allegedly a "silent partner" in a firm identified as the preferred bidder for the tender, of which 20% was apparently owned by the mayor's family trust. Close family members of the mayor and an unnamed

senior municipal official have previously received three tenders from the municipality to the value of R88 million. Mkhize (2015: 01) stated that mayors use powers assigned to them to act in an unlawful manner.

The above argument is supported by Moloi (2014: 06) who found that the Emfuleni Local Municipality in Gauteng was surrounded by a wide scale of service delivery failure of R1.8 million and gross mismanagement. Moloi (2014: 07) reported that the mayor had received a R1 million kickback for selling council land, and the mayor had colluded with outside parties to sell off council land at the price considerably lower than the market value.

#### ❖ **The municipal manager**

The municipal manager is responsible for forming and developing an economical, effective, efficient and accountable administration. The MFMA sets out the municipal manager's role in the budget process. He or she must also act as the accounting officer to:

- Assist the mayor by providing administrative support, resources and the information necessary to prepare a budget;
- Implement the budget once it has been approved. This function includes monitoring the revenue and expenditure;
- Report to the council about any shortfalls or any overspending or overdrafts;
- Provide the mayor with monthly budget statements not later than 10 days after the end of each month; and
- Conduct half-yearly assessments of the municipality's finances and make recommendations for adjustments to the budget, if necessary (Pini and McDonald 2011: 57).

Buthelezi (2012: 03) stated that it is distressing that the level most responsible for service delivery, particularly to the poor, seems to be the weakest link. This is evident at the Kokstad Local Municipality, with devastating water shortages, lack of sanitation, a deficit of R39 million and overall service delivery failure. It was found that the municipal manager had awarded a lucrative contract to a friend who had to set up a Black Economic Empowerment (BEE) front company. In addition,

unsecured loans made to councillors and previous councillors had been granted by the municipal manager with little indication of repayment.

In addition, Mahlalela (2014: 04) revealed that, at the Mbombela Local Municipality in Mpumalanga, the municipal manager was charged for fraud and corruption for not following correct procedures when employing law enforcement officials. The panel that had interviewed candidates complained that the municipal manager had not considered some of the candidates it recommended for employment. Instead the municipal manager opted to employ some officials who did not even apply or did not make it to the short list.

Based on the findings above, it is evident that there are too many reports about maladministration, mismanagement of public funds and abuse of resources by officials at the local government level. It is evident that stringent systems of financial control and accountability must be applied at these levels.

#### ❖ **Chief financial officer (CFO)**

In terms of the MFMA, the top management of a municipality's administration consists of the accounting officer, the CFO and all senior managers. The Act stipulates the role of the CFO as the official who:

- Is administratively in charge of the budget and treasury office;
- Must advise the accounting officer on the exercise of his or her powers and duties;
- Must assist the accounting officer in the administration of the municipality's bank account;
- Must assist the accounting officer in the preparation and implementation of the budget;
- Must advise senior managers and other senior officials; and
- Must perform such budgeting, accounting, analysis, financial reporting, cash management, debt management, review and other duties which may be delegated to him or her by the accounting officer (Craythorne 2006: 120).

Jackson (2015: 02) stated that CFO do not act in good faith when executing their tasks. This shortcoming is evident as Thuli Madonsela, the Public Protector, has called the CFOs of OR Tambo Municipality and King Sabata Dalindyebo Municipality to account for public funds allegedly squandered or creamed off the top instead of being spent on Nelson Mandela's funeral. The OR Tambo Municipality spent more than R9 million on the funeral while King Sebata Dalindyebo Municipality reportedly spent about R21 million. In both cases, the municipal councils had not approved the expenditure. The municipalities spent millions buying food for catering in public mourning areas during the funeral. Funds were also spent on flags, t-shirts, wheelie bins, filling potholes and transporting community members to the memorial services.

Furthermore, Matlala (2014: 07) mentioned that poor financial control in municipalities is a result of appointment of individuals with inadequate qualifications of being a CFO. Matlala (2014: 07) mentioned that the public protector reported that the appointment of the CFO at the Senqu Municipality, in the Eastern Cape, was improper and unlawful because he did not have the required qualifications. He had passed only matric and did not have the appropriate tertiary qualifications required by the position.

The above findings indicate that CFOs in local government violate the MFMA and the Municipal Systems Act and their conduct is regarded as maladministration which has a negative impact on service delivery.

#### ❖ **Other officials of the municipality**

The officials must see to the effective administration of the budget. The MFMA states that any official who exercises financial control responsibilities must take all reasonable steps within that official's area of responsibility to ensure that:

- This responsibility is carried out diligently, effectively, economically and transparently;
- Internal control is carried out diligently;
- Assets and liabilities are managed effectively; and
- That losses are prevented (Booyesen 2012: 58).

### ❖ **Ward committees**

Where communities experience problems relating to the financial control of a municipality, this should be raised in the ward committees of which the local councillor is the chairperson. Ward committees can influence the fiscal and financial control of municipalities by:

- Engaging the council in the budgetary process;
- Attending council meetings where budget issues are to be discussed;
- Disseminating information to community members about how the municipality plans to spend its budget;
- Monitoring corruption in council; and
- Safeguarding the assets of the municipality (Booyesen 2012: 60).

### ❖ **Local community**

The role played by the community in the implementation of the MFMA is of paramount importance. The Act is specifically aimed at communities being able to have influence over the budget process. Ideally, communities should make their recommendations as specific as possible, if they want to influence the spending priorities of their municipality (Booyesen 2012: 60-61).

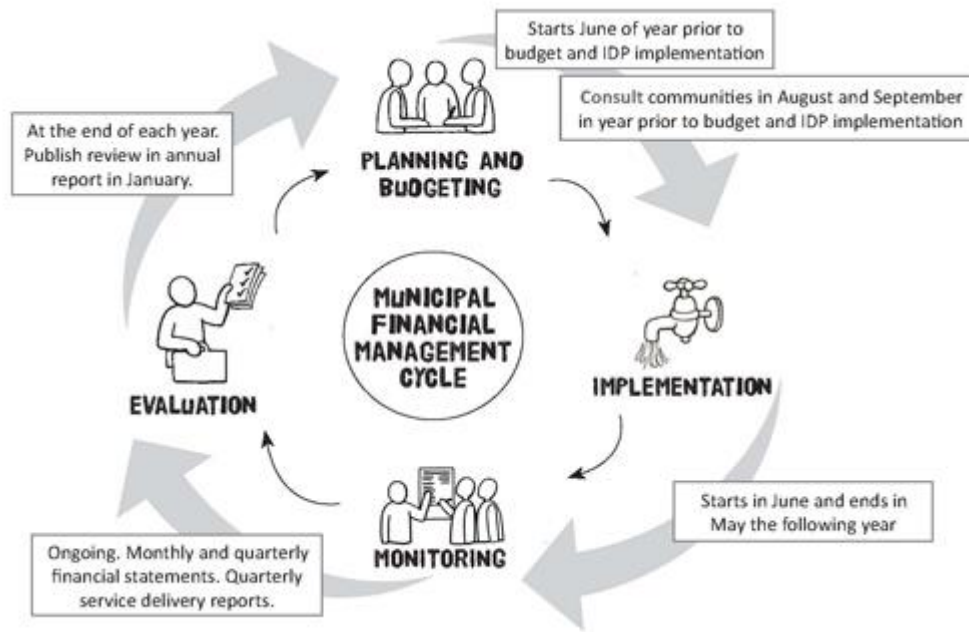
Individual residents, and community organizations, such as ward committees or other associations, are empowered, through legislation, to monitor and influence the financial control of municipalities. This pertains not only to how money is spent but also what money is spent and how money is collected from local communities (Booyesen 2012: 61).

## **2.7 MUNICIPAL FINANCIAL CONTROL ROTATION**

Municipalities receive funding from the national government in the form of conditional grants. The Municipal Infrastructure Grant (MIG) is the most important conditional grant from the national government. MIG must be used to extend or maintain the infrastructure for the provision of basic services such as water, electricity and sanitation.

Figure 2.3 illustrates the financial control process in a local government sector on an annual base.

**Figure 2.3: Financial control process**



Source: Miller (2012: 41)

According to Miller (2012: 43), municipalities have not spent all the money allocated to them through MIG due to a lack of capacity and the mismanagement of funds. During the 2008/2009 financial year, 272 municipalities in South Africa did not spend a quarter of what was available to them and some of this money had to be returned to Treasury. This has most certainly contributed to the slow pace at which municipalities are providing infrastructure for services.

Miller (2012: 45) mentioned that municipal finance control has an annual cycle that includes four broad activities:

- **Planning and Budgeting:** Each year, municipalities are required to review their IDP and budgets. This process starts in June of the year before the municipality will implement its IDP and spend its budget on service delivery. The budget is the municipality's financial plan and indicates how much money will go towards each of the activities outlined in the IDP. The budget should outline where the municipality is getting its money from, how much it will



receive and how much it will be spent on things like salaries, goods and services, infrastructure and equipment.

- **Implementation and Spending:** The municipality starts to spend the money provided in the budget on activities outlined in the IDP. It pays salaries and service providers, buys goods needed to deliver services, buys and maintains machinery and equipment and develops and maintains infrastructure.
- **Monitoring:** In order to ensure that it is delivering on the IDP and that it is spending its budget as it should, the municipality must carefully monitor its activities and spending. To do this, the municipality must have systems that track the payment of salaries, the purchase of goods, and the payment of service providers and building contractors. The municipality must also physically verify that services are being delivered and infrastructure is being developed in line with set norms and standards.
- **Evaluation:** At the end of each year, the municipality must look back over the year and assess how well it has done in terms of delivering on its promises in the IDP and if it has spent its money in line with its budget. The municipality must publish this review in an annual report in January each year (Miller 2012: 45-46).

## 2.8 INTERNAL AUDIT

It is imperative that the internal audit function assists the municipality by ensuring that there is adherence to the municipality's procedures and policies, and accurate maintenance of financial records. Furthermore, municipalities expect the internal audit function to also conduct fraud detection exercises. The internal audit is viewed as playing a limited role of financial checker in the municipality (Cascarino and Van Esch 2007: 41).

Cascarino and Van Esch (2007: 42) highlighted the fact that management and employees should regard the audit function as one that adds value to the municipality in order for it to exist and be supported.

Naidoo (2013: 11) argued that the internal audit together with financial control and financial reporting in municipalities are faced with problems of inadequate staff that

are allocated by the CFO and inadequate facilities to monitor all the roles stated by the local government acts.

Similarly, Mofokeng (2014: 06) mentioned that the internal audit department also has challenges of inadequate records and equipment, threats of being merged with accounts department, poor perception of people of the roles of internal auditors and interference by the politicians who engage in activities that are not stipulated in the local government acts.

From the above, it is evident that municipalities do not recognise the significance of internal audit which limits them (internal audit) to perform their duties effectively. This discussion partially fulfils the objective of this study relating to the weaknesses of financial performance at municipalities.

## **2.9 PERFORMANCE APPRAISAL**

People differ in their abilities and aptitudes. There is always some difference between the quality and quantity of the same work on the same job being done by two different people. Therefore, performance appraisal is necessary to understand each employee's abilities, competencies and relative merit and worth for the municipality. Performance appraisal rates the employees in terms of performance (Ammons 2015: 143).

Ammons (2015: 145) stated that many municipalities express dissatisfaction with their appraisal schemes and others do not even appraise their employees. According to Ammons (2015: 145), this may signal a lack of success of performance appraisal as a mechanism for developing and motivating employees.

Manyanga (2013: 04) revealed that the Aganang Local Municipality in Limpopo has implemented a performance appraisal system only to senior managers of the municipality, because of the perception that effective financial control depends on the performance of the senior management, not realising the effort made by the lower level employees towards financial performance of the entire municipality. This resulted in lower level employees losing morale in performing their daily tasks.

From the above, it can be inferred that the performance appraisals are not effectively executed, causing a weakness in financial control. This discussion relates to the third objective of this study concerning the strengths and weaknesses of financial performance at municipalities.

## **2.10 OVERVIEW OF FINANCIAL REPORTING**

The discussion below is relevant to the sub-objective 1.3, namely, to determine whether sound financial reporting is implemented by municipalities in terms of acceptable practice and standards.

The MFMA prescribes measures to ensure transparent financial reporting by the local sphere of government. South Africa faces a challenge of increasingly limited resources that should be used for service delivery to all South Africans. It has, therefore, become critically important for government to measure and report on programme performance. There is a growing belief that the ability to obtain maximum benefits from increasingly limited resources can be enhanced by an understanding of the results of the programme for which budget resources have been expended. The report on programme performance measures is not only an appropriate reporting statement, but is likely to be the most important statement for those persons interested in how the government entity is using the resources.

The introduction of programme reports is considered to be an urgent priority to encourage accountability. The government implemented an accounting framework to measure the resources consumed during the period under review (Spearman 2013: 58).

### **2.10.1 GRAP framework**

Van Donk et al. (2008: 35) stated that the introduction of GRAP has become one of the most significant developments in the preparation of financial statements in the sphere of local government. Compliance with GRAP is meant to give assurance that financial statements have been prepared in accordance with generally recognised accounting principles which, in turn, ensure transparency in the financial management and administration of municipalities.

Van Donk et al. (2008: 36) highlighted that the implementation of the Generally Accepted Municipal Accounting Practices (GAMAP) combined with the GRAP in municipalities in South Africa is resulting in positive changes to some financial policies and applications. Practitioners are of the general opinion that these changes will have a substantial effect on reporting on the financial performance and financial position of municipalities, especially directly after full implementation.

GRAP is being developed in South Africa and is based on the International Public Sector Accounting Standard (IPSAS). Once the GRAP standard relating to a specific topic has been developed, the GAMAP equivalent will be withdrawn and be replaced by the newly developed GRAP standard. The outcome of this exercise is that eventually all the GAMAP standards will be withdrawn and there will be one set of GRAP standards that will be utilised by all Public Sector entities in all three spheres of government in South Africa.

Feldstein and Fabozzi (2011: 84) mentioned that the introduction of GRAP has become one of the most significant developments in the preparation of financial statements in the sphere of local government. Compliance with GRAP is meant to give assurance that financial statements have been prepared in accordance with generally recognised accounting principles which, in turn, ensure transparency in the financial management and administration of municipalities. Stakeholders (the public, government, investors, etc.) rely on the extent of compliance with GRAP to ensure that there is transparency in the way the government's money is spent.

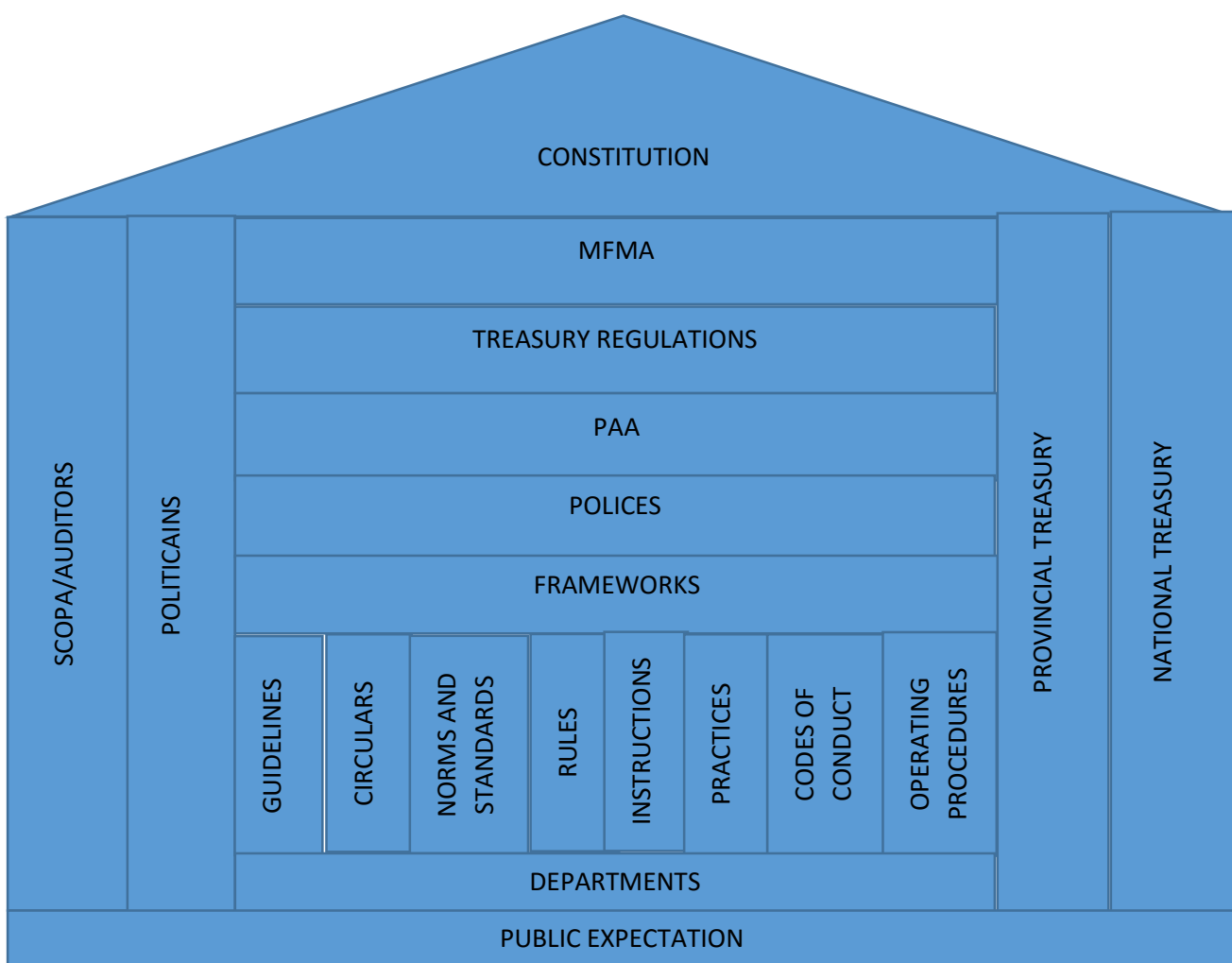
According to Feldstein and Fabozzi (2011: 85), the benefit of GRAP is that the measurement focus is on the economic resources controlled by the entity, cost of operations or of providing services, the financial position and the changes in the financial position or operational efficiency.

Similarly, Guthrie, Humphrey, Jones and Olson (2005: 28) indicated that the accrual basis provides information about such matters as the resources controlled by the entity and the actual cost of its operations. The use of the accrual basis is essential if financial reporting is to provide useful information in evaluating the government's performance in terms of the performance, efficiency and accomplishments. It can assist users by providing better information for decision making and accountability and by changing the way in which managers think and operate.

One can argue that GRAP implementation is a practice that can contribute to the constitution's requirement for a development-oriented, efficient, economic and effective public administration. The implementation of GRAP, therefore, derives its legislative mandate from the constitution first, before any other piece of legislation or policy document.

The fully legislative and accounting framework is graphically illustrated in figure 2.4.

**Figure 2.4: GRAP legislative and accounting framework**



Source: Self-generated

As illustrated in figure 2.4, the legislative framework for GRAP is extensive and can be found in the constitution, MFMA and other acts.

In keeping with objective 2, the above presentation relates to the provision of international legislation concerning financial reporting.

## **2.11 AG's ROLE ON AUDIT OUTCOME**

Municipalities are required to submit annual financial statements to the AG as a means of reporting financial movements that have occurred until the end of the year. These financial statements must be prepared in accordance with GRAP.

It is important to note that municipalities not only receive and spend funds but they also have to account for those funds to the AG. The AG issues an auditor's report on the financial statements of every municipality with one of the following outcomes:

- Unqualified Opinion: when the auditor concludes that the financial statements give a true and fair view in accordance with the financial reporting framework used for the preparation and presentation of the financial statement;
- Qualified Opinion: is issued when the auditor encountered one of two types of situations which do not comply with GRAP principles;
- Adverse Opinion: is issued when the auditor determines that the financial statements are materially misstated and do not conform with GRAP;
- Disclaimer Opinion: is issued when the auditor could not form an opinion and, consequently, refuses to present an opinion on the financial statements (Van Donk et al. 2008: 26).

### **2.11.1 Root causes of poor audit outcomes**

Van Donk et al. (2008: 101) stated that, in spite the intensified efforts made by the AG to assist the local government leadership to improve audit outcomes through quarterly key control assessments and regular interaction with municipalities, there has been no significant improvement in the audit outcome. Van Donk et al. (2008: 102) mentioned that the root causes of poor audit outcomes in local government is caused by the following:

- A slow response by political leadership (mayor and council) to the AG's message of embracing the former's responsibility to guide and direct the

development and performance of a strong system of internal controls at the auditees. This includes improving their oversight function, demonstrating effective and ethical leadership, strengthening the municipal public accounts committees and insisting on credible and regular reports on the finances and activities of their municipalities.

- A lack of commitment from management to adequately address the limitations in meetings that results in the municipality receiving unfavourable audit outcomes.
- Perceptions by other employees that the finance department must be the one responsible for putting an extra effort in ensuring a favourable audit outcome.

Similarly, Brown (2014: 08) indicated that the following factor leads to an unfavourable audit outcome:

- The key positions that are vacant or key officials that do not have the appropriate competencies. For those serving in low and medium capacity municipalities with a budget under R500 million, a National Qualification Framework (NQF) Level 6 qualification or a Certificate in Municipal Financial Management must be achieved. They must also have a minimum of five years' experience at middle management level.

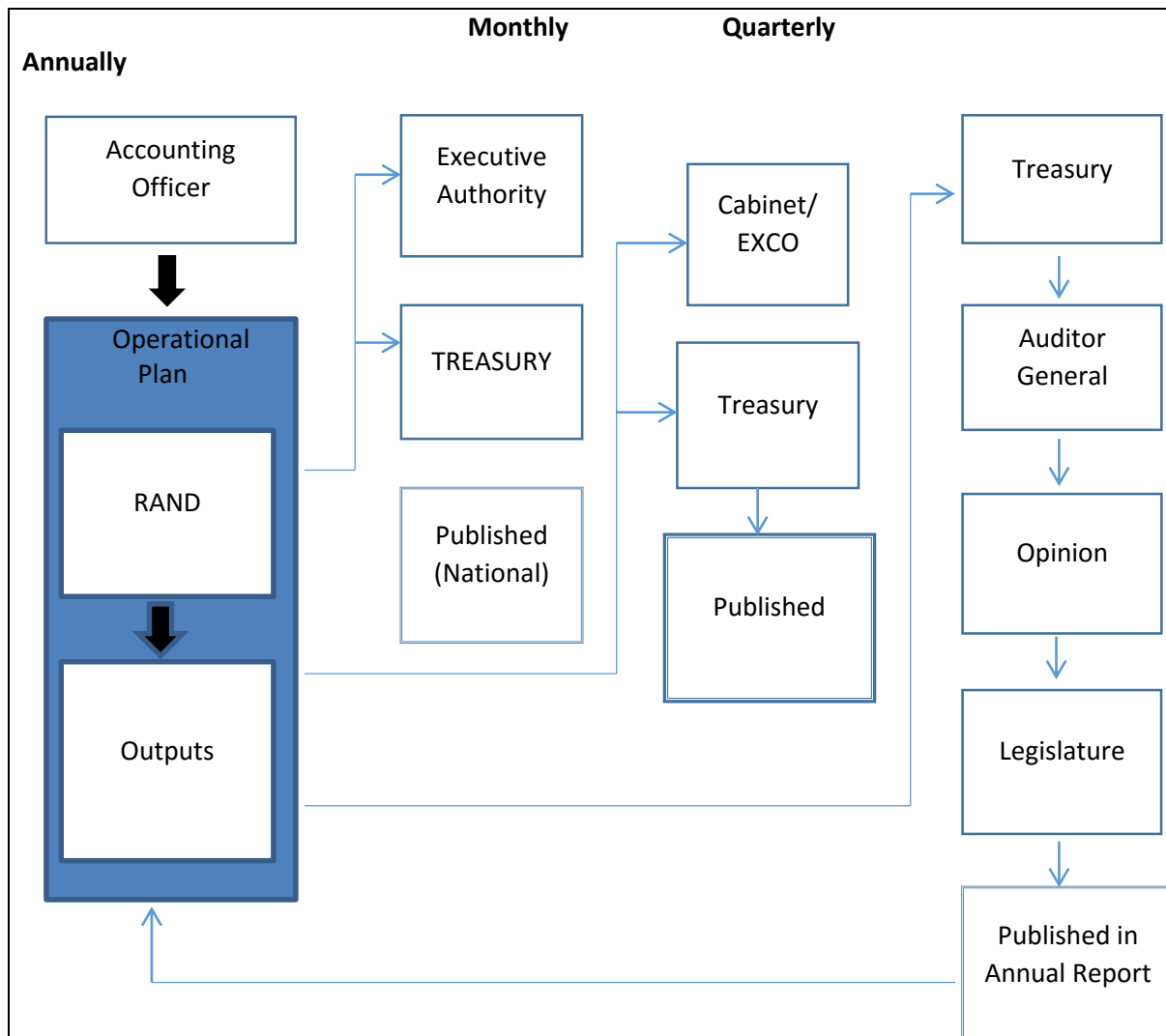
For those serving in medium and high capacity municipalities with a budget over R500 million, a NQF Level 7 or qualification as a Chartered Accountant (CA) must be achieved. They must also have a minimum of seven years' experience at senior management or middle management level.

## **2.12 YEARLY FINANCIAL REPORTING PROCESS**

According to the Auditor General Annual Report (2011: 29), information has no intrinsic value. It must be used by managers to develop plans, evaluate alternative courses of action and, where necessary, institute corrective actions. The production of information is not an end in itself, and when reports are not scrutinised and used by managers, the quality of information will remain poor.

Figure 2.5 illustrates a variety of reports with different responsibilities for executive authorities and accounting officers.

**Figure 2.5: Financial reporting process**



Source: Auditor General Annual Report (2011: 31)

The Auditor General Annual Report (2011: 31) states that the MFMA and GRAP stresses the need for regular monthly management reports for submission to the Minister or the MEC and the relevant treasury. The primary purpose of these reports is to assist managers in discharging their responsibilities. These reports will focus on



performance against budget and against service delivery improvement programmes, and will alert managers where remedial action is required.

- **Monthly Report:** Within 15 days of the month end, the accounting officer (municipal manager) must submit to the relevant treasury and executive authority information on actual revenue, expenditure and transfers for that month in the format determined by the National Treasury. Monthly reports to the executive authority must contain the information provided to the Treasury.
- **Quarterly Report:** Every quarter, the National Treasury will publish a statement in the Government Gazette detailing the revenue and expenditure of each of the ten revenue funds, which measure the actual performance against the budget for each vote. Accounting officers must expect the press, parliamentary committees, non-governmental organisations and the public to monitor the municipality's progress through these reports.
- **Annual Report:** The accountability cycle is completed with the production and publication of an annual report which reviews performance and achievements against the plan and budget. The municipality must publish an annual report that fairly presents the state of its affairs, its financial results and position at the end of the financial year and its performance against predetermined objectives. The annual report must include particulars of any material losses through criminal conduct, any unauthorised expenditure together with any criminal or disciplinary steps taken as a result of such losses.

The accounting officer has two months to submit appropriation accounts to the AG and Treasury. The accounting officer must ensure that the systems and financial staff within the municipality are capable of preparing high quality financial statements within two months of the year end.

The AG will report to Parliament, the Legislature and the Treasuries on the date of submission and be asked to comment on the quality of data. Should this prove to be poor, a charge of financial misconduct may result. Should the accounting officer submit incomplete financial statements, the AG will no longer finalise these.

In conclusion, the Auditor General Annual Report (2011: 40) highlighted that continuous monitoring and annual report will be the basis for evaluating achievements and accounting officers will be responsible for delivering clearly specified outputs.

### **2.13 OVERVIEW OF AUDIT COMMITTEE**

The Constitution of the Republic of South Africa prescribes measures to ensure both transparency and expenditure control in all spheres of government by introducing uniform treasury norms and standards. Good governance involves how an organization is managed, its organizational culture, policies, strategies and the way it deals with its stakeholders. The audit committee provides objective, independent advice to improve oversight, governance and help to mitigate risks. Working with the audit committee brings different skills and expertise to assist in improving the performance of the municipality. The audit committee does not assume any management functions nor should management exert any undue influence over the work of the audit committee (Turner 2005: 39-40).

The audit committee is a key contributor to good governance. It plays a crucial role in assisting the relevant governing body in discharging its responsibilities for overseeing financial and performance management, compliance with legal and other regulatory requirements and internal controls (Turner 2005: 40).

According to Turner (2005: 42), the audit committee makes valuable contributions towards improving the governance, performance and accountability of the municipality. Furthermore, an effective audit committee has numerous benefits for the municipality including:

- Giving guidance on sound corporate governance practices;
- Monitoring the adequate and effective functioning of the system of internal control;
- Monitoring the implementation of recommendations made by internal and external audit and other review activities;
- Ensuring that fraud and corruption is dealt with effectively;
- Improving the quality of financial and performance reporting;
- Facilitating an efficient audit process; and

- Improving risk management.

However, Morgan, Robinson, Strachota and Hough (2015: 86) highlighted that recent audit findings indicated serious deficiencies in governance arrangements. There is a need to improve the audit committees as this would contribute to changes in financial management in the vast majority of municipalities. The deficiencies emanate from a lack of knowledge or disregard of legislation and processes by councillors and officials, a failure to appoint suitably qualified key individuals to specifically legislated tasks and an inability or disregard by municipalities to establish and maintain the appropriate control systems which provide the basis of the governance framework.

Audit committee members must be selected from different areas of expertise to enhance the audit committee's overall knowledge of the municipality or entity and the ability to discharge its obligations and provide appropriate recommendation to council. The roles and responsibilities of an audit committee can be used as a baseline to obtain relevant skills that members must possess. These skills will ensure that appointed members are competent to carry out their responsibilities as set out in the audit committee's charter.

## **2.14 DEVELOPMENTAL LOCAL GOVERNMENT**

The central responsibility of municipalities is to work together with local communities to find sustainable ways to meet their needs and improve the quality of their lives. It is in the interest of the nation that local government is capacitated and transformed to play a developmental role. Developmental local government is intended to have a major impact on the daily lives of South Africans. The Constitution enshrines the rights of all people in the country to dignity, equality before the law, freedom and security. It affirms people's rights to freedom of religion, expression, culture, association and movement, as well as political, labour and property rights. The Constitution commits government to take reasonable measures within its available resources to ensure that all South Africans have access to adequate housing, health care, education, food, water and social security (Misuraca 2007: 96).

The reality in the cities, towns and rural areas is far from ideal. Many communities are still divided. Millions of people live in dire poverty, and are isolated from services and

opportunities. The previous local government system did very little to help those with the greatest needs. The current transitional system has not yet been able to do much to reverse these long-standing patterns of inequality and unmet human needs. Developmental local government must play a central role in representing communities, protecting human rights and meeting basic needs. It must focus its efforts and resources on improving the quality of life of communities, especially those members and groups within communities that are most often marginalised or excluded, such as women, disabled people and very poor people (Misuraca 2007: 97).

De Visser (2005: 73) regarded maximising social development and economic growth as a feature of developmental local government, De Visser (2005: 73-74) stated that the powers and functions of local government must be exercised in a way that has a maximum impact on the social development of communities, in particular, meeting the basic needs of the poor and on growth of the local economy. Through its traditional responsibilities (service delivery and regulation), local government exerts a great influence over the social and economic well-being of local communities. Each year, municipalities collect a large sum in rates, user charges and fees. They employ thousands of people throughout the country. In many cases, they are responsible for the price and quality of water, electricity and roads and they control the use and development of land. In parts of the country, they own substantial amounts of land. They purchase goods and services and pay salaries and, therefore, contribute to the flow of money in the local economy. They set the agenda for local politics and the way they operate gives strong signals to their residents and to prospective migrants or investors. These functions give local government a great influence over local economies.

De Visser (2005: 76) further stated that municipalities need to have a clear vision for the local economy and work in partnership with local business to maximise job creation and investment. Local government is not directly responsible for creating jobs. Rather, it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities.

Similarly, Padayachee (2006: 49) stated that integrating and coordinating is the attribute to developmental local government. Within any local area, many different agencies contribute to development including national and provincial departments,

parastatals, trade unions, community groups and private sector institutions. Developmental local government must provide a vision and leadership for all those who have a role to play in achieving local prosperity. Poor coordination between service providers could severely undermine the development effort. Municipalities must actively develop ways to leverage resources and investment from both the public and private sectors to meet development targets. One of the most important methods for achieving greater coordination and integration is integrated development planning. Integrated development plans provide powerful tools for municipalities to facilitate integrated and coordinated delivery within their locality. Padayachee (2006: 50) highlighted that, while strategies for building human settlements may differ between localities, it is clear that the establishment of sustainable and liveable settlements depends on the coordination of a range of services and regulations including land-use planning, household infrastructure, environmental management, transport, health and education, safety and security and housing.

Pillay, Tomlinson and Du Toit (2006: 91) mentioned that democratising development, empowering and redistributing are essential features of developmental local government. Pillay, Tomlinson and Du Toit (2006: 92) elaborated that municipal councils play a central role in promoting local democracy. In addition to representing community interest within the municipality, municipal councillors must promote the involvement of citizens and community groups in the design and delivery of municipal programmes. In the past, local government has tended to make its presence felt in communities by controlling or regulating citizens' actions.

Pillay, Tomlinson and Du Toit (2006: 102) also stated that it is important for municipalities to find ways of restructuring participation which enhance rather than impede the delivery process. A central principle of the Reconstruction and Development Programme (RDP) is the empowerment of poor and marginalised communities. This is repeated in the Growth, Employment and Redistribution (GEAR) strategy which calls for a "redistribution of income and opportunities in favour of the poor". Developmental local government is uniquely placed to combine empowerment and redistribution in a number of concrete programmes.

Lastly, Saito (2008: 33) revealed that leading and learning is also a characteristic of developmental local government. Saito (2008: 34) explained that extreme rapid

changes at the global, regional, national and local levels are forcing local communities to rethink the way they are organised and governed.

## **2.15 CONCLUSION**

The chapter presented the literature review relating to financial accountability, financial control and financial reporting. The literature review thoroughly addressed the international legislation in terms of financial accountability where it was evident that there are barriers that limit some countries in achieving progressive financial accountability. The literature review also covered the South African legislation in the context of financial accountability where some findings revealed negative impacts while some revealed positive impacts.

The literature review narrowed in scope by providing an overview of financial control where an analysis of the MFMA framework was done to assess its effectiveness in local government. The key players in relation to financial control were identified.

The latter part of the literature review analysed the GRAP framework to ascertain its compliance in terms of financial reporting in local government.

The next chapter will examine the research methodology of the study. The target population as well as the sampling method will be identified. The questionnaire design and administration will also be discussed. The ethical considerations, which were taken into account for the study, will be addressed.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION**

The previous chapter presented the literature review pertaining to the evaluation of financial accountability, financial control and financial reporting with particular reference to municipalities.

This chapter commences with an explanation of the research design, which encompasses quantitative, descriptive and cross sectional research. Other aspects of research methodology presented in this chapter include the target population, measuring instrument, pilot testing and data analysis.

Thereafter, the important issues relating to validity and reliability are discussed together with how they were achieved in this study. The chapter concludes with a discussion on ethical considerations.

#### **3.2 RESEARCH DESIGN**

Creswell (2013: 105) stated that research designs are plans and procedures for research that span the decisions from broad assumptions to detailed methods of data collection and analysis. A research design provides the basic directions or recipe for carrying out the research project. Research design is necessary for fulfilling research objectives. Creswell (2013: 80) states that there are five types of research designs, which are:

- Exploratory;
- Correctional;
- Explanatory;
- Descriptive; and
- Casual-comparative.

A descriptive study was used in this study to assess the effectiveness or ineffectiveness of the three elements for financial performance on local government.

### **3.2.1 Descriptive research**

A descriptive study is designed to collect data that describes situations, people or events. A descriptive research could either be qualitative or quantitative in nature. It involves gathering of quantitative data such as ratings, figures and also demographic data. It also entails the gathering of qualitative information such as describing a process or examining procedures (Creswell 2013: 83). A descriptive study was chosen to undertake this research in order to assess the relationship between three elements (financial accountability, financial control and financial reporting) and their effectiveness in financial performance of a municipality.

#### **3.2.1.1 Quantitative versus qualitative**

Creswell (2013: 94) describes qualitative and quantitative research as follows:-

Qualitative research explores the attitudes, behaviour and experiences through methods such as interviews and focus groups. It attempts to get a broad opinion and comprehensive understanding of the phenomenon from the views of participants. There are many different methodologies engaged with regard to qualitative research and fewer individuals take part in the research as it includes the attitudes, actions and experiences of people.

Quantitative research consists of analysing the theory by specifying narrow hypotheses and collecting data to support or refute the hypotheses. It is descriptive in nature and generates statistics through the use of large-scale survey research, using methods such as questionnaires or structured interviews. Descriptive research examines the situation as it is.

The quantitative research paradigm was undertaken in this study with the aid of a questionnaire consisting of close-ended questions and data was analysed using the Statistical Package for Social Scientists (SPSS) version 22.0.

### **3.2.2 Time horizon**

The approach of this study was cross-sectional, as it involved the collection of information from any given sample of population elements only once (Johnson and Christensen 2012: 105).



### 3.3 TARGET POPULATION

Johnson and Christensen (2012: 155) referred to the target population as the entire group of people, events or things of interest that the researcher wishes to investigate. It is a specific group for which a researcher wants to make inferences.

Table 3.1 indicates that the target population comprised of 45 permanent employees from the finance department of the Umtshezi Municipality which is divided into five units, i.e., supply chain, expenditure, asset/fleet, revenue and budget.

**Table 3.1: Target population of the finance department of the Umtshezi Municipality**

<b>UNIT (FINANCE)</b>	<b>NUMBER</b>
<b>Supply chain management</b>	<b>10</b>
<b>Expenditure</b>	<b>07</b>
<b>Asset/fleet</b>	<b>11</b>
<b>Revenue</b>	<b>09</b>
<b>Budget</b>	<b>08</b>
<b>TOTAL</b>	<b>45</b>

The finance department was chosen to be the target population because they are responsible/assigned to account, control and report on the day-to-day financial activities of the municipality. Leedy and Ormrod (2012: 35) stated that the target population should be a set of all individuals relevant to a particular study and must be defined in terms of elements, geographical boundaries and time.

### 3.4 CASE STUDY

For the purpose of this research, a case study approach was adopted. A case study can be described as an analytical study of the development of an individual unit, as a person, family, group, event or social institution (Leedy and Ormrod, 2012: 137). Leedy and Ormrod (2012: 137-138) found that a case study approach has extensive ability to generate answers to the questions 'why?' as well as the 'what?' and 'how?'.

The authors further explained that the data collection methods for a case study may be varied, e.g., questionnaires, interviews, observation and documentary analysis. However, using a case study approach has its own advantages and disadvantages. For example, Leedy and Ormrod (2012: 140) mentioned the following advantages of a case study:

- Case studies allow a lot of detail to be collected that would not normally be easily obtained by other research designs;
- The data collected is normally a lot richer and of greater depth than can be found through other experimental designs;
- Case studies tend to be conducted on rare cases where large samples of similar participants are not available; and
- Case studies can help experimenters adapt ideas and produce novel hypotheses which can be used for later testing.

Leedy and Ormrod (2012: 149) mentioned the following disadvantages of a case study:

- Some case studies may not be scientific;
- The data collected from a case study cannot necessarily be generalised to the wider population. This leads to data being collected over longitudinal case studies not always being relevant or particularly useful;
- Case studies are generally conducted on one organization. This can lead to bias in data collection, which can influence the results more than in different organizations; and
- It is very difficult to draw a definite cause/effect from case studies.

Using a case study approach in this research assisted the researcher to base this study on one organization, i.e., the Umtshezi municipality, where a larger sample of similar participants was not available.

### **3.5 CENSUS SIZE**

The researcher decided to study the entire population of 45 participants in the finance department. In a census study, data is collected at a specified time from the entire population (Siniscalco and Auriat 2011: 07).

The advantages of using a census study are as follows:

- Every member of the targeted population is included in the study;
- The analysis made on the basis of census data is very accurate and reliable; and
- In one time studies of special importance, only a census study is adopted in order to get accurate and reliable data. The data collected by this method becomes a data base for all future studies. This is one of the reasons why population data are collected once in a decade by the census study (Shepard 2010: 166).

Johnson and Christensen (2012: 99) postulated that a target population size larger than 25 and less than 500 is most appropriate for research studies. Therefore, a census study of 45 respondents was adopted and considered appropriate to fulfil the aim of this study.

### **3.6 MEASURING INSTRUMENT**

Questionnaires were used as a measuring instrument for the study as the responses are gathered in a standardised way and it is relatively quick to collect information.

#### **3.6.1 Questionnaire design**

The questions were classified in the following categories:

- Nominal scale - According to Keele (2011: 48), a nominal scale is a qualitative scale in that the qualities of a variable are examined rather than its quantities. It allows the researcher to assign subjects to certain categories or groups;
- Ordinal scale - In an ordinal scale, objects or individuals are categorized and categories form a rank order along a continuum. Data is ranked from highest to lowest and from biggest to smallest (Keele 2011: 48); and
- Likert scale - A Likert scale is a scale whose categories are based on the level of agreement with a statement or issue. The Likert scale measures the magnitude of the differences in the preferences among the individuals (Keele 2011: 49).

The questionnaire was designed to be easy to read, with very brief statements which were simple to understand. This made it appealing for the respondents and increased their willingness to participate in the study. The formulation of the questionnaire was based on the literature review which was presented in chapter two which evaluated the processes of financial accountability, financial control and financial reporting at a municipality. The questions were designed with the aim of meeting the research objectives. The order and flow of the questions were logically presented to the respondents. The researcher was available during the completion of the questionnaire to assist with any difficulties experienced or to provide explanations, where needed.

The questionnaire consisted of closed-ended questions as they were quicker and easier to answer and readily amenable to coding and quantitative analysis. They were extensively used to allow respondents the opportunity to indicate their level of agreement or disagreement with a statement or how they considered the importance of an aspect.

The questionnaire consisted of 30 items. The questionnaire was divided into the following four (4) sections:

- ✓ Section A – Biographical data;
- ✓ Section B –Financial accountability;
- ✓ Section C –Financial control; and
- ✓ Section D –Financial reporting.

Keele (2011: 52) identified the following advantages of questionnaires:

- Easy and quick to answer;
- Answers across respondents are easy to compare;
- Answers are easier to analyse on the computer;
- Response choices make questions clear; and
- Ensure standardization and comparability of the data across.

### **3.6.2 Questionnaire administration**

The Municipal Manager was requested to notify all managers directly accountable to her about the intended study and to request their voluntary co-operation and participation.

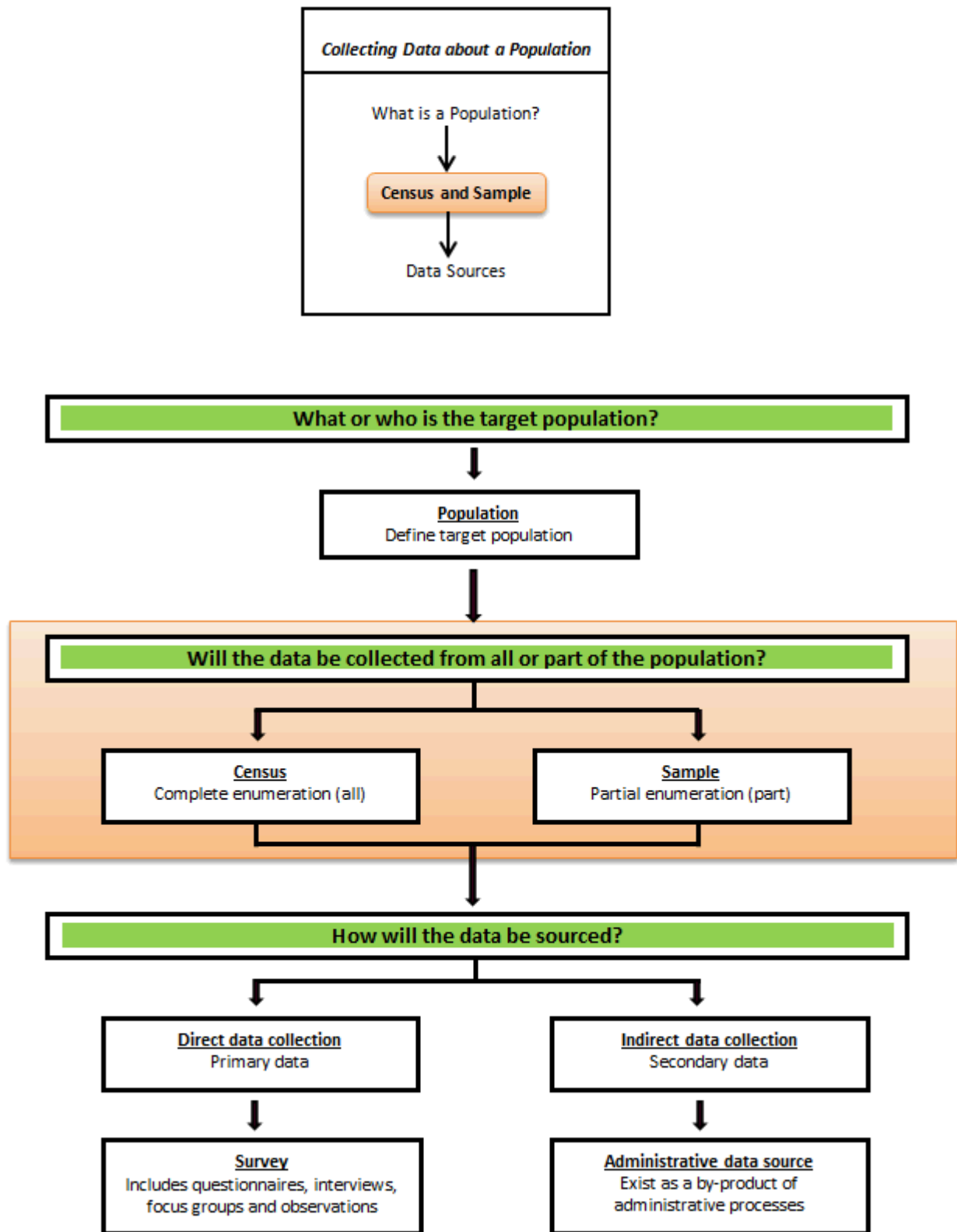
Questionnaires were handed to participants in the morning and they were given the whole day to complete the questionnaires in their spare time. The researcher ensured that their daily tasks were not compromised during the completion of the questionnaires. The participants were given an opportunity to ask the researcher questions during the completion of the questionnaires. The research did not target any particular ethnic or community group. The participants were required to read and complete the consent form and ensure that the information contained in the statement of agreement is understood before appending their signatures.

### **3.6.3 Data flowchart**

Flick (2014: 85) stated that a population may be studied using one of two approaches: taking a census or selecting a sample. It is important to note that whether a census or a sample is used, both provide information that can be used to draw conclusions about the whole population.

Figure 3.1 illustrates the two approaches used for data collection.

Figure 3.1: Collecting data flowchart



Source: Flick (2014: 91)

Since this was a census study, data were collected from every member of the population.

### **3.7 PILOT TESTING**

No matter how carefully researchers design a data collection instrument such as a questionnaire, there is always a possibility of error. The surest protection against such error is to pre-test the questionnaire. Cargan (2007: 29) stated that a questionnaire should be pre-tested on a smaller number of people in what is called a pilot study.

Cargan (2007: 30) stated that pre-testing enables the researcher to obtain some of the questions' validity and the likely reliability of the data that was collected. A pilot test was a vital test carried out before the finalisation of the questionnaire.

A sample of five (5) respondents was randomly selected to participate in the pilot test. These respondents were totally independent from the target population identified for the research. They were firstly briefed about the purpose, aim and objectives of this study and also were made aware of the importance of answering the questionnaire as honestly as possible. They were also requested to indicate if the statements were easy to read, understand and follow. The respondents were asked to indicate any shortcomings, problems and ambiguity in the questionnaire. To ensure that the final questionnaire was error-free, all amendments were made before the data was collected for the study.

### **3.8 PILOT TESTING RESULTS**

It was revealed from the pilot test that the questionnaire was simple to understand and answer. There were no changes to the questionnaire. All five individuals were fully satisfied with the questionnaire and did not reveal any deficiencies.

### **3.9 DATA COLLECTION**

A self-administration method was used to collect data from the employees in the department of finance. This process was performed with the help of section managers

of each finance unit. The researcher collected a total of 45 questionnaires which were fully completed by the participants.

### **3.10 DATA ANALYSIS**

Data analysis is a way of gathering, modelling and transforming data with the aim of highlighting information. Data obtained through questionnaires, interviews and observation or through secondary sources need to be analysed for deductions to be made (Israel 2008: 46).

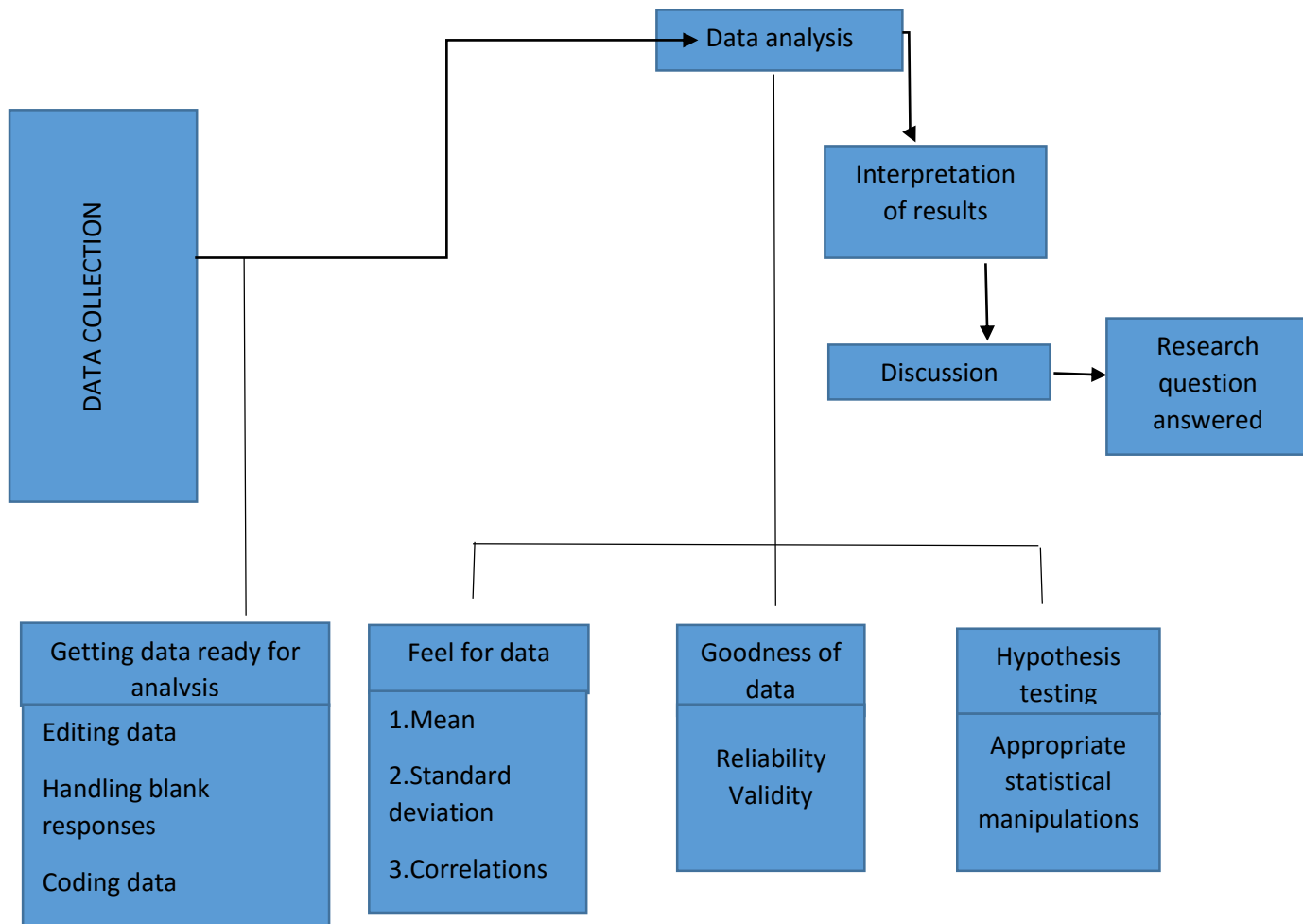
According to Israel (2008: 47), there are three primary objectives in data analysis, namely:

- ❖ Getting a feel for the data;
- ❖ Testing the goodness of the data; and
- ❖ Testing the hypothesis for the research.

The following model by Israel (2008: 49) illustrates a typical diagram of the process for data analysis.



**Figure 3.2: Data analysis process**



Source: Israel (2008: 49)

A software called SPSS version 22.0 was used to analyse the data collected from the responses. The results were presented in the form of descriptive statistics and inferential statistics.

### **3.10.1 Descriptive statistics**

According to Birley and Moreland (2007: 165), descriptive statistics are used when a researcher wants to know how variables are related to one another and whether there is any difference between two or more groups. Descriptive statistics involve the use of percentage/frequency tables, mean standard deviation and percentages presented in bar graphs to represent the results of the study.

The following descriptive statistics were used:

- ✓ Bar graphs – to analyse the results on the level of education of the respondents. A bar graph is a chart that uses either horizontal or vertical bars to show comparisons among categories (Nelson 2013: 12).
- ✓ Cross tabulations – to analyse the results based on the overall gender distribution by race of the respondents. Cross tabulation is a tool that allows one to compare the relationship between two different related categorical variables (Rubin 2010: 88).
- ✓ Pie charts – to analyse the results of the respondent's home language. A pie chart is a circular depiction of data where the area of the whole circle represents 100% of the data (Lieu and Sorby 2009: 71).

### **3.10.2 Inferential statistics**

Inferential statistics are used when a researcher wants to know how variables are related to one another and whether there is any difference between two or more groups (Maree 2010: 91).

The following inferential statistics were used:

- Chi square test – to determine whether there was a significant difference on the financial accountability, financial control and financial reporting variables. According to Maree (2010: 93), a chi square test is used to test the statistical significance of the observed association between the research variables. The results of the chi square test are found in section 4.8 of the study.
- Hypothesis test: P-Value and statistical significance – to determine the level of significance between the biographical information variables and financial accountability, financial control and financial reporting variables. According to Maree (2010: 98), the most important application in the social science of the statistical theory around sampling distributions is a significance testing or statistical hypothesis testing. The traditional approach to reporting a result requires a statement of statistical significance. A p-value is generated from a test statistic and a significant result is indicated with  $p < 0.05$ . The choice of the value 0.05 as the level of significance is totally arbitrary but is a standard in statistics. Hypothesis testing is normally applied to nominal, ordinal and interval questions in the form of statistical tests. The null hypothesis states that there is

no association between the two variables. The alternate hypothesis indicates that there is an association (Maree 2010: 99). The results of the hypothesis test are found in section 4.9 of the study.

- Spearman's rank-correlation coefficient – this test was performed on the ordinal data to test if there were any significant relationships between the variables. Positive values indicate a directly proportional relationship between the statements and a negative value indicates an inverse relationship. All significant relationships are indicated by a \* or \*\*. A (\*) correlation is significant at the 0.05 level (2 – tailed). A (\*\*) correlation is significant at the 0.01 level (2 – tailed). The Spearman's rank-correlation coefficient is a correlation measure performed on the nominal and ordinal data (Maree 2010: 105). The results of the Spearman's rank correlation coefficient are found in section 4.10 of the study and appendix E.

### **3.11 RELIABILITY**

Klenke (2008: 51) referred to reliability as the extent to which a test or procedure produces similar results under constant conditions on all occasions. He also refers to reliability as consistency in measurement and mentioned that reliability of a test is the extent to which subsequent administrations would give similar results. In order to determine whether a research is reliable or not, one needs to consider the different threats to reliability including: participant error, and participant bias.

A reliability coefficient of 0.70 or higher is considered as “acceptable” (Gupta and Gupta 2011: 66). The reliability statistics were used in the study to provide a Cronbach's alpha score on each item per section of the questionnaire. The score was used to determine whether there is a degree of consistent scoring by the respondents. This entailed that the study was carried out in a manner which ensured internal consistency and efficient reliability which is free of error, as well as to ensure stability and consistency throughout the study.

The formation of the questionnaire made it simpler for the respondent to complete the questionnaire with ease. The researcher was present to assist with statements that were not understandable by the respondent. To ensure overall consistency, each questionnaire was standardised in chronological arrangement for every participant.

The questionnaire was also pre-coded to avoid inconsistency when data was decoded and analysed. The results of the Cronbach's alpha test are found in table 4.2 of the study.

### **3.12 VALIDITY**

Klenke (2008: 53) stated that the validity of a research study is the degree to which the study accurately answers the question it was intended to answer. Validity is defined as the degree to which the researcher has measured what he/she has set out to measure. Validity is concerned with whether the findings are really about what they appear to be about.

There are three classifications of validity which are widely accepted, namely, face validity, concurrent and predictive validity and construct validity (Klenke 2008: 57).

- Face validity refers to the extent to which the question makes sense and requires that the measure includes all the elements of a variable.
- Concurrent and predictive validity requires that the results of the study must be evaluated against the most valid measure available and requires that the measure confirms a known or theoretical hypothesised association.
- Construct validity refers to a measure that may be valid for one population or group but not another.

For the purpose of this study, face validity was used. To ensure face validity, a pilot study was carried out with a group of candidates. They were respondents who were not part of the selected sample.

The following statistical methods were also used to analyse and represent the data retrieved from the questionnaire:

#### **3.12.1 Factor analysis**

Factor analysis was used in the study to determine whether the statements that comprised the sections actually measured what was intended. If it did, then the factors (statements) aligned one component (theme). Otherwise, splits would indicate variations in the theme (Gupta and Gupta 2011: 64).

Factor analysis is a statistical approach that can be used to analyse interrelationships among a large number of variables and to explain these variables in terms of their common underlying factors (Gupta and Gupta 2011: 60). The results of factor analysis are found in section 4.5 of the study.

#### 3.12.1.1 KMO & Bartlett's test of sphericity

One aspect in factor analysis includes Kaiser-Meyer-Olkin (KMO) & Bartlett's Test of Sphericity which is a measure of sampling adequacy that is recommended to check the case to variable ratio for the analysis being conducted. KMO & Bartlett's test play an important role for accepting the sample adequacy. While the KMO ranges from 0 to 1, the world over accepted index is over 0.6. The Bartlett's Test of Sphericity relates to the significance of the study and thereby shows the validity and suitability of the responses collected to the problem being addressed through the study. For factor analysis to be recommended suitable, the Bartlett's Test of Sphericity must be less than 0.05 (Jin and Du 2014: 65). The results of the KMO & Bartlett's Test of Sphericity are found in table 4.3 of the study.

### **3.13 ETHICAL CONSIDERATIONS**

The goal of ethics in research is to ensure that no one is harmed or suffers adverse consequences from the research activities (Buchanan 2004: 38). Due to the sensitivity of the research topic, the use of a letter of permission assisted with the distribution of questionnaires and each member of staff was presented with a letter of information and consent. Participants were given the choice to either participate in the study or withdraw from the study, if they wished to do so.

#### **3.13.1 Letter of information and consent**

In compliance with the Institutional Research Ethics Committee (IREC) at the Durban University of Technology (DUT), all individuals which participated in the research study, including the pilot study, were requested to sign a consent letter. This was an agreement to participate in the study underlining the duty and responsibilities of the participant as well as the responsibilities of the researcher. It was only when consent was obtained from the participants to participate in the research study, was the questionnaire administered to the participants.

### **3.13.2 Anonymity**

Prior to the questionnaire distribution, all participants were requested not to make any reference to colleagues or to their personal identity. Participants were assured that all information gathered was treated in confidence and anonymity was maintained by de-identifying themselves and no names were mentioned. Every answered questionnaire was sealed in a separate envelope. This ensured that no answered questionnaire could be seen or linked to any other questionnaire to maintain anonymity.

### **3.13.3 Confidentiality**

A questionnaire was distributed privately to the individual's working station. During this study, all respondents were verbally reassured about the confidentiality of the information provided. The researcher was available for assistance and requested respondents not to discuss the contents of the questionnaire with each other.

### **3.13.4 Data storage**

Data will be stored according to DUT guidelines for research data storage.

## **3.14 CONCLUSION**

This chapter outlined the research methodology applied in this study. The basis of this study was to evaluate financial accountability, financial control and financial reporting. The data instrument was the questionnaire which was handed to the respondents together with a consent letter to acknowledge the respondents' willingness to participate in the study. The research design was described and the target population was identified. The questionnaire design and administration were outlined. The questionnaire was administered to the employees in the department of finance at Umtshezi Municipality. The statistical software of the SPSS version 22.0 program was used to analyse and interpret the responses. To ensure validity and reliability, a pilot study was carried out before the questionnaire was finalised. The ethics regulations and the process for the pilot study were explained.

In the following chapter, the empirical results will be presented, interpreted and discussed.

## **CHAPTER FOUR**

### **PRESENTATION, INTERPRETATION AND DISCUSSION OF EMPIRICAL FINDINGS**

#### **4.1 INTRODUCTION**

The previous chapter addressed the sample, sampling method and the ethical considerations for this study. It also examined the type and formation of the data instrument as well as the type of statistical analysis to be used in this study.

This chapter focuses on the presentation, interpretation and discussion of the empirical findings relating to the evaluation of financial accountability, financial control and financial reporting. The questionnaire was the primary tool that was used to collect data and was distributed to finance employees of the Umtshezi Municipality. The data collected from the responses was analysed with the aid of SPSS version 22.0.

The results are presented in the form of descriptive statistics in cross tabulations, and in the form of graphs and other figures for the quantitative data that were collected. Inferential techniques include the use of correlations and chi square test values which are interpreted using the p-values.

#### **4.2 RESPONSE RATE**

Table 4.1 shows the response rate for the supply chain management, expenditure, asset/fleet, revenue and budget unit in the finance department.

**Table 4.1: Response rate**

<b>Unit</b>	<b>Targeted representative</b>	<b>Obtained representative</b>	<b>Obtained response rate</b>
<b>Supply Chain Management</b>	10	10	100%
<b>Expenditure</b>	07	07	100%
<b>Asset/Fleet</b>	11	11	100%
<b>Revenue</b>	09	09	100%
<b>Budgeting</b>	08	08	100%
<b>Overall response</b>	45	45	100%

The respondents consisted of clerks, officers and managers in the finance department at Umtshezi Municipality. In Table 4.1, it is clear that the achieved overall response rate for the study was excellent.

In total, 45 questionnaires were submitted to the respondents and 45 were returned, resulting in a 100% rate of response. The researcher despatched ten questionnaires to the Supply Chain Management Unit and all ten were completed and returned. A total of seven questionnaires were distributed to the Expenditure Unit and all seven were completed and returned. The researcher issued eleven questionnaires to the Asset/Fleet Unit and all eleven were completed and returned to the researcher. Nine questionnaires were handed out to the Revenue Unit and all were returned to the researcher. Lastly, eight questionnaires were given to the Budgeting Unit and they were all filled in and returned to the researcher.

### **4.3 THE RESEARCH INSTRUMENT**

The research instrument was a questionnaire which consisted of 30 items, with nominal and ordinal levels of measurement. The questionnaire was divided into 4 sections which measured various themes, as illustrated below:

Section A Biographical Data;

Section B Financial Accountability;



- Section C Financial Control; and
- Section D Financial Reporting.

#### 4.4 RELIABILITY STATISTICS

Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. It is considered to be a measure of scale reliability. A "high" value for alpha does not imply that the measure is unidimensional. If, in addition to measuring internal consistency, one wishes to provide evidence that the scale in question is unidimensional, additional analyses can be performed. Exploratory factor analysis is one method of checking dimensionality. Technically speaking, Cronbach's alpha is not a statistical test - it is a coefficient of reliability or consistency (Andrew, Pedersen and McEvoy 2011:41).

Cronbach's alpha can be written as a function of the number of test items and the average inter-correlation among the items. Below, is the formula for the standardized Cronbach's alpha:

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N - 1) \cdot \bar{c}}$$

Here, N is equal to the number of items, c-bar is the average inter-item covariance among the items and v-bar equals the average variance (Andrew, Pedersen and McEvoy 2011:41).

One can see from this formula that if one increases the number of items, one will increase Cronbach's alpha. Additionally, if the average inter-item correlation is low, Cronbach's alpha will be low. As the average inter-item correlation increases, Cronbach's alpha increases as well (holding the number of items constant). Andrew, Pedersen and McEvoy (2011: 42) mentioned that values at or above 0.7 are desirable but values well above 0.9 may not be desirable as the scale is likely to be too narrow in focus.

Table 4.2 reflects the Cronbach's alpha scores for the close-ended questions that constituted the questionnaire for sections B, C and D.

**Table 4.2: Cronbach's alpha reliability test**

Section	Name	Number of Items	Cronbach's Alpha
B	Financial Accountability	6 of 6	.815
C	Financial Control	10 of 10	.892
D	Financial Reporting	10 of 10	.880
	Overall	26 of 26	.933

It is noted that all sections (B, C and D) have high reliability scores (> 0.70). The result indicates a high degree of acceptable, consistent scoring for this research (Andrew, Pedersen and McEvoy 2011: 42).

#### **4.5 VALIDITY TESTING: FACTOR ANALYSIS**

Factor analysis is a multivariate statistical procedure that reduces a large number of variables into a smaller set of variables (also referred to as factors). The factor analysis provides construct validity evidence of self-reporting scales (Gaol, Kadry, Taylor and Shen Li 2014: 37).

Why is factor analysis important?

Factor analysis is a statistical technique whose main goal is data reduction. A typical use of factor analysis is in survey research, where a researcher wishes to represent a number of questions with a small number of hypothetical factors. For example, as part of a national survey on political opinions, participants may answer three separate questions regarding environmental policy, reflecting issues at the local, state and national levels. Each question, by itself, would be an inadequate measure of attitude towards environmental policy, but, together, they may provide a better measure of the attitude. Factor analysis can be used to establish whether the three measures do, in fact, measure the same thing. If so, they can then be combined to create a new variable, i.e., a factor score variable that contains a score for each respondent on the factor. Factor techniques are applicable to a variety of situations. A researcher may want to know if the skills required to be a decathlete are as varied as the ten events,

or if a small number of core skills are needed to be successful in a decathlon. One needs not believe that factors actually exist in order to perform a factor analysis, but, in practice, the factors are usually interpreted, given names, and spoken of as real things (Goal *et al.* 2014: 37).

Goal *et al.* (2014: 38) state that there are two major classes of factor analyses:

- ✓ Exploratory factor analysis: The investigator has no expectations of the number or nature of the variable. It allows the investigator to explore the main dimensions to generate a theory or model from a relatively large set of latent constructs often represented by a set of items; and
- ✓ Confirmatory factor analysis: The investigator uses this approach to test a proposed theory or model. In contrast to exploratory factor analysis, the confirmatory factor analysis has assumptions and expectations based on prior theory regarding the number of factors, and which factor theories or models best fit.

For the purpose of this study, exploratory factor analysis was used. In addition, *Gaol et al.* (2014: 38) explained that several factors should be used to assess the suitability of the respondent data for factor analysis. These tests include KMO Measure of Sampling Adequacy and Bartlett's Test. The KMO index ranges from 0 to 1, with 0.50 considered suitable for factor analysis. The Bartlett's Test of Sphericity should be less than 0.05 to be considered suitable for factor analysis. In all instances, the conditions are satisfied and allow for the factor analysis procedure.

The results of KMO and Bartlett's test are reflected in table 4.3. Factor analysis was done only for the Likert scale items. Certain components divided into finer components.

**Table 4.3: KMO and Bartlett's test**

Section	Kaiser-Meyer-Olkin Measure of Sampling Adequacy	Bartlett's Test of Sphericity		
		Approx. Chi-Square	Df	Sig.
B	.705	93.002	15	.000
C	.834	232.113	45	.000
D	.765	230.640	45	.000

All sections (B, C and D) have high factor analysis scores. The results indicate a high level of suitability for this research (Gao *et al.* 2014: 38).

The rotated component matrix for financial accountability is explained below with reference to table 4.4.

**Table 4.4: Rotated Component Matrix: for financial accountability**

Section B	Component
The municipality demonstrates accountability by giving priority to the basic needs of the community as required by The Constitution of the Republic of South Africa, 1996	1 .695
The municipal council executes its powers and functions without being biased as established in The Municipal Systems Act, 2000	.699
Municipal officials indicate financial accountability through provision of efficient and comprehensive information to investigative bodies such as the Auditor-General	.649
Councillors denote accountability to voters through budget roadshows and meetings that indicate what will be achieved (procurement planning) with the financial resources to be utilised by the municipality for the community	.768
Municipal management is accountable to higher tiers of government through the preparation of annual financial statements including reports that indicates what has been achieved with the financial resources at the disposal of the community	.775
Principles of integrity, transparency and accountability by local government officials is being practised as per South African legislations	.739

Table 4.4 indicates that, for section B of the questionnaire, the variables that constituted financial accountability loaded perfectly along a single component. This implies a degree of consistency for these components that measured what they set out to measure.

The rotated component matrix for financial control is explained below with reference to table 4.5.

**Table 4.5: Rotated Component Matrix: for financial control**

Section C	Component		
	1	2	3
The accounting officer ensures that the MFMA encourages a more accountable local government sphere	.816	.272	.162
The MFMA addresses reforms pertaining to new mechanisms to resolve financial problems	.832	.261	.088
Accounting standards and formats have been effectively addressed by the MFMA	.544	.428	.450
The MFMA has led to efficiency in financial management practices	.785	.248	.168
MFMA has demonstrated transparency to external stakeholders, i.e. community	.817	.064	.190
The municipal council has a common aim of implementing policies for good financial governance	.673	.490	-.084
Political guidance provided by the mayor does not influence financial decisions in favour of the ruling political party	.107	-.037	.903
The municipal manager must not allow political influence to affect the finance officials, especially the Chief Financial Officer in performing any financial transaction that will contravene the Municipal Finance Management Act (MFMA)	.252	.583	.549
Internal audit enforces proper financial control	.399	.731	-.097
Performance appraisal plays a major role in improving employee morale	.153	.909	.135

The rotated component matrix for financial reporting is explained below with reference to table 4.6.

**Table 4.6: Rotated Component Matrix: for financial reporting**

Section D	Component		
	1	2	3
The municipality arranges workshops/programmes to train finance officials on Generally Recognised Accounting Practice (GRAP)	.627	.317	.279
Reports on predetermined objectives comply with the GRAP accounting standards	.387	.209	.712
Municipal officials are updated with the changes in International Accounting Standards (IAS)	.769	.358	.188
Financials of the municipality are timeously submitted to the Auditor General for audit purposes by the Accounting Officer	.049	.249	.865
Audit committee fulfils its responsibilities as required by section 166 of the MFMA	.040	.884	.195
Municipal management implements policies and practices developed by National Treasury	.156	.323	.798
There is an intense link aimed at promoting sound financial reporting between the municipality and Provincial Treasury	.371	.728	.347
The finance system is well linked to develop monthly financial reports within the municipality without outsourcing	.264	.757	.316
Staff meetings address constraints that limit the municipality from achieving clean audit report	.788	.209	-.059
The audit outcome/opinion is always regarded as an outcome for the entire municipality	.718	-.175	.342

In tables 4.5 and 4.6, the components that comprise sections C and D can be split along three sub-themes. This means that respondents identified different trends within the section. These sub-themes are:

- Legislation applicable to financial control and financial reporting which are highlighted in yellow;
- Sound financial control and financial reporting highlighted in green; and
- Financial issues, reports and policies of the municipality which are highlighted in blue.

Factor analysis is a statistical technique whose main goal is data reduction (Goal *et al.* 2014: 38). A typical use of factor analysis is in survey research, where a researcher wishes to represent a number of questions with a small number of hypothetical factors. With reference to table 4.5 and table 4.6:

- The principle component analysis was used as the extraction method, and the rotation method was Varimax with Kaiser Normalization. This is an orthogonal rotation method that minimizes the number of variables that have high loadings on each factor. It simplifies the interpretation of the factors (Chatterjee, Singh, Goyal and Gupta 2014: 64).
- Factor analysis/loading shows inter-correlations between variables (Goal *et al.* 2014: 38).
- Items of questions that loaded similarly imply measurement along a similar factor. An examination of the content of items loading at or above 0.5 (and using the higher or highest loading in instances where items cross-loaded at greater than this value) effectively measured along the various components.

#### **4.6 BIOGRAPHICAL DATA**

This section presents the descriptive statistics of biographical information obtained from the respondents. Descriptive statistics are techniques used to describe the attributes of the biographical information of the respondents based on the research (Gupta and Gupta 2011: 31-44).

Biographical information was obtained from questions 1, 2, 3 and 4 of section A of the questionnaire. It includes the respondents' education level, gender, home language and race. Question 1 in section A was designed to analyse if the respondents have any educational qualifications, in particular, the head of each unit (middle managers) and the head of the entire finance department (CFO). The middle managers and the CFO must have the appropriate qualifications in order for them to transfer the right skills and give progressive guidance to the lower level employees. Questions 2, 3 and 4 of the biographical information were designed to test compliance with the Employment Equity Act, affirmative action in particular. Affirmative action is a way of making the workplace more representative and fair. It makes sure that people from designated groups have equal opportunities in the workplace. In South Africa, these groups are Black people (including African, Coloured, Indian people) and women (Jain, Sloane and Horwitz 2015: 38).

#### 4.6.1 Level of education of the respondents

The results on the level of education of the respondents are shown in Figure 4.1.

**Figure 4.1: Level of education of the respondents**

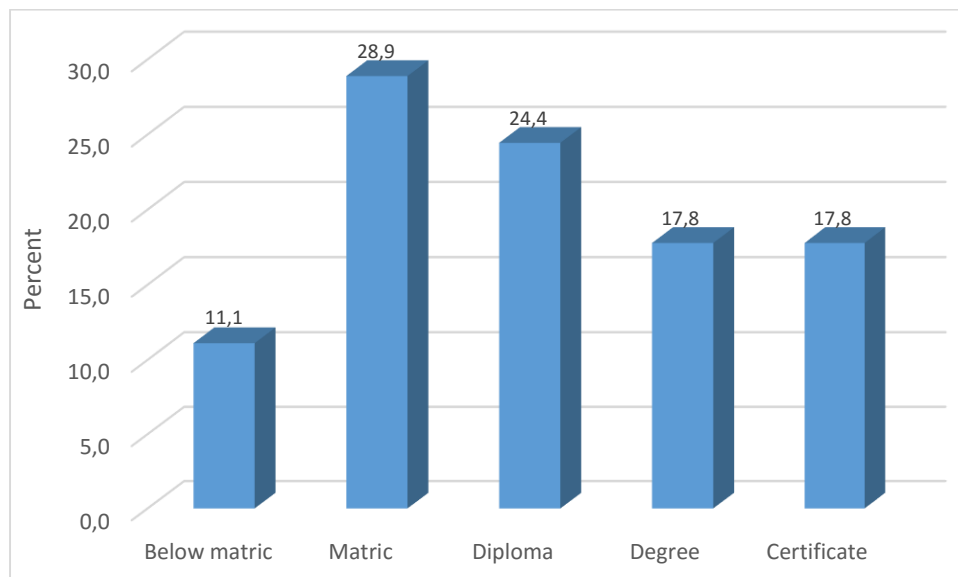


Figure 4.1 shows that of the 45 respondents, 28.9% had a matric qualification, only 24.4% had a diploma, while 17.8% had a degree qualification and approximately 17.8% had a certificate. The results also showed that only 11.1% had no formal

qualification. The findings revealed that the CFO and three middle managers had degrees, while two middle managers had diplomas. The results indicate that a smaller percentage had no formal qualification while more than 50% of the respondents had, at most, a school level qualification (matric). These findings differ from Matlala (2014: 07) who mentioned that poor financial control in municipalities is a result of appointment of individuals with inadequate qualifications as CFOs.

#### 4.6.2 Gender of the respondents

Table 4.7 describes the overall gender distribution by race.

**Table 4.7: Gender vs race of the respondents**

		Gender		Total	
		Male	Female		
Race	African	Count	10	16	26
		% within Race	38.5%	61.5%	100.0%
		% within Gender	52.6%	61.5%	57.8%
		% of Total	22.2%	35.6%	57.8%
	Coloured	Count	1	3	4
		% within Race	25.0%	75.0%	100.0%
		% within Gender	5.3%	11.5%	8.9%
		% of Total	2.2%	6.7%	8.9%
	White	Count	2	1	3
		% within Race	66.7%	33.3%	100.0%
		% within Gender	10.5%	3.8%	6.7%
		% of Total	4.4%	2.2%	6.7%
Indian	Count	6	6	12	
	% within Race	50.0%	50.0%	100.0%	
	% within Gender	31.6%	23.1%	26.7%	
	% of Total	13.3%	13.3%	26.7%	
Total	Count	19	26	45	
	% within Race	42.2%	57.8%	100.0%	
	% within Gender	100.0%	100.0%	100.0%	
	% of Total	42.2%	57.8%	100.0%	

Overall, the ratio of males to females is approximately 2:3 (42.2%: 57.8%).

Within the African race group, 38.5% were male. Within the category of males (only), 52.6% were African. This category of African males formed 22.2% of the total sample.



Within the African race group, 61.5% were females. Within the category of females, 61.5% were African. This category of African females formed 35.6% of the sample.

Within the Coloured race group, 25.0% were males. Within the category of males, 5.3% were Coloured. This category of Coloured males formed 2.2% of the total. Within the Coloured race group, 75.0% were females. Within the category of females, 11.5% were Coloured. This category of Coloured females formed 6.7% of the total sample.

Within the White race group, 66.7% were males. Within the category of males, 10.5% were White. This category of White males formed 4.4% of the total sample. On the other hand, 33.3% were females. Within the category of females, 3.8% were White. This category of White females formed 2.2% of the total sample.

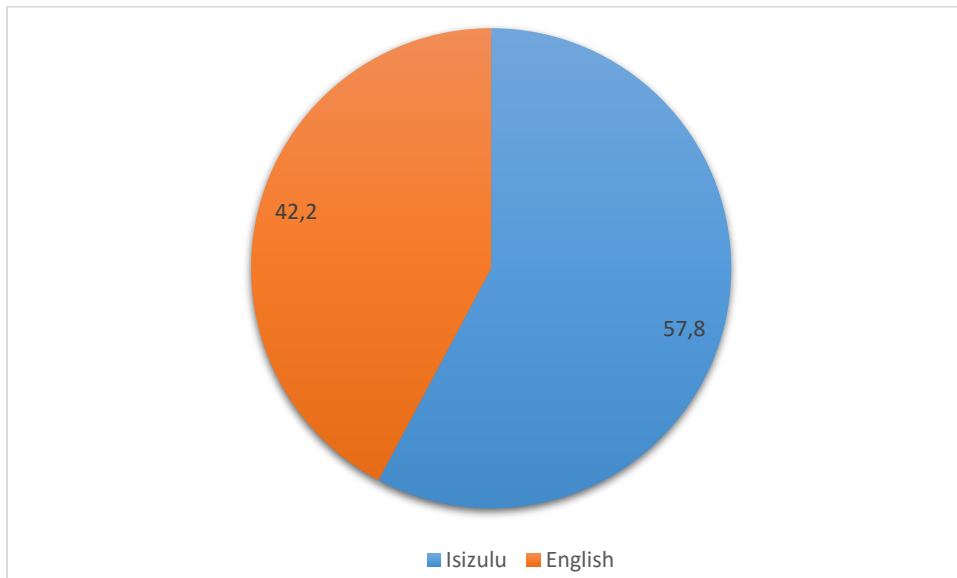
Table 4.7 also indicates that, within the Indian race group, 50.0% of the respondents were males. Within the category of males, 31.6% were White. This category of White males formed 13.3% of the total sample. Conversely, within the category of females, 50.0% were females. Within the category of females, 23.1% were Indians. This category of Indian females formed 13.3% of the total sample.

These findings indicate that the finance department at Umtshezi Municipality does apply affirmative action under the Employment Equity Act by employing more females who were previously disadvantaged.

#### **4.6.3 Home language of the respondents**

Figure 4.2 indicates the predominant home language of the respondents.

**Figure 4.2: Home language of the respondents**



The ratio of English to Isizulu language speakers was approximately 2 : 3. Figure 4.2 reflects that 57.8% of the respondents were speaking Isizulu as they home language and 42.2% were speaking English as a home language. These outcomes point to compliance with affirmative action as the Isizulu speaking group has been under represented in many key work areas during the apartheid era.

It is evident that the municipality fully fulfils the requirements of affirmative action which is to make sure that designated groups (Black people and women) have equal opportunities of getting jobs.

#### **4.7 EXAMINATION OF RESULTS IN ACCORDANCE WITH THE STUDY OBJECTIVES**

4.7.1 Objective 1: To review South African legislation in the context of financial accountability, financial control and financial reporting.

This objective was meant to evaluate compliance to South African procedures and regulations governing municipalities in relation to financial accountability, financial control and financial reporting. This objective (1) was divided into three sub-objectives:

Sub-objective (1): To assess the role of various stakeholders responsible for financial accountability at municipalities.

The appropriate questions for this objective were contained in Section B of the questionnaire. This section intends to discuss the findings with regard to the above objective based on the following questions: 5, 6, 7, 8, 9, and 10. The questions were formulated using the ordinal scale of 1 up to 5 representing the following responses: 1= Not important, 2= Slightly important, 3= Important, 4= Fairly important, 5= Very important.

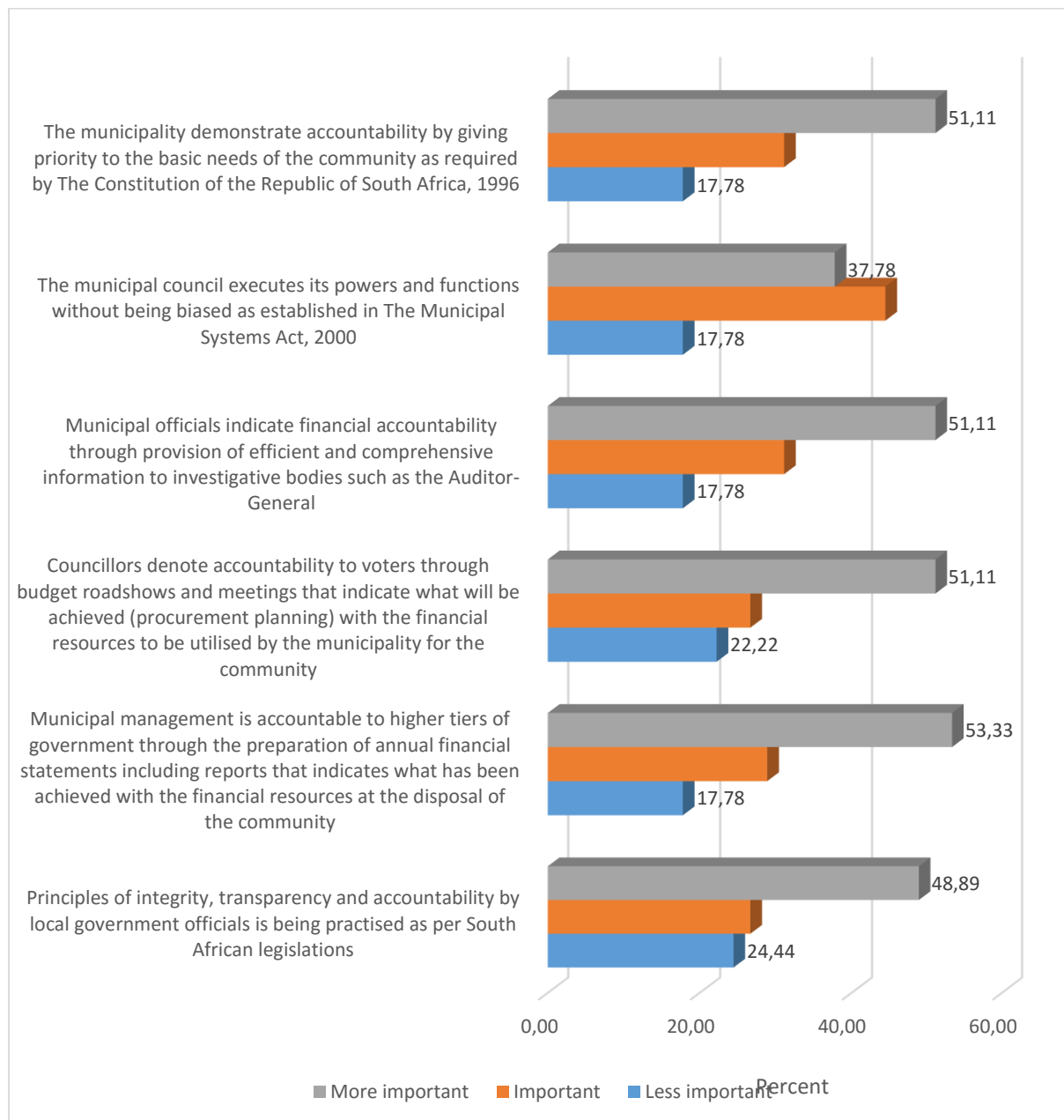
The results of financial accountability are shown in table 4.8.

**Table 4.8: Responses on financial accountability**

Section B	Less important		Important		More important	
	Count	Row N %	Count	Row N %	Count	Row N %
The municipality demonstrates accountability by giving priority to the basic needs of the community as required by The Constitution of the Republic of South Africa, 1996	8	17.8%	14	31.1%	23	51.1%
The municipal council executes its powers and functions without being biased as established in The Municipal Systems Act, 2000	8	17.8%	20	44.4%	17	37.8%
Municipal officials indicate financial accountability through provision of efficient and comprehensive information to investigative bodies such as the Auditor-General	8	17.8%	14	31.1%	23	51.1%
Councillors denote accountability to voters through budget roadshows and meetings that indicate what will be achieved (procurement planning) with the financial resources to be utilised by the municipality for the community	10	22.2%	12	26.7%	23	51.1%
Municipal management is accountable to higher tiers of government through the preparation of annual financial statements including reports that indicates what has been achieved with the financial resources at the disposal of the community	8	17.8%	13	28.9%	24	53.3%
Principles of integrity, transparency and accountability by local government officials is being practised as per South African legislations	11	24.4%	12	26.7%	22	48.9%

Figure 4.3 below is a summary of the scoring patterns regarding financial accountability from the respondents.

**Figure 4.3: Responses on financial accountability**



As revealed in Table 4.8, approximately 51.1% of the respondents felt that it was either fairly important or very important that the municipality demonstrates accountability by giving priority to the basic needs of the community, 31.1% felt that it was important and 17.8% felt that the statement was slightly important or not important at all. This finding is an indication that the municipality has employed civil servants with a positive mind set and a common aim of rendering effective service delivery to the community. The result gives a clear image that the municipality values the needs of the community.

The results contradict the findings of Wildeman and Jogo (2012: 93) who argued that the national legislation in South Africa has not been fully effective, since accountability and good governance are not evident at some municipalities.

With regards to the municipal council executing its powers and functions without being biased, 44.4% of the respondents thought that it was important, 37.8% felt that it was either fairly important or very important and the minority of 17.8% expressed that the statement was either slightly important or not important at all. The outcome indicates that the municipal council adheres and implements municipal legislation concerning its role. In this regard, Van Der Linde and Feris (2010: 109) claimed that the introduction of the Structures Act and Municipal Systems Act has ensured that some municipalities have structured mechanisms of accountability to meet the community's priority needs and to operate in a transparent manner.

Pertaining to the municipal officials indicating financial accountability through the provision of efficient and comprehensive information to investigative bodies, 51.1% voiced that it was either fairly important or very important with 31.1% indicating that it is important while 17.8% felt that it was slightly important or not important at all. This finding confirms that municipal officials fulfil their tasks and have a transparent relationship with investigative bodies. This finding correlates with the views of Spearman (2013: 67) who stated that any municipality that manages and reports on its finances, mitigates the risk of wrongdoing, builds good quality and openness into its financial and non-financial analyses, fulfils its performance reporting and reflects sound financial accountability.

Correspondingly, 51.1% of respondents think that it is either fairly important or very important that councillors denote accountability to voters through budget roadshows and meetings that indicate what will be achieved with the financial resources to be utilised by the municipality for the community, 26.7% stated that it is important and 22.2% felt that it was either slightly important or not important at all. It is evident that there is communication and association between councillors and ratepayers as required by the Municipal Systems Act which result in effective service delivery. To support this finding, Van Der Linde and Feris (2010: 109) stated that, prior to 1998, before the Municipal Structures Act and Municipal Systems Act, the Moqhaka Local Municipality in the Free State province did not organise road budget shows to inform

the public of how the financial resource allocated by the government will be utilised to meet their needs. After the two acts mentioned above were introduced and implemented, the audit reports revealed that substantial improvement was made by the municipality as the acts were binding and yielded positive outcomes.

It is noted that 53.3% of the respondents said that it is fairly important or very important that municipal management become accountable to higher tiers of government through preparation of financial statements and reports, 28.9% felt that it was important while 17.8% stated that it was either fairly important or not important at all. The results give a clear understanding that the concept of financial accountability is being adhered to as the majority of respondents recognise the significance of liaising with high levels of government in terms of submitting financials and reports. In support of the findings, Ratner, Abrams and Bischoff (2009: 61) mentioned that legal accountability (as one of the mechanisms that enhance financial accountability) involves the relationship between the municipalities and outside bodies established by the legislature that exercise legal control or sanctions. In relation to local government, legal accountability involves the councillors and municipal officials to explain openly what has been done and why it is done. This responsibility is discharged by the submission of reports, preparation of financial statements, which must be audited by higher officials and by the constitutional and other investigative bodies.

Likewise, 48.9% of the respondents felt that it was fairly important or very important that the municipal officials demonstrate principles of integrity, transparency and accountability, 26.7% thought that it is important while 24.4% stated that it was slightly important or not important at all. The findings indicate that municipal officials regard themselves as individuals with morale and who perform their duties in good faith. The results contradicted a study by Van Zyl (2013: 07) who stated that the Kwa Nongoma Municipality, in KwaZulu-Natal, together with other local municipalities appeared in the newspapers, where it was mentioned that, on their pay day, municipal officials are seen around town doing shopping during working hours and putting their groceries on the municipal vehicles. The newspapers further stated that community members have to wait for hours to get help as the municipal offices are empty, with municipal employees gallivanting on their pay day.

To determine whether the scoring patterns per statement were significantly different per option, a chi square test was done. The null hypothesis claims that similar numbers of respondents scored across each option for each statement (one statement at a time).

The results are shown in table 4.9.

**Table 4.9: Chi square: Responses of financial accountability**

	Chi-Square	Df	Asymp. Sig.
The municipality demonstrates accountability by giving priority to the basic needs of the community as required by The Constitution of the Republic of South Africa, 1996	7.6	2	.022
The municipal council executes its powers and functions without being biased as established in The Municipal Systems Act, 2000	5.2	2	.074
Municipal officials indicate financial accountability through provision of efficient and comprehensive information to investigative bodies such as the Auditor-General	7.6	2	.022
Councillors denote accountability to voters through budget roadshows and meetings that indicate what will be achieved (procurement planning) with the financial resources to be utilised by the municipality for the community	6.533	2	.038
Municipal management is accountable to higher tiers of government through the preparation of annual financial statements including reports that indicates what has been achieved with the financial resources at the disposal of the community	8.933	2	.011
Principles of integrity, transparency and accountability by local government officials is being practised as per South African legislations	4.933	2	.085

(0 cells (0.0%) have expected frequencies less than 5)

The highlighted sig. values (p-values) are less than 0.05 (the level of significance). These values imply that the distributions were not similar, that is, the differences between the way respondents scored (More Important, Important and Less Important) were significant.

Sub-objective (2): To establish the role of the Municipal Finance Management Act (MFMA) in ensuring financial control at municipalities.

The relevant questions for this sub-objective were drawn from section C of the questionnaire and comprises questions 11, 12, 13, 14, 15, 16, 17, 18, 19 and 20. The results pertaining to sub-objective (2) are presented below. The questions were prepared using the ordinal scale of 1 up to 5 representing the following responses: 1=

Not at all satisfied, 2= Partly satisfied, 3= Satisfied, 4= More than satisfied, 5= Very satisfied.

The results of financial control are shown in table 4.10.

**Table 4.10: Responses on financial control**

Section C	Partly satisfied		Satisfied		More than satisfied	
	Count	Row N %	Count	Row N %	Count	Row N %
The accounting officer ensures that the MFMA encourages a more accountable local government sphere	16	35.6%	15	33.3%	14	31.1%
The MFMA addresses reforms pertaining to new mechanisms to resolve financial problems	16	35.6%	12	26.7%	17	37.8%
Accounting standards and formats have been effectively addressed by the MFMA	14	31.1%	13	28.9%	18	40.0%
The MFMA has led to efficiency in financial management practices	16	35.6%	17	37.8%	12	26.7%
MFMA has demonstrated transparency to external stakeholders, i.e. the community	15	33.3%	14	31.1%	16	35.6%
The municipal council has a common aim of implementing policies for good financial governance	18	40.0%	15	33.3%	12	26.7%
Political guidance provided by the mayor does not influence financial decisions in favour of the ruling political party	22	48.9%	16	35.6%	7	15.6%
The municipal manager must not allow political influence to affect the finance officials, especially the Chief Financial Officer in performing any financial transaction that will contravene the Municipal Finance Management Act (MFMA)	25	55.6%	11	24.4%	9	20.0%
Internal audit enforces proper financial control	18	40.0%	14	31.1%	13	28.9%
Performance appraisal plays a major role in improving employee morale	17	37.8%	16	35.6%	12	26.7%

Figure 4.4 is a summary of the scoring patterns regarding financial control from the respondents.



**Figure 4.4: Responses on financial control**

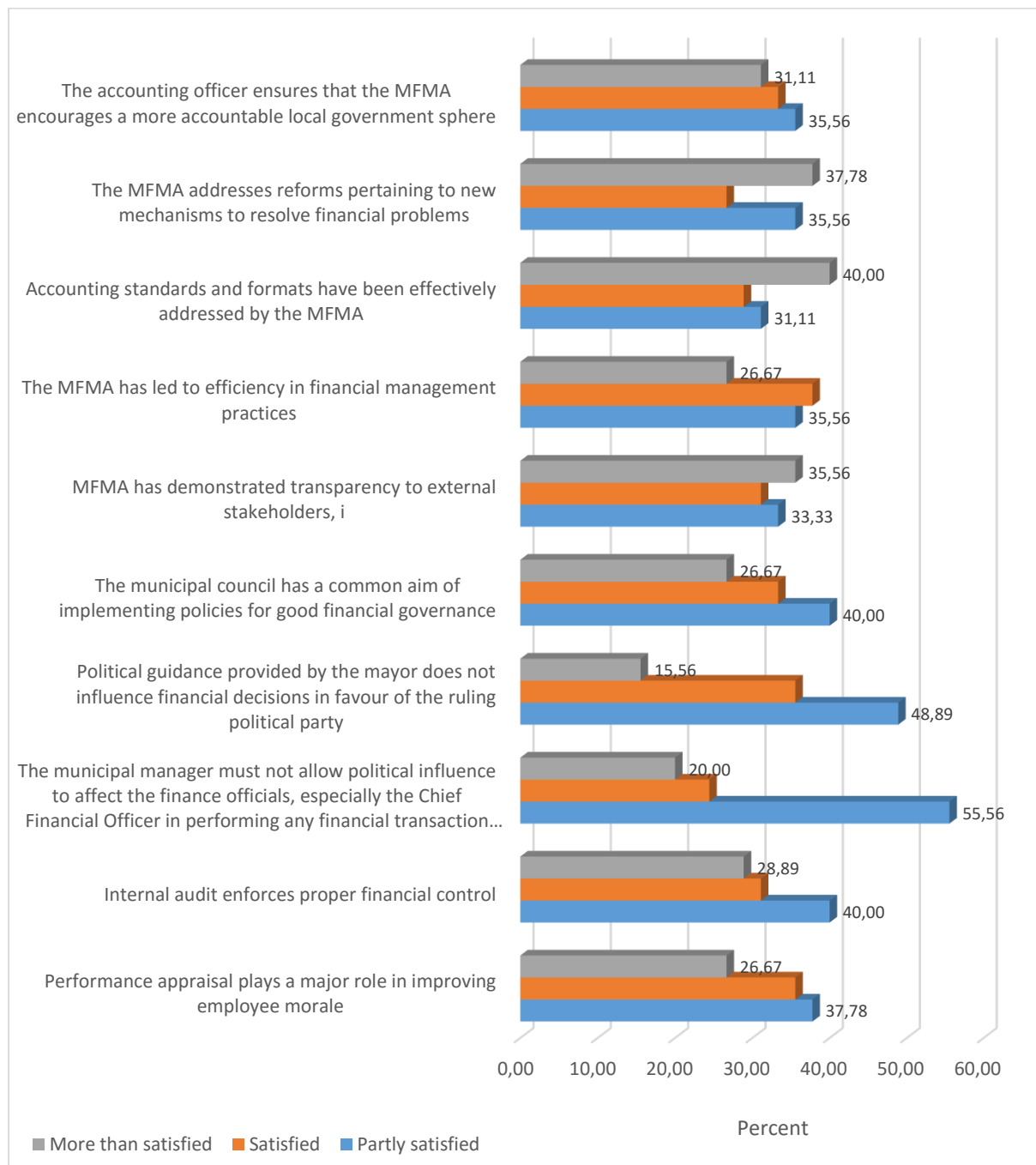


Table 4.10 reflects that, of the 45 respondents, 35.5% were either partly satisfied or not satisfied at all that the accounting officer has ensured that MFMA encourages a more accountable local government, 33.3% were satisfied with the statement while 31.1% were more than satisfied or very satisfied. The outcome indicates that the accounting officer does not fully address the obligation of implementing the MFMA with an aim of creating an environment where employees become fully accountable

when executing tasks. In this regard, Buthelezi (2012: 03) stated that it was found that the municipal manager had awarded a lucrative contract to a friend who had to set up a BEE front company. In addition, unsecured loans made to councillors and previous councillors had been granted by the municipal manager with little indication of repayment.

The majority of the respondents (37.8%) were either more than satisfied or very satisfied that the MFMA addresses reforms pertaining to new mechanisms to resolve financial problems, 35.6% stated that they were either partly satisfied or not satisfied at all and 26.7% were satisfied with the statement. The results claim that the introduction of MFMA has, to some extent, improved to solve financial problems in local government. These findings contradict Brown (2014: 08) who indicated that there appears to be a gap between what the act prescribes and the actual implementation thereof. This limits the effectiveness of the act in bringing about improvements in local government finance control.

Likewise, 40.0% felt that they were either more than satisfied or very satisfied that the accounting standards and formats have been effectively addressed by the MFMA, 31.1% said that they were either partly satisfied or not satisfied at all and 28.9% were satisfied. It can be concluded that the MFMA has addressed municipal regulations successfully. In support of the findings, Farvacque-Vitkovic and Kopanyi (2014: 56) stated that, compared to where local government was in 2003, significant strides have been made with implementing the new financial management arrangements spelt out in the MFMA and its regulations.

A total of 37.8% of the respondents were satisfied that the MFMA has led to efficiency in financial management practices, 35.6% were either partly satisfied or not satisfied at all and 26.7% were either more than satisfied or very satisfied with the statement. The findings indicate that the municipality effectively manages its finances. In acknowledgement of the results, Lexuan (2011: 95) stated that no municipality will be able to render sustainable services without effective financial control.

The majority of the respondents (35.6%) felt that they were either more than satisfied or very satisfied that the MFMA has demonstrated transparency to external

stakeholders while 33.3% were either partly satisfied or not satisfied with the statement and 31.1% were satisfied. The outcome reveals that the municipality does indicate transparency on how the citizens' funds are spent and accounted for. Booysen (2012: 61) stated that individual residents, and community organizations, such as ward committees or other associations, are empowered, through legislation, to monitor and influence the financial control of municipalities.

It is noted that 40.0% of the respondents expressed that they were either partly satisfied or not satisfied at all that the municipal council has a common aim of implementing policies for good financial governance, 33.3% were satisfied and 26.7% were either more than satisfied or very satisfied about the statement. It is evident that the municipal council failed to provide overall responsibility for the approval of policy and budget-related plans for the provision of basic services to all. Instead, they intervene on the day-to-day activities of the executives. A study conducted by Hunsraj (2013: 03) mentioned that the municipal council at Phalaborwa Local Municipality in Limpopo had influence on the tender committee as to whom the bids must be awarded. This practice is a contravention of the Municipal Systems Act No. 32 of 2000 and MFMA.

Similarly, 48.9% of the respondents specified that they were either partly satisfied or not satisfied at all that political guidance provided by the mayor does not influence financial decisions in favour of the ruling political party, 35.6% felt that they were satisfied with the statement and the minority of 15.6% disclosed that they were either more than satisfied or very satisfied. The findings show that the mayor, who is the leader of the municipal council, lacks in providing equal positive relationship and good financial governance amongst community members in various political parties. In support of the findings, Motsoeneng (2014: 11) mentioned that councils in certain parts of the country approve and prioritise spending of municipal finances to those communities where the ruling party obtained most votes during the elections. The study explained that, in the Alfred Nzo Municipality in the Eastern Cape, local towns, like Cedarville and Matatiele, which have strong support towards the ANC, the ruling party, are always given priority by the council when using municipal funds to render services to the community. These towns have access to electricity, water and other services, while, on the other hand, places like Maluti, which support opposition parties, receive the least services from the council.

Correspondingly, the majority of the respondents (55.6%) felt that they were either partly satisfied or not satisfied at all that political influence does not affect the CFO in performing financial transactions contravening the MFMA, 24.4% specified that they were satisfied while 20.0% voiced that they were either more than satisfied or very satisfied with the statement. The results indicate that the CFOs in local government violate the MFMA and their conduct is regarded as maladministration which has a negative impact on service delivery. This is evident in a study conducted by Jackson (2015: 02) who stated that CFO do not act in good faith when executing their tasks. This shortcoming is evident as Thuli Madonsela, the Public Protector, has called the CFOs of the OR Tambo Municipality and King Sabata Dalindyebo Municipality to account for public funds allegedly squandered or creamed off the top instead of being spent on Nelson Mandela's funeral. The OR Tambo Municipality spent more than R9 million on the funeral while King Sebata Dalindyebo Municipality reportedly spent about R21 million (Jackson 2015: 02-03). The municipalities spent millions buying food for catering in public mourning areas during the funeral. Funds were also spent on flags, t-shirts, wheelie bins, filling potholes and transporting community members to the memorial services.

Uniformly, 40.0% of the respondents expressed that they were either partly satisfied or not satisfied at all that internal audit enforces proper financial control, 31.1% were satisfied and 28.9% felt they were either more than satisfied or very satisfied with the statement. The outcome reflects that management does not fully support the audit function to effectively implement financial control. This finding is supported by Mofokeng (2014: 06) who mentioned that the internal audit department also has challenges of inadequate records and equipment, threats of being merged with the accounts department, poor perception of people of the roles of internal auditors and interference by the politicians who engage in activities that are not stipulated in the local government acts.

Comparably, 37.8% of respondents specified that they were either partly satisfied or not satisfied at all that performance appraisal plays a major role in improving employee morale while 35.6% were satisfied and 26.7% were either more than satisfied or very satisfied. The finding shows that performance appraisals are not effectively performed in the municipality starting from lower level employees to top management, causing a weakness in financial control. In support of the findings, Manyanga (2013: 04) revealed

that the Aganang Local Municipality in Limpopo has implemented a performance appraisal system only to senior managers of the municipality, because of the perception that effective financial control depends on the performance of the senior management, not realising the effort made by the lower level employees towards financial performance of the entire municipality. This action resulted in lower level employees losing morale in performing their daily tasks.

To determine whether the differences per statement were significant, a chi square test was done, as illustrated in table 4.11.

**Table 4.11: Chi square: Responses on financial control**

	Chi-Square	df	Asymp. Sig.
The accounting officer ensures that the MFMA encourages a more accountable local government sphere	0.133	2	.936
The MFMA addresses reforms pertaining to new mechanisms to resolve financial problems	0.933	2	.627
Accounting standards and formats have been effectively addressed by the MFMA	0.933	2	.627
The MFMA has led to efficiency in financial management practices	0.933	2	.627
MFMA has demonstrated transparency to external stakeholders, i	0.133	2	.936
The municipal council has a common aim of implementing policies for good financial governance	1.2	2	.549
Political guidance provided by the mayor does not influence financial decisions in favour of the ruling political party	7.6	2	.022
The municipal manager must not allow political influence to affect the finance officials, especially the Chief Financial Officer in performing any financial transaction that will contravene the Municipal Finance Management Act (MFMA)	10.133	2	.006
Internal audit enforces proper financial control	0.933	2	.627
Performance appraisal plays a major role in improving employee morale	0.933	2	.627

The test results confirm that the scoring patterns observed are significantly different for the statements highlighted in yellow, i.e., “Political guidance provided by the mayor does not influence financial decisions in favour of the ruling party” and “The municipal manager must not allow political influence to affect the finance officials, especially the Chief Financial Officer in performing any financial transaction that will contravene the Municipal Finance Management Act (MFMA)”.

Sub-objective (3): To determine whether sound financial reporting is implemented by municipalities in terms of acceptable practice and standards.

This objective was associated with section D of the questionnaire. The findings are based on the following questions: 21, 22, 23, 24, 25, 26, 27, 28, 29 and 30. The questions were developed using the following interval scale: 1= Strongly disagree, 2= Disagree, 3= Neither agree nor disagree, 4= Agree, 5= Strongly agree.

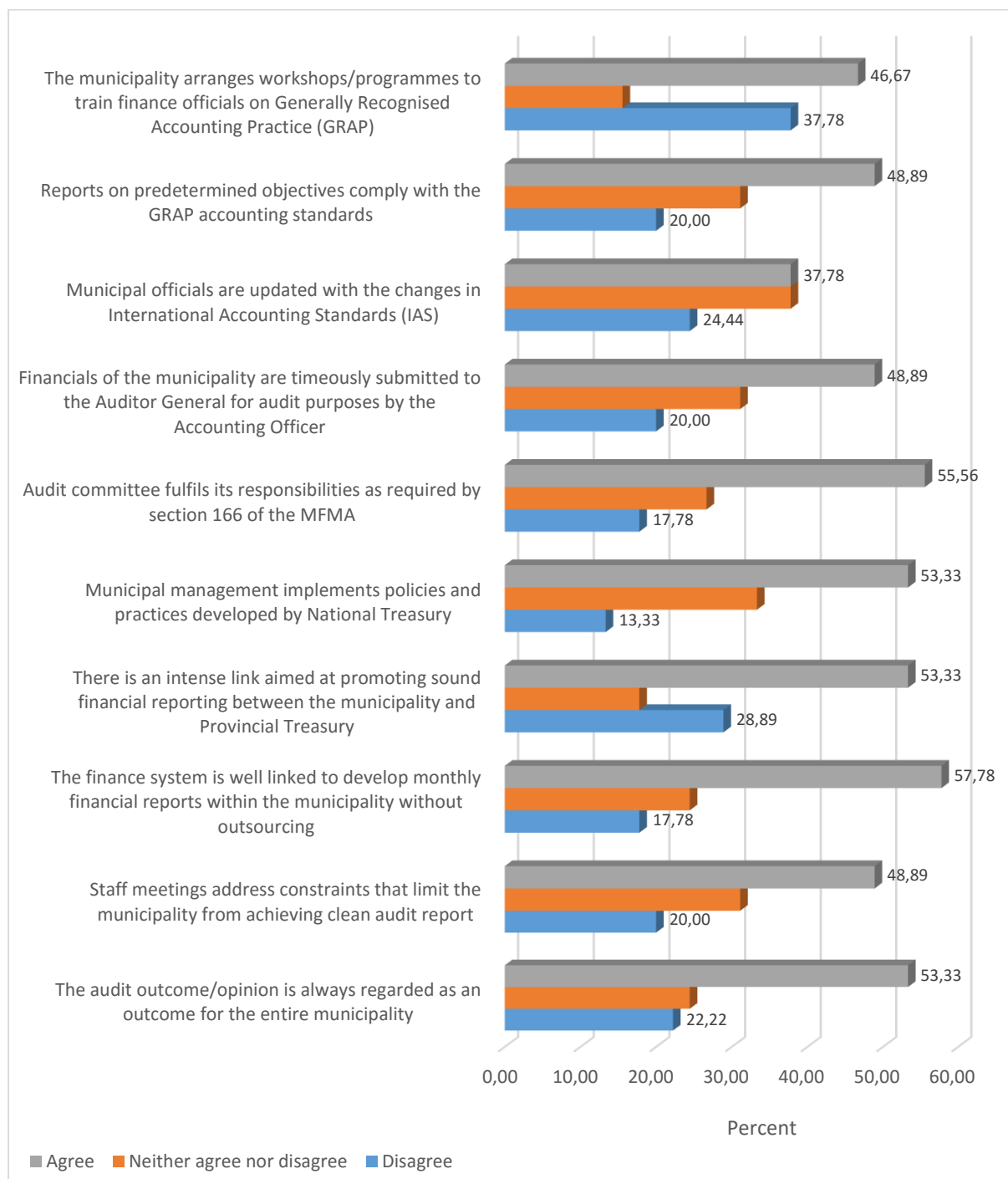
The results of financial reporting are shown in table 4.12.

**Table 4.12: Responses on financial reporting**

Section D	Disagree		Neither agree nor disagree		Agree	
	Count	Row N %	Count	Row N %	Count	Row N %
The municipality arranges workshops/programmes to train finance officials on Generally Recognised Accounting Practice (GRAP)	17	37.8%	7	15.6%	21	46.7%
Reports on predetermined objectives comply with the GRAP accounting standards	9	20.0%	14	31.1%	22	48.9%
Municipal officials are updated with the changes in International Accounting Standards (IAS)	11	24.4%	17	37.8%	17	37.8%
Financials of the municipality are timeously submitted to the Auditor General for audit purposes by the Accounting Officer	9	20.0%	14	31.1%	22	48.9%
Audit committee fulfils its responsibilities as required by section 166 of the MFMA	8	17.8%	12	26.7%	25	55.6%
Municipal management implements policies and practices developed by National Treasury	6	13.3%	15	33.3%	24	53.3%
There is an intense link aimed at promoting sound financial reporting between the municipality and Provincial Treasury	13	28.9%	8	17.8%	24	53.3%
The finance system is well linked to develop monthly financial reports within the municipality without outsourcing	8	17.8%	11	24.4%	26	57.8%
Staff meetings address constraints that limit the municipality from achieving clean audit report	9	20.0%	14	31.1%	22	48.9%
The audit outcome/opinion is always regarded as an outcome for the entire municipality	10	22.2%	11	24.4%	24	53.3%

Figure 4.5 is a summary of the scoring patterns regarding financial reporting from the respondents.

**Figure 4.5: Responses on financial reporting**



The average level of agreement is 50% whilst that for disagreement is 22%. For each statement, on average, half of the respondents agree with the statements.

As reflected in table 4.12, of the 45 respondents, 46.7% either agreed or strongly agreed that the municipality arranges workshops/programmes to train finance officials on GRAP, 37.8% either disagreed or strongly disagreed with the statement and 15.6% were neutral. The results indicate that the municipality adheres and take action in

adapting to the changes in accounting practices to ensure transparency in financial management. In support of the findings, a study by Van Donk et al. (2008: 35) stated that the introduction of GRAP has become one of the most significant developments in the preparation of financial statements in the sphere of local government. Compliance with GRAP is meant to give assurance that financial statements have been prepared in accordance with generally recognised accounting principles which, in turn, ensure transparency in the financial management and administration of municipalities.

A total of 48.9% of respondents either agreed or strongly agreed that reports on predetermined objectives comply with the GRAP accounting standards while 31.1% remained neutral and 20.0% either disagreed or strongly disagreed with the statement. These outcomes are an indication that the municipality is experiencing positive transformation in the reporting procedures and financial administration as a result of GRAP. The results are in line with Van Donk *et al.* (2008: 36) who highlighted that the implementation of the GAMAP combined with GRAP in municipalities in South Africa is resulting in positive changes to some financial policies and applications.

It is noted that 37.8% of the respondents either agreed or strongly agreed that they are updated with the changes in IAS. Similarly, 37.8% were neutral about the statement and 24.4% either disagreed or strongly disagreed. The analysis shows that the municipal officials are unclear if they are being fully updated with all the changes in accounting standards which are being put into practice internationally and this is an indication that they are also uncertain if GRAP will have a significant influence after full application. In acknowledgement of the results, Van Donk *et al.* (2008:36) stated that practitioners are of the general opinion that GRAP changes will have a substantial effect on reporting on the financial performance and financial position of municipalities, especially directly after full implementation.

With regards to the financials of the municipality being timeously submitted to the AG for audit purpose, a majority of the respondents (48.9%) either agreed or strongly agreed while 31.1% remained neutral and 20.0% either disagreed or strongly disagreed with the statement. The findings indicate that the municipal team (top management, middle management and lower level employees) operate jointly by displaying accountability with an aim of attaining positive judgement from the AG.



These findings are supported by Hoexter (2012: 39), who claims that accountability is effective in the local sphere of the South African government. This was evident through the survey done on most Gauteng municipalities in 2011 to assess the level of professionalism and relationship amongst employees and it was discovered that 85% of these municipalities gave favourable results, i.e., workers have positive attitudes towards executing tasks and the element of team work was evident on the survey.

A total of 55.6% of the respondents either agreed or strongly agreed that the audit committee fulfils its responsibilities, as required by the MFMA, 26.7% were neutral and 17.8% either disagreed or strongly disagreed with the statement. The results show that the audit committee makes valuable contributions towards improving governance, performance and accountability of the municipality. The results oppose the findings by Morgan *et al.* (2015: 86), who highlighted that recent audit findings indicated serious deficiencies in governance arrangements. The authors suggested a need to improve the audit committees as this would contribute to changes in financial management in the vast majority of municipalities. The deficiencies emanate from a lack of knowledge or disregard of legislation and processes by councillors and officials, a failure to appoint suitably qualified key individuals to specifically legislated tasks and an inability or disregard by municipalities to establish and maintain the appropriate control systems which provide the basis of the governance framework.

The majority of the respondents (53.3%) either agreed or strongly agreed that the municipal management implements policies and practices developed by National Treasury, 33.3% remained neutral while a minority of 13.3% either disagreed or strongly disagreed with the statement. The findings indicate that management operates in accordance with the procedures and laws outlined by the National Treasury. It must be noted that the compliance with the requirements of National Treasury is a positive indication that the municipality is committed to meeting the needs of the community. In this regard, Farral and Rubenstein (2009: 71) explained that the constitutional bodies, laws and policies are essential mechanisms that enhance legal accountability, sound financial control, sound financial reporting and commitment to citizens in all spheres of government, including municipalities.

The respondents were asked to indicate their level of agreement on whether there is an intense link aimed at promoting sound financial reporting between the municipality

and Provincial Treasury. In this regard, the majority (53.3%) either agreed or strongly agreed, 28.9% either disagreed or strongly disagreed and 17.8% were neutral. The results show that there is a strong interaction between the municipality and Provincial Treasury leading to meaningful financial reporting by the municipality. In support of the results, Lennie and Tacchi (2013: 88) mentioned that, where there are effective relationships of financial accountability, financial control and financial reporting, performance is likely to be managed and reported fairly and honestly.

A total of 57.8% of the respondents either agreed or strongly agreed that the finance system is well linked to develop monthly financial reports within the municipality without outsourcing, 24.4% were neutral and 17.8% either disagreed or strongly disagreed with the statement. This is an indication that the municipality has a user-friendly finance system that is capable of accommodating all the functions that are utilised by different components (finance, human resource, internal audit, etc.). These findings differ from Naidoo (2013: 11) who argued that internal audit, together with financial control and financial reporting in municipalities, are faced with problems of inadequate staff that are allocated by the chief finance officer, and inadequate facilities like incompatible systems to monitor all the roles stated by the local government acts.

A total of 48.9% of the respondents either agreed or strongly agreed that staff meetings address constraints that limit the municipality from achieving a clean audit report, 31.1% were neutral and only 20.0% either disagreed or strongly disagreed with the statement. The findings show that the municipality conducts fruitful meetings within the departments that ensures that restrictions that cause audit queries are dealt with. Van Donk *et al.* (2008: 102) mentioned that the root cause of poor audit outcomes in local government is a lack of commitment from management to adequately address the limitations in meetings that results in the municipality receiving unfavourable audit outcomes.

Likewise, 53.3% of respondents either agreed or strongly agreed that the audit opinion is always regarded as an outcome for the entire municipality while 24.4% remained neutral and 22.2% either disagreed or strongly disagreed. This is an indication that not the entire municipality has a positive mind set of ensuring that all the tasks assigned to each and every employee has to be carried out in a manner that will not contravene the MFMA, Systems Act and all other pieces of legislation governing local government

in order for the municipality to achieve a positive audit outcome. Van Donk *et al.* (2008: 102) stated that poor audit outcome is a result of perceptions by other employees that the finance department must be the one responsible for putting an extra effort in ensuring a favourable audit outcome.

The chi square test, which determines significance in scoring patterns, is shown in table 4.13.

**Table 4.13: Chi square: Responses on financial reporting**

	Chi-Square	df	Asymp. Sig.
The municipality arranges workshops/programmes to train finance officials on Generally Recognised Accounting Practice (GRAP)	6.933	2	.031
Reports on predetermined objectives comply with the GRAP accounting standards	5.733	2	.057
Municipal officials are updated with the changes in International Accounting Standards (IAS)	1.6	2	.449
Financials of the municipality are timeously submitted to the Auditor General for audit purposes by the Accounting Officer	5.733	2	.057
Audit committee fulfils its responsibilities as required by section 166 of the MFMA	10.533	2	.005
Municipal management implements policies and practices developed by National Treasury	10.8	2	.005
There is an intense link aimed at promoting sound financial reporting between the municipality and Provincial Treasury	8.933	2	.011
The finance system is well linked to develop monthly financial reports within the municipality without outsourcing	12.4	2	.002
Staff meetings address constraints that limit the municipality from achieving clean audit report	5.733	2	.057
The audit outcome/opinion is always regarded as an outcome for the entire municipality	8.133	2	.017

All of the highlighted statements have levels of agreement which are markedly different (and higher) than the levels of disagreement.

4.7.2 Objective 2: To provide an international perspective of legislation regarding financial accountability, financial control and financial reporting of municipalities.

This objective was intended to provide an understanding of the global legislation in respect of financial accountability, financial control and financial reporting. This objective was achieved in chapter 2 by providing a comprehensive literature review on the extent to which global measures

influence the effectiveness or ineffectiveness of financial accountability, financial control and financial reporting on government sector.

#### 4.7.3 Objective 3: To identify the strengths and weaknesses in financial accountability, financial control and financial reporting of municipalities

The following strength was identified in financial accountability:

- ✓ The respondents indicated a high level of importance in the following questions: 5, 7, 8 and 9 of Section B. The analysis revealed that the Umtshezi Municipality has employed a majority of individuals with a positive mind set who fulfil their tasks with an aim of rendering effective service delivery to the community and that denote adherence to financial accountability.

The following weakness was identified in financial accountability:

- ✓ The fact that the minority of the respondents regarded some statements as less important to them is an indication that the municipality is lacking in ensuring that all the employees have one vision which will sustain the municipality indefinitely.

The following strength was identified in financial control:

- The respondents showed that they were more than satisfied that the MFMA has addressed the municipal regulations effectively. This strength was shown in question 13 of section C.

The following weakness was identified in financial control:

- The respondents indicated a high level of dissatisfaction in questions 17 and 18 of Section C. The analysis shows that the elements of integrity and effective financial control are lacking in the municipal council and management.

The following strength was identified in financial reporting:

- The level of agreement is above 50% for questions 21, 22, 24, 25, 26, 27, 28, 29 and 30 of Section D. This indicates that the element of financial reporting is

effective at Umtshezi Municipality and the municipality complies with National and Provincial Treasury prescripts.

The following weakness was identified in financial reporting:

- It is clear in question 23 of Section D that the municipal employees are not fully updated with the global changes in the accounting standards. This shortcoming will negatively impact the municipality since it will not be fully compatible with other municipalities locally and abroad.

#### **4.8 CHI SQUARE TEST**

A single variable chi square test was performed to determine whether there was a significant difference on the financial accountability, financial control and financial reporting variables. The results are presented in table 4.14.

**Table 4.14: Chi square tests – single variable**

<b>Questions</b>	<b>Chi-Square</b>	<b>df</b>	<b>Asymp. Sig.</b>
The municipality demonstrates accountability by giving priority to the basic needs of the community as required by The Constitution of the Republic of south Africa, 1996	7,6	2	,022
The municipal council executes its powers and functions without being biased as established in The Municipal Systems Act, 2000	5,2	2	,074
Municipal officials indicate financial accountability through provision of efficient and comprehensive information to investigative bodies such as the Auditor General	7,6	2	,022
Councillors denote accountability to voters through budget roadshows and meetings that indicate what will be achieved (procurement planning) with the financial resources to be utilised by the municipality for the community	6,533	2	,038
Municipal management is accountable to higher tiers of government through the preparation of annual financial statements including reports that indicates what has been achieved with the financial resources at the disposal of the community	8,933	2	,011
Principles of integrity, transparency and accountability by local government officials is being practices as per South African legislations	4,933	2	,085
The accounting officer ensures that the MFMA encourages a more accountable local government sphere	0,133	2	,936
The MFMA addresses reforms pertaining to new mechanisms to resolve financial problems	0,933	2	,627
Accounting standards and formats have been effectively addressed by the MFMA	0,933	2	,627
The MFMA has led to efficiency in financial management practices	0,933	2	,627
MFMA has demonstrated transparency to external stakeholders, i.e., the community	0,133	2	,936
The municipal council has a common aim of implementing policies for good financial governance	1,2	2	,549
Political guidance provided by the mayor does not influence financial decisions in favour of the ruling political party	7,6	2	,022
The municipal manager must not allow political influence to affect the finance officials, especially the Chief Financial Officer in performing any financial transaction that will contravene the Municipal Finance Management Act (MFMA)	10,133	2	,006
Internal audit enforces proper financial control	0,933	2	,627

Performance appraisal plays a major role in improving employee morale	0,933	2	,627
The municipality arranges workshops/programmes to train finance officials on Generally Recognised Accounting Practice (GRAP)	6,933	2	,031
Reports on predetermined objectives comply with the GRAP accounting standards	5,733	2	,057
Municipal officials are updated with the changes in International Accounting Standards (IAS)	1,6	2	,449
Financials of the municipality are timeously submitted to the Auditor General for audit purposes by the Accounting Officer	5,733	2	,057
Audit committee fulfils its responsibilities as required by section 166 of the MFMA	10,533	2	,005
Municipal management implements policies and practices developed by National Treasury	10,8	2	,005
There is an intense link aimed at promoting sound financial reporting between the municipality and Provincial Treasury	8,933	2	,011
The finance system is well linked to develop monthly financial reports within the municipality without outsourcing	12,4	2	,002
Staff meeting address constraints that limit the municipality from achieving clean audit report	5,733	2	,057
The audit outcome/opinion is always regarded as an outcome for the entire municipality	8,133	2	,017

From the results of this analysis, summarized in table 4.14, it can be seen that the following areas yielded significant results: 'The municipality demonstrates accountability by giving priority to the basic needs of the community as required by The Constitution of the Republic of South Africa, 1996'; 'Municipal officials indicate financial accountability through provision of efficient and comprehensive information to investigative bodies such as the Auditor General'; 'Councillors denote accountability to voters through budget roadshows and meetings that indicate what will be achieved (procurement planning) with the financial resources to be utilised by the municipality for the community'; 'Municipal management is accountable to higher tiers of government through the preparation of annual financial statements including reports that indicates what has been achieved with the financial resources at the disposal of the community'; 'Political guidance provided by the mayor does not influence financial decisions in favour of the ruling political party'; 'The municipal manager must not allow political influence to affect the finance officials, especially the Chief Financial Officer in performing any financial transaction that will contravene the Municipal Finance

Management Act (MFMA)'; 'The municipality arranges workshops/programmes to train finance officials on Generally Recognised Accounting Practice (GRAP)'; 'Audit committee fulfils its responsibilities as required by section 166 of the MFMA'; 'Municipal management implements policies and practices developed by National Treasury'; 'There is an intense link aimed at promoting sound financial reporting between the municipality and Provincial Treasury'; 'The finance system is well linked to develop monthly financial reports within the municipality without outsourcing'; and 'The audit outcome/opinion is always regarded as an outcome for the entire municipality'. However, the rest of the statements yielded insignificant results.

#### **4.9 HYPOTHESIS TESTS: P-VALUE (ROWS VS COLUMNS)**

Tests were performed using the p-value to determine the level of significance between the biographical information variables and financial accountability, financial control and financial reporting variables. The results are presented in table 4.15.



**Table 4.15: Chi square tests of the questionnaire statements**

Pearson Chi-Square Tests					
		Highest education level	Gender	Home language	Race
The municipality demonstrates accountability by giving priority to the basic needs of the community as required by The Constitution of the Republic of South Africa, 1996	Chi-square	24,540	3,006	1,682	3,543
	Df	8	2	2	6
	Sig.	.002*	0,223	0,431	0,738
The municipal council executes its powers and functions without being biased as established in The Municipal Systems Act, 2000	Chi-square	20,007	,277	6,022	9,031
	Df	8	2	2	6
	Sig.	.010*	0,871	.049*	0,172
Municipal officials indicate financial accountability through provision of efficient and comprehensive information to investigative bodies such as the Auditor-General	Chi-square	22,665	1,682	,090	4,048
	Df	8	2	2	6
	Sig.	.004*	0,431	0,956	0,67
Councillors denote accountability to voters through budget roadshows and meetings that indicate what will be achieved (procurement planning) with the financial resources to be utilised by the municipality for the community	Chi-square	6,538	,037	2,903	3,881
	Df	8	2	2	6
	Sig.	0,587	,982	0,234	0,693
Municipal management is accountable to higher tiers of government through the preparation of annual financial statements including reports that indicates what has been achieved with the financial resources at the disposal of the community	Chi-square	16,577	2,208	1,643	7,283
	Df	8	2	2	6
	Sig.	.035*	0,332	0,44	0,295
Principles of integrity, transparency and accountability by local government officials is being practised as per South African legislations	Chi-square	11,686	,468	,654	5,197
	Df	8	2	2	6
	Sig.	0,166	,791	0,721	0,519
The accounting officer ensures that the MFMA encourages a more accountable local government sphere	Chi-square	14,350	1,844	4,428	8,729
	Df	8	2	2	6
	Sig.	0,073	,398	0,109	0,189
The MFMA addresses reforms pertaining to new mechanisms to resolve financial problems	Chi-square	15,208	1,758	5,917	8,223
	Df	8	2	2	6
	Sig.	0,055	,415	0,052	0,222
Accounting standards and formats have been effectively addressed by the MFMA	Chi-square	17,818	,505	4,076	8,252
	Df	8	2	2	6
	Sig.	.023*	,777	0,13	0,22
The MFMA has led to efficiency in financial management practices	Chi-square	17,421	5,133	2,436	5,425
	Df	8	2	2	6
	Sig.	.026*	,077	0,296	0,491

MFMA has demonstrated transparency to external stakeholders, i.e. the community	Chi-square	5,936	1,551	5,533	10,222
	Df	8	2	2	6
	Sig.	0,654	,460	0,063	0,116
The municipal council has a common aim of implementing policies for good financial governance	Chi-square	13,745	2,186	,865	8,699
	Df	8	2	2	6
	Sig.	0,089	,335	0,649	0,191
Political guidance provided by the mayor does not influence financial decisions in favour of the ruling political party	Chi-square	10,776	,242	,242	2,494
	Df	8	2	2	6
	Sig.	0,215	0,886	0,886	0,869
The municipal manager must not allow political influence to affect the finance officials, especially the Chief Financial Officer in performing any financial transaction that will contravene the Municipal Finance Management Act (MFMA)	Chi-square	2,956	,788	,371	7,696
	Df	8	2	2	6
	Sig.	0,937	0,674	0,831	0,261
Internal audit enforces proper financial control	Chi-square	23,557	2,254	,114	2,433
	Df	8	2	2	6
	Sig.	.003*	,324	0,945	0,876
Performance appraisal plays a major role in improving employee morale	Chi-square	4,658	,793	1,336	5,535
	Df	8	2	2	6
	Sig.	0,793	,673	0,513	0,477
The municipality arranges workshops/programmes to train finance officials on Generally Recognised Accounting Practice (GRAP)	Chi-square	6,367	1,482	1,482	12,508
	Df	8	2	2	6
	Sig.	0,606	0,477	0,477	0,052
Reports on predetermined objectives comply with the GRAP accounting standards	Chi-square	8,655	,968	1,979	12,683
	Df	8	2	2	6
	Sig.	0,372	,616	0,372	.048*
Municipal officials are updated with the changes in International Accounting Standards (IAS)	Chi-square	4,658	3,920	1,991	16,172
	Df	8	2	2	6
	Sig.	0,793	,141	0,369	.013*
Financials of the municipality are timeously submitted to the Auditor General for audit purposes by the Accounting Officer	Chi-square	7,523	,675	4,827	9,323
	Df	8	2	2	6
	Sig.	0,481	,714	0,089	0,156
Audit committee fulfils its responsibilities as required by section 166 of the MFMA	Chi-square	18,282	7,431	2,717	9,791
	Df	8	2	2	6
	Sig.	.019*	.024*	0,257	0,134
Municipal management implements policies and practices developed by National Treasury	Chi-square	8,754	,182	1,719	7,726
	Df	8	2	2	6
	Sig.	0,363	0,913	0,423	0,259
There is an intense link aimed at promoting sound financial reporting between the municipality and Provincial Treasury	Chi-square	17,502	11,944	6,255	11,333
	Df	8	2	2	6
	Sig.	.025*	.003*	.044*	0,079
	Chi-square	9,980	5,911	3,664	19,428

The finance system is well linked to develop monthly financial reports within the municipality without outsourcing	Df	8	2	2	6
	Sig.	0,266	0,052	0,16	.003*
Staff meetings address constraints that limit the municipality from achieving clean audit report	Chi-square	18,382	,968	4,780	10,659
	Df	8	2	2	6
The audit outcome/opinion is always regarded as an outcome for the entire municipality	Sig.	.019*	,616	0,092	0,1
	Chi-square	7,033	,514	1,670	9,543
	Df	8	2	2	6
	Sig.	0,533	0,773	0,434	0,145

A significant result is indicated with "p < 0.05". These values are highlighted with a \* and yellow. For example: The p-value between “The municipality demonstrates accountability by giving priority to the basic needs of the community as required by The Constitution of the Republic of South Africa, 1996” and “Highest education level” is 0.002. This means that there is a significant relationship between the variables highlighted in yellow. That is, the education level of the respondent did play a significant role in terms of how respondents rated “The municipality demonstrate accountability by giving priority to the basic needs of the community as required by The Constitution of the Republic of South Africa, 1996”. All values without an \* (or p-values more than 0.05) do not have a significant relationship.

#### 4.10 CORRELATIONS

Bivariate correlation was also performed on the ordinal data. The results are found in the appendix E. The results indicate the following patterns.

Positive values indicate a directly proportional relationship between the variables and a negative value indicates an inverse relationship. All significant relationships are indicated by a \* or \*\*.

For example, the correlation value between “Accounting standards and formats have been effectively addressed by the MFMA” and “The MFMA addresses reforms pertaining to new mechanisms to resolve financial problems” is 0.617. This is a directly related proportionality. Respondents indicate that the more the MFMA addresses accounting standards and formats, the more easily financial problems can be resolved using new mechanisms, and vice versa.

Negative values imply an inverse relationship, that is, the variables have an opposite effect on each other.

#### **4.11 CONCLUSION**

This chapter presented a detailed interpretation and discussion on the findings of the study. Relevant linkages were established between the literature findings and the primary findings of the study. The research objectives in this study were explored and the findings revealed that these objectives were, indeed, achieved. The study applied different methods of quantitative analysis to obtain both descriptive and inferential statistics. Chi-square tests were performed to identify significant relationships and differences between the research variables. In addition, the Spearman correlation test was performed to demonstrate whether there were direct or inverse proportional relationships between the research variables.

The next chapter will indicate the achievement of research objectives, the conclusions and recommendations of this study and will determine the possibility for future research.

## **CHAPTER FIVE**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

The previous chapter provided a detailed presentation and interpretation of the findings of this study. This chapter highlights the summary of the study and indicates how the objectives of the study have been achieved. This chapter also presents the conclusions on the research findings, recommendations for the findings and recommendations for future research.

#### **5.2 CONCLUSIONS ON THE FINDINGS**

This section focuses on the findings presented in chapter two and four and formulates conclusions of the study based on the objectives that were set out in chapter one. The questionnaire was structured to achieve the stated objectives. The findings are based on the objectives, which are outlined below.

Objective 1: To review South African legislation in the context of financial accountability, financial control and financial reporting.

This objective was meant to evaluate compliance to South African processes and rules governing the local government sphere in relation to financial accountability, financial control and financial reporting. Objective one was divided into three sub-objectives.

Sub-objective (1): To assess the role of various stakeholders responsible for financial accountability at municipalities.

The majority of the respondents (51.1%) felt that it was more important that the municipality demonstrate accountability by prioritising the basic needs of the community while 17.8% felt it was less important. It can be concluded that the municipality performed its main obligation which is to render services to the community.

A total of 44% of the respondents thought it was important that the municipal council executes its powers and functions without being biased, while 17.8% thought it was

less important. It is clear that the municipal council lead the municipal officials in the right direction by correctly following procedures and regulations contained in the pieces of legislation governing municipalities.

Many of the respondents (51.1%) believed that it was more important that the municipal officials indicate financial accountability through the provision of efficient and comprehensive information to investigative bodies while 17.8% believed that it was less important. It can be concluded that the officials work with an aim of achieving a favourable audit outcome.

Most of the respondents (51.1%) indicated that it was more important that councillors denote accountability to voters based on what will be achieved with the financial resources while 22.2% indicated that it was less important. It is encouraging to note that councillors demonstrate the principle of transparency to citizens as they have a right to know how the funds are spent and accounted for.

The majority of the respondents (53.3%) showed that it was more important that the municipal management becomes accountable to higher tiers of government by indicating what has been achieved with the financial resources at the disposal of the community while 17.8% showed that it was less important. It can be concluded that the municipal management ensured that they perform tasks efficiently and funds are spent correctly as there is evidence that confirms how all financial transactions occurred.

In this study, 48.9% of the respondents revealed that it was more important that the government officials practise principles of integrity, transparency and accountability while 24.4% revealed that it was less important. It can be concluded that the local government officials demonstrated good ethical behaviour in a workplace.

Sub-objective (2): To establish the role of the Municipal Finance Management Act (MFMA) in ensuring financial control at municipalities.

This sub-objective presents the conclusions from the literature review and the empirical study.

Findings from the literature review: This objective was intended to determine the effectiveness of the MFMA towards financial control on local government. To achieve this objective, chapter two explored the literature by outlining the impact of the MFMA

in ensuring financial control at municipalities. For example, Brown (2014: 08) indicated that there appears to be a gap between what the MFMA prescribes and the actual implementation thereof. Farvacque-Vitkovic and Kopanyi (2014: 56) stated that, compared to where local government was in 2003, significant strides have been made with implementing the new financial management arrangements spelt out in the MFMA and its regulations.

Findings from the empirical study: A total of 35.6% of the respondents disclosed that they were partly satisfied that the accounting officer ensures that the MFMA encourages a more accountable local government sphere while 31.1% were more than satisfied. It can be concluded that the municipal officials are not fully competent with the MFMA which will impact negatively on the municipal performance.

A total of 37.8% of the respondents revealed that they were more than satisfied that the MFMA addresses reforms pertaining to new mechanisms to resolve financial problems while 35.6% were partly satisfied. It is clear that the MFMA has provided progressive solutions to financial problems facing the municipality.

Approximately 40% of the respondents showed that the accounting standards and formats have been effectively addressed by the MFMA. It can be concluded that the municipal officials successfully deal with financial transactions through proper financial/accounting legislation.

A total of 37.8% of the respondents indicated that they were satisfied that the MFMA has led to efficiency in financial management practices. This means that the local government officials operate in an environment that plans and executes tasks with an aim of achieving positive outcomes.

A total of 35.6% of the respondents felt that they were more than satisfied that the MFMA has demonstrated transparency to external stakeholders. It can be concluded that there is a positive relationship between the community and the municipality since there is visibility on the movement of municipal funds which are intended to provide effective service delivery.

The majority of the respondents (40%) disclosed that they were partly satisfied that the municipal council has a common aim of implementing policies for good financial

governance. It can be concluded that the municipal council does not operate as a unity in fully providing an oversight role towards municipal administration.

The majority of the respondents (48.9%) revealed that they were partly satisfied that the political guidance provided by the mayor does not influence financial decisions in favour of the ruling party. It can be concluded that the bulk of service delivery is directed to those areas that are dominated by the ruling party at the municipality.

Many of the respondents (55.6%) revealed that they were partly satisfied that the municipal manager does not allow political influence to affect the finance officials, especially the CFO, in performing any financial transaction that will contravene the MFMA. It can be concluded that the political influence affects municipal administration, thereby creating an unsafe environment.

A total of 40% of the respondents felt that they were partly satisfied that the internal audit enforces proper financial control. It can be concluded that internal audit is not functioning effectively and has a negative impact on financial management.

A total of 37.8% of the respondents showed that they were partly satisfied that performance appraisal plays a major role in improving employee morale. It can be concluded that the municipality does not give incentives to employees in recognising the value they have added towards the performance of the organisation.

Sub-objective (3): To determine whether sound financial reporting is implemented by municipalities in terms of acceptable practice and standards.

The majority of the respondents (46.7%) agreed that the municipality arranges workshops/programmes to train finance officials on GRAP. It can be concluded that the municipality recognises the necessity of giving knowledge to employees so that they can be familiar with the current accounting practices.

The majority of the respondents (48.9%) agreed that reports on predetermined objectives comply with GRAP accounting standards. It can be concluded that the employees have gained and also applied the accounting knowledge on the day-to-day activities which will result in a positive financial performance.

A total of 37.8% of the respondents agreed that the municipal officials are updated with the changes in IAS while 37.8% remained neutral. It can be concluded that the



municipality lacks in ensuring that it provides consistent updates with the changes in global accounting.

The majority of the respondents (48.9%) agreed that the financials of the municipality are timeously submitted to the AG for audit purposes. It can be concluded that the municipal management, especially the Accounting Officer and the CFO, work with a vision of ensuring that the three elements of financial performance (financial accountability, financial control and financial reporting) are being executed efficiently.

Many of the respondents (55.6%) agreed that the audit committee fulfils its responsibilities as required by the MFMA. It can be concluded that the audit committee gives significant guidance to management and there is a good level of internal control within the municipality.

More than half of the respondents (53.3%) agreed that the municipal management implements policies and practices developed by National Treasury. It can be concluded that the municipality functions within the procedures and guidance given by the National Treasury which will have a positive impact on the performance and service delivery.

The majority of respondents (53.3%) agreed that there is an intense link aimed at promoting sound financial reporting between the municipality and Provincial Treasury. It can be concluded that the municipality complies with reporting standards and there is adequate communication to resolve any difficulties experienced by the officials between the municipality and Provincial Treasury.

The majority of the respondents (57.8%) agreed that the finance system is well linked to develop monthly financial reports within the municipality without outsourcing. It can be concluded that the officials are pleased and familiar with the finance system which will produce the desired outcome.

A total of 48.9% of the respondents agreed that staff meetings address constraints that limit the municipality from achieving a clean audit report. It can be concluded that the officials are united and work as a team in ensuring that the municipality deals with constraints that lead to unfavourable outcomes.

A total of 53.3% agreed that the audit outcome is always regarded as an outcome for the entire municipality. It can be concluded that every department within the

municipality works with a mind-set of giving effective service delivery to the community and ensure a clean audit.

Therefore, the first objective has been achieved.

Objective (2): To provide an international perspective of legislation regarding financial accountability, financial control and financial reporting of municipalities.

This objective presents the conclusion from the literature review.

Some of the significant findings arising from the literature review highlight the effectiveness or ineffectiveness of financial accountability globally. A study conducted by Kathyola and Job (2011: 101) revealed that, in Tanzania, there is an overlap and conflict between major pieces of legislation caused by a framework setup during the decentralization era which remained intact despite the restoration of local authorities. The study also revealed that the governance problems originate from a weak relationship between political leaders, civil society and the council. Ijatuyi –Morphe (2014: 62-63) conducted a study in Nigeria to evaluate financial accountability and the study discovered that the government is often seen as nurturing grounds for barefaced corruption and near absence of accountability in the conduct of governance. Thus, it can be concluded that both Tanzania and Nigeria are lacking in providing adequate financial accountability. Therefore, the second objective has been achieved.

Objective (3): To identify the strengths and weaknesses in financial accountability, financial control and financial reporting of municipalities.

Chapter four analysed the results obtained from the questionnaires and the following strengths on financial accountability, financial control and financial reporting were identified on the analyses:

- ✓ The municipality has employed a majority of individuals with a positive mind set who fulfil their tasks and adhere to financial accountability;
- ✓ The municipal officials were satisfied that the MFMA has addressed the municipal regulations effectively; and
- ✓ The municipal officials practise effective financial reporting and comply with Treasury requirements.

The following weaknesses were identified on the analyses:

- The municipality is lacking in ensuring that all employees have one vision;
- The element of integrity is lacking in the municipal council and management; and
- The municipal officials are not fully updated with the global changes in accounting standards.

Therefore, the third objective has been achieved.

### **5.3 RECOMMENDATIONS FOR PRACTICE**

Based on the research findings, the study provides the following recommendations to Umtshezi Municipality in Estcourt in order to improve financial accountability, financial control and financial reporting:

#### **5.3.1 Educational qualifications are needed**

The municipality needs to encourage officials in developing themselves academically. The analysis revealed that the majority of the respondents had a matric qualification, which indicates that, generally, municipal employees do not recognise the significance of learning. The municipality needs to intervene by ensuring that funds are allocated to employees to further their studies. The municipality needs to provide workshops to employees to demonstrate how education impacts on the success of the organisation. Qualified employees create a brainstorming environment leading to desired outcomes being achieved.

This recommendation will assist in improving all three elements of financial performance, which are financial accountability, financial control and financial reporting.

Qualified employees have the ability to ensure transparent use of municipal funds which includes taking responsibility to implement all the necessary processes contained in the pieces of legislation governing municipalities that entail clear accountability for the expenditure of public funds (financial accountability).

Educated employees have the capacity to ensure effective use of municipal funds which includes taking appropriate steps to prevent any unauthorised, irregular and wasteful expenditure (financial control).

Competent employees can ensure efficient use of municipal funds which includes proper disclosure of results involving the execution of financial activities in the municipality (financial reporting).

### **5.3.2 Prevention of political conflict**

The accounting officer must create a threat-free environment by not letting politicians interfere with administration that leads to officials being uncomfortable or pressured in a certain way. Politicians should focus on their duties which are directed to the community and not to the municipal administration. Finance officials usually become victims of being forced to perform unethical activities involving funds. The accounting officer should invite COGTA to provide workshops to councillors about the adverse consequences of dictating and forcing officials to conduct activities that will favour politicians. COGTA also needs to emphasise to the councillors on how they should follow protocol in the event that they have any concerns involving service delivery.

This recommendation will have a helpful outcome on financial accountability as it will result in an effective, efficient and accountable organisational structure and further deepen the councillors' understanding of the legal framework and policies that govern the activities of the municipality.

### **5.3.3 Improving MFMA understanding**

National Treasury should conduct regular surveys on the municipality to monitor the level of satisfaction on the implementation of the MFMA and fulfil the request from the employees who require further guidance in the implementation of the MFMA.

This recommendation will have a positive impact on financial control as the application of the MFMA will lead to a more strategic approach to financial management resulting in the better provision of services to the community.

### **5.3.4 Assistance must be given to internal audit function**

The municipality must give the internal audit committee support to ensure that the latter has enough human resources and adequate equipment necessary to execute tasks and ensure that the loopholes identified by the internal audit are addressed timeously.

This recommendation will assist in financial reporting in that the proper functioning of the internal audit will assist in timely reporting to better inform the council, community and the legislative bodies of the results of implementing decisions and the progress made in meeting approved objectives.

#### **5.4 RECOMMENDATIONS FOR FUTURE RESEARCH**

This study focused on the finance department of the Umtshezi Local Municipality in Estcourt. Therefore, it is recommended that future research of this nature should be undertaken among district municipalities and metropolitan municipalities in other parts of KwaZulu-Natal or South Africa as a whole. Future research should also be conducted to establish if other categories of municipalities do comply with the pieces of legislation governing municipalities.

#### **5.5 CONCLUSION**

This chapter provided conclusions relating to the literature review and empirical findings. It also provided recommendations originating from the analyses of the findings. In conclusion, all the objectives of this study were achieved. The recommendations in this chapter should improve the success of financial accountability, financial control and financial reporting at the Umtshezi Municipality and lead to effective and efficient service delivery directed towards the surrounding community. The recommendations could also assist the municipality in achieving and maintaining a clean audit report from the AG in the future.

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## APPENDICES

### APPENDIX A – CONSENT LETTER

#### LETTER OF INFORMATION AND CONSENT

**RE: Postgraduate Studies in Master of Accounting.**

Dear participant,

I am currently a Master's student at the Durban University of Technology – student number 20427148. My research topic is “Evaluation of financial accountability, financial control and financial reporting at Umtshezi Municipality: a case study”. Participation is voluntary and you are free to withdraw from the study at any time without giving reasons, and without prejudice or any adverse consequences. The information you give will only be used for research purposes and will be aggregated with other responses and only the overall or average information will be used. Your identity and individual answers will be kept very confidential. Should you wish to discuss this further, please feel free to contact me on 079 015 8359 or my supervisor on (031) 373 5740 or the IREC Administrator, Lavisha Deonarian on (031) 373 2900 or [LavishaD@dut.ac.za](mailto:LavishaD@dut.ac.za).

Your assistance will be much appreciated,

Yours faithfully,

Manqoba Wiseman Khanyile

079 015 8359

wiseman@mtshezi.co.za

Please complete the following as confirmation of your willingness to participate in this research project:

I,....., have adequately discussed the study with the researcher, understand that I may withdraw

from it at any time without giving reasons, and voluntarily agree to participate in an interview.

Signature:.....

Date:.....

## APPENDIX B – IREC LETTER OF INFORMATION AND CONSENT



### LETTER OF INFORMATION

**Title of the Research Study:**

Evaluation of financial accountability, financial control and financial reporting at Umtshezi Municipality: a case study

**Principal Investigator/s/researcher: (Name, qualifications)**

(Mangoba Wiseman Khanyile, ND: Accounting; BTECH: Cost and Management Accounting).

**Co-Investigator/s/supervisor/s: (Name, qualifications)**

Dr. H.L. Garbharran, DPA.

**Brief Introduction and Purpose of the Study:**

Municipalities are fully accountable for the financial inflows and outflows of the public and government funds. Effective financial control leads to efficient service delivery to the community.

The purpose of the study is to find the loopholes that cause downfalls in terms of financial performance on municipalities, thereby leading to an unfavourable audit outcome as per the Auditor General report.

**Outline of the Procedures: (Responsibilities of the participant, consultation/interview/survey details, venue details, inclusion/exclusion criteria, explanation of tools and measurement outcomes, any follow-ups, any placebo or no treatment, how much time required of participant, what is expected of participants, randomization/ group allocation)**

A questionnaire will be given to the participant to fill in. The questionnaire will be given to the participant in the morning and they will be given the whole day to

complete the questionnaire in their spare time. The researcher will ensure that their daily tasks are not being compromised during the completion of the questionnaire. The participant will be given an opportunity to ask questions and of his or her own free will declare himself or herself prepared to participate in the study. The research will not target any particular ethnic or community group. The participant will be required to read and complete the consent form and ensure that the information contained in the statement of agreement is understood before appending his/her signature.

**Risks or Discomforts to the Participant: (Description of foreseeable risks or discomforts to for participants if applicable e.g. Transient muscle pain, VBAI, post-needle soreness, other adverse reactions, etc.)**

The participant will not be asked to perform any acts or make statements which might be expected to cause discomfort.

**Benefits: (To the participant and to the researcher/s e.g. publications)**

The researcher will benefit by achieving a Master's Degree: Accounting through Durban University of Technology (DUT).

The participant will benefit by gaining knowledge on how the municipality can obtain and maintain a clean audit through recommendations made by the researcher.

**Reason/s why the Participant May Be Withdrawn from the Study: (Non-compliance, illness, adverse reactions, etc. Need to state that there will be no adverse consequences for the participant should they choose to withdraw)**

The participant may at any stage withdraw his or her consent and participation in the study without any prejudice.

**Remuneration: (Will the participant receive any monetary or other types of remuneration?)**

The participant will not receive any financial or other type of remuneration.

**Costs of the Study: (Will the participant be expected to cover any costs towards the study?)**



No aspect of the study will be expected to place the participant at risk of damage to his/her financial standing.

**Confidentiality: (Description of the extent to which confidentiality will be maintained and how will this be maintained?)**

All data will be collected in a manner that will ensure confidentiality of the data and the identity of the participants will remain anonymous. All the materials obtained will be stored and ultimately disposed of in a manner that will ensure confidentiality to the participant.

**Research-related Injury: (What will happen should there be a research-related injury or adverse reaction? Will there be any compensation?)**

There will be no aspect of the study that is expected to place the participant at risk of potential harmful procedures.

**Persons to Contact in the Event of Any Problems or Queries:**

**(Supervisor and details):**

Dr. H. L. Garbharran  
Durban University of Technology  
Department of Management Accounting  
Faculty of Accounting and Informatics

**Please contact the researcher (telephone no.):**

079 015 8359

**my supervisor (telephone no.):**

(031) 373 5740

or the Institutional Research Ethics administrator on 031 373 2900.

Complaints can be reported to the DVC: TIP, Prof F. Otieno on 031 373 2382 or [dvctip@dut.ac.za](mailto:dvctip@dut.ac.za).

**General:**

Potential participants must be assured that participation is voluntary and the approximate number of participants to be included should be disclosed. A copy of the information letter should be issued to participants. The information letter and consent form must be translated and provided in the primary spoken language of the research population e.g. isiZulu.



## CONSENT

### Statement of Agreement to Participate in the Research Study:

- I hereby confirm that I have been informed by the researcher, \_\_\_\_\_ (name of researcher), about the nature, conduct, benefits and risks of this study - Research Ethics Clearance Number: \_\_\_\_\_,
- I have also received, read and understood the above written information (Participant Letter of Information) regarding the study.
- I am aware that the results of the study, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.
- In view of the requirements of research, I agree that the data collected during this study can be processed in a computerised system by the researcher.
- I may, at any stage, without prejudice, withdraw my consent and participation in the study.
- I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate in the study.
- I understand that significant new findings developed during the course of this research which may relate to my participation will be made available to me.

\_\_\_\_\_  
\_\_\_\_\_

**Full Name of Participant**  
**Right Thumbprint**

\_\_\_\_\_

**Date**

\_\_\_\_\_

**Time**

**Signature /**

I, \_\_\_\_\_ (name of researcher) herewith confirm that the above participant has been fully informed about the nature, conduct and risks of the above study.

\_\_\_\_\_  
**Full Name of Researcher**                      **Date**                      **Signature**

\_\_\_\_\_  
**Full Name of Witness (If applicable)**   **Date**                      **Signature**

\_\_\_\_\_  
**Full Name of Legal Guardian (If applicable)**   **Date**                      **Signature**

***Please note the following:***

Research details must be provided in a clear, simple and culturally appropriate manner and prospective participants should be helped to arrive at an informed decision by use of appropriate language (grade 10 level - use Flesch Reading Ease Scores on Microsoft Word), selecting of a non-threatening environment for interaction and the availability of peer counseling (Department of Health, 2004)

If the potential participant is unable to read/illiterate, then a right thumb print is required and an impartial witness, who is literate and knows the participant e.g. parent, sibling, friend, pastor, etc. should verify in writing, duly signed that informed verbal consent was obtained (Department of Health, 2004).

If anyone makes a mistake completing this document e.g. wrong date or spelling mistake a new document has to be completed. The incomplete original document has to be kept in the participant file and not thrown away and copies thereof must be issued to the participant.

**References:**

Department of Health: 2004. *Ethics in Health Research: Principles, Structures and Processes* <http://www.doh.gov.za/docs/factsheets/guidelines/ethnics/>

Department of Health. 2006. *South African Good Clinical Practice Guidelines*. 2nd Ed. Available at: [http://www.nhrec.org.za/?page\\_id=14](http://www.nhrec.org.za/?page_id=14)

## APPENDIX C – QUESTIONNAIRE

### Section A

Place a cross (x) in the appropriate block. Choose only one option

1. Highest education level

Below matric	
Matric	
Diploma	
Degree	
Certificate	

2. Gender

Male	
Female	

3. Home language

Isizulu	
English	
Afrikaans	
Isixhosa	
Other (specify)	

4. Race

African	
Coloured	
White	
Indian	
Other (specify)	

### Section B

#### Financial Accountability

Rank the following factors in terms of how important they are to you. Please indicate by means of a cross (x).

5. The municipality demonstrates accountability by giving priority to the basic needs of the community as required by The Constitution of the Republic of South Africa, 1996.

1	2	3	4	5
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Not important at all	Slightly important	Important	Fairly important	Very important
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6. The municipal council executes its powers and functions without being biased as established in The Municipal Systems Act, 2000.

1	2	3	4	5
Not important at all	Slightly important	Important	Fairly important	Very important

7. Municipal officials indicate financial accountability through provision of efficient and comprehensive information to investigative bodies such as the Auditor-General.

1	2	3	4	5
Not important at all	Slightly important	Important	Fairly important	Very important

8. Councillors denote accountability to voters through budget roadshows and meetings that indicate what will be achieved (procurement planning) with the financial resources to be utilised by the municipality for the community.

1	2	3	4	5
Not important at all	Slightly important	Important	Fairly important	Very important

9. Municipal management is accountable to higher tiers of government through the preparation of annual financial statements including reports that indicates what has been achieved with the financial resources at the disposal of the community.

1	2	3	4	5
Not important at all	Slightly important	Important	Fairly important	Very important

10. Principles of integrity, transparency and accountability by local government officials are being practised as per South African legislation.

1	2	3	4	5
Not important at all	Slightly important	Important	Fairly important	Very important

## Section C

### Financial Control

Respond to the statement, indicating the extent to which you satisfied or dissatisfied by placing a cross (x) in the appropriate column.

11. The accounting officer ensures that the MFMA encourages a more accountable local government sphere.

1	2	3	4	5
Not at all satisfied	Partly satisfied	Satisfied	More than satisfied	Very satisfied

12. The MFMA addresses reforms pertaining to new mechanisms to resolve financial problems.

1	2	3	4	5
Not at all satisfied	Partly satisfied	Satisfied	More than satisfied	Very satisfied

13. Accounting standards and formats have been effectively addressed by the MFMA.

1	2	3	4	5
Not at all satisfied	Partly satisfied	Satisfied	More than satisfied	Very satisfied

14. The MFMA has led to efficiency in financial management practices.

1	2	3	4	5
Not at all satisfied	Partly satisfied	Satisfied	More than satisfied	Very satisfied

15. MFMA has demonstrated transparency to external stakeholders, i.e., the community.

1	2	3	4	5
Not at all satisfied	Partly satisfied	Satisfied	More than satisfied	Very satisfied

16. The municipal council has a common aim of implementing policies for good financial governance.

1	2	3	4	5
Not at all satisfied	Partly satisfied	Satisfied	More than satisfied	Very satisfied

17. Political guidance provided by the mayor does not influence financial decisions in favour of the ruling political party.

1	2	3	4	5
Not at all satisfied	Partly satisfied	Satisfied	More than satisfied	Very satisfied

18. The municipal manager must not allow political influence to affect the finance officials, especially the Chief Financial Officer in performing any financial transaction that will contravene the Municipal Finance Management Act (MFMA).

1	2	3	4	5
Not at all satisfied	Partly satisfied	Satisfied	More than satisfied	Very satisfied

19. Internal audit enforces proper financial control.

1	2	3	4	5
Not at all satisfied	Partly satisfied	Satisfied	More than satisfied	Very satisfied

20. Performance appraisal plays a major role in improving employee morale.

1	2	3	4	5
Not at all satisfied	Partly satisfied	Satisfied	More than satisfied	Very satisfied

## Section D

### Financial Reporting

Respond to the statement, indicating the extent to which you agree or disagree by placing a cross (x) in the appropriate column.

21. The municipality arranges workshops/programmes to train finance officials on Generally Recognised Accounting Practice (GRAP).

1	2	3	4	5
Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree

22. Reports on predetermined objectives comply with the GRAP accounting standards.

1	2	3	4	5
---	---	---	---	---



Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
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23. Municipal officials are updated with the changes in International Accounting Standards (IAS).

1	2	3	4	5
Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree

24. Financials of the municipality are timeously submitted to the Auditor General for audit purposes by the Accounting Officer.

1	2	3	4	5
Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree

25. The audit committee fulfils its responsibilities as required by section 166 of the MFMA.

1	2	3	4	5
Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree

26. Municipal management implements policies and practices developed by National Treasury.

1	2	3	4	5
Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree

27. There is an intense link aimed at promoting sound financial reporting between the municipality and Provincial Treasury.

1	2	3	4	5
Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree

28. The finance system is well linked to develop monthly financial reports within the municipality without outsourcing.

1	2	3	4	5
---	---	---	---	---

Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
-------------------	----------	----------------------------	-------	----------------

29. Staff meetings address constraints that limit the municipality from achieving a clean audit report.

1	2	3	4	5
Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree

30. The audit outcome/opinion is always regarded as an outcome for the entire municipality.

1	2	3	4	5
Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree

**THANK YOU FOR YOUR CO-OPERATION**

## APPENDIX D – GATEKEEPER’S PERMISSION LETTER

**UMTSHEZI MUNICIPALITY  
UMTSHEZI MUNISIPALITEIT  
UMKHANDLU WASEMTSHEZI**



**Address:** P.O. Box 15  
Estcourt, 3310  
**Telephone:** (036) - 342 7800  
**Fax No:** (036) - 3525829 (Admin)  
(036) - 3527898 (Finance)  
(036) - 3525054 (Health)  
(036) - 3525237 (Traffic)

Mr MW Khanyile  
PO Box 1744  
Estcourt  
3310

Student No: 20427148

### LETTER OF AUTHORITY

This letter allows Mr MW Khanyile to use information from Umtshezi Municipality for his research in obtaining his Master Degree in Cost and Management Accounting. This information must be treated as confidential.

Should you have any queries please do not hesitate to contact me.

Yours Faithfully 

  
**PN NJOKO  
MUNICIPAL MANAGER**

