

**PROVINCIAL MONITORING AND SUPPORT FOR  
ACCOUNTABILITY IN MUNICIPAL FINANCE: THE CASE OF  
NKONKOBÉ LOCAL MUNICIPALITY, EASTERN CAPE  
PROVINCE**

BY

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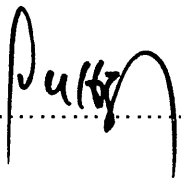
## DECLARATION

I, **Mlamli BONGCO** hereby, declare that this research study entitled “**Provincial Monitoring and Support for Accountability in Municipal Finance: The Case of Nkonkobe Local Municipality, Eastern Cape Province**”, submitted to the University of Fort Hare in partial-fulfilment of the requirements for the degree of Master of Public Administration (MPA), has never been submitted by me for a degree at this or any other university, that this is my own work in design and execution and that all material referred to herein has been duly acknowledged by way of references.



Signature

Date

  
.....

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11 / 04 / 2014  
.....

## **DEDICATION**

To my late father... may his soul rest in peace, for inspiring me to get good quality education, even though he was not educated himself.



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## ACKNOWLEDGEMENTS

To the Almighty God, the Creator of all things for providing me with strength, courage, protection, and wisdom to start and finish this mammoth task, I thank Thee.

To my supervisor Mr M. Sibanda, thank you for your guidance, advice, mentoring and patience during the course of this study, I have learnt a lot from your vast knowledge and wisdom. The Xhosa adage of *“Inyathi ibuzwa kwabaphambili”* (loosely translated as the whereabouts of a buffalo is asked from those at the front) is very true as I have not hesitated to seek wisdom and knowledge from you, which were easily provided.

To my lovely wife Liyema and my children, Yanga, Yuri, Yolanda, Bulela and Busikhuse, thank you for your understanding, especially Busikhuse, for not having enough time to carry him on my shoulders during the study.

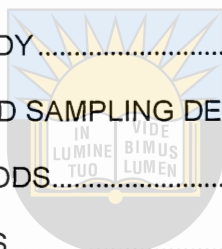
Lastly, to the AmaNywabe clan, Gatyeni, Mamali, Ndongela, Msengana, Nkomozibomvu, Noniko, Mlawu, Zandlaphayo, Sifubasinoboya, Boyabenyathi, for understanding my absence from family matters during the study.

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## ABSTRACT

The Constitution of the Republic of South Africa, 1996, section 154(1) states that the national government and provincial governments, by legislative and other measures, must support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions. The study sought to identify the monitoring and support rendered to Nkonkobe local municipality by the province in achieving clean audit; and assessing the impact of the provincial monitoring and support to Nkonkobe local municipality in achieving clean audit. In addition to this the study sought to come up with recommendations on how to address the challenges and problems experienced in the rendering of provincial monitoring and support to Nkonkobe local municipality. The study used both quantitative and qualitative research methods. Twenty (20) respondents comprised of Nkonkobe local municipal officials, Eastern Cape Provincial government officials and South African Local Government Association's officials were given questionnaires to complete. Furthermore face-to-face interviews and document analysis were also used as data collection methods. The study findings suggest that the monitoring and support provided to Nkonkobe local municipality by the province is insufficient in achieving clean audit, as it faces capacity and budgetary constraints, and above all, is not well coordinated between the Provincial Treasury and Department of Local Government and Traditional Affairs. Improvement in audit outcome (from a disclaimer to a qualified audit opinion) has been noted, but in general, there has been insignificant impact noted in Nkonkobe local municipality. The study recommended that sufficient resources must be provided by the province in monitoring and supporting Nkonkobe local municipality to achieve clean audit. It was also recommended that coordination of support activities between and within the national and provincial governments was critically important.

# CHAPTER ONE

## 1 OVERVIEW AND DERMACATION OF THE RESEARCH PROBLEM

### 1.1 INTRODUCTION

The focal point of the research to be conducted will be on provincial monitoring and support for accountability in municipal finance to municipalities in general, with particular reference to Nkonkobe Local Municipality. The South African Government is constituted into three spheres of government i.e. national, provincial and local, which are interdependent, interrelated but distinctive (Constitution 1996: Section 40). The principles that govern the cooperation and intergovernmental relations between these spheres of government require them to provide effective, transparent, accountable and coherent government for the whole of the country. Furthermore the three spheres of government are required to cooperate with one another in mutual trust and good faith by assisting, supporting one another, and coordinating their activities with one another. The Constitution of the Republic of South Africa, 1996 acknowledges the fact that South Africa is a unitary state, with three spheres that are tasked with powers and functions that are concurrent and at the same time exclusive in some areas as provided for in Schedules 4 Part A and B and 5 Part A and B of the Constitution.

Local government being the lowest sphere will definitely require monitoring and support from other spheres in order to achieve its objectives as set out in Section 152 of the Constitution, 1996. Local government is required to provide democratic and accountable government for local communities, and must ensure that services are provided to communities in a sustainable

manner. It is further expected that local government must promote social and economic development, and a safe and healthy environment in its area of jurisdiction. Lastly the involvement of communities and community organisations must be encouraged. Local government would not be able to achieve these objectives on its own, and its development mandate cannot be realised without cooperation from the province and national governments respectively.

Furthermore the Constitution of 1996 confers on municipalities, powers and functions in (a) the local government matters listed in Part B of schedule 4 and Part B schedule 5, and (b) any other matter assigned to it by national or provincial legislation. The Constitution of the Republic of South Africa, 1996 further provides in Section 154(1) that :- the national government and provincial governments, by legislative and other measures, must support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their duties. Furthermore, in terms of Section 155(b) of the same Constitution, each province by legislative and other measures must provide for the monitoring and support of the local government in the province and promote the development of local government capacity to enable municipalities to perform their functions and manage their own affairs.

The purpose of the study is therefore to assess *the* nature and extent of provincial support and monitoring to municipalities in achieving clean audits, with specific reference to Nkonkobe local municipality, in Amathole District of the Eastern Cape Province, South Africa. The study aims to assess *the* nature and extent of provincial monitoring and support to Nkonkobe local municipality for achieving clean audits and to determine to what extent provincial governments strengthen and improve their monitoring and support mechanisms to this municipality. This study will contribute to municipal administration by identifying challenges experienced and providing

recommendations on how to address those challenges and problems, so as to achieve the desired outcomes of clean audits.

## **1.2 BACKGROUND AND REASON FOR THE STUDY**

Since the inception of the new local government system in 2000, it became apparent that municipalities continued experiencing enormous challenges in service delivery (Department of Cooperative Governance and Traditional Affairs, 2009:3). This has been indicated by numerous service delivery protests by dissatisfied communities and reported corrupt activities prevalent in municipalities (Department of Cooperative Governance and Traditional Affairs, 2009:3). This prompted the national government in 2009 to engage in national assessment of all municipalities in South Africa. The purpose of the assessments was to establish the root causes of poor performance, distress or dysfunctionality in municipalities. From the assessments the State of Local Government Report, 2009 was compiled which indicated the root causes of dysfunctionality in municipalities, as systemic factors linked to the model of local government, policy and legislative factors, policy factors, weakness in the accountability systems, capacity and skills constraints, weak intergovernmental support and oversight, and issues associated with intergovernmental fiscal system (Department of Cooperative Governance and Traditional Affairs, 2009:3).

In order to address the issues identified in the State of Local Government Report of 2009, the national government developed a Local Government Turnaround Strategy (LGTAS). The Local Government Turnaround Strategy (LGTAS) identified five strategic objectives guiding its interventions and support to municipalities aimed at restoring the confidence of the people in municipalities. The strategic objectives aimed at ensuring that municipalities meet the basic service needs of communities, and building of clean, effective, efficient, responsive and accountable local government. Furthermore they

intended to improve national and provincial policy, oversight and support, and improving performance and professionalism in municipalities. Lastly, the LGTAS intended to strengthen partnerships between local government, communities and civil society (Department of Cooperative Governance and Traditional Affairs, 2009:19).

Operation Clean Audits 2014 became the anchor and leading project in the intervention support to municipalities. In launching the 2014 Clean Audit Project on 14 July 2009 in Birchwood Hotel, Boksburg, the then Minister of Cooperative Governance and Traditional Affairs (COGTA), Honourable Sicelo Shiceka indicated that in terms of 2006/07 Audit Report out of 283 municipalities countrywide only 56 received unqualified audit opinions ([www.cogta.gov.za](http://www.cogta.gov.za) ). To him that indicated a crisis in municipalities that needed swift action by all spheres of government.

The Minister further indicated that the findings for such were mainly due to poor internal controls, poor quality of financial statements and non-compliance with supply chain management. Furthermore he indicated that the strategic vision and objective of Operation Clean Audit Project is that “by 2014 all 283 municipalities (278 now) and all provincial departments in the nine provinces in South Africa will have achieved clean audits on their financial statements and they will also be maintaining systems for sustaining quality financial statements and management information.” ([www.cogta.gov.za](http://www.cogta.gov.za))

In order to achieve the strategic objectives the Minister identified the good governance and leadership, and promotion of ethics and fighting corruption as enablers. He regarded honest, truthful leadership that leads by example on the ground, the presence of technical and conceptual skills as key to the success of the programme. Further he identified the proper functioning of

audit committees and political oversight as ingredients of good governance, the separation of powers at municipal level, planning and budgeting, bank reconciliation, record keeping, and positive culture as necessary for the success of Operation Clean Audit ([www.cogta.gov.za](http://www.cogta.gov.za)). In launching Operation Clean Audit 2014 the Minister set the ball rolling for the provinces to support and coordinate their activities with municipalities in order to achieve the objectives as set out by the national government.

As such the Eastern Cape Provincial Department of Local Government and Traditional Affairs launched its Operation Clean Audit 2014 at the Good News Christian Centre, King William's Town on 13 October 2009 in the presence of the Premier, three Members of the Executive Councils( MEC's), Auditor General, national department of COGTA, the South African Local Government Association (SALGA), Accountant General, Heads of Provincial Departments and above all representatives of all the Eastern Cape municipalities in the form of mayors and municipal managers. The Eastern Cape Province taking the tune from national government identified its vision which articulates that "by 2014, all forty five (45) municipalities and fourteen (14) provincial departments in the Eastern Cape will have achieved clean audits on their Annual Financial Statements and maintaining systems for sustaining quality financial statements and management information."(Local Government and Traditional Affairs 2009:2) The Eastern Cape Province went further to identify four (4) milestones in achieving its objectives of clean audits. The first milestone was that between 2010 and 2011, no municipality and provincial department has to achieve adverse and disclaimer audit opinions. Secondly, at least twenty seven (27) municipalities and eleven (11) provincial departments have to achieve unqualified audit opinion by 2012. Thirdly, at least thirty three (33) municipalities and nine (9) provincial departments are to achieve unqualified audit by 2013, and that lastly, all

municipalities and provincial departments would have to achieve unqualified audit opinions by 2014 (Local Government and Traditional Affairs 2009:3).

The Auditor General reported during the launch that for the 2007/08 Audit Report for the Eastern Cape municipalities, only four (4) municipalities received unqualified audit opinions, fifteen (15) received qualifications, eighteen (18) disclaimers, and eighteen (8) adverse audit opinions (Consolidated Audit Report, 2008:15). Looking at the milestones and targets the province set its self to achieve and comparing it with the state municipalities were in, in 2009 the task that was before the Eastern Cape Province was very huge indeed and needed a miracle to achieve.

In implementing Operation Clean Audits 2014, the provincial governments through the Department of Local Governments and Traditional Affairs developed programmes, established forums and appointed personnel in order to give support and monitoring in municipalities. A number of municipalities were identified to receive such support especially those who received disclaimers opinions ([www.eclgta.ecape.gov.za](http://www.eclgta.ecape.gov.za)). The Provincial Audit Improvement Coordinating Committee (PAICC) was formed and was responsible for coordinating all interventions and pulling of resources together, in order to deploy them appropriately, and to develop and monitor action plans to address audit outcomes and financial management issues in the province. Specialists in finance, human resources, internal audit, supply chain management and engineering were appointed and sent to identified municipalities to give support in improving the audit outcomes of those municipalities.

The Nkonkobe local municipality has from its establishment in 2000 received disclaimers in audit opinion, save for 2010/11 and 2011/12 (current) municipal financial years in which it received qualified audit opinions, and was among municipalities identified by the Eastern Cape Province to receive support and is therefore expected to achieve clean audit by 2014. The Nkonkobe local municipality is faced with many challenges in achieving clean audits, including poor records management, weak internal controls, capacity constraints, lack of oversight, non-compliance with legislative requirements, poor implementation of performance management system, non-compliant asset register, reconciliations not properly prepared, and so forth (Nkonkobe Local Municipality 2013:78). As mentioned above the focus of this study is the assessment of the nature and extent of such support, and to establish whether Nkonkobe local municipality has managed to improve its financial management systems so as to achieve clean audits.

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### **1.3 STATEMENT OF THE PROBLEM**

With the advent of the democratic dispensation in South Africa there has been a progressive interaction between the three spheres of government with the main focus on the monitoring, coordination of government and supporting each other, for the betterment of service delivery. Support and monitoring mechanisms and structures have been developed and established between the Eastern Cape provincial government (especially Department of Local Government, and Traditional Affairs and Provincial Treasury) and municipalities. Furthermore the Eastern Cape provincial government has rendered considerable support to municipalities and developed a number of programmes to enhance such support.

However, in spite of monitoring and support rendered to municipalities by the provinces, the audit outcomes of municipalities continue to reflect poor financial management by municipalities. The Auditor- General has indicated

that only nine (9) out of 278 (two hundred and seventy eight) municipalities achieved a clean audit for the 2011/12 financial year, and further that the audit outcomes have shown a regression compared to the last financial year (Auditor-General, 2013:25). The main research question can thus be stated as follows:-

*What is the nature and extent of provincial monitoring and support to Nkonkobe local municipality for achieving clean audits?*

#### **1.4 OBJECTIVES OF THE STUDY**

The objectives of this study are to:

- (i) identify the monitoring and support rendered to Nkonkobe local municipality by the province in achieving clean audit
- (ii) assess the impact of the provincial monitoring and support to Nkonkobe local municipality in achieving clean audit
- (iii) give suggestions on how to address challenges and problems experienced in the rendering of provincial monitoring and support to Nkonkobe local municipalities.

#### **1.5 SIGNIFICANCE OF THE STUDY**

The study's significance will be to assist in addressing the challenges, bottlenecks and the shortfalls in the way that the province supports and monitors the functioning of municipalities. It will explore possible mechanisms and approaches in the formulation and implementation of the support that will yield good results and attainment of the desired objectives. This will in a way add value to the overall government's ability to improve its accountability to its citizens in the use of people's taxes. The study will assist local government practitioners in acquiring more knowledge in the area of intergovernmental relations, thereby sharpening their skills in coordination of government programmes for the betterment of society at large. Malefane (2008: 708)

agrees on this and argues that "...based on the challenges the South African government is faced with, in particular municipalities, research becomes an even more important part of service delivery...for government to meet the expectations of the broader society, it requires information that will enable it to make informed decisions..." In the long run the communities will develop trust in the system of government and that will bring peace, stability and progress in the country.

## 1.6 DEFINITION OF KEY TERMS

The following terms are defined in the context of this study:

### 1.6.1 Public Administration

Fox *et. al.* (1991) as quoted by Bayat and Meyer (1994:4) defines Public Administration as that system of structures and processes operating within a particular society as the environment, with the objective of facilitating the formulation of appropriate governmental policy and the effective and efficient execution of the formulated policy. Cloete (2008:88) regards public administration as the activities performed to create and run public institutions and the nature of the activities is to render essential services to communities. He further states that there are three specialised fields of public administration; namely state administration also known as national administration, regional/provincial administration, and local/municipal administration.

Nhede (2012:162) states that public administration deals with the actions and activities of government and revolves around the day-to-day operations of governments and policy implementation. Nhede (2012:162) further indicates that Public administration is not only about the activities of government but it is also a discipline that can be studied systematically like any other discipline. He concludes by saying public administration refers to all the activities that

the government in all the three spheres (national, provincial and local sphere) performs to achieve its goals, involving taking care of its people in order for them to attain good living. The immediate objective of public administration is the most efficient utilisation of resources at the disposal of officials and employees (Nhede, 2012:162).

### **1.6.2 Intergovernmental Relations**

Intergovernmental relations are defined by Watts in Levy and Tapscott (2001: 22-26) as interactions between governmental units of all types and levels within a political system having vertical and horizontal dimensions. The vertical dimensions consist of relations between governments in different spheres: national-provincial, provincial-local and national-local. The horizontal dimensions relate to different governments within the same sphere: inter-provincial or inter-local. Intergovernmental relations will therefore be relations between and within the national government, nine (9) provincial governments and two hundred and seventy-eight (278) municipalities, and how these can be made to work together for the good of the country as a whole.

### **1.6.3 Monitoring**

Monitoring is defined by Cloete (2009:295) as the regular, systematic collection of data on the basis of specified indicators to determine levels of progress and achievement of goals and objectives. He further states that it is a very important implementation and management tool that its results are normally regularly reported in prescribed standardised formats. Monitoring deals mostly with planning and control. Control includes gathering information on actual progress and performance, assessing deviations from targets, analysing possible causes of deviation, and taking remedial action in the process (Ijeoma, 2011:1289).

### **1.6.4 Municipal support**

Support is being defined here as the provision of assistance to municipalities in order to be able to achieve their mandate. It would include providing assistance in capacitation programmes, provision of advice, providing resources, including human and financial support.

## **1.7 OUTLINE OF THE STUDY**

The following is the outline of the study. It will be composed of five chapters, demarcated as follows:

**Chapter 1** will deal with the general introduction of the study. It deals with the background to the study, the statement of the problem, scope and limitation of research and clarification of concepts.

**Chapter 2** will deal with the review of literature that deals with intergovernmental relations, public finance, municipal finance, support of municipalities by provinces. The legal framework related to the study will be discussed in terms of constitutional principles and other relevant legislation. The nature and extent of provincial support in the achievement of clean audits will be reflected. The Local Government Turnaround strategy will be discussed paying particular attention on the clean audit project indicating its objectives and implementation plans. The different audit opinions, their implications and the findings of the Auditor-General on various municipalities, paying particular attention on the Eastern Cape Province will be dealt with. Lastly, the financial performance of the Nkonkobe local municipality will be discussed, challenges and support rendered will also be clearly stipulated.

**Chapter 3** will mainly focus on the research methodology used encompassing and entailing the research design, methodology, data collection methods, sampling procedure, data analysis and ethical considerations.

**Chapter 4** will present the research findings as well as the interpretation and analysis of the findings.

**Chapter 5** will contain the summary, general research conclusions and recommendations.

## **1.8 CONCLUSION**

The state under which municipalities find themselves in, has raised questions and criticisms on the role of the national and provincial governments in supervising the local sphere of government in fulfilling its mandate and achieving its constitutional objectives. Municipalities are continuing to underperform in almost all areas of their responsibilities and this has led to many service delivery protests being experienced throughout the country. It has been reported by local government monitors including Municipal IQ that since the dawn of democracy, South Africa has never witnessed such a high number of service delivery protests for the years 2012 and 2013, protests which are characterised by violence and destruction of public property ([www.municipaliq.co.za](http://www.municipaliq.co.za)). What went wrong with our municipalities? Where are the national and provincial governments? What are they doing to arrest the situation? These and many more questions are frequently asked.

Audit reports regarding performance of municipalities in financial matters paint a gloomy picture about the state of municipal finances. The Auditor-General in its 2010/11 consolidated municipal audit report, noted with concern that only five percent (5%) of municipalities nationally received clean audit opinions and none of these come from the Eastern Cape. The situation in Nkonkobe local municipality is no different from the rest of the municipalities. Since its establishment in 2000 the municipality has been receiving disclaimers of audit opinions, and only there was slight improvement of a qualified audit opinion for both the 2010/11 and 2012 financial years. The challenges that have been attributed to Nkonkobe local municipality in

achieving clean audits include weak internal controls, lack of oversight, non-compliance with legal prescripts, poor records management, and so forth.

In meeting its constitutional mandate and adhering to constitutional principles of cooperative government, the national and provincial governments have in the past, and are continuing to provide support to local government. The provincial government is mandated by the Constitution of the Republic of South Africa, 1996 to monitor and support municipalities in the performance of their duties. Furthermore there is a constitutional provision of intervention by the province where the municipality fails to perform its executive obligation.

In providing its monitoring and support, the provincial government of the Eastern Cape has implemented various programmes including “operation clean audits” with the intention of improving the financial performance of municipalities in attaining clean audit reports by 2014. This study therefore, sought to assess the nature and extent of provincial monitoring and support to Nkonkobe local municipality for achieving clean audits. Furthermore the study has to provide recommendations on how to improve on the current support. The next chapter deals with the literature review.

## CHAPTER TWO

### 2. REVIEW OF RELATED LITERATURE

#### 2.1 INTRODUCTION

Neuman (2011:124) believes that doing a literature review builds on the idea that knowledge accumulates and that researchers can learn from and build on what others have done. *He* provides the following four (4) goals of literature review as: to demonstrate a familiarity with a body of knowledge and establish credibility; to show the path of prior research and how a current project is linked to it; to integrate and summarise what is known in an area; and to learn from others and stimulate new ideas.

The chapter focuses on reviewing the literature related to the field of study, which is located in public administration, in the area of municipal administration, subfield of municipal finance, and covering monitoring and support, accountability and performance. Public Administration is a science on its own and a field of study that must be understood thoroughly by the students and its practitioners, reviewing its literature therefore becomes imperative to give the context of the study, and this chapter provides as such.

The chapter begins by covering the concept of intergovernmental relations, and proceeds by providing the legal context under which intergovernmental relations are practiced in South Africa, discussing various legislations that have been prescribed in the new dispensation. Relationship between public administration and public finance is discussed and clearly indicated. The chapter continues by reviewing various literature documents on the very important good governance principle of accountability and auditing mechanism in ensuring accountability. Accountability is viewed here as an imperative in the functioning and practice of government and its agencies in

ensuring that public funds at their disposal are used in the most effective, efficient and economic manner. The chapter ends on reviewing literature on the monitoring and support provided to municipalities by the national and provincial governments paying particular attention to Nkonkobe local municipality.

## **2.2 CONCEPT OF INTERGOVERNMENTAL RELATIONS**

Intergovernmental relations are amongst the important features in the study of public administration. Watts in Levy and Tapscott (2001:22-26) defines intergovernmental relations as interactions between governmental units of all types and levels within a political system having vertical and horizontal dimensions. He states that the vertical dimensions consist of relations between governments in different spheres (national-provincial, provincial-local and national-local), and the horizontal dimensions relate to different governments within the same sphere (inter-local or interprovincial).

In terms of this definition by Watts, in Levy and Tapscott (2001:22-26) the vertical relations in the South African context would mean; firstly, relations between the national government and nine (9) provincial governments; secondly, relations between nine (9) provincial governments and two hundred and seventy-eight (278) municipalities; and lastly relation between the national government and the two hundred and seventy-eight (278) municipalities. The horizontal relations would be between government units within the same sphere e.g. relations between the nine (9) provincial departments. In this study, the relations between the Eastern Cape Province and Nkonkobe local municipality are therefore vertical intergovernmental relations.

Intergovernmental relations is an interacting network of institutions at national, provincial and local levels, created and refined to enable the various parts of government to cohere in a manner more, or less appropriate to the

institutional arrangement, and is an evolving system of institutional cooperation that seeks to address the relations of equality and interdependence as defined by the Constitution of Republic of South Africa, 1996 (Department of Provincial and Local Government, 1999:15).

## **2.3 LEGAL FRAMEWORK OF INTERGOVERNMENTAL RELATIONS (IGR) IN SOUTH AFRICA**

Mathebula (2011:850) states that intergovernmental relations is defined through constitutions, legislations, inter-sphere agreements and contracts, legislated and/or assigned mandates, cross-border agreements and other legally binding instruments. In the South African context the following legislation provides for intergovernmental relations specifically those relating to the third sphere of government.

### **2.3.1 Constitution of the Republic of South Africa, 1996**

In terms of section 40 of the Constitution of the Republic of South Africa, 1996, the government is constituted as national, provincial and local spheres of government which are distinctive, interdependent and interrelated. Distinctiveness means that the Constitution allocates certain functions and powers to each sphere which then have the final decision making powers on those matters; interdependent means that each sphere must exercise its autonomy to the common good of the country by cooperating with the other spheres; and interrelatedness means that the exercise of autonomy by a sphere is supervised by the other spheres of government (DPLG, 2007:6).

Chapter 3 of the Constitution of the Republic of South Africa spells out the principles for the promotion of cooperative government and emphasises the fact that the three spheres have distinct powers and responsibilities which must be respected. The principles for cooperative government specify, *inter alia*, that all spheres of government must respect the constitutional status,

institutions, powers and functions of government in other spheres; not assume any power or function except those conferred on them in terms of the Constitution; and exercise their powers and functions in a manner that does not encroach on the geographical, functional, or institutional integrity of government in another sphere.

Chapter 3 of the Constitution of the Republic of South Africa further specifies that the three spheres of government must cooperate with one another in mutual trust and good faith, *inter alia* by supporting and assisting each other, by coordinating their actions, by adhering to agreed procedures and by avoiding legal proceedings against each other. The Constitution requires an Act of Parliament to establish and provide for structures and institutions to promote and facilitate intergovernmental relations, and to provide for appropriate mechanisms and procedures to facilitate settlement of intergovernmental disputes. In resolving intergovernmental disputes, the Constitution requires an organ of state to make every reasonable effort to settle the dispute by means of mechanisms and procedures provided for that purpose, and to exhaust all other remedies before it approaches a court to resolve the dispute.

In terms of section 154 of the Constitution, the national and provincial governments are required to support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions, and further, that draft national and provincial legislation that affects the status, institutions, powers or functions of local government must be published for public comment before introduced in parliament or provincial legislature, to allow interested parties including municipalities to make representations with regard to the draft legislation.

Lastly, section 139 of the Constitution authorises the province to intervene in municipalities, when a municipality fails to fulfill an executive obligation in

terms of the Constitution or legislation. In intervening, the province may take appropriate steps including issuing a directive to the municipal council, describing the extent of the failure to fulfill its obligations and stating any steps required to meet its obligations; assume responsibility for the relevant obligation, and or dissolve the municipal council and appoint an administrator.

### **2.3.2 The White Paper on Local Government, 1998**

The White Paper on Local Government, 1998 states that cooperative government assumes the integrity of each sphere of government and recognises the complex nature of government in modern society, and involves collectively harnessing all public resources behind common goals and within a framework of mutual support; developing a cohesive, multi-sectoral perspective on the interest of the country as a whole, and respecting the discipline of national goals, policies and operating principles; coordinating their activities to avoid wasteful competition and costly duplication; utilizing human resources effectively; and, rationally and clearly dividing between them the roles and responsibility of government, so as to minimize confusion and maximise effectiveness.

According to the White Paper on Local Government, the strategic purposes of intergovernmental relations system include: to promote and facilitate cooperative decision-making; to coordinate and align priorities, budgets, policies and activities across interrelated functions and sectors; to ensure a smooth flow of information within government, and between government and communities, with a view to enhancing the implementation of policy and programmes; and, the prevention and resolution of conflicts and disputes.

### **2.3.3 The Intergovernmental Fiscal Relations Act, 1997**

The Intergovernmental Fiscal Relations Act, 1997 formalises the intergovernmental budget process, gives effect to sections 214 (relative to

revenue sharing) and 41 (promoting cooperative government) of the Constitution of the Republic of South Africa. The Act makes provision for a Budget Council and Budget Forum to promote cooperation between the spheres of government relative to fiscal, budgetary and related financial matters. The Budget Council consists of the national Minister of Finance and the nine provincial MECs of Finance and is consulted on financial and fiscal matters impacting on provincial government. The Budget Forum focuses on financial and fiscal matters relative to local government. The membership of the Budget Forum includes the Budget Council, five representatives from SALGA and one representative from the provincial associations.

#### **2.3.4 The Local Government: Municipal Systems Act, 2000(MSA)**

In terms of section 3 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), municipalities must exercise their executive and legislative authority within the constitutional system of cooperative government envisaged in section 41 of the Constitution. Again, the MSA emphasizes the adherence at all time in the principles of cooperative government by the municipalities in the performance of their duties. The national and provincial spheres of government are also expected to exercise their executive and legislative authority in a manner that does not compromise or impede a municipality's ability or right to exercise its executive and legislative authority

For the purpose of effective cooperative government, the MSA further requires organized local government to: develop common approaches for local government as a distinct sphere of government; enhance cooperation, mutual assistance and sharing of resources among municipalities; find solutions for problems relating to local government generally; and facilitate compliance with the principles of cooperative government and intergovernmental relations.

In terms of section 31 of MSA the MEC for local government may monitor the process followed by a municipality in drafting its Integrated Development Plan (IDP) and may assist a municipality with the planning, drafting, adoption and reviewal of its IDP. The MEC for local government may also facilitate the coordination and alignment of IDPs with national and provincial programmes. Within ten days after a municipal council's approval of the IDP, the municipal manager must submit a copy to the MEC for local government, who in turn must assess the document for compliance of legislation.

In monitoring the performance of municipalities, the MEC for local government, in terms of section 47 of MSA, must annually compile and submit to the provincial legislature and the national Minister a consolidated report on the performance of the municipalities in the province, identifying municipalities that have underperformed and remedial action to be taken.

The MEC for local government in a province is required in terms of section 105 of MSA to establish mechanisms, processes and procedures to: monitor municipalities in the province in managing their own affairs, exercising their powers and performing their functions; monitor the development of local government capacity in the province; and assess the support needed by municipalities to strengthen their capacity to manage their own affairs, exercise their powers and perform their functions.

Lastly, section 106 of MSA empowers the MEC for local government to conduct an investigation in a municipality where maladministration, fraud, corruption or any other serious malpractice has occurred. The National Council of Provinces has to be consulted prior to such investigation.

### **2.3.5 The Municipal Finance Management Act, 2003 (MFMA)**

The Municipal Finance Management Act, 2003 gives national and provincial treasuries an important role in supervising municipalities, including monitoring municipalities' financial well-being and intervening in municipalities. Chapter 2 of the MFMA requires the national treasury to monitor the budgets of municipalities and their implementation; to promote good budget and fiscal management by municipalities; to monitor and assess compliance by municipalities with legislation and applicable accounting practices; to investigate any system of financial management and internal control in any municipality and recommend improvements; and to take appropriate steps if a municipality commits a breach of the Act.

Chapter 2 of the MFMA further requires the provincial treasury to assist the national treasury in enforcing compliance with legislation by municipalities. The provincial treasury must monitor the preparation by municipalities in the province of their budgets, the monthly outcome of those budgets, and the submission of reports by municipalities in the province as required in terms of legislation. Furthermore, the provincial treasury may assist municipalities in the province in the preparation of their budgets, and may take appropriate steps if a municipality commits a breach of the Act.

Chapter 5 of the MFMA places a responsibility on both national and provincial governments to assist municipalities in building their capacity for efficient, effective and transparent financial management. They are required to support the efforts of municipalities to identify and resolve their financial problems. Again, the MFMA requires the adherence to the principles of cooperative government in accordance with Chapter 3 of the Constitution, by the national and provincial governments in their fiscal and financial relations with the local government sphere. The national and provincial governments are required to promptly meet their financial commitments towards municipalities; to provide

timely information and assistance in order for municipalities to plan properly and prepare their budgets accordingly.

Chapter 5 of the MFMA requires national and provincial departments to notify the national and provincial treasuries respectively of all proposed allocations to be transferred to each municipality by not later than 20 January of each year. The national Minister or the MEC for finance when tabling the budget is further required to, make public particulars of any allocations due to each municipality in terms of that budget.

Finally, the national treasury is empowered in Chapter 5 of the MFMA to stop the transfer of funds due to a municipality, only if the municipality commits serious or persistent breach of the measures established in terms of section 216(1) of the Constitution, or breaches or fail to comply with any conditions under which the allocation is made.

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### **2.3.6. Intergovernmental Relations Framework Act, 2005 (IRFA)**

The principal objective of this Act is to establish a framework for the three spheres of government (in accordance with Section 41(2) of the Constitution, 1996) to promote and facilitate intergovernmental relations, and to provide for mechanisms and procedures to facilitate the settlement of intergovernmental disputes. According to Fourie and Opperman (2007:14) the objective of the IRFA is to ensure that there is coherent government, effective service provision, monitoring implementation of policy and legislation, and realization of national priorities.

Sections 6, 7 and 8 of the Act establish the President's Coordinating Council (PCC), which is a consultative forum convened by the President, respectively. The PCC's main functions in terms of the Act are: firstly, to raise matters of national interest with the provincial governments and organized local

government and hear their views on these matters; secondly, to consult provincial governments and organized local government on the implementation of national policy and legislation in the provinces and municipalities; thirdly, to discuss performance in the provision of services in order to detect failures and initiate preventive or corrective action if needed; and lastly, to consider reports from intergovernmental forums on matters affecting the national interest and reports dealing with provincial and municipal performance.

Section 9 of IRFA, provides for the establishment of intergovernmental forum by any cabinet member to promote and facilitate intergovernmental relations in that cabinet member's area(s) of responsibility. In the case of local government, as an example, the national Minister of Cooperative Governance and Traditional Affairs (COGTA), sits with his nine provincial Members of Executive Councils (MECs) responsible for Local Government in their respective provinces, in an IGR forum (MinMEC).

Section 16 of IRFA provides for the establishment of Premier's intergovernmental forum in each province. This forum comprises the Premier, the MEC for Local Government, other MECs designated by the Premier, mayors of metropolitan and district municipalities, and a councilor representing organized local government. This forum has a consultative role, and must discuss and consult on matters of mutual interest between the province and local government. Section 24 of the Act provides for the establishment of district intergovernmental forums to promote and facilitate intergovernmental relations between district and local municipality. These forums, (District Mayors Forum- DIMAFO) comprise the mayor of the district and the mayors of local municipality in that district.

The IRFA in terms of section 28 and 29 allows two or more municipalities to establish an inter-municipality forum to provide and facilitate

intergovernmental relations between them and discuss and consult each other on matters of mutual interest. Section 36 of IRFA requires of provincial government when developing policies or draft legislation affecting municipalities in the province, to take into account national priorities and the interest of local communities, and must consult local government in the province and specifically the affected municipalities.

Finally the IRFA in terms of Chapter 4 provides for the settlement of intergovernmental disputes, processes to be followed. *It* places a positive duty on all organs of state to avoid disputes, and to settle disputes that cannot be avoided, without resorting to legal proceedings.

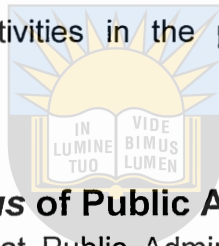
## **2.4 FINANCING AS A GENERIC ADMINISTRATIVE FUNCTION**

Ijeoma, Nzewi and Sibanda (2013:47) identify seven generic principles or functions of public administration as including policy making, financing, organizing, staffing, work procedures, control and management. They indicate that the principles are generic because they are universal and thus can be applied to any situation where the job of administration is being carried out, and can be performed at different levels of government. It becomes imperative therefore that public administration is firstly defined first before the financing function is dealt with.

### **2.4.1 What is Public Administration?**

Waldo (1968) as quoted by Stillman (1988:4) points out the difficult of defining public administration as there is no good definition or perhaps there are good definitions but no good short explanations. Nevertheless he regards public administration both as a *study* and an *activity* intended to maximise the realisation of public goals and the central idea being the rational action, which is defined as action correctly calculated to realise given desired goals (Stillman 1988:13). Ijeoma, *et, al.* (2013:24) regard public administration as

comprising activities, performed by people in public institutions geared towards the goal of providing services for the public. According to Gildenhuis (1997:23) government functions are usually classified as *line functions* and *staff functions*. He reckons that line functions encompasses order and protection functions, social welfare functions and economic functions whilst staff functions are the supporting functions of the line functions and includes financial services, personnel services, office and secretarial services, legal advisory services, organisation and work-study services, resource supply services, and accounting and auditing services. Public administration will therefore encompass all activities in the pursuance of the government functions.



#### **2.4.2 Locus and Focus of Public Administration**

Nhede (2012:162) asserts that Public Administration is not only about the activities of government but it is also a discipline that can be studied systematically like any other discipline. According to *him*, public administration refers to all the activities that the government performs to achieve its goals, and involves taking care of its people in order for them to attain good living. The immediate objective of public administration is the most efficient utilisation of resources at the disposal of officials and employees and that requires the elimination of wasting material resources, the conservation and effective use of human resources, and the protection of the welfare and interest of employees (Nhede, 2012:162)

The study of Public Administration as a discipline has taken its roots in 18<sup>th</sup> century Europe where training programmes were conducted in universities for state administrative governance (Ijeoma *et, al.* 2013:36). The study of Public Administration has experienced turbulent development, marred by confusion and crisis throughout the various stages of its evolution. The first period of

“politics-administration dichotomy”, advanced by Woodrow Wilson brought about the notion of separation of politics and administration.

According to Basheka (2012:36) Woodrow Wilson emphasised the need to study public administration as a discipline separate from politics, arguing that, “administration lies outside the proper sphere of politics and those administrative questions were different from political questions” and thus the field of politics was not the field of business. This notion of separation of politics and administration has been the subject of lasting debate and even today we are still asking whether we can really separate politics from administration. Nevertheless, Basheka (2012:41) concludes by indicating that the politics-administration dichotomy provided a solid foundation for the theorisation and teaching of public administration.

Kettl (2000) as quoted by Basheka (2012:44) reports that from its beginning, public administration was one of the critical foundations of political science, and political science was the natural home of public administration. Another important development in the study of public administration was the promotion of principles of public administration by Gullick and Urwick, who created the acronym, POSDCORB for planning, organizing, staffing, directing, coordinating, reporting and budgeting (Basheka, 2012:43).

According to Nhede (2012:163) this was a positive development that confirms that Public Administration is a discipline that can be studied and subjected to rigorous scientific tests like any other social science. The field of study of Public Administration has become complex as a result of more responsibilities in contemporary communities, and activities of government have to increase because it is the state’s responsibility to ensure peace and stability of its people (Nhede, 2012:164). Ijeoma *et al.* (2013: 45) clearly depict the scope of public administration in the table below:

**Table 1: Scope of public administration**

Administrative functions	Functional activities	Auxiliary activities
Policy making	Education	Record management
Financing	ICT	Legal services
Organising	Engineering	Research
Staffing/personnel	Postal services	Secretarial
Work procedures	Medical services	Provision of materials
Control	Health services	Provision of information services
Management		

Source: Ijeoma, et, al. (2013:45)

### **2.4.3 Linkages between Public Administration and Public Finance Management**

Public finance management is regarded as what government does to collect resources (usually money) from the economy (e.g. tax) and to allocate those resources for public good (Ijeoma et, al. 2013:287). Ijeoma et, al. (2013) further state that good financial management can be seen as the appropriateness of the way government collects these resources and the efficiency, effectiveness and economic manner in which it allocates this

money for public good. They conclude by indicating that public finance management is thus encompasses the generation of resources, allocation of resources, and utilisation of resources. Gildenhuys (1997:56) regards public accountability as a very important requirement in public financial management. He states that political representatives and public officials must be held responsible for the public funds placed under their control.

In the preceding discussion, it has been mentioned that public administration deals with all the activities of government, and for government to be able to provide services to the communities will require resources, will require to allocate those resources where they are needed in the most effective, efficient and economic manner. This is where the public finance management comes in. It may be concluded therefore that public finance management is a very important component of public administration, which without it, government would not be able to achieve its objective, and would not be able to account on how it has used the taxes of the people.

Sound financial management practices are essential to the long term sustainability of municipalities. According to National Treasury *Local Government Budgets and Expenditure Review 2006/07-2012/13* (2011:75) municipal financial management involves managing a range of interrelated components including planning and budgeting, revenue, cash and expenditure management, procurement, asset management, reporting and oversight; and each of these component contributes to ensuring that expenditure is developmental, effective and efficient and that municipalities can be held accountable.

#### **2.4.4 Principles and values governing Public Administration**

Chapter 10 of the Constitution of the Republic of South Africa, 1996 provides for democratic values and principles that must govern public administration,

and includes the following: a high standard of professional ethics must be promoted and maintained to the whole of the public service. This implies that it is important to use the resources of the state in the most efficient, economic and effective manner to the benefit of the entire society. Provision of services must adhere to the principles of *Batho Pele* including impartiality, fairness, equity, transparency and without biasness.

Again, the principle that public administration must be accountable is emphasized, which is a cornerstone of good governance. Public administration must be development-oriented and the public encouraged to participate in policy-making. To maximise human potential, good human-resource management and career-development practices must be cultivated. Lastly, public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness and the need to redress the imbalances of the past to achieve broad representation.

## **2.5 ACCOUNTABILITY IN PUBLIC ADMINISTRATION**

In the previous discussion, the principles and values governing public administration were discussed, and include the principle that public administration must be accountable. Public administration thrives on public money; therefore in a democracy it is expedient that public officials be made to account for how they use public money and whether it is negative or positive (Ijeoma *et, al.* 2013:168). It is important therefore to look at what accountability entails.

### **2.5.1 What is accountability?**

Ijeoma *et, al.* (2013:26) regard accountability as one of the components of good governance and define it as the ability of citizens to hold governments and public institutions to account, and goes beyond mechanisms of the state

that dictate answerability of public officials and leaders, by drawing on the consent of the governed. Sekoto and Van Straten (1999:117) view accountability as an obligation to provide answers and explanations concerning actions and performance to those with a right to require such answers and explanations. They further indicate that accountability refers to public servants remaining continually accountable in an honest and accurate manner for their actions, acting in a competent and effective manner to achieve set purposes and produce the desired results, and using public funds entrusted to them for authorized public purposes and not for their own private gain.

Community Law Centre (CLC, 2008:8) regards the concept of accountability as having originally emerged as an element of public financial management (i.e. computing and giving account for the expenditure of public funds), but now the concept applies to a wide array of important decisions and authorities that are responsible for making those decisions. At the centre of the concept of accountability is the checking and balancing of potential abuse of power by public officials with the objective of limiting the potential for corruption of public offices and officials (CLC, 2008:8). The domain of accountability has expanded through time, to include accountability for improving the efficiency and reducing waste in carrying out public programmes, and above all, to focus on the effectiveness of government in meeting publicly desired outcomes for programme and operations, concludes the Community Law Centre (CLC, 2008:8).

### **2.5.2 Types of accountability**

Ijeoma *et, al.* (2013:168-169) identify five types of accountability, namely, political accountability, administrative/managerial accountability, accountability to the law, accountability to the client/consumer, and professional accountability. They regard political accountability as the

accountability expected from the political office bearers (presidents, premiers, mayors, ministers, MECs etc.) and enforced by the citizenry through their political representative in parliament. They further indicate that administrative accountability is accountability expected from top public and municipal officials who submit reports and provide information on the economic, effective and efficient use of resources through tight fiscal and budgetary control and performance management.

Accountability to the law is accountability expected from all public and municipal officials and political office bearers in fulfilling legal requirements and standards in the decisions they take whilst accountability to the consumer is accountability from all public and municipal officials towards direct consumers through giving the consumer opportunity for redress (through avenues such as the public protector or any other oversight organ of state (Ijeoma *et, al.* 2013:168). They conclude by indicating that professional accountability is accountability that is expected from all public officials such as lawyers, doctors, engineers, who operate under professional bodies, and who must adhere to the standards and principles of their profession.

### **2.5.3 Principles of accountability**

The democratically elected South African government in 1997 launched an initiative *Batho Pele* - Sesotho for “People First”, which aims to improve access to public services through increased transparency, accountability, and citizen involvement in public service planning and operations (World Bank, 2011: xi). The government adopted the White Paper on Transforming Public Service Delivery, 1997 as a policy framework and practical implementation strategy for the more efficient, effective and equitable provision of public services (Nzimakwe and Mpehle, 2012:281). Nzimakwe and Mpehle (2012:281) state that the *Batho Pele* initiative is based on eight principles that require public servants to be service-oriented, to strive for excellence in

service delivery and to commit to continuous service improvement, and above all allow customers to hold public servants accountable for the type of services they deliver. The eight principles as encapsulated by the White Paper on Transforming Public Service Delivery of 1997 are as follows:

**Consultation and choice:** the government must regularly consult the customers on services to be provided before rendering those services, and it must be done in a way that will envelop all customers, not only existing ones but also potential ones and those previously disadvantaged. Consumers should also be given real choices so that they can have a say and make informed decisions on what kind of services they need.

**Set service standards:** the service standards should specify precisely the level and quality of services rendered, and must be measurable. The government should benchmark citizen satisfaction with services they receive, and the standards, where applicable, be benchmarked against those used internationally.

**Ensure courtesy:** public officials must demonstrate acceptable behavior and an attitude that is of high standard. They must empathise with consumers and treat them with as much consideration and respect as they would like themselves. For this to be realized, the behavior of public officials needs to be monitored regularly, and any unbecoming behavior and attitude which belittles customers not tolerated.

**Increase access to services:** the government must address the apartheid inequalities in service distribution. All citizens must access services, regardless of their geographical location and disabilities

**Providing information:** it is crucial that accurate, up-to-date, easy to understand information concerning services rendered is provided to

customers in various forms and languages including catering for the disabled and the blind.

**Openness and transparency:** the public should to know how national, provincial, and local government institutions operate, how well they use resources and who is in charge. This can be achieved through annual reports, debates and discussions, IDP/Budget processes, public gatherings, surveys etc.

**Redress:** failures and mistakes must be remedied. Emphasis is needed on quickly and accurately identifying when services are falling below the promised standard and on having procedures to remedy the situation. Consumers of services are encouraged to lay complaints on dissatisfaction they experience, and those complaints must be addressed immediately with speed, fairness, confidentiality and responsiveness.

**Value for money:** government becomes cost-effective by reducing expenditure and eliminating waste and inefficiency.

According to Nzimakwe and Mpehle (2012:279) the *Batho Pele* principles seek to promote and maintain high standards of professional ethics and ensure that citizens are encouraged to participate in policy making and that the public administration is accountable, transparent and development-oriented. One may conclude that the principles are meant to ensure that public officials are accountable for their actions and inactions to the receivers of public services. In practice it has been noted that in too many areas, *Batho Pele* is not working due to public officials attitude in dealing with people; inadequate training of public servants on customer service; lack of public awareness of their rights; and lack of management and leadership skills (Nzimakwe and Mpehle, 2012:285-286)

In instilling the spirit of *Batho Pele* therefore, Nzimakwe and Mpehle (2012:287) recommend the following actions: introduction of monitoring and evaluation mechanisms and structures to measure progress on a continuous basis including human development processes and organizational capacity building aligned with the needs of citizens; development of a culture of customer care and sensitivity towards the diversity of citizens; and improvement of service quality through relationship between service provider and client, collaboration, leadership and innovations.

#### **2.5.4 Financial accountability in Municipal Finance**

According to Ngwakwe (2012:313) financial accountability refers to effective and efficient management of public finance in a transparent manner in compliance with the national budget and plans that are democratically formulated to address public needs effectively. Madue (2009:414) regards financial accountability as focusing on the employment of scarce government resources to ensure effective, efficient and transparent use of public funds and assets, to achieve value for money in meeting the objectives of government in the delivery of services to the public.

Financial management and accountability in municipalities is governed by the provisions of the MFMA. The MFMA seeks to modernise and improve financial governance, clarifies the roles and responsibilities of executive and non-executive councilors and officials, modernises budgeting and financial management practices, and improves governance in all municipalities (Steytler and Baatjies, 2004:1).

According to the National Treasury Local Government Budgets and Expenditure Review 2006/07-2012/13 (2011:76-77) there are three mechanisms that have been provided by legislation governing local government for strengthening financial accountability. The first mechanism involves separating and clarifying roles and responsibilities of mayors,

executive councilors, non-executive councilors and officials. This separation of political and management roles is critical for good governance.

The second mechanism involves developing a performance orientation which must result in alignment between the plans, budgets, implementation actions and reporting to ensure proper management accountability for the achievement of service delivery targets. The third mechanism involves strengthening reporting and disclosure requirements. High quality and timely management information allows management to be proactive in identifying and solving problems as they rise. Financial accountability in a municipality involves various components and activities that need to be aligned. The National Treasury Local Government Budgets and Expenditure Review 2006/07-2012/13 (2011:77) provide the following main components of the financial management and accountability cycle in a municipality:

Firstly there is development of the Integrated Development Plan (IDP) which sets out the municipality's goals and development plans which need to be aligned with the municipality's available resources. Secondly and concurrent with the IDP is the preparation of a three year budget which sets out the revenue raising and expenditure plan of the municipality for approval by council. The allocation of funds needs to be aligned with the priorities in the IDP.

The third aspect relates to the preparation of the service delivery and budget implementation plan (SDBIP) which sets out monthly and quarterly service delivery and financial targets aligned with the annual targets set in the IDP and budget. SDBIP lays the basis for the performance agreements of the municipal manager and senior management. Fourthly, the in-year reports follows, where the administration reports to council, provincial and national governments, and public on the implementation of the budget and SDBIP through monthly, quarterly and mid-year reports. These reports are used to

monitor both the financial and service delivery performance of the municipality's implementation actions.

Fifthly, the annual financial statements which report on the implementation of the budget and reflect the financial position of the municipality are prepared and submitted to the Auditor-General, who issues an audit report indicating the reliance council can place on the statements in exercising oversight. Sixthly, an annual report is prepared, which is the primary instrument of accountability, which the mayor and municipal manager report on implementation performance in relation to the budget and the SDBIP, and the progress being made in realizing the IDP priorities. Lastly, an oversight report is produced by council based on outcomes highlighted in the annual report and actual performance.

### **2.5.5 Municipal accountability structures and systems in Municipal Finance**

Municipal accountability can be established through various types of instruments. According to the Community Law Centre (2008:2) the mechanisms through which locally elected representatives can be accountable to the public include, among other things, elections, public meetings, and formal grievance procedures. The World Bank (2011:26) regards elections as perhaps the most powerful of several mechanisms to hold politicians and policymakers accountable, and the first leg of a long route to accountability.

The open meeting requirements in terms of the Municipal Systems Act, 2000, ensures that municipal meetings do not take place away from public scrutiny, thereby facilitating the accountability of local representatives to the public. The Municipal System Act, 2000 further promotes accountability by encouraging councilors to report back at least quarterly to their constituencies

on the performance of the municipality and to hold ward committee meetings on regular basis giving report backs.

A number of structures and rules that promote municipal accountability can be identified. The audit committee is an important committee that establishes the financial accountability of the municipal executive to the municipal council. It is established in terms of section 166 of the MFMA and various responsibilities have been assigned to it including the reviewing of the annual financial statements to provide a view on the financial position of the council, effectiveness and compliance with legislation; advising the council accounting officer and staff on internal financial controls and internal audits, risk management, accounting policies, effective governance, financial reporting; and interrogate and advise on identification of risks, establishment and maintenance of municipal risk register, management and mitigation of risks, loss control, implementation and effectiveness of performance management system, evaluation of the actual performance of the municipality, and municipal responses to Auditor-General's audit report.

Another important committee in ensuring accountability in municipalities is the Municipal Public Accounts Committee (MPAC). According to Mettler (2008: 11) the main purpose of MPAC is to create a process of accounting that is more transparent, effective and efficient, thus enhancing political oversight and accountability in the use of municipal financial resources. MPAC does that by examining all financial aspects of the municipality including all financial statements of all executive organs of the council; any audit reports issued on these statements, any other financial statements or reports referred to it by the council; and the annual report on behalf of council, and then make recommendations to the council (Mettler, 2008:11)

The annual report serves as an instrument to promote the accountability of the municipal executive to the municipal council, to other spheres of

government and to the general public at large. In terms of the MFMA the purpose of an annual report is to provide a record of the activities of the municipality; to provide a report on performance against the budget of the municipality; and to promote accountability to the local community for the decisions made by the municipality.

## **2.6 AUDITING AS A MECHANISM IN ENSURING ACCOUNTABILITY**

The Auditor-General is established in terms of section 181 of the Constitution of the Republic of South Africa, 1996 as one of the six state institutions supporting constitutional democracy. The Auditor-General is required in terms of section 188 (1)(b) of the Constitution of the Republic of South Africa, 1996 to audit and report on the accounts, financial statements and financial management of all municipalities and further it is a requirement that all audit reports be made public.

  
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Once the Auditor-General has submitted an audit report to the municipality, the mayor in terms of the Municipal Finance Management Act, 2003 must table the annual report which includes the audit report before council within seven months after the end of the financial year. Immediately after the annual report is tabled in the council, it must be made public and local community be invited to submit representations, in terms of section 127(5) of the Municipal Finance Management Act, 2003.

### **2.6.1 Rationale for auditing and various types of auditing**

A financial statement audit is an examination of an entity's financial statements, which have been prepared for shareholders and other interested parties outside the entity, and of the evidence supporting the information contained in those financial statements (Porter *et al.* 2002:4). Porter *et al.* (2002:4) further indicate that auditing is conducted by an independent expert

for the purpose of expressing an opinion as to whether or not the financial statements provide a true and fair view of the entity's financial position and performance, and comply with relevant statutory or other regulatory requirements. Performing annual municipal financial audits plays a vital role in helping in preserving the integrity of public finance and maintaining citizen's confidence in their elected leaders. Furthermore audits give independent assurance that financial information is reliable, and provide transparency and accountability which are essential in showing that public functions are being carried out efficiently, ethically and equitably ([www.revenue.nh.gov.za](http://www.revenue.nh.gov.za)).

In terms of section 121(2) of the Municipal Finance Management Act, 2003 the purpose of the annual report that includes the audit report is to provide a record of the activities of the municipality during the financial year; to provide a report on performance against the budget of the municipality for that financial year; and to promote accountability to the local community for the decisions made throughout the year by the municipality.

### **2.6.2 Different types of audit opinions and their implications**

The Auditor-General is mandated by the Constitution of the Republic of South Africa, 1996 section 188(1) to audit and report on the accounts, financial statements and financial management of all national and provincial departments, all municipalities and other institutions as required by legislation. In expressing findings on the financial statements of an entity, the Auditor-General may indicate on one or more of the audit opinions: clean audit, unqualified, qualified, disclaimer, and adverse opinions.

Accordingly the Auditor-General expresses a clean audit outcome when the financial statements are free from material misstatements (in other words, a financially unqualified audit opinion) and there are no material findings on reporting on performance objectives or non-compliance with legislation

(Auditor-General, 2011:1). On the other hand an unqualified opinion is expressed when the Auditor-General concludes that the financial statements contain no material statements but findings have been raised on either reporting the predetermined objectives or non-compliance with legislation or both these aspects (Auditor General, 2011:2).

A qualified audit opinion is expressed when the financial statements contain material misstatements in specific amounts, or there is insufficient evidence to conclude that specific amounts included in the financial statements are not materially misstated, whilst an adverse audit opinion is expressed when the financial statements contain material misstatements that are not confined to specific amounts, or the misstatements represents a substantial portion of the financial statements (Auditor-General, 2011:2).

Finally a disclaimer of audit opinion is expressed when the auditee provided insufficient evidence in the form of documentation on which to base an audit opinion. The lack of sufficient evidence is not confined to specific amounts, or represents a substantial portion of the information contained in the financial statements (Auditor- General, 2011:2)

### **2.6.3 Auditor-General's findings on municipalities**

The 2010/11 consolidated municipal audit report (Auditor-General: 2012:17-18) indicates that only thirteen (13) municipalities (5%) received clean audit opinions nationally, and none of these is from the Eastern Cape Province; One hundred and fifteen (115) received unqualified, fifty three (53) received qualified opinions, seven (7) had adverse opinions, fifty five (55) received disclaimer of opinions, and forty (40) municipalities had their audit opinions not being issued by the 31<sup>st</sup> of January 2012. The report on the Eastern Cape Province for 2010/11 shows that not a single municipality received a clean audit opinion whilst thirteen (13) municipalities received unqualified opinions,

another thirteen received qualified opinions, two (2) had adverse, and seventeen (17) received disclaimers.

Subsequently, the Auditor-General's *Consolidated general report on the Local Government audit outcomes 2011-2012* (2013:19) indicates that the overall outcomes have regressed compared to last financial year, as forty one (41) municipalities have improved and fifty (50) municipalities regressed. The report also indicates that the progress towards clean audits has been very slow, with a number of clean audits remaining at the same low level of five percent (5%) for the past three years.

On non-compliance with legislation the report provide the following startling information: that ninety six (96%) of municipalities have material non-compliance with legislation on preparation of financial statements, supply chain management, unauthorised expenditure, irregular expenditure, and fruitless and wasteful expenditure. Unauthorised expenditure of R9,78 billion incurred by 181 municipalities, nearly double in the previous year, caused by budget overspending; irregular expenditure of R9,82 billion was incurred by 266 municipalities, an increase of 41% from the previous year; fruitless and wasteful expenditure of R568 million was incurred by 202 municipalities, which expenditure has more than doubled the previous year.

The Auditor-General (2013:89-93) has identified three widespread root causes of the poor audit outcomes in municipalities as firstly, the slow response by the political leadership to address the root causes of the poor audit outcomes of their municipalities. The mayor, councillors and council have significant roles and responsibilities to oversee and steer their municipalities towards achieving developmental duties, adhering to legislation, and accounting for actions through performance and financial reporting but due to many factors including technical knowledge of financial

management and reporting, performance management and legislation, the political office-bearers are unable to perform control and oversight effectively.

Secondly, continued vacancies in key positions, and key officials lacking the required competencies and skills. Leadership positions including those of municipal managers, chief finance officers, heads of supply chain management and other senior managers remain in most instances vacant for longer periods of time. In some instances those employed lack the appropriate competencies. The Demarcation Board's *State of Municipal Capacity Assessment 2011/12 (2012:13-16)* shows that for the 2010/11 municipal financial year, on average the percentage of vacant posts was twenty-eight percent (28%) nationally; twenty-five (25%) of all senior posts remain vacant for more than three months; and that there is a general shortage of skills in engineers, accountants and planners.

Thirdly, there is lack of consequences for poor performance and transgressions by municipal officials and political leadership. There is thus a worryingly low level of action taken against poor audit outcomes, supply chain management transgression and unauthorised, irregular as well as wasteful and fruitless expenditure.

#### **2.6.4 Financial performance of Nkonkobe local municipality**

The Nkonkobe local municipality has from its establishment in 2000 received disclaimers in audit opinion, save for 2010/11 and 2011/12 (current) municipal financial years in which it received qualified audit opinions, and was among municipalities identified by the Eastern Cape Province to receive support and is therefore expected to achieve clean audit by 2014 (DLG&TA, 2012a:2). The Nkonkobe local municipality is faced with many challenges in achieving clean audits, including poor records management, weak internal controls, capacity constraints, lack of oversight, non-compliance with legislative requirements, poor implementation of performance management system,

non-compliant asset register, reconciliations not properly prepared, and so forth (Nkonkobe Local Municipality 2013:78).

According to Nkonkobe Local Municipality *Integrated Development Plan 2012-2017* (2012: 83-86) and Nkonkobe Local Municipality *Annual Report 2011/12* (2013: 191-209) a number of factors resulting in poor financial performance in Nkonkobe local municipality include the following: failure to prepare, maintain and provide substantiating documentation on all financial activities; failure to comply with reporting requirements; incorrect recording of financial transactions; failure to prepare and maintain adequate and reliable corroborating evidence for all measure taken by the municipality to improve performance; non-alignment of the IDP, budget and Service Delivery Budget and Implementation Plan; over-expenditure, irregular, unauthorised, fruitless and wasteful expenditures; oversight structures not exercising properly their responsibilities; weak internal controls; poor adherence with supply chain management processes; poor asset and liability management; non-performance of reconciliations on prescribed periods; failure to address audit issues as identified by the Auditor-General; failure to spent the budgeted amounts and grant funding; and under-collection of revenue.

The financial performance of Nkonkobe local municipality as depicted above though not different from the majority of municipalities in the country, is of grave concern, and requires urgent attention as well as a thorough plan to address the matters. It is still to be seen whether the municipality will achieve clean audit by 2014.

## **2.7 MUNICIPAL MONITORING AND SUPPORT MECHANISMS**

Support and monitoring of municipalities by the provincial government is based on the constitutional principles as set out in section 155(6) of the Constitution of Republic of South Africa, 1996 which provides that each provincial government by legislation or other measures must (a) provide for

the monitoring and support of local government in the province, and (b) promote the development of local government capacity to enable municipalities to perform their functions and manage their own affairs.

### **2.7.1 What does municipal monitoring and support entail?**

Steytler (2000:10-11) regards monitoring and support as part of a continuous process of supervision by a province, where it commences with monitoring, providing support and, then, finally, if all fails, a province may intervene in a municipality in terms of section 139 of the Constitution, 1996 when a municipality cannot or does not fulfill its executive obligation. Steytler (2000:11) argues that there are various methods in terms of which provinces may monitor a municipality and these methods vary in respect of how intrusive they are. They include requiring regular reports; requesting reports on specific matters; conducting an enquiry; and entering and searching the offices of a municipality. He further argues that the support a province may provide a municipality can be wide ranging and may include the following:- providing training; providing a service; providing advice; and providing resources, including financial support.

De Visser (2001:7) in identifying the role of the province in the Integrated Development Programme (IDP) gives the following areas of support: monitoring the drafting process; assisting in the drafting, adopting and reviewing of the municipality's IDP; facilitating the alignment of IDPs of different municipalities and the alignment of IDPs with national and provincial programmes; and assessment of the IDP whether it complies with legislation, and if not, requesting the concerned municipality to comply.

Steytler (2004:5) further states that in terms of the Municipal Finance Management Act, 2003, the primary duty of monitoring the financial well-being of municipalities falls on the Provincial Treasury. In general the Provincial Treasury is responsible for compliance with the Municipal Finance

Management Act, 2003 by municipalities and municipal entities; municipalities' budget preparation; the monthly outcomes of these budgets; and the submission of financial reports required from municipalities. In supporting municipalities, Steyler (2004:5) contends that the Provincial Treasury must assist municipalities to prepare budgets and assist in training finance officials, including those involved in supply chain management. For the success of monitoring and support Steyler (2004:5) advises that coordination between the province and the municipalities will be essential.

Mathebula (2011:840) regards monitoring and support as an integral part of cooperative government based on a reciprocal obligation of spheres of government to trust, support and assist one another in coordinating service delivery to the community. Mathebula (2011:840) states that it would include a legal, political and moral obligation to inform and consult one another as well as co-operating with and coordinating efforts on matters of common concern and joint projects, thus patterning intergovernmental collaboration and co-operation to ensure the success of national development projects. Mathebula (2011:840) relates this to the principle of interdependence of spheres which emphasises the co-relationship between national, provincial and local governments and may include aspects such as the duty of the spheres to empower one another as well as monitoring or intervention in the activities of the dependent sphere.

Similarly, Ijeoma *et. al.* (2013:303) analyse the role of provincial treasuries as promoting cooperative governance among financial role players at national and local level by assisting the national treasury in the implementation of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) and by assisting municipalities with budget preparation through issuing guidelines for instance. They further contend that provincial treasuries also monitor municipal budgets and the outcomes thereof by publishing reports on municipalities.

Ijeoma *et al.* (2013:303) posit that provincial treasuries can also intervene in municipalities where there is a breach of the Municipal Finance Management Act. Thus they view and define the concept of monitoring as the consistent and systematic collection of information and data during a project implementation or progress with the aim of improving the efficiency and effectiveness of the project and ensuring best standards are met within the process. This therefore implies that in essence monitoring can be regarded as a continuous process that provides information for evaluation and is geared towards ensuring effectiveness and efficiency and determining impact in line with set objectives, (Ijeoma *et al.* 2013:320).

### **2.7.2 Monitoring and support structures**

There are quite a number of intergovernmental forums that have been formalised, either by law or by consistent practices including the following: President's Coordinating Council; MinMECs (national minister and provincial MECs); Budget Council; Local Government Budget Forum; Premier's Intergovernmental Forums; and District Intergovernmental Forums (DPLG, 2007:63). These forums are consultative forums where executives of different spheres of government come together to discuss matters of common interest. The forums are often complemented and supported by technical structures, where officials of the same spheres of government meet in preparation and support of the political equivalent.

The Premier's Intergovernmental Forum (PIF), in terms of the Intergovernmental Relations Framework Act, 2005 (IRFA) consists of the Premier, MEC for local government, other MECs designated by the Premier, mayors of district and metropolitan municipalities, and a representative of the relevant provincial chapter of SALGA. The PIF is responsible for discussing the implementation of national policy and legislation that affects local government, new national legislative and policy initiative that will affect local

government; discussing matters affecting local government that arose in the President's Coordinating Council or in MinMEC; coordination of provincial and municipal development planning to facilitate coherent planning in the province and facilitating the division of powers between provincial government and local government.

In implementing the Local Government Turnaround Strategy (LGTAS) in which 'Operation Clean Audit' is the anchor programme, the National Department of Cooperative Governance and Traditional Affairs (COGTA) made institutional arrangements for the successful implementation of LGTAS. According to Department of Cooperative Governance and Traditional Affairs (2009: 44) the following institutional arrangement were provided for LGTAS: a special Ministerial Advisory and Monitoring structure was established to ensure that all role players are effectively contributing to the turnaround strategy.

Further to this, a National Coordinating Unit was set up at COGTA to oversee, monitor and report on the progress of LGTAS across government and society. Furthermore, an intergovernmental working group has been established to support the implementation of LGTAS, consisting of officials from national sector departments, offices of the provincial Premiers and departments of local government. Over and above, Technical Services Units are to be established provincially, coordinated by the National Coordinating Unit; and a Rapid Response Team established within the National Coordinating Unit which attends to critical interventions across the country in municipalities also has to be established.

The Eastern Cape provincial government in ensuring that all municipalities and government departments obtain a clean audit opinion by no later than 2014 established the Provincial Audit Improvement Coordinating Committee (PAICC). In terms of the Department of Local Government and Tradition

Affairs, Eastern Cape (2009:2) the primary objectives of PAICC are to: address all issues raised by the Auditor-General and reduce vulnerability to risks in municipal and governments' financial management and governance processes through targeted projects. It also seeks to ensure implementation of the audit action plan; assess and monitor the impact of the audit action plan; and advise on the improvement of the audit frameworks.

To achieve these objectives the PAICC is composed of the Department of Local Government and Traditional Affairs which is the convener and chair, Provincial Treasury (PT), Office of the Premier (OTP), National Treasury (Office of the Accountant-General), Auditor-General (AG), the national Department for Cooperative Governance and Traditional Affairs (COGTA), and South African Local Government Association, Eastern Cape (SALGA-EC), which represents organized local government

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### **2.7.3 Support programmes** *in Excellence*

Various intervention and support programmes have been implemented at municipalities. Project Consolidate was initiated in 2004, addressing key issues faced by municipalities at that particular moment, and 139 municipalities across the country were identified which were regarded as "financially distressed" and or struggling. The Department of Provincial and Local Government (2006: 5) identifies the following support areas for Project Consolidate: public empowerment, participation and community development; capacity building, systems, human resource development and improved organisational culture; free basic services which target poor households, appropriate billing systems and reducing municipal debt.

Also identified support areas were: integrated urban settlements; local economic development, job creation, expanded public works programmes and municipal infrastructure; anti-corruption campaign; and performance monitoring, evaluation and communication. The success of Project

Consolidate can be assessed on whether it achieved its objectives or not. Though there may have been pockets of success stories overall, it can be argued that there has not been significant improvement in municipalities' performance. This is shown by the fact that in 2009 the government implemented an intervention and support programme across all municipalities, Local Government Turnaround Strategy (LGTAS), due to the fact that municipalities still faced the same problems identified before or which had remained over the years, and in other instances even becoming worse.

The national government implemented LGTAS with its main objectives of: ensuring that municipalities meet the basic service of the communities; building clean, effective, efficient, responsive and accountable local government; improving performance and professionalism in municipalities; improving national and provincial policy, oversight and support; and strengthening partnerships between local government, communities and civil society. Operation Clean Audit (OCA) as the flagship programme of the LGTAS has been rolled-out and implemented nationally and aims to assist all municipalities to achieve clean audit opinions by 2014 and to improve and sustain the quality of financial statements.

The National Treasury *Local Government Budgets and Expenditure Review 2006/07-2012/13* (2011: 75-92) lists various national and provincial support initiatives to strengthen the capacity of municipalities and for improving their sound financial management practices. The first initiative embodies the reforms in municipal financial management. This relates to the introduction of the Municipal Finance Management Act, 2003 (Act no 56 of 2003) which brought about mechanisms for strengthening accountability, separating the political and management roles for good governance, introducing establishment of service delivery priorities and plans, strengthening reporting and disclosure requirements, and proper alignment of planning, budgeting and reporting.

The second initiative is the strengthening of planning and budgeting. This initiative encompassed the issuing of The Municipal Budget and Reporting Regulations applying to all municipalities and municipal entities as from 01 July 2009. This was with the primary purpose of regulating the format and content of annual budgets, adjustment budgets and in-year reports to promote greater transparency and facilitate the alignment of policy priorities, plans, budgets and reports. Setting of deadlines for tabling and approving of budgets, evaluation of budget credibility were also part of this initiative.

The third initiative is the strengthening of oversight through improved transparency. Oversight is regarded by Kaizer in Denhardt and Hammond (1992:105) as an independent review, monitoring, and supervision of executive activity and behavior. The national and provincial governments have oversight powers over the municipalities in terms of the Municipal Systems Act, 2000 (Act 32 of 2000) and Municipal Finance Management Act, 2003. Municipalities are expected to prepare and submit to both national and provincial government monthly and quarterly budget statements, half-yearly performance assessments, annual financial statements and annual reports, approved budgets and Integrated Development Plans (IDPs). These are evaluated and published for greater transparency and are then used for monitoring the performance of municipalities.

The fourth initiative has been the institutional strengthening and capacity building. This is aimed at strengthening of the budget and treasury offices, building of capacity of staff within the office in municipalities. A formal training programme has been designed and structured to enable officials to attain the required competency levels by participating in accredited training sessions over time.

## **2.8 PROVINCIAL MONITORING AND SUPPORT AT NKONKOBÉ LOCAL MUNICIPALITY**

The Nkonkobe local municipality has been part of various monitoring and support programmes received from national and provincial governments in terms of both national and provincial responsibilities towards municipalities. In its formation in 2000, the municipality was established in terms of section 12 notice of the Municipal Structures Act, 1998 issued by the MEC of local government of the Eastern Cape in the provincial gazette.

As part of LGTAS, municipalities were expected to develop their own individual turnaround strategies. The Department of Local Government and Traditional Affairs (DLGTA) assisted the municipality in developing its municipal turnaround strategy (MUTAS), and major challenges were identified and an action plan developed to address those areas.

The Nkonkobe local municipality was identified by DLGTA as one of the municipalities for implementation of Operation Clean Audit (OCA) in its inception, due to its financial performance. The Department of Local Government and Traditional Affairs (DLGTA) appointed specialists in municipal finance, internal auditing, human resource, supply chain management, engineering and environmental management, to give hands-on support in the municipality to improve its financial performance.

The provincial Department of Local Government and Traditional Affairs (DLGTA) in 2012 conducted a municipal capacity assessment in order to identify municipal functional areas with limited capacity, and to identify individual, organisational and infrastructural capacity challenges facing municipalities. Nkonkobe local municipality was among the municipalities identified for this project. The DLGTA (2012:12) indicates that the objectives of the municipal capacity assessment include the following: to identify municipal functional areas with limited capacity; to identify individual, organisational, infrastructural and financial capacity challenges; to identify the

root causes of capacity constraints; and to build a fact base and consensus for the development of a capacity development response.

## **2.9 CONCLUSION**

In the functioning of government, intergovernmental relations are significant in how the different spheres relate to each other and within themselves. In the South African context the intergovernmental relations and cooperation between spheres of government are constitutionalised, and various pieces of legislations provide for the notion of cooperative government. Both the national and provincial governments have provided enormous monitoring and support to local government for the effective and efficient functioning of this sphere of government, and for improving its financial performance. Various initiatives have been implemented at municipalities including Project Consolidate, Local Government Turn Around Strategy (LGTAS), to name a few. The overall intention was all in all to improve the general performance of municipalities, and to meet their Constitutional obligations.

## CHAPTER THREE

### 3. RESEARCH DESIGN AND METHODOLOGY

#### 3.1 INTRODUCTORY REMARKS

Research design can be regarded as a plan on how one intends to conduct the research. According to Babbie (2013:116) research design involves a set of decisions regarding what topic is to be studied among what population with what research methods for what purpose. De Vos *et, al.* (2002:79) state that there are two well-known and recognised approaches to research namely: the qualitative and the quantitative designs. They quote Creswell (1994) as defining quantitative design as an inquiry into a social or human problem, based on testing a theory composed of variables, measured with numbers and analysed with statistical procedures in order to determine whether the predictive generalisations of the theory hold true. In contrast, the qualitative design refers to research that elicits participant accounts of meaning, experience or perception.

This chapter explains and motivates the research design and methodology used in the study. The researcher here indicates the nature of the study conducted and approaches that have been used and their applicability to the study. The researcher further compares and contrasts the qualitative and quantitative research designs with the intention of deriving maximum benefits in using them in this study. The second aspect deals with the study population, sample and sampling design. The researcher indicates here the sampling methods and procedures that have been used, reasons for their applicability to the study, the population and target group to be studied. Thirdly, the data collection methods that have been used are explained indicating their advantages and disadvantages, and how they have been used in the study. Fourthly, the researcher indicates the methods used in

analysing the data, what they entail and reasons for using them in this study. On the fifth aspect the researcher indicates how validity and reliability has been ensured, what techniques have been used to ensure that the findings are objective, truthful, credible, consistent and believable. Lastly, the researcher provides ethical issues that have informed the conduct of the study, encompassing the principles of professionalism, confidentiality amongst others.

### 3.2 THE NATURE OF THE STUDY

This study has a qualitative and quantitative nature and the researcher has used both approaches in conducting the research. The two approaches differ vastly from each other, but as De Vos *et, al.* (2002:81) indicate, in real life human science research uses both the quantitative and qualitative methodology sometimes consciously and sometimes unconsciously.

The quantitative paradigm is based on positivism, which takes scientific explanation to be based on universal laws, its main aims are to measure the social world objectively, to test hypothesis and to predict and to control human behavior (De Vos *et, al.* 2002:79). *They* state that in contrast, the qualitative paradigm stems from an antipositivistic, interpretative approach, is idiographic and thus holistic in nature and aims mainly to understand social life and the meaning that people attach to everyday life.

According to Reid and Smith (1981) in De Vos *et, al.* (2002:80) the researcher's role in the quantitative approach is that of objective observer and studies are focused on relatively specific questions or hypothesis. They posit that questions and hypotheses remain constant throughout the investigation and data collection procedures and types of measurement are constructed in advance of the study and applied in a standardised manner. Furthermore they assert that measurement is focused on specific variables that are quantified through rating scales, frequency counts and other means, and that

analysis proceeds by obtaining the statistical breakdown of the distribution of variables.

Marshall and Rossman (1999) in De Vos *et al.* (2002:80) provide guidelines on situations where the qualitative approach would be the preferred one including the following: when the research cannot be done experimentally for practical and ethical reasons; when the research seeks to explore where and why policy, folk wisdom and practice do not work and; when the relevant variables have yet to be identified in a research.

In comparing the quantitative and qualitative approaches in social research, De Vos *et al.* (2002:81) identify eight areas which are the following:- Firstly, the epistemological roots of quantitative approach are in positivism *whilst* those of qualitative approach are in phenomenology. Secondly, the purpose of quantitative approach is to test predictive and cause-effect hypotheses about social reality *whereas* qualitative approach's purpose is to construct detailed descriptions of social reality. The third aspect relates to methods in quantitative approach utilising deductive logic *whereas* in qualitative approach they utilise inductive logic. Fourthly, quantitative approach is suitable for a study of phenomena that are conceptually and theoretically well developed, and seeks to control phenomena *whereas* qualitative approach is suitable for a study of a relatively unknown terrain, and seeks to understand phenomena. Fifthly, concepts in quantitative approach are converted into operational definitions, and results appear in numeric form and are eventually reported in statistical language *whilst* in qualitative approach the participants' natural language is used in order to come to a genuine understanding of their world (De Vos *et al.* 2002:81)

The sixth notion indicates that in quantitative approach, the research design is standardised according to a fixed procedure and can be replicated *whilst* in the qualitative approach it is flexible and unique and evolves throughout the

research process, and there are no fixed steps that should be followed and the design cannot be exactly replicated. The seventh comparison relates to data being obtained systematically and in a standardised manner in quantitative approach *whereas* in qualitative approach the data sources are determined by the information richness of settings, and types of observations are modified to enrich understanding.

Lastly, in quantitative approach the unit of analysis is variables that are atomistic i.e. elements that form part of the whole, *whilst* in qualitative approach the unit of analysis is holistic, concentrated on the relationships between elements, contexts etc., and the whole is always more than the sum (De Vos *et, al.* 2002:81). In this study, the researcher has made use of both the qualitative and quantitative approaches as they are relevant and to maximise their benefits. A study that combines both designs tends to be richer and more comprehensive (Neuman, 2011:165).

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### **3.3 POPULATION, SAMPLE AND SAMPLING DESIGN**

Neuman (2011: 241) asserts that a population is the abstract idea of a large group of many cases from which a researcher draws a sample and to which results from a sample are generalised. In the same breath he regards a sample as a small set of cases a researcher selects from a large pool and generalises to the population.

Powers *et, al.* (1985) in De Vos *et, al.* (2002:198) define population as a set of entities in which all the measurements of interest to the researcher are represented and the entities may be people or things. In this study the population refers to the Nkonkobe local municipality's officials, provincial government officials supporting municipalities and the Eastern Cape SALGA officials dealing with municipal support. A sample comprises the elements of the population considered for actual inclusion in the study (Arkava and Lane (1983) in De Vos *et, al.* 2002:199). It was not possible for the researcher to

study the whole population mentioned above, and as such had to draw a sample that has all the characteristics of the population. De Vos *et, al.* (2002:1990) indicate that the major reason for sampling is feasibility, wherein it is seldom possible to completely cover the total population due to time constraints, costs involved and huge effort.

There are basically two types of sampling used in research i.e. probability and non- probability sampling. The basic principle of probability sampling is that a sample will be representative of the population from which it is selected if all members of the population have an equal chance of being selected in the sample (Babbie, 1995:193). Probability sampling can be done using one or more of the following techniques: simple random sampling, systematic sampling, stratified random sampling, cluster sampling and panel sampling (De Vos *et, al.* 2002:209). The second classification or type of sampling is the non-probability sampling which is used when the members of a population have unequal chance of selection into the sample. Non probability is used and is acceptable when probability sampling is impossible, too costly, time consuming, or impractical (Neuman, 2011:242). De Vos *et, al.* (2002:209) advocate the use of one or more of the following techniques in non-probability sampling: accidental sampling, purposive sampling, quota sampling, dimensional sampling, target sampling, snowball sampling and spatial sampling.

In this study the researcher has made use of non-probability sampling method, specifically purposive or judgmental sampling technique. This was based on the fact that the researcher has knowledge of the population and its elements. The method and technique used was appropriate to the purpose of the study and data collected. According to De Vos *et, al.* (2002:207) purposive sampling is based entirely on the judgment of the researcher, in that a sample is composed of elements that contain the most characteristic, representative or typical attributes of the population.

Mouton (2000:107) defines the target as a set of elements on which the researcher focuses and from which the results obtained by testing the sample, can be generalised. In this case only the key and lead officials were targeted as they possessed the practical knowledge of operation clean audit project and they deal with it almost on a daily basis and as such they are instrumental for its success. In Nkonkobe Municipality key municipal officials that directly deal with the operation clean audit were targeted. They included the Municipal Manager who is the accounting officer of the municipality, the Chief Finance Officer who is the head of the Budget and Treasury Office, Heads of municipal departments, the Mayor and Speaker as political heads, Head of the Internal Audit Unit, Chairperson of the Municipal Public Accounts Committee and the Chairperson of the Audit Committee.

Within the Department of Local Government and Traditional Affairs which is spearheading the support programme the unit responsible for municipal support was targeted especially the champion for the clean audit project. Furthermore, the departmental staff attached to Nkonkobe local municipality to give hands-on support, were interviewed, lead members from each operational area for example human resource, finance, technical, supply chain were included in the study. Treasury staff, especially the head of the municipal support unit was also targeted. This study would be incomplete without targeting the SALGA Eastern Cape which represents the interest of municipalities in general and is part of the PAICC. In the latter case the official responsible for intergovernmental relations was to be the point of contact.

**Table 1: Summary of study population, sample and data collection method**

Target group	Population	Sample	Sampling method	Method
Managers	5	4	Purposive	In depth interview
Municipal Oversight	5	5	Purposive	In depth interview
Provincial officials, supporting municipality	10	10	Purposive	In depth interview and questionnaires
SALGA Eastern Cape	1	1	Purposive	In depth interview

**N= 20**



### **3.4 DATA COLLECTION METHODS**

In conducting the study the researcher had to solicit information from the targeted population and source documents. De Vos *et, al.* (2002:171) stipulate that the choice of data collection methods for the researcher working from a quantitative approach can be categorised into questionnaires, checklists, indexes and scales. They further view participant observation, interviewing, document study and secondary analysis as more prevalent with the qualitative approach. In this study the researcher made use of the document study, questionnaires and the interviews as the data collection methods, specifically the self-administered questionnaires; telephone interviews and face-to-face interviews.

Neuman (2011:337) gives the following advantages of self-administered questionnaires: cost effective method and covers a wide area; convenient to the respondent; less interviewer bias; and very effective and can achieve acceptable response rates from educated sample. He lists the following disadvantages: low response rate as many people do not return the questionnaire; there is no control of the environment, and no clarification of

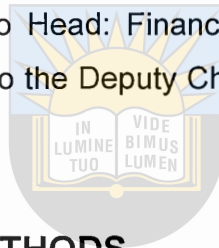
questions; incomplete questionnaires may be a problem; and ill-suited to illiterate people.

The telephone interview has the following advantages: the majority of respondents can be easily reached by telephones across the country; it is a more flexible method as the interviewer does not need to travel; and the interviewer controls the sequence of questions and can use some probes. Moderately high cost and limited interview length are disadvantages noted. In addition, it can only be used to those having access to telephones; potential bias; and inconvenient time for interview possible.

Face-to-face interviews have the highest response rates and permit the longest and most complex questionnaires (Neuman. 2011:339). In addition the interviewer controls the sequence of questions and can observe the environment; and the interviewer can ask all types of questions and can use extensive probes. The following disadvantages are noted by Neumen (2011: 339): high cost; interviewer bias is greatest, and interviewer's appearance, tone of voice and so forth may affect respondent.

Various documents were received from both the provincial government and Nkonkobe local municipality that were related to the topic of research, and were thoroughly studied, including the following: annual reports, audit reports, Intergrated Development Plans (IDP), annual budgets, audit actions plans, service delivery and budget implementation plans (SDBIPs) amongst others. The researcher developed four sets of interview questionnaires for the identified sample. One set was developed for the 4 (four) senior managers in the municipality who are occupying strategic positions, in the form of Municipal Manager (MM), Chief Finance Officer (CFO), Senior Manager: Corporate Services and Senior Manager: Strategic Services. The second set of interview questions was targeted to 5 (five) senior managers of the provincial government including, the Superintendent-General (SG), Deputy

Director-General: Developmental Local Government, General Manager: Municipal Support and Monitoring Services, General Manager: Municipal Governance and General Manager: Operation Clean Audit. The third set of questions was directed to managers at operational level in the provincial government including Senior Manager: Municipal Support and Performance Management, Senior Manager: Municipal Finance Management, Senior Manager: Operation Clean Audit. The fourth set of questions was targeted to political oversight elected public officials i.e. the Mayor, Speaker Chairperson of the Municipal Public Accounts Committee (MPAC), Chairperson of the Audit Committee and Portfolio Head: Finance Standing Committee. Lastly, questionnaires were directed to the Deputy Chief Executive Officer of SALGA Eastern Cape.



### **3.5 DATA ANALYSIS METHODS**

According to De Vos *et, al.* (2002:339) data analysis is the process of bringing order, structure and meaning to the mass of collected data, and is a messy, ambiguous, time-consuming, creative and fascinating process that does not proceed in a linear fashion. De Vos *et, al.* (2002:223) argue that data analysis in the quantitative paradigm entails the analysts breaking data down into constituent parts to obtain answers to research questions and to test research hypothesis, whilst, the qualitative data analysis is a search for general statements about relationships among categories of data and it builds grounded theory.

The researcher made use of coding, triangulation, memoing and concept mapping in this study. Miles and Huberman (1994) as quoted by Neuman (2011:510) refer to codes as tags or labels for assigning units of meaning to the descriptive or inferential information compiled during a study and that they are usually attached to words, phrases, sentences of varying size, connected or unconnected to a specific setting. De Vos *et, al.* (2002:341) regard

triangulation as observing something from different angles or viewpoints where the researcher seeks out several different types of sources that can provide insights about the same events or relationships.

Neuman (2011:515) states that an analytic memo is a special type of note which is a discussion of thoughts and ideas about the coding process that you write to yourself. An analytic memo links concrete data or raw evidence to abstract, theoretical thinking and contains one's reflections on and thinking about the data and coding. Babbie (2013:401) refers to concept mapping as the graphic display of concepts and their interrelations, useful in the formulation of theory. Putting data in a graphic format makes the organisation of data analysis easier. These tools ensured the trustworthiness and credibility of the study.

### **3.6 VALIDITY AND RELIABILITY**

Marshall and Rossman (1995) as quoted by De Vos *et, al.* (2002:351) observe that all research must respond to canons that stand as criteria against which the trustworthiness of the project can be evaluated. The canons as presented by Lincoln and Guba (1985) and, as reported by De Vos *et, al.* (2002:351-352), include credibility, transferability, dependability and confirmability. According to them credibility's goal is to demonstrate that the inquiry was conducted in such a manner as to ensure that the subject was accurately identified and described, whilst transferability refers to applicability of one set of findings to another context. They regard dependability as the alternative to reliability, in which the findings would be replicated if the study were conducted with the same participants in the same context, whilst, confirmability captures objectivity, whether the findings of the study could be confirmed by another.

Neuman (2011:208) regards validity and reliability as ideas that help to establish the truthfulness, credibility, or believability of findings. Reliability

means dependability or consistency while validity suggests truthfulness (Neuman, 2011:208). In ensuring that the study subscribed to the principles of validity and reliability the researcher has used various techniques including, interviews, questionnaires and document studies to record observation consistently. The researcher has also sought feedback from others in the field to determine whether they agree or disagree that the researcher has made appropriate interpretations and drawn valid conclusions from the data. Furthermore the researcher has taken his conclusions back to the participants in the study and asked quite simple whether they agree with the conclusions based on their own experiences.

### **3.7 ETHICAL ISSUES**

In pursuing this study the researcher committed himself in upholding high standard of ethics in ensuring that the information at his disposal is maintained and upheld with confidentiality and used solely for the intended purpose. Participants, their right to privacy and right not to participate have been respected. In the course of conducting the study, the researcher was guided by the notion of objectivity and did not allow his personal opinions, or biasness to interfere with the research. The researcher has acknowledged the resources used in this study and has not in any way consciously acted in an unprofessional manner whatsoever. Prior consent and notification has been sought to all those targeted for the study. The researcher has introduced himself to the municipal and provincial officials and sought permission from them before the questionnaires and interviews were conducted. They were also assured that the information collected was to be used for the academic purposes only.

### **3.8 CONCLUSION**

In conducting research it is very important that the researcher is able to develop and use a correct design and methodology. Research design has

been defined as a plan on how one intends to conduct the research. The researcher has used both the qualitative and quantitative research designs in this study in order to enrich and make the study more comprehensive. Using a correct design and proper methodology also ensures that findings of the research are valid and reliable.

Research has to be conducted on a population which may either be people or things, but it cannot be conducted to all the population due to time constraints and costs involved. In many instances it may be practically impossible to research in all members of the population. It is in that reason that when conducting a study, the researcher must have a sample that is representative of the population, and in which the results will be reflective and descriptive of the whole population. A sample has been defined as a set of cases a researcher selects from a large pool and generalizes to the population. Sampling can be classified into two broad methods which are the probability and non-probability methods having their individual types. Due to the nature of the study conducted, the researcher has made use of non-probability sampling, specifically the purposive sampling. The researcher has knowledge of the population and its elements, and the sample chosen is composed of the elements that contain the most characteristic, representative attributes of the population.

The methods that have been used in collecting data as mentioned in this chapter include, interviews, questionnaires and document study. The researcher has ensured that data collected was as objective, reliable, truthful and credible as possible in order to arrive at valid and reliable findings as much as possible. Once data is collected it requires to be properly analysed, and proper analysis methods have to be made use of, in order again to have reliable and valid findings. The data analysis methods the researcher made use of in this study include coding, triangulation, memoing and concept mapping.

In conducting this study, the researcher has upheld high standards of professionalism, objectivity, confidentiality, privacy. Prior consent and permission has been sought to all the respondents, and their individual rights respected. In the next chapter the researcher presents the research findings as well as the interpretation and analysis of the findings.



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## CHAPTER FOUR

### 4. DATA PRESENTATION, ANALYSIS AND DISCUSSION

#### 4.1 INTRODUCTION

Neuman (2011: 507) regards analysing data as organising, examining; and searching for patterns and relationships among variables. *He* further states that when analyzing data one connects particular data to concepts, advance generalisations, and identify broad trends or themes. In this chapter the researcher presents the data collected as well as the analysis of the findings. Both the qualitative and quantitative data analysis methods were used to provide the readers an in-depth understanding of the results. The chapter covers two broad dimensions under-which data analysis has been conducted, including document analysis and interview reports. The documents analysed include, the annual reports inclusive of audit reports, IDP documents, Annual Performance Plans and the Local Government Turnaround Strategy.

#### 4.2 PROVINCIAL MONITORING AND SUPPORT

The Office of The Premier (OTP) has indicated that in the Eastern Cape Province, the monitoring and support to municipalities is done through two departments which are the Department of Local Government and Traditional Affairs (DLGTA) and Provincial Treasury (PT). In differentiating their roles and responsibilities in relation to monitoring and support to municipalities, the respondents from both departments have indicated that “ the Department of Local Government and Traditional Affairs implements the Municipal Systems Act (of 2000) while the Provincial Treasury implements the Municipal Finance Management Act (of 2003)...” Furthermore the respondents from the DLGTA have indicated that they are also guided by the Municipal Support and

Intervention Framework (MSIF) which was developed by the department in 2008.

#### **4.2.1 Nature of provincial monitoring and support to Nkonkobe local municipality**

In presenting and analyzing the nature of the Eastern Cape Provincial government monitoring and support to Nkonkobe local municipality, it would be prudent to firstly look at the policy framework that guides and prescribe the support and monitoring to be provided. This will give a clear picture on what *theorex* requires and what is the *praxis*.

##### **4.2.1.1 Policy guidance**

The Constitution of the Republic of South Africa, 1996, in terms of section 154, mandates the national government and provincial governments to support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions. All the respondents acknowledge that the Eastern Cape provincial government's monitoring and support to municipalities in the province including Nkonkobe local municipality is per the mandate of the Constitution of the Republic of South Africa, 1996. When the respondents were asked by the interviewer about the policy that guides the province in monitoring and supporting Nkonkobe local municipality they respond as follows:

*...we give support to municipalities as per section 154 of the Constitution... (DLGTA Respondent)*

*...the province is constitutionally bound to support and assists municipalities in meeting their responsibilities... (Respondent from the Nkonkobe local municipality)*

*...it is our constitutional responsibility and in terms of MFMA (Municipal Finance Management Act, 2003) that we assist municipalities...  
(Respondent from Provincial Treasury)*

The constitutional mandate for national government and provinces to support and monitor municipalities does not clearly stipulate the nature and type of support to be provided, suffice to say that support must strengthen the capacity of municipalities to manage their own affairs; to exercise their powers and to perform their functions. The argument for this may be that those who drafted the Constitution did not want to be prescriptive and restrict the provinces on the nature of support to be provided to municipalities, and further that a constitution is regarded as a supreme law that normally provides guiding principles and details are always in other subsequent legislation.

Levy and Tapscott (2001:119) agree with this assertion by indicating that while the constitution specifies that certain goals should be pursued, it does not say how this should happen. They argue that because of this, national legislation must be enacted before many of the provisions of the constitution can be given effect.

An argument against this may be that, not specifying the nature of support leaves a gap and gives different interpretations and expectations. This may result in “unreasonable demands” by municipalities to be supported, or failure by a province to provide a “reasonable demand”. This is an area of conflict between the provincial government and municipalities where municipalities always feel they do not receive necessary support from the province, and the province on the other side feels municipalities cannot be ‘baby-sitted’ forever and that they must stand on their own. This view is clearly stated by one of the respondents from the DLGTA who for example had this to say:

*...the municipalities have wrong perceptions about the objectives of support as they expect the departmental officials to actual do their job. Another problem with municipalities is that in their own right, they are a sphere of government receiving funding directly from national government like us (provincial government) but still expects the province to financially supports them...*

As mentioned above the all respondents from the provincial governments indicated that *“the Department of Local Government and Traditional Affairs implements the Municipal Systems Act while the Provincial Treasury implements the Municipal Finance Management Act”*. In terms of the *Municipal Systems Act, 2000* the following are the responsibilities of the province in monitoring and support to municipalities:

- assist in planning, drafting, adoption and reviewal of the IDP;
- facilitate coordination and alignment of IDP with the national and provincial programmes;
- assesse compliance of IDP with legislation;
- monitor performance of municipalities, identifies underperforming municipalities and taking remedial action;
- establish mechanisms, processes and procedures to monitor municipalities in exercising their powers and functions;
- assess the support needed by municipalities; and
- conduct an investigation when there is maladministration, fraud or corruption.

These are the areas of monitoring and support provided to municipalities by the Eastern Cape DLGTA as they are clearly identified as responsibilities of

the MEC for Local Government by the Municipal Systems Act, 2000. In terms of the Municipal Finance Management Act, 2003 (MFMA) the provincial treasury is responsible for:

- monitoring the preparation of budgets in municipalities, monthly income of those budgets and submission of reports;
- monitoring of compliance with legislation;
- assisting municipalities in building capacity;
- supporting in identification and resolution of financial problems in municipalities; and
- stopping of transfers when a municipality commits serious or persistent breach of the MFMA.



These are the areas that the Provincial Treasury in the Eastern Cape monitors and assists municipalities in. It is therefore apparent that the financial monitoring and support of municipalities has been put on the shoulders of the Provincial Treasury, and there are minimum responsibilities for DLGTA. This minimum role of DLGTA in monitoring and supporting municipalities on “finance issues” has been a source of conflicts (both at national and provincial levels) between the two departments providing support to municipalities. Officials from DLGTA claim that the enactment of MFMA was solely driven by the Treasury which believes it has the overall control of all financial related matters in all the spheres of government as provided for in section 216 of the Constitution of the Republic of South Africa 1996.

On provincial intervention to municipalities in resolving financial crisis, the MFMA puts responsibility to both Provincial Treasury and the Department of Local Government and Traditional Affairs. The MFMA does not put an

obligation to the MEC for Local Government (DLGTA) to monitor budget implementation by municipalities but does require immediate intervention once there is a financial crisis. By implication, it is expected that the DLGTA becomes involved in monitoring budgets and financial performance of municipalities, as when things get worse in municipalities the department becomes the “first port of call.”

The Department of Local Government and Traditional Affairs as reported above, is expected in terms of the Municipal Systems Act, 2000 to monitor the performance of municipalities, identifies underperforming municipalities and takes remedial action. What is remedial action? In this sense, remedial action may be regarded as any action taken that will result in the municipality improving its performance, in other words reversing underperformance. As reported throughout this document, municipalities are underperforming and the situation does not show any signs of improvement. Remedial actions taken thus far by the province prove not to be curative to the ailments faced by municipalities. It is clear therefore that the DLGTA will have to do more in fulfilling this responsibility of monitoring the performance of municipalities.

Furthermore, the provision of support on capacitation of municipalities has been mandated for both departments by legislation. This is an area where the provincial government will need to pull together and share resources for optimal outcomes. The respondents both from the Provincial Treasury and Department of Local Government and Traditional Affairs indicated that they have completed the development of a framework for support to municipalities where they have indicated areas of mutual responsibility and exclusive competencies in as far as provincial monitoring and support to municipalities is concerned. The document also indicates areas of cooperation, coordination and implementation protocols for the two departments, and the respondents also indicate that the document awaits the approval of their respective Heads of Departments.

The Municipal Support Intervention Framework (MSIF) identified four types of support to be provided to municipalities based on categorisation of municipalities in terms of their performance. The Department of Local Government and Traditional Affairs is providing light, medium, intense or intervention type of support to municipalities in the Eastern Cape Province. Light support is provided to those municipalities that are functioning well, but just need very little support in certain areas and are able to sustain themselves (DLGTA, 2008:15). Medium support is applicable to municipalities that are gradually improving their performance, but nonetheless require support to reach their goals (DLGTA, 2008:16). The intense support is focused on municipalities who are grappling with quite severe problems and will require a long term organisational building (DLGTA, 2008:16). Lastly interventions are done when all support has failed and is done in accordance to section 139 of the Constitution of the Republic of South Africa, 1996 (DLGTA, 2008:17).

  
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The MSIF does not clearly indicate the nature of this support to be provided save for the four different types. This situation poses difficulties in implementation, as different support may differ in municipalities facing the same problem, especially when financial support comes into play. Respondents from DLGTA indicated that they discourage providing direct financial assistance to municipalities because municipalities misuse the funding for unintended purposes, but the reality is that there are municipalities that are receiving financial assistance, and it is not known on what basis except 'political' considerations.

#### **4.2.1.2 Form of provincial monitoring and support to Nkonkobe local Municipality**

The Nkonkobe local municipality is categorised together with other municipalities in the Eastern Cape, as a municipality that should receive

medium-intense support in terms of the Municipal Support and Intervention Framework (MSIF) of 2008. Furthermore in terms of its disclaimer of audit opinion, the municipality was identified to be part of the special programme Operation Clean Audit in 2009. The Annual Reports of the Department of Local Government and Traditional Affairs for the years 2012 and 2013, and the responses from the interviewees indicate that the department provided the following support to Nkonkobe local municipality:

- **Establishment of oversight structures** - The DLGTA assisted the municipality in setting up fully-fledged internal audit unit, establishment of both Audit Committee and Municipal Public Accounts Committee by providing guidance on their roles and responsibilities;
- **Capacitation of municipal personnel on various areas** - The DLGTA provided training on identified ward committees on the implementation of the funding model for ward committees; IDP assessor training to capacitate the prospective assessors for the municipality; ward councilor induction for the newly elected councilors; customer care training; complaints management system including responding to National Corruption Hotline queries;
- **Expertise** - The DLGTA also provided technical expertise to the municipality for the implementation of Municipal Infrastructure Grant projects. The legal department assisted the municipality on various legal matters;
- **Capacity assessment** - All the municipalities in the province were assessed between April-October 2012 in terms of their capacity to perform their functions effectively, including Nkonkobe local municipality;

- **Monitoring compliance with legislation** - The DLGTA constantly monitors the preparation and implementation of the IDP and performance management systems by requiring the municipality to provide it with quarterly, midterm and annual reports. The reporting template has been standardized by the department for all municipalities;
- **Development of practice** - to all municipalities on practical implementation of the provisions of the Municipal System Act, 2000 as amended;
- **Development of policies, plans and awareness** - The DLGTA assisted in the development of Employment Equity Plans (EEP), anti-corruption awareness programme, Local Economic Development (LED) strategies and plans;
- **Collection of debt** - DLGTA coordinated the payment of outstanding debt from provincial departments on services and rate charges;
- **Funding of personnel costs** - Two LED assistants have been appointed which their salaries are funded by the department, 100% in the first year and 50% the second year; and
- **Funding for the alignment of organizational structure and IDP** - A service provider was appointed by the department to look at the organizational structure for its alignment to the municipality's IDP.

In as far as the Provincial Treasury (PT) is concerned, the respondents from the municipality and PT concur that support provided to Nkonkobe Local Municipality is limited to the monitoring aspects on budgets including the analysis of draft, adopted, an adjusted budgets and feedback; monthly budget statements, section 71 reports (of the MFMA); evaluation of mid-year reports

and benchmarking; training of municipal personnel on supply chain management.

The Nkonkobe local municipality as previously stated was identified to be part of the Operation Clean Audit project (OCA) at its inception due to the disclaimer of audit opinion it received. The respondents from both the Nkonkobe local municipality and the provincial government indicated that in terms of Operation Clean Audit the following support was provided to Nkonkobe local municipality:

- Hands-on support in terms of specialists in the finance, supply chain management, contract management, human resources, infrastructure management, environmental management and internal auditing were deployed on a two weeks basis or less to the municipality.
- The specialists were responsible for assisting the municipality in the development and implementation of the audit action plan which would ensure that all raised queries by the Auditor-General were cleared by the end of the financial period; capacitation of the municipal staff in the performance of their duties by doing skills transfer, on-going job-training; development of internal controls and monitor implementation thereof; assisting in compliance matters as required by the MFMA and other legislations.

When the audit outcomes of Nkonkobe local municipality improved from many years of disclaimers to a qualified audit opinion for 2010/11 financial year, the respondents indicate that the Operation Clean Audit support was pulled back to focus more on municipalities who have disclaimer audit opinions. The respondents from DLGTA indicated that in May 2013 the Nkonkobe local municipality was amongst municipalities who were identified to receive support from the internal Municipal Support Directorate (MSD), (separate from Operation Clean Audit). The MSD support concentrate more on

municipalities having improved audit outcomes and have high prospects of achieving clean audit. The respondents from Nkonkobe local municipality and the department acknowledge that the support has not yet been provided. The support is to focus on appointment of a service provider funded by the department, to address all audit queries raised by the Auditor-General.

#### **4.2.1.3 Discussion of Findings**

The Constitution of the Republic of South Africa, 1996, section 154 (1) requires that the national and provincial governments, by legislation and other measures to support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions. The provincial monitoring and support to municipalities must be in such a nature therefore, that it results in a municipality being able to realise its constitutional objectives as set out in section 152 of the Constitution of the Republic of South Africa, 1996; and further resulting in a municipality being able to perform its powers and functions as per Schedule 4 Part B and Schedule 5 Part B of the same constitution.

The support provided to Nkonkobe local municipality appears to be decided by the provincial government with little or no involvement of the municipality. The respondents from the municipality were particularly strong on this matter as one of them indicated that

*...we just received a call from the department (DLGTA) that they have included us in the list of municipalities to be assisted with reviewal of organogram...*

When this was put to the respondents from the department whether municipalities are involved in their strategic planning sessions on issues relating to the support provided to municipalities, it became apparent that there was little or no involvement. Specifically for Operation Clean Audit

support, the programme was the brainchild of national government, it was a time-bound programme with little time for consultation, targets were decided and set without meaningful consultation with the very important stakeholder, the municipalities. The respondents from the department argued that municipalities were consulted about Operation Clean Audit through SALGA in intergovernmental forums involving all stakeholders (MINMEC). Be that as it may, the input of municipalities was never sought, and they regarded Operation Clean Audit as being imposed on them.

On the other hand Operation Clean Audit is as a result assessments conducted to all municipalities, and as a result of poor financial performance as indicated on yearly audit reports. The national and provincial governments had to do something to arrest the poor state the municipalities were facing. There may have been little time for meaningful consultation; both national and provincial governments had to intervene immediately. The monitoring and support by provincial departments (DLGTA and PT) to Nkonkobe local municipality seem not to be well coordinated. This view is also shared by most of the respondents who indicated that even though there are platforms for engagements between the two provincial government departments, in practice each provincial department does 'its own thing' when it comes to monitoring and support to municipalities.

An example provided by the respondents is that both the provincial departments have different guidelines on the preparation of the annual report resulting in some confusion to municipalities on which to use. Furthermore within the same department (DLGTA) different directorates provide support to Nkonkobe local municipality without consulting and informing each other on the nature of support they are providing. The directorates responsible for LED, IDP, Performance Management, Municipal Support, do not coordinate and consolidate their support activities to maximise benefit to the municipality. It must be mentioned that the respondents from the DLGTA have indicated

that the DLGTA has recently established regional (district) offices to coordinate all monitoring and support to municipalities. This has been as a result of requirements of Output 7 of Outcome 9 (A responsive, accountable, effective and efficient local government system) which proposes a *Single Window of Coordination* in providing monitoring and support to municipalities.

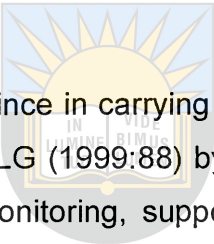
The Operation Clean Audit initiative to Nkonkobe local municipality concentrated on audit issues whereas clean audits are as a result effective and efficient administration in general. The nature of support for the Operation Clean Audit programme is premised on addressing audit issues, the point of departure being the audit report wherein an audit action plan is prepared, implemented and monitored. There are many reasons for poor financial management in municipalities. The respondents indicate that any support to be provided must take into consideration all the inherent challenges faced by the municipality including political, administrative and financial problems. The audit report is the final product that indicates mostly the financial performance of the municipality. The financial performance of the municipality is therefore informed by both external and internal environmental factors that must be taken into consideration when addressing it.

The Operation Clean Audit programme, as indicated, is time-bound, and the period at which it has to achieve its objectives may have influenced the nature of support to be provided. In a mere five year period the programme aims to achieve clean audits to all the two hundred and eighty nine (289) municipalities in the country and forty five (45) in the province of the Eastern Cape. The Eastern Cape Province does not have enough capacity to implement this programme effectively and efficiently, in terms of human and financial resources. It is reason that the DLGTA decided that Operation Clean Audit support should concentrate on municipalities who achieved a disclaimer

of audit opinion only. This assertion is clearly pronounced by the respondents from both the Provincial Treasury and Department of Local Government and Traditional Affairs who have this to say:

*...there is no special funding for support to municipalities, we take funds from our limited budget, it is not enough to cover the all municipalities in need... (DLGTA Respondent)*

*...Nkonkobe (local) municipality was not part of support from the department as we have limited resources... (Respondent from the Provincial Treasury)*



The lack of funding by the province in carrying its mandate of monitoring and support is well captured by DPLG (1999:88) by stating that provinces do not appear to have budgets for monitoring, support and interventions; and the result is that there is little incentive to monitor, assist or intervene. When Nkonkobe local municipality improved its audit outcome for 2010/11 and 2011/12 financial years Operation Clean Audit support was withdrawn, leaving the municipality to find its own way to clean audit. The other support to the municipality has not yet been received, it was only promised by the department.

#### **4.2.2 Impact of provincial monitoring and support to Nkonkobe Local Municipality**

In terms of the Constitution of the Republic of South Africa, 1996, section 155(6) (b) the provincial monitoring and support to municipalities is broadly intended to promote the development of local government capacity to enable municipalities to perform their functions and manage their own affairs. In practice this means that municipalities must be able to provide effective, efficient, economic and equitable services to its communities; municipalities must adhere to legal prescripts when managing their finances; municipalities

must be able to account and involve their communities in matters affecting them; municipalities must have clean administration. The impact of provincial monitoring and support to Nkonkobe local municipality will be judged on how far the municipality has been able to achieve the above mentioned areas.

The respondents from both the Provincial Treasury (PT) indicated that there was minimum impact, if any, to Nkonkobe local municipality from the monitoring and support received from Provincial Treasury. This is attributed to the fact that Provincial Treasury only provided for the monitoring of the budgets by ensuring that the municipality submits the different reports as required by legislation. Other than that Provincial Treasury was not directly involved in supporting the municipality.

The respondents from the DLGTA acknowledge that the support provided to Nkonkobe local municipality is insufficient due to insufficient funding available and its impact will vary from project to project, but overall there are areas where they see some improvements. The example provided, is when the department provided technical assistance on the implementation of infrastructure projects funded by Municipal Infrastructure Grant (MIG), there was general improvement of spending from 30% to 80% of the funds, which resulted in improved delivery of services to the needy.

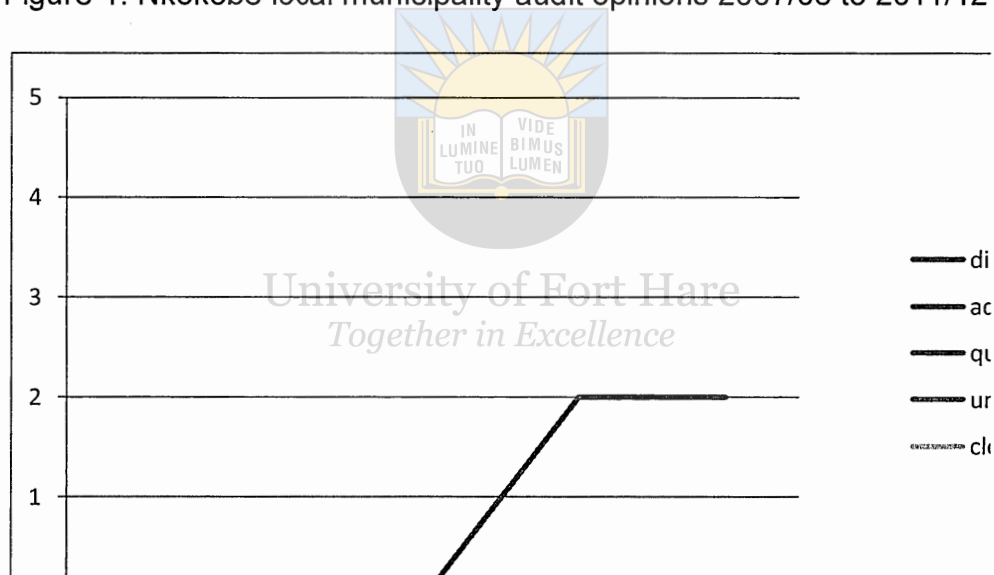
The improvement of the audit outcomes from a disclaimer to qualified audit of opinion is attributed to the Operation Clean Audit support by all the respondents from the municipality and the department. One respondent from the Operation Clean Audit team sums it up by saying:

*....when we arrived at the municipality (Nkonkobe local municipality), there was a disclaimer, and many issues of emphasis. Together with the municipality we put up an audit action plan and addressed issues raised by Auditor General. The result was improved audit outcome....*

### 4.2.2.1 Summary of audit outcomes

Figure, 1 below shows audit opinions received by the Nkonkobe local municipality, graphically for the five year period from 2007/08 to 2011/12 financial years. The municipality has been receiving disclaimers of audit opinions before the Operation Clean Audit support, but the situation improved to qualification audit opinion in the 2010/11 financial year due to the Operation Clean Audit support. The audit opinion remains at qualification for the 2011/12 period.

Figure 1: Nkokobe local municipality audit opinions 2007/08 to 2011/12



### 4.2.2.2 Improvements and regression in findings

The Auditor General of South Africa (AGSA) identifies 7 (seven) qualification areas when assessing financial performance of municipalities which include non-current assets; current assets; liabilities; other disclosures; revenue; expenditure; and unauthorised, irregular, fruitless and wasteful expenditure. Issues that result in qualifications in non-current assets include when capital assets are not properly accounted for whilst in current assets reconciliations are not properly done on cash receipts, bank and suspense accounts. Qualifications result in expenditure and liabilities from deficiencies in

reconciliations, document management, and lack of controls and monitoring (Auditor-General, 2012:26). Table, 3 below gives a glimpse of the areas of qualification for Nkonkobe local municipality and how the municipality has managed to improve or regress in the last audited five years.

**Table 2: Movement in addressing qualification areas 2007/08 to 2011/12**

Year	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Audit outcome</b>	disclaimer	disclaimer	disclaimer	qualified	qualified
<b>Non-current assets</b>	repeat	repeat	repeat	addressed	
<b>Current assets</b>	repeat	repeat	repeat	repeat	repeat
<b>Liabilities</b>	repeat	repeat	repeat	repeat	repeat
<b>Other disclosure items</b>	repeat	repeat	repeat	repeat	addressed
<b>Revenue</b>	repeat	repeat	repeat	addressed	new
<b>Expenditure</b>	repeat	repeat	addressed		new
<b>Unauthorized, Irregular, fruitless and wasteful expenditure</b>	repeat	addressed	new	addressed	new

Source: Auditor General, 2012

Table 3 clearly shows improvement in the municipality in addressing areas of qualification immediately after the Operation Clean Audit support was

provided to Nkonkobe local municipality. In the 2010/11 financial year the municipality addressed 50% (fifty percent) of the qualification areas identified in the previous year, a great improvement indeed, attributed to the hands-on support from the Operation Clean Audit team. In the following year when Operation Clean Audit support was withdrawn the municipality regressed on the areas it had previously improved.

The table above also paints a bleak picture, at the same time, for the movement of Nkonkobe local municipality to clean audits as 75% (seventy-five percent) of areas addressed in previous years came up as new qualifications for 2011/12. These new qualifications bring into question the sustainability of addressed areas, thereby posing questions on the very nature of provincial monitoring and support provided to Nkonkobe local municipality, its sustainability.

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#### **4.2.2.3 Weaknesses of support**

The respondents from the DLGTA and Nkonkobe local municipality acknowledged that the provincial monitoring and support provided to the municipality may not have achieved the desired effect due to many reasons. The respondents cited the following as having a negative impact on the Operation Clean Audit support to Nkonkobe local municipality:-

- The deployment model and duration. The hands-on support was provided initially on a 2 (two) week rotational basis in a period of two months and there was no monitoring in between of the recommendations provided.
- Inadequate resources to cover all the necessary areas of support at a given point in time. This is aggravated by the fact that some resources are transversal supporting all the municipalities instead of specific municipality.

- Lack of commitment of the municipal staff in implementing recommendations of the Operation Clean Audit team and of internal audit unit.
- Delays in replacement of Operation Clean Audit personnel who resigned for various reasons.
- Council's failure to play its oversight responsibilities.
- Delays in the appointment of staff in key municipal positions. Currently the respondents from the municipality indicated that the positions of the Corporate Services Manager and Chief Finance Officer have been vacant for more than a year now (December 2013), only acting officials are in these positions.

This is against the Municipal Systems Act Regulations of 2011 that require filling of senior municipal posts within three months of being vacant. The officials from the DLGTA castigate the municipality regarding this. One respondent from the department has this to say:

*... the municipalities expect the departmental officials to do their job and sometimes do not employ personnel... I don't know whether they are saving money....there are many vacant positions in municipalities that remain so for a very long time...*

This is also supported by the Municipal Demarcation Board (2011:15) in its *Municipal Capacity Assessment Report of 2011*, where it indicates that during the year there were 32.5% of funded vacant posts nationally, on average across all municipalities.

### **4.3 CONCLUSION**

In the chapter the researcher presented the data collected, interpreted and analysed it. The data collected indicated that in the Eastern Cape Province,

the provincial monitoring and support to municipalities, including Nkonkobe local municipality is conducted through the Department of Local Government and Traditional Affairs, and Provincial Treasury. The provincial monitoring and support to municipalities is guided by pieces of legislations, including the Constitution of the Republic of South Africa, 1996; the Municipal Systems Act, 2000 and the Municipal Finance Management Act, 2003.

The nature of provincial monitoring and support to Nkonkobe local municipality includes monitoring compliance with legislation, monitoring of preparation and implementation of Integrated Development Plan and Annual Budget, capacitation of municipal officials. The impact of monitoring and support has been noticeable where improvement in financial performance has been identified, but more needs to be done to improve the audit outcomes.

The last chapter of the study deals with the conclusions and recommendations.

## CHAPTER FIVE

### 5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 INTRODUCTION

This is the last chapter of the research, where the researcher has provided the summary of the study, drawn conclusions and proposed the recommendations. The recommendations are of practical nature, in such that they can be utilised maximally in practice. The Operation Clean Audit project is ending in 2014, and it would be necessary that future research be conducted on its successes, failures and challenges experienced during its implementation. The researcher has been unable to assess completely its impact on Nkonkobe local municipality, as it has not yet been completed. It would be of interest to know the audit opinion of Nkonkobe local municipality for the 2012/13 financial year, but at the time of completing the study, it had not yet been tabled before council.

#### 5.2 SUMMARY

The objectives of this study were to identify the monitoring and support rendered to Nkonkobe local municipality by the Eastern Cape Provincial government in achieving clean audit; to assess the impact of the provincial monitoring and support to Nkonkobe local municipality in achieving clean audit; and to give suggestions on how to address challenges and problems experienced in the rendering of monitoring and support to Nkonkobe local municipality.

The researcher reviewed the literature related to the study that deals with intergovernmental relations, public finance, municipal finance, monitoring and support of municipalities by provinces. In collecting data the researcher made

use of source documents and data from targeted population of twenty (20) respondents comprising of municipal officials, provincial government officials and SALGA officials. The data was collected from the targeted population through use of questionnaires and interviews. The source documents used include annual reports, audit reports, acts of parliament, policy documents and council minutes.

The DLGTA and Provincial Treasury are both aware of their constitutional responsibility of monitoring and supporting municipalities in general, and Nkonkobe local municipality in particular, though there seems to be no clarity on the exact nature of support to be provided. Capacity challenges on the province constrain it in providing meaningful support to Nkonkobe local municipalities, resulting in the municipality moving very slowly in addressing audit queries from the Auditor-General. Coordination of monitoring and support to Nkonkobe local municipality by the Provincial Treasury and DLGTA is not well structured, which may result in duplications if not well managed.

The Department of Local government and Traditional Affairs has provided varying support to Nkonkobe local municipality including capacitation of municipal staff on various areas; providing technical expertise on project implementation; ensuring proper functioning of municipal oversight structures; assessment of municipal capacity; monitoring compliance with legislation; development of policies, organisational structure and funding of personnel; and collection of municipal debt. Above all the DLGTA provided Nkonkobe local municipality with *in-situ* specialists in various fields to assist the municipality in attaining clean audit. The Provincial Treasury on the other hand has only managed to monitor the preparation and implementation of the budget through the monthly, quarterly, midterm and annual reports.

There has been noticeable improvement in the audit performance of the municipality due to the provincial intervention through the Operation Clean

Audit project. The Nkonkobe local municipality progressively moved from a disclaimer of audit opinion to a qualified audit opinion for the financial year 2010/11. The withdrawal of support from Nkonkobe local municipality by the provincial government resulted in the municipality remaining with the qualified audit opinion in the subsequent year.

### **5.3 CONCLUSIONS**

The Eastern Cape Provincial government lacks capacity to deal with its constitutional mandate of monitoring and supporting municipalities including Nkonkobe local municipality, in terms of personnel, funds, institutional knowledge and expertise. This hinders the effective and efficient rendering of services to communities and proper financial management by municipalities.

There is little or no involvement of municipalities in provincial government planning on the kind of support required by municipalities. The province decides on its own and just informs the municipalities. This non-involvement of recipients of support has a potential of frictions between the municipality and the province which may result in little impact of the support.

The provincial monitoring and support to Nkonkobe local municipality does not have the necessary budgets to be carried out efficiently and effectively. One may conclude that it is an unfunded mandate. The province is entirely dependent on the national Department of Cooperative Governance and Traditional Affairs (COGTA) for support programmes. Operation Clean Audit, Project Consolidate and Local Government Turnaround Strategy are cases in point.

It is therefore would imply that Operation Clean Audit would not be able to achieve its objectives as set out in its inception, and as such the 2014 deadline for clean audit outcomes would not materialise in the majority of municipalities, including Nkonkobe local municipality. As previously

mentioned, for the 2011/12 financial year the Auditor-General has reported a regression in audit outcomes nationally. Only five percent (5%) of municipalities nationally received clean audits and none are from the Eastern Cape Province. It would then be a miracle to have all the municipalities receiving clean audits in a matter of a year. As for Nkonkobe local municipality which was withdrawn from Operation Clean Audit to receive clean audit of opinion by 2014, will be impossible taking into consideration how it has managed in addressing qualification areas (see, Table, 3)

The province, and this also applies to national government seems to have lost the battle to turnaround the functioning of municipalities. There is no appetite to fix the problems facing municipalities. The Auditor-General in presenting his consolidated audit outcomes for 2011/12 financial year has correctly ascribed the poor financial management in municipalities to political interference in the running of the administration, amongst other things. Political interference is a cancer in municipalities that manifests itself in many forms including appointment of incompetent personnel within the pretext of “cadre deployment”, appointment of cronies, tender rigging and other administrative dysfunctions. This is a matter that must be resolved and fixed, which the province has failed to address.

There is no clear demarcation in terms of roles and responsibilities in monitoring and supporting municipalities between the Provincial Treasury and the Department of Local Government and Traditional Affairs. Even though there seem to be an understanding that each implements its own municipal legislation, as mentioned above, grey areas including resolution of a financial crisis in a municipality are still there. Related to this, there is also lack of coordination of monitoring and support by the respective provincial departments. What has been noticed is that, what the right hand-side is doing is unknown by the left-hand side. Support to municipalities is coming from different directions and the danger is that it may be duplicated. Even though

the DLGTA talks about “single window of coordination”, its practice is yet to be seen.

The South African Local Government Association (SALGA) also seems to be playing an insignificant role, in terms of provincial monitoring and support to municipalities. The South African Local Government Association (SALGA) represents the interests of municipalities, but its role in Operation Clean Audit has been very minimal. The South African Local Government Association, itself suffers from capacity challenges and to expect it to render meaningful support to all the municipalities is wishful thinking. It is mainly funded through subscriptions from member municipalities, who are always behind in terms of their contributions.

In the Nkonkobe local municipality, the Operation Clean Audit project was never canvassed to all the stakeholders, it remains known only to few senior municipal officials. Monitoring and evaluation of Operation Clean Audit at a municipal level is non-existent as no structures were established as it was the case at provincial level. It may even be concluded that there was no consultation and buy-in by all the stakeholders for the project.

With regard to the effectiveness of the monitoring and support by the province to Nkonkobe local municipality, there seems to be some notable improvements in the performance of the municipality, but a lot still needs to be done to achieve the desired outcomes and in the long term impact. It is noteworthy that Nkonkobe local municipality improved its audit outcome after the Operation Clean Audit support, from a disclaimer of audit opinion to a qualified audit opinion.

## **5.4 RECOMMENDATIONS**

The following recommendations are a product of both the researcher and the respondents as presented during the study. The third objective of this study

relates to providing suggestions on how to address challenges and problems experienced in the rendering of provincial monitoring and support to Nkonkobe local municipality and by extension to municipalities in general. These recommendations will be of great benefit to policy makers in all three spheres of government, local government practitioners, researchers, public administration students, municipal service recipients and the general public at large.

- The monitoring and support to municipalities is mandated by the constitution to both the national and provincial spheres of government. Given this important mandate, it is imperative that the province provides enough budgets to carry out this responsibility effectively and efficiently. A separate, ring-fenced allocation from national government based on the needs of the municipalities in that particular province is envisaged and preferred.
- The monitoring powers of the province to municipalities need to be strengthened so as to allow the province to act decisively against any municipality going astray. Punitive measures need to be put in place against any municipality who do not comply with legislation or regulations.
- In providing monitoring and support to municipalities the province need to consult all the relevant stakeholders including the recipients of support. This should begin with the involvement of municipalities in the planning stages of support, support should not be imposed, municipalities themselves should identify areas of support. The process of the Integrated Development Plans does provide a platform for this as it encompasses all role players in municipalities.
- Related to the above, there must be coordination, communication and alignment of provincial monitoring and support programmes between

the national, provincial and local spheres of government; and within the provincial departments themselves (Provincial Treasury and DLGTA). This would entail *inter alia* collectively harnessing all public resources within defined goals and development of a framework for mutual respect and support; coordinating monitoring and support to avoid wasteful competition and duplication; utilising public resources effectively; clearly dividing the roles and responsibilities of the different spheres and departments to ensure maximum benefit.

- The South African Local Government Association (SALGA) has to develop the required capacity to meet the many and varied challenges of its constitutional mandate and in the final analysis enhance the role of organised local government provincially and nationally.
- In as far as Operation Clean Audit is concerned, the time period in which specialists are deployed need to be improved. Specialists from the province, require to be deployed to an all-year immediate and focused intervention. This will ensure timeous response to issues obtaining in the municipality. There could also be more impact when deployees are on site all the time to assist in driving the implementation of the MFMA calendar within the municipality. Monitoring sometimes is not done timeously due to the rotational nature of support, therefore having fixed personnel could be a solution.
- The municipality, itself should embrace and prepare for the monitoring and support to be received from the province. The municipality must fill all vacant posts with qualified and competent personnel, who should be able to continue performing efficiently after the support is withdrawn. The province cannot provide support to a municipality infinitely, at one moment it has to pull-out. After the province has

pulled-out, there must be an "after-care" programme that will ensure that the support is sustainable even in the absence of the province.

- Support provided to municipalities need to have conditions, where prior deliverables are agreed upon, including those from the municipalities themselves. The responsibilities of the municipalities and the department need to be specified and each of them needs to be held accountable for their implementation. A Memorandum of Understanding will be required to be drawn up specifying the same.
- The province must continue providing monitoring and support to Nkonkobe local municipality until it achieved the objectives as initially set out. The withdrawal of the Operation Clean Audit support to Nkonkobe local municipality is a cause for concern as the municipality has not yet achieved clean audit of opinion, and there is no guarantee that it may not regress. Support should be focused on realistic, achievable goals, not on political rhetoric.
- The Provincial Audit Improvement Coordinating Committee (PAICC) which was established at the launch of Operation Clean Audit, need to be revived in order to perform its responsibilities of coordinating all interventions; pulling resources together and of developing and monitoring of action plans to address audit outcomes. In addition a quarterly *Indaba* sanctioned by the MEC for Local Government and Traditional Affairs is key, for purposes of sharing best practices and strengthening weaker institutions. This would be effective with the buy-in of the Mayors, Councils and Municipal Managers, and this would ensure that all providers of support in municipalities and the municipalities gather to discuss issues of mutual interest.
- In Nkonkobe local municipality, the researcher strongly believes that it should have established a local Operation Clean Audit facility and

structure to complement the one established at provincial level. Operation Clean Audit being a special project designed for completion within a specified time should have received special attention in the municipality, where all stakeholders are represented at the local level. The researcher accordingly strongly recommends such a facility.

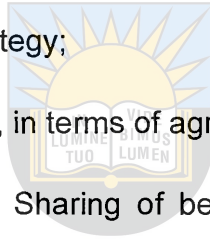
- The oversight function has to play its role effectively and efficiently. Firstly, the internal audit and risk management units need to be beefed up in order to ensure timeous follow up of all issues raised by the Auditor-General, the implementation of recommendations and evaluation of impact on time. Secondly, the Audit Committee which is an independent advisory committee of council, should be directly involved in monitoring of Operation Clean Audit implementation and has to report accordingly to council. Lastly the council needs to play its oversight role effectively for the success of the provincial monitoring and support. The council must hold its senior managers accountable for their performance, Operation Clean Audit should form part of performance agreements between the municipality and its senior managers.
- Political considerations in providing provincial monitoring and support to municipalities must be discouraged as it defeats the very good intentions of the province in its mandate. The Municipal Support and Intervention Framework of 2008, provides a guide on how support has to be provided by the DLG&TA and has to be commended.

In is furthermore, recommended that the following need to be followed in the provision of support to municipalities by the province:

- Firstly, there must be assessment of need, and identification of a basis to have support. The Municipal Capacity Assessment Tool (MUCAT),

section 46 (Municipal Systems Act of 2000) performance reports, IDPs, and Audit reports will assist in laying such basis;

- DLG&TA to conduct performance assessment of the municipality in conjunction with other departments and government parastatals, including Provincial Treasury, Eskom, Development Bank of Southern Africa (DBSA) and other relevant stakeholders.
- Development of a deployment strategy, indicating norms and standards, development of tools and guidelines;
- Implementation of the strategy;
- Monitoring and evaluation, in terms of agreed standards;
- Knowledge management. Sharing of best practices, success stories and future improvement; and
- Harnessing the support to avoid wastage



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With the above measures, the researcher argues that the provincial monitoring and support to municipalities could be enhanced and improved.

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## Annexure- A

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DEPARTMENT OF PUBLIC ADMINISTRATION

*Office of the Chair & Head of Department:*

**Professor Edwin Ijeoma**

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## TO WHOM IT MAY CONCERN

REF: REQUEST TO ALLOW STUDENT TO CONDUCT RESEARCH ON:-

### **PROVINCIAL MONITORING AND SUPPORT FOR ACCOUNTABILITY IN MUNICIPAL FINANCE: THE CASE OF NKONKOBÉ LOCAL MUNICIPALITY IN THE EASTERN CAPE PROVINCE**

This letter serves to confirm that, Mr Mlamli BONGCO (Student Number 201214452) is registered for the degree of Master of Public Administration (MPA).

In partial-fulfilment of the requirements for this degree programme, this student is expected to conduct a research study and submit a mini-dissertation to the Department of Public Administration. The dissertation is solely meant for academic purposes.

We do hereby, humbly request your office to allow this student to conduct the above-named research study in your institution and to interact with relevant selected office-bearers and officials. We have instructed the student to observe the highest standards of professionalism and ethics, as well as to seek consent and maintain anonymity of the participants where necessary. The student has also been instructed to maintain strict confidentiality in his/her interactions with the sampled respondents.

Once the research is complete, it can be availed to your institution on request. We hope that the findings of the research will benefit your institution as a whole, as well as your stakeholders. Your support in this research endeavour is greatly appreciated.



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Ref no. 3/R

Mr. Mlamli Bongco  
5 Louisa Street  
Stutterheim  
4930



University of Fort Hare  
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Dear Sir

**RE: REQUEST TO CONDUCT RESEARCH.**

It is with great pleasure to inform you that permission to conduct research in the Department of Local Government and Traditional Affairs is hereby granted as long as there are no financial implications for the Department.

It must however be understood that the data collected will only be used for academic purposes and you will strictly adhere to ethical considerations such as anonymity, plagiarism, coercion, honesty, freedom of choice and respondents will be free to withdraw at any time from participating.

The Department of Local Government and Traditional Affairs takes this opportunity to wish you success in your studies.

Yours in service delivery.

**S. KHANYILE**  
**SUPERINTENDENT GENERAL**  
**DEPARTMENT OF LOCAL GOVERNMENT AND TRADITIONAL AFFAIRS**

DATE: 30/09/2013.



## Annexure B

### Interview Questions

The purpose of this questionnaire is to solicit data for the research on “Provincial monitoring and support for accountability in municipalities: The case study of Nkonkobe Local Municipality”. The research is in partial fulfillment for the requirements of the Masters of Public Administration (MPA) degree with the University of Fort Hare. All the information will be treated as strictly confidential.



Name of the Interviewee.....  
Organization.....  
Position.....  
Date .....

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#### Section 1

1. How does the provincial government carry out its monitoring and support to municipalities as indicated in the Constitution?
2. Is this adequate?
3. How can it be improved?
4. What are the major obstacles to the effective fulfillment of these support and monitoring duties?

#### Section 2

1. What provincial initiatives/programmes have been established to monitor and support municipalities, and paying particular attention to Nkonkobe local municipality?
2. What are the objectives of such programmes and in particular Operation Clean Audit (OCA)

3. How has the municipality been involved in developing such initiatives/programmes
4. What has been the impact of OCA and other programmes on Nkonkobe local municipality?
5. In what way can each initiative be improved?
6. What additional initiatives to monitor and support Nkonkobe local municipality would be appropriate and useful.

### Section 3

1. What mechanisms exist at provincial level to facilitate communication, cooperation, coordination, and policy development between the province and municipalities?
2. What intergovernmental partnerships/ forums involving municipalities have been established at provincial level for the purposes of OCA?
3. Are these partnerships/forums effective?
4. What additional mechanisms are required to ensure optimal intergovernmental cooperation in achieving clean audits?
5. Does Nkonkobe local municipality participate in these forums?
6. What is the nature of such participation and is it adequate?
7. What participation does Nkonkobe local municipality have in determination of assistance rendered to it?
8. Is this role adequate and how can it be changed?

## Annexure C

### List of Abbreviations

AGSA	Auditor-General of South Africa
CLC	Community Law Centre
CFO	Chief Finance Officer
COGTA	Department of Cooperative Governance and Traditional Affairs
DBSA	Development Bank of Southern Africa
DLGTA	Department of Local Government and Traditional Affairs
DIMAFO	District Mayors Forum
DPLG	Department of Provincial and Local Government
EC	Eastern Cape
EEP	Employment Equity Plan
ESKOM	Electricity Commission
IDP	Integrated Development Plan
IGR	Intergovernmental Relations
IRFA	Intergovernmental Relations Framework Act, 2005
LED	Local Economic Development
LGTAS	Local Government Turnaround Strategy
MEC	Member of Executive Council
MIG	Municipal Infrastructure Grant
MINMEC	Minister and Members of Executive Councils
MFMA	Municipal Finance Management Act, 2003
MM	Municipal Manager
MPAC	Municipal Public Accounts Committee
MSA	Municipal Systems Act, 2000
MSD	Municipal Support Directorate
MSIF	Municipal Support and Intervention Framework
MUCAT	Municipal Capacity Assessment Tool
MUNMEC	Municipalities and Member of Executive Council
MUTAS	Municipal Turnaround Strategy
OCA	Operation Clean Audit
OTP	Office of the Premier

PAICC	Provincial Audit Improvement Coordinating Committee
PIF	Premier's Intergovernmental Forum
PT	Provincial Treasury
POSDCORB	Planning, Organising, Staffing, Directing, Coordinating, Reporting and Budgeting
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget and Implementation Plan
SG	Superintendent General



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