

An assessment of the financial management in Naledi Local Municipality



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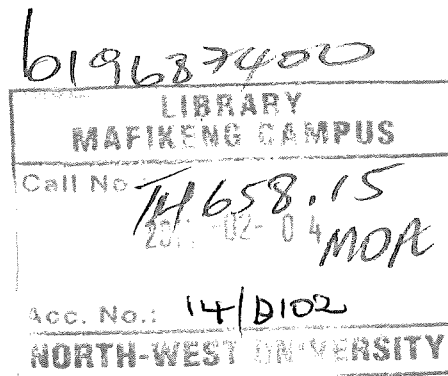
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Mini-Dissertation submitted in partial fulfilment of the requirements for the degree

Masters of Business Administration at the Mafikeng campus of

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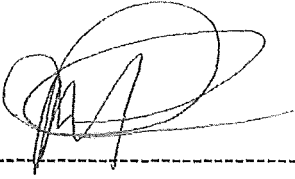


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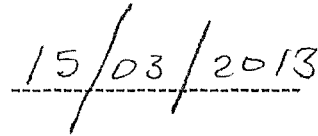
May 2012

Declaration

I, Mpho Portia Moabelo declare that the assessment on financial management in Naledi Local Municipality is my own work and that all the sources have been indicated and fully acknowledged.

A handwritten signature in black ink, consisting of a large, stylized 'M' and 'P' followed by a horizontal line.

Mrs Mpho Portia Moabelo

A handwritten date in black ink, written as '15/03/2013' with a horizontal line underneath.

Date

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Abstract

It is important to bear in mind that local government in South Africa has contributed much to the achievement of a number of significant social and economic development advances since the introduction of a new democratic municipal dispensation in December 2000. Financial deliberations have been a primary source throughout different stages of local government transition. The intent of this research was to assess the financial administration and management in Naledi Local Municipality. During the investigation, an attempt was to investigate the finance management and administration systems in place, assess the level of compliance with the MFMA and other legislative authorities, the skills and the capacities the municipality has, and the assistance provided by the necessary treasury offices to the municipality. There were a total of 43 respondents who participated in the research and only 40 of them answered the questionnaires. The population consisted of Accounting Officer (Municipal Manager); Chief Financial Officer; Deputy Financial Office; Budget and Treasury Officers; All section 57 Managers; and Other relevant municipal officials including councillors. The researcher conducted the study in a quantitative perspective, and the data collected from the respondents, through questionnaires, was used as an analysis to this study.

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CHAPTER ONE

OVERVIEW OF THE STUDY

1.1 INTRODUCTION

The purpose of this study is to provide an assessment of the financial administration and management in Naledi Local Municipality which falls under The Dr Ruth Mompoti District Municipality in the North West Province of the Republic of South Africa. Financial administration and management has been identified by the government as a priority area that needs to be addressed in order to transform our current ailing and distressed municipalities into vibrant, viable, sustainable, functional, effective and efficient ones that our country will be proud of.

Financial administration and management is about budgeting of and planning for income and expenditure of the municipality, thereby ensuring for the proper implementation of well-calculated financial administration and management decisions in operating the municipality, thus enhancing the financial sustainability of the municipality. This study is based on the premise that municipalities with effective and efficient financial administration and management capacity could transform their local areas in more significant ways.

It is important to bear in mind that local government in South Africa has contributed to the achievement of a number of significant social and economic development advances since the introduction of a new democratic municipal dispensation in December 2000. For instance, the majority of the people have increased access to a wide range of business opportunities, and more opportunities have been created for their full participation in the mainstream economy. Notwithstanding this valuable role that local municipalities have played in our new democracy, some key elements of the local government system had been showing signs of distress since 2009, and Naledi Local Municipality is not an exception to this state of affairs.

This assessment of financial administration and management in Naledi Local Municipality will begin by pointing out key issues that must be attended to in order to come up with a “turnaround” strategy for addressing the critical financial challenges facing Naledi Local Municipality. Central to this, will be challenges pertaining to corruption and fraud, and poor

financial administration and management as revealed, for example, in negative audit reports and opinions.

1.2 LOCAL GOVERNMENT IN PERSPECTION

South Africa has one of the most advanced systems of local government in the world with its powers and functions being constitutionally entrenched (Cameron, 2001). South African local government has undergone a three-phase transformation process. The pre-interim phase (1994-95) dealt with the period prior to local government elections and was characterised by appointed councillors. After the 1995/96 municipal election the interim phase undertaken in terms of the Interim Constitution came into effect. This was characterised by a number of power-sharing agreements between major political parties (Cameron, 1996a and Cloete, 1995).

The interim phase commenced with the local government elections in November 1995. The country's first democratic elections were supposed to occur on the same day in 1995. However, because of protected boundary disputes, the elections in metropolitan and rural local government in the Western Cape took place in May 1996, and in the entire Kwa-Zulu Natal local elections were held in June 1996 (Cameron, 2000). The interim Constitution contained a number of power-sharing provisions at local government level.

According to Cameron (1994), what was generally agreed upon by the major parties was that local government, because of its grassroots-based nature, needed at least some form of constituency-based system to co-exist along with the proportional representation (PR) system used elsewhere in the country.

In terms of the power-sharing arrangement, a final constitution had to be negotiated within two years. The Final Constitution was certified in December 1996 and came in partial effect on 4 February 1997. This new national framework has had profound effects on local government (Cameron, 2004b).

Section 152 of the Constitution of the Republic of South Africa points out the objects of local government as to provide democratic and accountable government for local communities; to ensure the provision of services to communities in a sustainable manner; to promote social and

economic development; to promote a safe and healthy environment; and to encourage the involvement of communities and community organisations in the matters of local government.

The White Paper on Local Government (1998) has proposed that the choice of municipality be determined by the extent to which the institutions meet the needs of local communities. South Africa's legacy of racial, spatial and geopolitical separation has created vast distortions in settlement patterns, leading to an uneven distribution of municipal capacity, particularly between urban and rural municipalities. This situation necessitates rapid intervention to arrest and reverse entrenched patterns of inequity, create economic competitiveness and viability and ensure representation of, and sensitivity to those sections of the population who, historically, had been denied participation.

The new developmental local government system envisioned the setting up of municipal institutions which would have the capacity to address the historical biases. Where the required municipal capacity does not exist, a system of district governance would have to ensure the management of integrated development planning in order to speed up service delivery.

1.3 BACKGROUND TO PROBLEM STATEMENT

The new democratic government has a constitutional and electoral mandate to deliver on key priorities that must ensure that visible, tangible and positive changes are felt in all rural and urban communities. With this in mind, the emphasis must be placed on, amongst others: the Millennium Development Goals (MDGS) and the Universal Household Access to Basic Services (uHABS) by 2014. Also to be taken into account in this regard, is the 2009 Government Programme of Action, which is committed to building a developmental state, improving public service delivery and strengthening national, provincial and local democratic institution. (State of Local Government in South Africa Overview Report National State of Local Government Assessments Working Documents COGTA, 2009)

There has been a number of government initiatives and programmes to advance service delivery and institutional support at local government sphere, which include, for example, the former Planning and Implementation Management Support (PIMS) Centres, the Integrated Development Planning (IDP) analysis and training weeks, the Bucket Eradication Programmes and the donor supported Consolidated Municipal Transformation Programme (CMTP).

However, whilst all of the support programmes have assisted in specific ways, a number of stubborn service delivery, institutional capacity and governance problems have been identified in municipalities over a number of years (State of Local Government in South Africa: An Overview Report-National State of Local Government Assessments, (COGTA), 2009).

The concept of “developmental state” incorporates the developmental nature of local municipalities, and within the context of this research study, developmental local government is viewed in terms of the White Paper on Local Government, (1998) – which defines developmental local government as:

“Local government is committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives”.

Naledi Local Municipality, like all local government institutions across the country, emerged from a prolonged period of transition, only to face a second generation of challenges which include, among others:

- i. The growing economy that has resulted in increased demand for economic infrastructure;
- ii. Ageing assets which are increasingly requiring upgrading, rehabilitation and/or replacement; and
- iii. Urbanisation, which means that the location and nature of poverty are changing.

Compliance with the current financial administration and management system is a constant challenge for Naledi Local Municipality-as Audit reports are poor due to the Local Municipality’s inability to manage its annual financial statements based on the systems and processes as provided for and described in the Municipal Finance Management Act, Act No. 56 of 2003, and other legislative and policy imperatives and directives.

The State of Local Government in South Africa: An Overview Report (COGTA), (2009) pointed out that the financial administration and management environment in the Local Municipality is further faced with poor skill base, weak support from the province, and poor controls that leave the system open to abuse, corrupt and fraudulent activity. Moreover, the demand for implementing the Property Rates Act No.6 of 2004 is undermined by the uneven application of systems, processes, and procedures as well as software.

The demand of the growing economy are no longer being met by the levels of municipal investment, and poor financial administration and management, as well as lack of control and accountability systems, impacts negatively service delivery to communities-from lack of provision of water and other services to inadequate funds for technical equipment, and for servicing basic infrastructure. These and other similar challenges are counted among other factors that necessitated the study of this nature-hence the focus on the assessment of financial administration and management in Naledi Local Municipality (State of Local Government in South Africa (Overview Report COGTA), 2009).

1.4 PROBLEM STATEMENT

The key problem underlying the study is that the state of financial administration and management at Naledi Local Municipality has not been satisfactory. Contributing to this key problem, are the following sub-problems:

- i. The Naledi Local Municipality has no appropriate finance management systems in place, as discussed during informal discussions with auditors.
- ii. Lack of financial administration and management skills and capacities in Naledi Local Municipality, as discussed during conversation with the HR Manager.
- iii. Poor compliance with provisions of the Municipal Finance Management Act, Act No. 56 of 2003 and other relevant legislative policies and directives, as explained in an auditor's report.
- iv. Poor adherence to National Treasury regulations and Auditor General's directives as pointed out by the auditors.

1.5 OBJECTIVES OF THE STUDY

The following objectives were established:

- i. To assess the appropriateness and relevance of financial administration and management in Naledi Local Municipality;
- ii. To determine if there are people with the skills to help with the financial management in in Naledi Local Municipality;
- iii. To assess the compliance of Naledi Local Municipality to the provisions of MFMA and other relevant legislative policies and directives; and

- iv. To assess the adherence of Naledi Local Municipality to National Treasury regulations and General's directives.

1.6 RESEARCH DESIGN

Due to the nature of this study, the research questions and the research objectives, the researcher approached the research as a quantitative perspective.

Questionnaires were utilized to obtain data for analysis and for reporting and recommendations to draw out information for analysis and will also be used for reporting and recommendations. A sample was selected from Naledi Local Municipality and it included officials usually involved in the Budgeting process. These were:

- i. Accounting Officer (Municipal Manager);
- ii. Chief Financial Officer;
- iii. Deputy Financial Office;
- iv. Budget and Treasury Officers;
- v. All section 57 Managers; and
- vi. Other relevant municipal officials, including councillors.

1.7 PLAN OF THE STUDY

The study consisted of 5 chapters that can be summarised as follows:

CHAPTER 1: Overview of the study

This chapter will introduce the reader to the research to establish parameters.

CHAPTER 2: Literature review

This chapter will provide the reader with an overview of the financial management systems in the local municipalities in general and Naledi Local Municipality in particular to establish a theoretical background.

CHAPTER 3: Research Methodology

Purpose of this chapter will be to outline the research approach, research design and research methods used in the study.

CHAPTER 4: Data collection, Data methodology and Data interpretation

This chapter presents data collection, data analysis and data interpretation of the study.

CHAPTER 5: Recommendation and Conclusion

This chapter will discuss the findings and provide recommendations and ultimately provide the conclusion of the study.

1.8 CONCLUSION

Chapter one has introduced the background of the financial administration and management in local government, directing it specifically to Naledi Local Municipality. The background of the problem, objectives and indicating the data collection method and the geographic area of research has also been introduced in this chapter.

In Chapter 2 the theoretical foundation to the foundation of theory of the discipline and give a significant review of various theories of the research topic will be done.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

Financial consideration have been primary throughout different stages of local government transition, albeit in different shapes and with different emphases over time. In the absence of uniform accounting and financial management system (which has only been established recently), it was impossible to get a clear picture of the exact nature and scope of the financial and fiscal situation in local government (Van Donk and Pieterse, 2006). They further stated that during the re-demarcation of municipal boundaries prior to the 2000 municipal elections, the issue of financial viability was a particularly contested one. The Municipal Demarcation Board asserted, without prior investigation or proper assessment, that the realisation of local municipalities from 843 to 284 was in large part necessitated by the need for financial viability.

The 1996 Constitution of the Republic of South Africa prescribes central elements that inform government relations in a public financial management. The Republic of South Africa exposes unitary characteristics and it is evident that the financial affairs of municipalities are subject to control by the national and the provincial authorities. Section 153 of the Constitution states that a municipality must structure its administration, budgeting and planning processes to give priority to the basic needs of the community and promote the social and economic development of the community, and participate in national and provincial development programmes.

The department of finance is of the view that local government should be primarily self-financing. The view of the department is that the major financial problem of many local authorities is not lack of income per se, but rather poor financial management. Problems include poor budgeting systems, inadequate revenue collection systems and lack of basic treasury functions (National Treasury, 2000:103).

The assessment of the financial management in Naledi Local Municipality has been used to search for the following significant key words: Definition of Local Government, Budgets, Budget Officials, Control of Budgets, Tabling of Budgets, Problems/Risks in Financial management, Variance Analysis, Governance, Decentralisation, Public Reporting, Fiscal, and

Financial Management. Search engines such as Google scholar, wikispaces and Google research has also been used.

The headings below point out the characteristics affecting the local municipalities in relation to financial management. District Councils and Provincial Treasury have to increasingly provide financial, accounting and other administrative services and support for smaller municipalities on an agency basis. A clear and specified justification for why financial management should be assessed is provided below, as well. The analyses will contribute in determining the root causes of financial mismanagement and in coming up with a logic in taking responsibility in management of public finances.

2.2 DEFINITION OF LOCAL GOVERNMENT

Organizations come in many forms and may be designed for a variety of purposes and in this case local governments (or municipalities) are instituted in most countries to cater for the citizens (Olsen, 1997). The activity of the local governments should be fine-tuned to satisfy local needs and should be concerned with improving the wellbeing of the population that live in their territories. Accordingly, local governments should promote social and economic development, territory organisation, and supply local public goods such as water and sewage, transports, housing, healthcare, education, culture, sports, defence of the environment and protection of the civil population (Afonso and Fernandes, 2007). The United Kingdom (UK) government also requires that all government agencies base their purchase decisions on lifetime “Value for Money”, rather than low first costs (Borg *et. al*, 2004).

Local government is established as a sphere of government in terms of the Constitution of the Republic of South Africa (1996). During the period of transition, which was launched by the Local Government Transition Act (Act No 209 of 1993) LGTA, Local Government has undergone a transformation. From a number of inequitable and unsustainable institutions, 283 local authorities now exist as a result of the demarcation process in the Local Government elections of 5 December 2000 (Local Government Anti-Corruption Strategy).

Section 152 of the Constitution of the Republic of South Africa further points out the objects local government which are-

(a) To provide democratic and accountable government for local communities;

- (b) To ensure the provision of services to communities in a sustainable manner;
- (c) To promote social and economic development;
- (d) To promote a safe and healthy environment; and
- (e) To encourage the involvement of communities and community organisations in the matters of local government.

Local Government has an extremely important role to play in the reconstruction and development of South Africa, as a country. Great strides have been made with the preparation and implementation of the Integrated Development Plans of Municipalities, and many of the programmes and projects will continue to fuel improvements for many years to come. The task ahead is to build on these improvements to ensure that the full impact of developmental local government reverberates throughout the province and beyond (Municipal Organisational Performance Management Implementation Guide, 2006).

The Municipal Structures Act 1998 describes a local municipality as a municipality that shares municipal executive and legislative authority in its area with a district municipality within those area it falls, and which is described in section 155 (1) of the Constitution as a category B municipality (A Guideline to Financial Management for Councillors, 2006)

Pacione (2001) explained that the importance of local government activities varies depending on the prevailing philosophies of central and local government, attitudinal and ideological differences among political parties and elected officials at each level, as well as the nature of the relationship between local political and economic interests. Balaguer-Collet *al.* (2006) further emphasise it by stating that all individuals, governments, and firms have an interest, in improving efficiency and productivity in public sector activities.

In government, incentive plans have traditionally been quite uncommon. A variety of philosophies including public choice and the “new public management” have pushed for smaller government and a government that when it acts behaves more like a business. This means that managers are being rewarded for scaling down costs and where appropriate encouraged relying on fees instead of taxes (Stalebrink and Sacco, 2006).

They further stated that The Governmental Accounting Standard Board’s (GASB) Concept Statement No. 1 defines the objective of financial reporting for US state and local government

as “providing financial information that is useful for economic, social, and political decisions” (Governmental Accounting Standards Board (GASB), 1987, para 32).” Given this objective, the study of financial statement fraud in the context of government requires consideration of a broader set of factors compared to similar studies conducted in the context of private firms. That is, consideration of economic, social, and political consequences is necessary. Studies on financial statement fraud within private firms tend to be confined to economic consequences for the entity, for individuals within the entity, or for investors and creditors (Stalebrink and Sacco, 2006).

According to Lee *et al.* (2010), although e-Government is defined as electronic delivery of government service primarily using Web technologies (Holden *et al.*, 2003) – has been adopted by the government at all levels. The adoption of e-government services by citizens and businesses has been relatively slow. Private sector businesses are key economic actors in society and they are crucial customers of public services, as well as source of government revenue. Although both businesses and citizens’ users might share a common rationale behind the adoption of e-government services (e.g. saving time and cost, increasing accuracy, enhancing reliability, etc.), the relationship between citizens and government and businesses and the government is fundamentally different.

Eldenburg *et al.* (2003) stated that non-profit organisations pose a dilemma for traditional economic analysis. Traditional analysis of for-profit corporations generally assumes that they choose actions that maximise the present value of their profits. This assumption is common and rarely warrants mention. In the case of a for-profit firm, the purpose of corporate governance is clear; the governance structure manages the process of maximizing this objective function through incentives and monitoring of the top management.

2.3 BUDGETS

In the past, budgets were incremental (one-year) and backward looking, as they were based on the previous year’s budget. The budgeting and planning processes were not integrated, often operating completely separately (with an iron wall between them). Budgets were presented in considerable detail, hampering effective policy and planning processes and making consultation unwieldy; revenue and capital estimates were unrealistic, resulting in poor

service-delivery performance and disappointing community expectations; and there appeared to be little or no linkage to a comprehensive long-term fiscal or financial strategy (MFMA).

The budgeting and planning processes were not integrated, often operating completely separately. Revenue and capital estimates could be unrealistic, resulting in poor service-delivery performance and failure to meet community expectations for these municipalities. There appeared to be little or no link to a comprehensive long term fiscal or financial strategy and little co-ordinated community development. In addition, financial reporting in municipalities was often inaccurate and internal controls were poor or non-existent. These are some of the tendencies that the reforms seek to eradicate (A guide to Municipal Financial Management for Councillors, 2006).

A guide to Municipal Financial Management for Councillors (2006) further states that in 1994, a new system of government for the Republic of South Africa was introduced. Its aim was to democratise state institutions, redress inequality handle financial management and extend expanded services to the community. The new system of government has the following features:

- i. There is a decentralisation of powers, functions and budgeting, through three distinct, interrelated and interdependent spheres of government: national, provincial and local.
- ii. National Parliament comprises two houses: a national assembly; and a national council of provinces, which represents provincial legislatures and organised local government.
- iii. Each of the nine provinces has its own legislatures and executive committees, as well as administrative structures.
- iv. With the recent demarcation of municipalities, there are now 283 municipalities.

There are three categories of municipality: metropolitan (Category A), district (Category C) and local (Category B).

Each municipality has both political and administrative components. The political components vary, with some municipalities having executive mayors and others having executive committees, each with distinct powers and functions to handle financial management.

Provincial executives and administrations are accountable to provincial legislatures, and municipal executives and administrations are accountable to municipal councils. The legal framework provides for provincial oversight, support and capacity building (A Guide to Municipal Financial Management for Councillors, 2006).

Section 215 of the Constitution of the Republic of South Africa suggested the following on National, provincial and municipal budgets.-

(1) National, provincial and municipal budgets and budgetary processes must promote transparency, accountability and effective financial management of the financial resource of the public sector.

(2) National legislation must prescribe-

- (a) The form of national, provincial and municipal budgets;
- (b) When national and provincial budgets must be tabled; and
- (c) That budgets in each sphere of government must show the sources of revenue and the way in which proposed expenditure will comply with national legislation.

(3) Budgets in each sphere of government must contain-

- (a) Estimates of revenue and expenditure, differentiating between capital and
- (b) Proposals for financing any anticipated deficit for the period to which they apply; and
- (c) An indication of intentions regarding borrowing and other forms of public liability that may increase public debt during the ensuing year.

The Service Delivery and Budget Implementation Plan (SDBIP) is a management implementation and monitoring tool that will assist the Mayor, Councillors, Section 57 Managers and the community. SDBIP provides a vital link between the Mayor, Executive Council and administration and facilitate the process for holding management accountable for its performance (MFMA, 2003).

The SDBIP gives effect to the IDP and budget of the Municipality and it enables the Municipal Manager to monitor the performance of senior managers, the Mayor to monitor the performance of the Municipal Manager and for the community to monitor the performance of

the municipality. It is yet another step forward to increasing the principles of democratic and accountable local government (Constitution, 2006).

According to the Naledi Local Municipality SDBIP (2009-2010), each manager is expected to report quarterly by the end of each quarter and prepare them for the mid-year assessment by the 25th of January of each year. The SDBIP should be read together with the IDP and the budget, which were approved by Council on the 28th of May 2009. It also forms the basis for the Performance Agreements of the Municipal Managers and Section 57 Managers. Within 14 after the approval of this document by the Mayor it will be made public as well as the Performance Agreements of the Municipal Manager and Section 57 Managers.

Hajek (2010) points out that budget variable inform about the scope of budget implementation. Variable values are extracted from the municipality budget. The ratio of total revenue to total expenditure reports on the quality of the budget implementation. If it is constantly greater than 1, that is, total budget is in excess, and at the same time a growing trend is indicated, the municipality is in good financial state. The same fact holds for the current budget. A good financial standing enables the municipality to use surplus to finance its engagements. United States (US) municipalities dispose of a high fiscal autonomy. This allows municipalities to influence their revenues through local taxation and fees for municipal services. Municipal management chooses a combination of own revenue and the debt on public goods financing. The higher the fiscal autonomy of the municipality is, the smaller is the need for the debt as a financing tool. Tax collectible determines the tax capacity of municipality.

Municipal action should be equally divided among all territory meaning that municipal budget expenditure should be spread spatially abandoning previous practices of selective and populist types of interventions (Acioly, 2000).

For Korea, however, both government net wealth and consolidated budget balance suffer from some conceptual problems. First the consolidated budget's coverage is not wide enough to include all relevant fiscal policies, omitting local government and important government activities such as medical insurance. Secondly government budget balance and net wealth are the result of past and present government activities. Therefore they cannot be used to evaluate the effects of the future changes in the economic environment, future cash flows of the government budget, of future fiscal policies (Auerbach and Chun, 2005)

It is stated in Neu (2005) that studies examining the role of budgeting and standard costing in the construction of governable people (Miller & O'Leary, 1987), the ways in which budgets are "fabricated" (Preston and Cooper, 1992), the positioning of accounting within the spatial reordering of manufacturing (Miller & O'Leary, 1993a), the role of activity based costing in the reordering of actor networks (Briers & Chua, 2001) and the pedagogy of business planning within museums (Oakes and Townley, 1998) allude to and indirectly illustrate the constitutive nature of accounting practice within organizations. Instead of concentrating on a mode of control exercised by and through the State. This notion of government draws attention to the diversity of forces and groups that have, in heterogeneous ways, sought to regulate the lives of individuals (Miller & Rose, 1990, p. 3).

Benito *et al.* (2007) in their research stated that infrastructures have been financed in Spain through the public budget until the middle of the nineties. Concessions and private financing have been scarcely used in Spain. However, private financing of infrastructures (private finance initiative, PFI, or more recently named also as public-private partnership, PPP) is growing in. These are the main reasons for reducing the use of budgetary resources (Benito *et al.*, 2007):

- European Monetary Union (EMU) requirements concerning government deficit and debt limit the amounts that public entities can borrow to finance capital assets. According to the 1996 Stability and Growth Agreement, European Governments must reach a balanced budget in 2001, namely, a zero deficit. This target must be achieved in spite of the social pressure for more and best public services and benefits, making almost impossible for the public sector to reduce current expenses and thus generate savings.
- Important investment funds are searching in the financial markets for safe and steady investments.
- Rigidity of traditional Public Administration brings about high management inefficiencies.
- Financial earnings are improved by companies' flexibility and management skills. Investment priorities, as well as verification of public works profitability and feasibility can be enhanced through the private business requirements if enough financial rate of return is achieved.

2.4 BUDGET OFFICIALS

The competency levels of professional financial officials are described by the Municipal Finance Management Act No.56 of 2003 (MFMA) as : (1) The accounting officer, senior managers, the chief financial officer and other financial officials of a municipality must meet the prescribed financial management competency levels.

(2) A municipality must for the purposes of subsection (1) provide resources or opportunities for the training of officials referred to in that subsection to meet the prescribed competency levels.

(3) The National Treasury or a provincial treasury may assist municipalities in the training of officials referred to in subsection (1).

As stated, being held accountable can be problematic to managers in governmental organizations in certain circumstances. To begin with, one reason why this could be problematic has to do with the identification of the organisation's goals. This identification and definition of the products of governmental organisations is a relatively subjective exercise, and therefore, output-indicators are also relatively subjective and easy to manipulate. Furthermore, decision making in these organisations is a result of the multiple, conflicting political pressures that resulted in relatively vague compromises that are also very unstable (Pollitt, 1990*cited by* Budding, 2004).

Modell and Lee (2001) stated that the controllability principle states that managers should be held responsible for events and accounting items that are reasonably under their control. Calabrese (2010) further stated that public officials have recently sought increased regulation of financial disclosures from not-for-profit organisations as a means of improving accountability with the public.

An absence of oversight by the audit committee, coupled with ineffective monitoring of the top management team by the board of directors (as well as inadequacy and ineffectiveness of the internal control structure in preventing, detecting, and correcting financial statement fraud) might have been a contributing factor to the occurrence of misstatements and audit improprieties. During the 1995 financial statement audit, the assigned auditors informed a managing partner at Andersen about \$67 million of misstatements and Waste Management's

fraudulent accounting practice of using one-time gains to mask other misstatements. However, the managing partner at Andersen considered the misstatements not to be material and not sufficient enough to warrant disclosure or a modified audit report (e.g. qualified, adverse) (Rezaee, 2002).

2.5 CONTROL OF BUDGETS

Appropriate finance policies and procedures within the local sphere of government are also necessary to ensure appropriate internal control over finance management in municipalities in line with the Municipal Finance Management Act 56 2003 (Local Government Anti-Corruption Strategy).

To analyse the relationships between control and learning, it is necessary to assess the way control in organisations has developed in recent years. Recent shifts in terminological and conceptual approaches to control mean that it is now possible to establish close links with organisational learning, which its original paradigm did not allow (Batac and Carassus, 1997).

Kloot (1997), as *cited* by Batac and Carassus (1997) extended the notion of control since management control systems are perceived as sets of control mechanisms, each of which is intended to perform part of the control, therefore including more than accounting and budgeting systems and coming up with a new purpose centred on organizational learning. Kloot (1997) confirms that the definitions of control systems and organisational learning involve similar objectives: both have to do with change and an organisation's adjustment to its environment.

It is stated in Olsen (1997) that control of municipal production is achieved through detailed, binding production plans, presented in the form of annual municipal budgets and adopted by local politicians at the end of each year. These adopted municipal budgets authorise the actions of the local bureaucrats. The resulting expenditures of implemented plans can be read from the municipal accounts. For the sake of central control and nationwide equality, central governments usually issue rules on how local governments should be organised and managed.

Municipal authorities are also subject to several internal and external control mechanisms, the former being exercised by central government agencies and the latter by an independent Court of Accounts. These control mechanisms limit the access to revenue and expenditure choices.

For instance, in what concerns revenue decisions, local governments borrowing is controlled by central government. This has been intensified during the last years, mainly since 2002 for budget consolidation purposes (Afonso and Fernandes, 2007).

According to Batac and Carassus (1997) performance indicators, in terms of public expenditures or activities, are first presented to the Chief Administrative Officer. They are used as a basis for discussion during meetings with heads of department and are then presented to the mayor's office. In addition, the Chief Finance Officer implements budgetary control and a regular cash schedule to anticipate problems, using accounting forecasts. This is first done half way through the year by means of a report submitted by the Chief Finance Officer to the Chief Administrative Officer. The Mayor and the Chief Department Officer then discuss it.

The Heads of Department's mission is to prepare detailed budgets and present them to the Chief Administrative Officer who proposes a decision. Then the Mayor and Council Management define the final budget strategies. The consequences of this distribution of information are both political, as they modify decision-making, and administrative, as this is where heads of departments are most likely to experience trouble.

2.6 TABLING OF A BUDGET

The Municipal Finance Management Act No. 56 (MFMA) of 2003 has recommended the following on Budgets:

The board of directors of a municipal entity must for each financial year submit a proposed budget for the entity to its parent municipality not later than 150 days before the start of the entity's financial year or earlier if requested by the parent municipality. The parent municipality must consider the proposed budget of the entity and assess the entity's priorities and objectives. If the parent municipality makes any recommendations on the proposed budget, the board of directors of the entity must consider those recommendations and, if necessary, submit a revised budget to the parent municipality not later than 100 days before the start of the financial year.

According to MFMA the mayor of the parent municipality must table the proposed budget of the municipal entity in the council when the annual budget of the municipality for the relevant year is tabled. The board of directors of a municipal entity must approve the budget of the municipal entity not later than 30 days before the start of the financial year, taking into account any hearings or recommendations of the council of the parent municipality. The budget of a municipal entity must be balanced; be consistent with any service delivery agreement or other agreement between the entity and the entity's parent municipality; be within any limits determined by the entity's parent municipality, including any limits on tariffs, revenue, expenditure and borrowing; include a multi-year business plan for the entity that:

- (i) sets key financial and non-financial performance objectives and measurement criteria as agreed with the parent municipality;
- (ii) is consistent with the budget and integrated development plan of the entity's parent municipality;
- (iii) is consistent with any service delivery agreement or other agreement between the entity and the entity's parent municipality; and
- (iv) reflects actual and potential liabilities and commitments, including particulars of any proposed borrowing of money during the period to which the plan relates; and otherwise comply with the requirements of section 17(1) and (2) to the extent that such requirements can reasonably be applied to the entity.

The MFMA further stated that the board of directors of a municipal entity may, with the approval of the mayor, revise the budget of the municipal entity, but only for the following reasons: To adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year; to authorise expenditure of any additional allocations to the municipal entity from its parent municipality; to authorise, within a prescribed framework, any unforeseeable and unavoidable expenditure approved by the mayor of the parent municipality; to authorise any other expenditure within a prescribed framework.

Any projected allocation to a municipal entity from its parent municipality must be provided for in the annual budget of the parent municipality, and to the extent not so provided, the entity's budget must be adjusted. A municipal entity may incur expenditure only in accordance

with its approved budget or an adjustments budget. The mayor must table the budget or adjusted budget and any adjustments budget of a municipal entity as approved by its board of directors, at the next council meeting of the municipality. A municipal entity's approved budget or adjusted budget must be made public in substantially the same way as the budget of a municipality must be made public (MFMA, 2003).

According to the MFMA the accounting officer of a municipal entity must by no later than seven working days after the end of each month submit to the accounting officer of the parent municipality a statement in the prescribed format on the state of the entity's budget reflecting the following particulars for that month and for the financial year up to the end of that month: Actual revenue, per revenue source; actual borrowings; actual expenditure; actual capital expenditure; the amount of any allocations received; actual expenditure on those allocations, excluding expenditure on allocations exempted by the annual Division of Revenue Act from compliance with this paragraph; and when necessary, an explanation of:

- (i) any material variances from the entity's projected revenue by source, and from the entity's expenditure projections;
- (ii) any material variances from the service delivery agreement and the business plan; and
- (iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the entity's approved budget.

The MFMA further stated that the statement must include a projection of revenue and expenditure for the rest of the financial year, and any revisions from initial projections. The amounts reflected in the statement must in each case be compared with the corresponding amounts budgeted for in the entity's approved budget. The statement to the accounting officer of the municipality must be in the format of a signed document and in electronic format.

It is stated in the MFMA (2003) that:

- (1) If a municipal council fails to approve an annual budget, including revenue raising measures necessary to give effect to the budget, the council must reconsider the budget and again vote on the budget, or on an amended version thereof, within seven days of the council meeting that failed to approve the budget.

(2) The process provided for in subsection (1) must be repeated until a budget, including revenue-raising measures necessary to give effect to the budget, is approved.

(3) If a municipality has not approved an annual budget, including revenue-raising measures necessary to give effect to the budget, by the first day of the budget year, the mayor must immediately comply with section 55.

Bjornenak (2000) highlighted that insight into the factors causing a change in total cost is also important for estimation, planning, performance measurement and decision making in the public sector. Changes in policy may cause changes in total cost and an important part of the accountant's work is to estimate the effect of discretionary decisions. This also relates to the role played by the budget in the public sector, both as a tool for allocating resources and as a tool for measuring performance. The introduction of more formula funding systems in the budget process increases the importance of knowing how and why different factors change total cost. Knowledge of cost causality is also important for performance measurement in the public sector. Budget variances may be analysed using this knowledge and exogenous factors may be separated from endogenous factors to explain, for example, a budget deficit (or surplus).

Giroux and McLelland (2003) and Mayper *et al.* (1991) looked at the difference between budget and actual expenditures and surplus/deficit (called budget errors). They assumed that C-M budgets would be more accurate (a budget that can be relied upon would be considered a measure of performance), while the M-C form was more likely to have liberal budget estimates (providing an extra cushion for more government services). Using a sample of large cities from the mid-1980s, form of government was significant. C-M cities had larger budget errors, associated with more conservative budgeting; that is, appropriations were relatively larger than actual expenditures for C-M cities and relative surpluses also were larger. Giroux and Shields (1993) used a public choice monopoly model developed by Gonzalez and Mehay (1985) to measure government output levels (based on expenditures).

Giroux and McLelland (2003) further stated that when modelling the expected differences between the two governance structures, both agency and signalling factors dominate. The C-M structure has obvious principal-agent relationships, with the CM the agent of the city council (Selden et al., 1999). The role of governance (GOV) will be measured with two models. The

first is accounting disclosure level. The second is financial condition. Accounting disclosure level represents the degree to which the financial information is complete and in accordance with GAAP. This should insure complete disclosure and relative financial transparency.

2.7 PROBLEMS/RISKS IN FINANCIAL MANAGEMENT

According to A Guide to Municipal Financial Management for Councillors (2006) an unavoidable part of operating a municipality that provides services to the community is taking on risk. Municipal exposure to risk may take many forms, such as: lost or damaged property, employee injury, physical or environmental hazards, legal liabilities to others and litigation, extra expenditure (replacement of damaged equipment), and crime and fidelity losses. The goal of risk management is to create a safe workplace, to prevent catastrophic financial losses, and to provide budgetary stability. Effective risk management eliminates or reduces the detrimental effects of risks that cannot be avoided, and protects both the municipality and its employees. A comprehensive risk management programme (A Guide to Municipal Financial Management for Councillors, 2006):

- i. allows for the more effective use of government funds by saving money spent on insurance, replacement of damaged property or paying claims related to liability or workers' on-the-job injuries;
- ii. increases worker productivity by preventing workplace accidents and injuries, and reduces costs related to medical payments, lost workdays and replacement workers; and
- iii. reduces uncertainties associated with future projects and budgetary uncertainties by controlling risks of new governmental amenities, such as a new park, or a change in service delivery mechanisms (A Guide to Municipal Financial Management for Councillors, 2006).

Briloff (1972, 1993) as *cited* by Carnegie and West (2004) coined the term unaccountable accounting in connection with his expose of problematic financial reporting practices by private sector corporations. It is now apposite to make analogous inquiries into the accountability of accounting within the public sector. Being accountable as a profession extends to addressing adequately those criticisms or challenges that may be levelled at specific

accounting reforms and, if necessary, promptly amending or withdrawing accounting rules which prove to be dysfunctional or unworkable.

According to Miyazaki and Fernandez, (2001), two uncertainties exist in online transactions: the risk of losing one's money during the exchange and the threat of having one's private sphere penetrated. Although the first risk suffices to discourage some clients from engaging in an online exchange, the possibility of having the privacy of their personal data compromised contributes substantially to clients' disinclination to embark on online transactions.

According to Firth *et al.* (2010), one inherent problem with the basic regression approach is that it is possible that the non-restating firms have manipulated their financial statements but they have not restated them. This can arise if the CSRC, the firm's directors, and the auditors have not identified the manipulation (or if the firm has identified the error, it may not want to disclose it). This issue represents an identification problem and it reduces the ability of the model to explain the restatement (Wang, 2004; Chen *et al.*, 2006) and makes it difficult to interpret the coefficients. To illustrate, an independent variable (e.g., a governance variable such as Big15) could have a negative effect on earnings manipulation and a positive effect in discovering it (and making a restatement). The simple profit model does not catch this subtlety and the coefficient on the variable will be difficult to interpret.

The US EPA (1996); Higgins, (1999); and Shore and Duchesne (1997) stated that the cost of municipal waste services has been constantly increasing over the last decades. The alternative methodologies for solid waste management (SWM) that are offered nowadays render the related programs in force more complex than ever. Municipal authorities are pursuing to limit and re-allocate the cost of SWM by a series of measures, changing the structure of the rendered services and fostering the avoidance/reduction of municipal solid waste (MSW) generation.

At the municipal level, and relative to SWM, by using FCA, municipal authorities may (a) have a useful and valuable tool for planning and analysing future budgets; (b) identify the hidden cost, (c) trace and reform the inefficiencies of a program, especially if FCA is performed every single year, (d) evaluate scenarios under the financial aspect and the potential impact on the quantity and quality of MSW, and (e) investigate the potential for implementing new and/or innovative systems of waste collection and related charging, whose intent is to

render financial incentives to citizens for reducing waste generation, as Pay-As-You-Throw (PAYT) systems (US EPA, 1996; Higgins, 1999; Shore and Duchesne, 1997).

According to Olsen (1997), a common observation is that municipalities often overspend and later face financial problems. According to the machine metaphor (this should not happen). Hogsheim *et al.* (1989) explained their observations of such behaviour in the City of Bergen throughout the period 1983-1986 in terms of a decoupling of decisions (as read from adopted budgets) from actions (as read from accounts). The linear relationship between earlier and new accounts for the given years is mathematically perfect. However, this perfect correlation would not constitute any control or budgetary problem if budgets were followed, since action would then coincide with planned action. However, a comparison of data from the budgets and accounts of all the Norwegian local governments gives us a different picture.

The presence of multiple or conflicting agendas in different public agencies are viewed by the instrumental perspective, as evidence of problems. The intentions and outcomes may be reflexive rather than linear, particularly in environments of continuous change. Hence, the way in which matters are constituted as problems and how generated outcomes become solutions become less visible (Hardy and Williams, 2007). Radcliffe (2006) further stated that business problems are seen to be considerably less threatening than ones framed in political terms, hence the attractiveness of auditing's apparent ability to re-designate what might otherwise be political as simply requiring the use of proper management techniques.

Skidmore and Scorsone (2011) stated that in recent years Michigan local governments have experienced significant and on-going budgetary challenges. The underlying causes of this fiscal crisis are threefold. First, Michigan's economy, with its shrinking manufacturing base, has struggled and this is especially true since 2001. Second, continuing structural deficit at the state level has led to reductions in local government revenue sharing. Third, the restrictive poverty tax limitation laws in conjunction with a declining housing market over the past two to three years have further exacerbated local government fiscal condition. In response to state government fiscal challenges legislators have made a series of cuts to local government revenue sharing.

Students of regional development have also long held a preoccupation for the problems posed by unbalanced growth as manifested by Myrdal (1957) and Hirschman (1958). Scholarship has also advanced on the conditions under which regional policies are merited, as well as why outcomes may not always be as predicted by specific theoretical models (Barberia and Biderman, 2010).

The quality of an auditee's internal control should be inversely related to audit delay because, with good internal control, more test work can be performed in the interim period, leading to more prompt audit completion (Johnson *et al.*, 2001).

Since mayors control the fiscal variables, they may wish to manipulate them in order to get re-elected. However the theoretical concern is that the candidate would perform according to the public's preferences, even though these are not his true preferences, get re-elected and then change his policies. If this is the case, the public understands the model; a responsible fiscal behaviour may not be rewarded by the voters (Brender, 2002).

Sanders (2006) points out that the disproportionately high human capital standards that limit access to many government jobs may be problematic for those who acquire education and work experience in a foreign country. Notwithstanding, if immigrant minorities, like native minorities, are attracted to the public sector because they believe layoffs are relatively unlikely and discrimination is mitigated through the stringent application of universalistic hiring and promotion criteria, well-credentialed members of immigrant minority groups may be highly motivated to apply their credentials to job searches that concentrate on the public sector.

Mathematical programming techniques have long been recognised as the most suitable approach to the complex problem of capital budgeting in corporations. This is because contrary to conventional single-project appraisal techniques such as the net present value method, financial planners do not normally engage in project-by-project analysis to determine the projects that would be included in capital budgets. In additions, the existing chance-constrained (both single and multiple objectives) models developed to deal with the problem of uncertainty in capital budgeting are grossly defective, since they, indeed, address the problem of risk (Kalu, 1998).

2.8 VARIANCE ANALYSIS

As stated by Hajek (2010), the results conform to prior research results, indicating that the models of NNs based on publicly available financial and nonfinancial information could provide accurate classifications of credit ratings. Although the rating agencies and many institutional writers emphasize the importance of subjective judgment of the analyst in determining the ratings, it appeared that a small list of input variables largely determined the rating results. This also validates that the set of variables identified in this study captured the most relevant information for the credit rating decision. The proposed models present an easier conception of the municipal credit rating evaluation for public administration managers, banks, investors, or rating agencies (Hajek, 2010).

The reports of the local government audit committees in the Netherlands are relatively new, and are an addition to the ‘traditional’ financial audit reports produced by a chartered accountant and also to the vast range of performance reports provided by the Executive Committee and the municipal organisation. As such, they increase the number of perspectives from which the local government organisation is considered (Tillema and Bogt, 2010).

2.9 GOVERNANCE

A Guide to Municipal Finance Management for Councillors (2006) pointed out that governance principles of accountability, responsibility and separation of structures are applied in both the public and private sectors. In the public sector, governance principles aim to ensure democratic and accountable government that is open, fair and transparent. The keys to sound governance in the public sector are therefore:

- separation between legislative and executive powers and administrative functions;
- clear distinction of roles between policy making and policy implementation;
- appropriate delegations of authority and responsibility for efficient and effective public administration;
- adequate, cost effective systems of internal control and reporting;
- clear and unambiguous accountability mechanisms; and
- codes of conduct for political office bearers and officials.

The Municipal Structures Act provides the legislative basis for the establishment of governance structures in municipalities in line with the above principles of sound governance (A Guide to Municipal Finance Management for Councillors, 2006).

A Guide to Municipal Finance Management for Councillors (2006) further states that the MFMA and other national government legislation aim to improve financial governance. This means developing a financial governance system that clarifies (and separates) the responsibilities of mayors, councillors and officials. The framework must be built around responsibilities of accountability and oversight, which are in turn possible only if there is a culture of transparency and regular reporting in that municipality. A financial governance framework is a structure in which a municipality takes decisions, strengthens accountability and manages its affairs in relation to the collection, distribution, allocation, utilisation, control and monitoring of resources. This means establishing a comprehensive system of checks and balances that fosters sufficient oversight and accountability to ensure that government carries out its responsibilities effectively.

There are also different roles and responsibilities assigned to the Minister of Provincial and Local Government, and the MECs for finance and local government. While the primary responsibility of provincial treasuries is to manage the financial affairs of the provinces, the MFMA provides for greater involvement of provincial treasuries in the regulation and management of the finances of municipalities. Provincial treasuries are expected to take appropriate measures to monitor, support and assist with municipal capacity building. Municipalities are encouraged to contact National Treasury or their provincial treasury where there is uncertainty about the various roles or responsibilities required under the MFMA. By focusing on specific policy and oversight responsibilities, councillors will provide political leadership and direction to the municipality's operation (A Guide to Financial Management for Councillors, 2006).

The Minister may take appropriate steps to ensure that a municipality in the exercise of its fiscal powers in terms of section 229 of the Constitution does not materially and unreasonably prejudice—

(a) National economic policies, particularly those on inflation, administered pricing and equity;

(b) Economic activities across municipal boundaries; and

(c) The national mobility of goods, services, capital or labour (MFMA, 2003).

Since 1966, Indonesia has had a strong central executive occupied by the office of the President. The President is elected for a 5-year term by the 700 member People's Consultative Assembly (Majelis Permusyawaratan Appointees (MPA)). This is the highest authority in the nation and it provides for the establishment of the President, the House of People's Representatives or Indonesian Parliament (Dewan Perwakilan Rakyat (DPR)), the Supreme Audit Board, and the Supreme Court. Under the Constitution, the MPA is required to meet at least once every 5 years. Many aspects of political behaviour at all levels within contemporary Indonesia have their roots in the political culture of the pre-colonial Javanese kingdom which, according to Schrieke (1955, pp. 169–221), fits Max Weber's model of the patrimonial state. In this model, the central government is essentially an extension of the ruler's personal household and staff. Officials are granted their positions and the associated perquisites as personal favours of the ruler, and they may be dismissed or degraded at the ruler's personal whim (Perera and Baydoun, 2007).

Laswad *et al.* 2005 stated that the United Nations Economic and Social Commission for Asia and the Pacific (2001) estimates that 90% of New Zealand local government funding is now internally sourced. Corresponding accountability is achieved through the requirement of local authorities to engage in a consultative planning process, the publication and dissemination of an annual plan (forecast information) and an audited annual report, and the requirement that local authorities develop, implement, and maintain long-term financial strategies together with investment and borrowing policies. Despite the largely autonomous nature of local government, the Minister of Local Government in the central government has the power to appoint a review authority to review a specific council where the Minister believes that there has been a significant and identifiable failure of governance (e.g., mismanagement of resources or deficiencies in the management or decision-making processes of the authority). The four main sources of funds for New Zealand councils are property rates (tax), grants from central government, income from user charges, and loans.

Nowadays, the only kind of subsidy from central government is for road construction and maintenance. Many of the restrictions on local authority borrowing have been removed with the passing of the Local Government Amendment Act 1996 (No. 3).

The State and Local Government Finance Division (SLGFD) of the Department of the Treasurer monitors all North Carolina government units. State statute (North Carolina General Statute, 1971, 159 – 34) requires entities to be audited by CPAs and to submit copies of annual audit reports, auditee quality control procedures in place, and invoices for audit services rendered to the SLGFD for its review. The SLGFD then conducts annual desk review that among other things examine the independent auditor's report and to Yellow Book reports to ascertain the degree of compliance with auditing standards, professional reporting standards, single audit disclosure requirements, and Yellow Book specification (Thorne *et al.*, 2001)

2.10 DECENTRALISATION

Manor (1998) defines decentralisation is the transfer of power from the centre of public administration at the state or regional level, to public administration units at a lower level of a bureaucratic hierarchy or elected bodies at the same level or lower level. Often decentralisation schemes move powers to units physically located in places other than the centre, and with another legal status. However, a decentralisation scheme could include the transfer of power “downwards” within a section of the bureaucracy located in one place.

The final Constitution made provision for strong decentralised local government. The early experience suggests conflicting outcomes of this new intergovernmental relationship. On the other hand municipalities, particularly metropolitan councils, are exercising considerably more powers and functions *vis-a-vis* provinces than hitherto has been the case. The role of the Provincial Departments of Local Government has been downgraded considerably because they can only intervene in local government affairs under exceptional circumstances (Department of Provincial and Local Government, 1999).

Denters and Rose (2005) point out that previous decentralisation programmes either failed to specify local responsibilities or transfer responsibilities by administrative decrees or statutes that central government can change easily and unilaterally. Specifically, such statutes often empowered the local government or interior minister to change the law at will.

According to Stren (2003), decentralisation as a strategy of central governments may in fact be a way of strengthening a weakening state by finding local allies. In such a situation, the degree to which central governments or central finance ministries may be willing to substantially to support decentralised local institutions may vary with the political situation in the capital, rather than with the prescribed requirements for support and cooperation set down in legal or even constitutional documents. In the end, the decentralisation bargain is contingent on the relative power of national and local elites, a balance that may shift with the volatile dynamics of both local and international forces.

African states are more highly centralised than stated in any of the world's regions. This highly centralised state has become part of the problem of governance in Africa. It is inefficient, corrupt, and ineffective in providing access to the basic services. It also fails to mobilise high levels of social capital for improved development or governance. Despite of its promise, decentralisation involves significant dilemmas and challenges. As a political process, decentralisation creates winners and losers. Financially, decentralisation involves redistribution of resources and the need for more complex systems of allocation, control and accountability. Administratively, decentralisation requires more widely distributed management and technical capacities linked to service delivery (Olowu, 2006).

According to Lewis (2002), most regional government borrowing in Indonesia has been conducted via central government mechanisms. While the terms and conditions of central lending have been highly favourable to regional borrowers, repayment of debt has been very poor. Indonesia has recently embarked upon an ambitious program of fiscal decentralization. The effort has its genesis in two laws, both promulgated in May 1999, one on administrative matters and the other concerning fiscal and finance issues.

Carr and Smeltzer (1997) stated that purchasing's importance to organisational competitiveness is being noted, and it is now considered as a strategic function instead of just an operative one. Tasks after contracting, such as ordering, are considered to be decentralised to local units. Munson and Hu (2010) as *cited* by Karjalainen (2010) actually call this type of a purchasing approach as an attempt to encapsulate the best aspects of both centralisation and decentralisation, referring to it as centralised pricing with decentralised purchasing. Typically in this type of a structure with centralized framework agreements in place, categories not



suitable for standardisation and/or not purchased by all or a significant number of the units in the organisation are managed with a decentralised operating model where the purchasing process in its entirety is conducted by individual units (in some cases with the assistance of the centralised purchasing unit).

According to Joyce (2006), centralised purchasing may be able to obtain lower prices than decentralized units if the higher volume created by combining orders to a common supplier enables it to take advantage of quantity discounts. This can be achieved with centralized framework agreements where volumes of all units are combined under one agreement even though ordering still occurs at a local level.

2.11 PUBLIC REPORTING

Both the Municipal Finance Management Act (MFMA) and the Municipal Systems Act (MSA) are built on the adoption by the municipality of a performance system. The budget of a municipality must contain performance targets and measurable objectives, which are set out at the beginning of the financial year (section 17 of the MFMA). The adoption of the annual service delivery budget implementation plan (SDBIP) and the annual performance between the mayor and the municipal manager must be linked to the performance targets. The annual report (as per process outlined in Chapter 12 of the MFMA) must at the end of the financial year be published.

Timely budget reports by a municipality to its administration, council, and provincial and national governmental agencies are very useful as an early warning of actual or impending financial distress. Such indicators must highlight whether or not the council is operating a continuous bank overdraft, creditor payments are made within 30 days, outstanding accounts are being collected, and capital expenditure is consistent with plans, among a number of other issues. A maximum of five to ten high level indicators will give council a good sense of financial and service delivery performance. If any of these indicators show negative variance, then the municipal manager must table corrective measures immediately for council consideration and approval. This may include a planned reduction in expenditures if revenue collections are less than projected (A Guide to Municipal Finance Management for Councillors, 2006).

Overall, the powers that increase the use of accrual reporting are similar to those described by Desai and Yetman (2006) as “Detection” powers, while those that decrease the use of accrual reporting are similar to those described as “Prosecution” powers. Desai and Yetman (2006) find that detection powers influence financial reporting more than prosecution powers, suggesting that NPOs seek to avoid the appearance of impropriety as a means of ensuring continued donor support. Similarly, the results presented here suggest that NPOs seek to increase the use of the accrual basis in their financial reporting in response to the detection powers of Attorneys General, perhaps a means of avoiding legal actions entirely (Calabrese, 2010).

According to Brown and McDuffie (1996), Citizens’ rights to local government information is based on laws regarding open records within the state of the local government entity. Generally, these laws acknowledge a citizens’ right to know any desired information within a reasonable time period and without a need to justify the request. The appropriate manner in which state and local governments should respond to the public’s request for information is determined by statutes in each state.

Each manager is expected to report quarterly by the end of each quarter and prepare themselves for the midyear assessment by the 25th of January of each year. The SDBIP should be read together with the IDP and the budget, which were approved by Council on the 28th of May 2009. It also forms the basis for the Performance Agreements of the Municipal Managers and Section 57 Managers. Within 14 after the approval of this document by the Mayor it will be made public as well as the Performance Agreements of the Municipal Manager and Section 57 Managers (Naledi Local Municipality SDBIP, 2009).

The Government Accounting Standards Board (GASB) is responsible for public institutions (Fischer, 1997, p. 254). Objectives for financial reporting espoused by the two boards are not identical. The FASB’s primary focus is on providing information that is useful to resource providers in making rational decisions about the allocation of scarce resources to business and non-profit organizations (FASB, 1980, para. 35). The GASB also endorses decision usefulness but states “accountability is the cornerstone of all financial reporting in government” (GASB, 1987, para. 56) (Gordon *et al.*, 2002).

It is trusted that the majority of publicly traded companies in the United States have a responsible corporate governance, a reliable financial reporting process, effective audit functions, conduct their business in an ethical and legal manner, and through continuous improvements enhance their earnings quality and quantity (Rezaee, 2002).

According to GASB, (1997) as *cited* by Payne and Jensen (2001), in 1985, the Governmental Accounting Standards Board (GASB) published a comprehensive study showing that approximately 90% of all users of governmental financial reports believed timeliness to be an important characteristic of governmental financial reporting (Jones *et al.*, 1985).

Australian public sector organisations are required by laws, regulations and directions to produce annual reports, which are tabled in parliament or council and are available to the public. More information is required than for private corporations. However, there is no regulation or requirement specifically stating that SI should be disclosed, although some aspects associated with sustainability could be required, for instance, water usage, electricity consumption, employee information, etc. and this varies significantly from jurisdiction to jurisdiction (Farneti and Guthrie, 2009).

According to Schelker and Eichenberger (2010), auditors need to have a clearly defined mission to assess the budget and policy propositions from a financial perspective and to transmit the auditing results to the principal. A clearly defined mission makes it easier to observe and evaluate an auditor's performance, which is essential in order to hold them accountable. Secondly, auditors should neither have voting rights, any authority to introduce sanctions nor co-decision rights. This prevents auditors from directly engaging in log-rolling and restricts their influence in the decision-making process to consulting, more specifically the production of information. Hence, auditors are, compared to traditional policymakers, less attractive targets for lobbyists and the opportunities to extract office rents are much smaller.

Thirdly, auditors have to be given incentives to cater to common pool interests. This is especially important since auditors with an extended ex ante auditing mandate might be in conflict with interests of members of the legislative and the executive. Therefore, auditors may not be appointed by the agents it ought to supervise, but directly by the principal, the citizens and taxpayers of the entire jurisdiction who collectively have an interest in sound financial analysis. Moreover, if auditors are directly elected, electoral rules must be considered. In order

that auditors pursue common pool interests and focus on allocative efficiency rather than on specific interests and redistribution, they have to be elected in majority votes in a single jurisdiction-wide district. Then they must seek support from the entire jurisdiction, which ensures broad-based interest representation.

Fourthly, it appears that opposition parties may have similar incentives to provide information. However, they are also bound by special interests and more interestingly they have strong incentives to pursue obstructive rather than constructive strategies for two reasons: first, political outcomes are attributed to the government rather than to the opposition parties. Second, opposition parties that choose constructive strategies run the risk that voters like their influence and thus, do not elect them into government but rather want to keep them in this fruitful opposition role. Hence, taking a constructive position may worsen the electoral prospects of an opposition party. In contrast, members of the auditing office do not compete to be elected into government. They can boost their chances to be re-elected as auditors by pursuing constructive strategies and trying to provide new and essential information to the public and its representatives.

According to Joseph and Taplin (2010) sustainability disclosures on websites of Malaysian local governments are ideal to compare measurements of disclosure for several reasons. Malaysia agreed to implement the Agenda 21 action plan at the Rio de Janeiro Earth Summit in 1992 and has been continuously moving towards sustainable development as outlined in various national long term strategies and action plans. One such initiative is the directive from the Ministry of Housing and Local Government for all local authorities to implement the Local Agenda 21 (LA 21) program. The Malaysian government has provided RM153 million under the Ninth Malaysian Plan to assist local authorities in the LA 21 program implementation. Furthermore, higher levels of disclosure (more sentences of disclosure per item in the checklist) lead to greater differences between disclosure abundance and disclosure occurrence. Indeed, low levels of disclosure where at most one sentence is disclosed per item lead to identical results for disclosure abundance and disclosure occurrence.

Bloom (1957) as *cited* in Young and Kattellus (1995) reported as that they have developed an explicit teaching plan to fill this void in the accounting curriculum and meet the objective of improving the student's ability to analyse non-profits accounting issues, thereby broadening

the student's prospective and professional competence. The framework develops fundamental technical skills as well as critical thinking, communication, and interpersonal skills by targeting all levels of learning identified in Bloom's taxonomy: recall, comprehension, application, integration, synthesis, and analysis.

The actions taken by purchasing departments when they are meaningfully involved in purchase decisions related to consulting services have been referred to as an ideal state not normally attainable (Johnson and Leenders, 2003) and is, in a much broader sense, one of the challenges facing organisational departments. While at first glance these actions may not appear very different from those associated with good sound purchasing practice, they are an indication that good sound practice such as was described herein is in fact appropriate for difficult purchase decisions such as those related to consulting services. Purchasing need not be an expert as far as the service is concerned (Schiele, 2005).

2.12 FISCAL

According to Freinkman and Plekhanov (2009) the modern system of intergovernmental fiscal relations has its origins in the reforms launched in 1994 based on the 1993 Constitution. Regional governments have been free to decide on such important elements of expenditure policies as the levels of salaries of civil servants in sectors financed from sub-national budgets, subsidies to the state-owned enterprises and to households, or the level of social benefits.

The organisation of regional fiscal systems and, in particular, the assignment of expenditure responsibilities to municipal and regional governments, until recently were largely determined by regional governments themselves (Freinkman *et al.*, 2000), subject to general federal guidelines that assigned responsibility for housing and utilities subsidies, education, and health care predominantly to municipalities (Freinkman and Plekhanov, 2009).

Financial and Fiscal Commission (FFC) was established to advise national, provincial and local government on financial and fiscal information relevant to their operation. This would include financial and fiscal policies, an equitable allocation to national, provincial and local governments from revenue collected at national level, taxes and levies that a provincial government and the financial norms applicable in this regard and criteria for the allocation of financial and fiscal resources (section 198 of the Interim Constitution).

Cooperation between governments is strengthened through the Municipal Finance Management Act and the Municipal Systems Act, and when there is an assignment of a function or power to a municipality there must be comment by the Financial and Fiscal Commission and consultation with the Minister of Finance on the assignment, including possible liabilities. This aspect strengthens co-operative government and links with chapter 5 of the *MFMA* and directly impacts on the Division of Revenue Act. The other area of cooperation relates to the provision of services through service delivery agreements and the use of external mechanisms. An important area of alignment relates to the process of establishing an external mechanism to provide municipal services. The community consultation, assessments, capacity, feasibility studies, value for money, measurement of risk, projected borrowing and fiscal implications are all linked to the IDP and budget process.

Haas (1992) points out that the international trend to impose the new public financial management reforms (NPFM) in the public sector has generally been initiated by national government bodies, which have imposed fiscal restraints and funding cutbacks in the public health care sector during the last decades. Hospitals have been put under pressure to reduce costs and to improve the quality of medical services. To understand such change processes, which are generated on a political level and implemented locally, it is necessary to study both the central, governmental activities and the local initiatives. In order to understand the complexity of implementing governmental management innovations such as new payment systems that impose new accounting practices, we need to specify a set of contextual and behavioural variables that can help to explain the outcome of the innovation process at the governmental and institutional levels. Changes in the public sector are generally associated with national reforms, which means that certain national context variables should be included if we are to understand implementation at the various organisational levels.

According to Martinez-Vazquez and Timofeev (2007) sound intergovernmental schemes aim at equalizing fiscal disparities that are due to the factors lying outside the local government control. Because a local government's role in the service provision affects how much the locality must spend to ensure a certain quality of this service, a local government's share in service responsibility is a key component of assessing disparities in local government resources.

Central to fiscal justice is the idea of horizontal equity. The notion implies that persons equally well off before government activity should be equally well off after it (Eichhorst, 2007). Buettner and Wildasin (2005) stress that if municipalities, on average, pursue fiscal policies consistent with inter-temporal budget balance, the components of their budgets will display a co-integrating relationship, and, hence, the deficit will be stationary (e.g., Trehan and Walsh, 1988). In order to model the dynamic adjustment to current changes in fiscal imbalances, one can exploit this stochastic implication of the inter-temporal budget constraint and employ a vector error-correction framework, relating the change of expenditures, revenues, and debt service to the lagged deficit. Bohn (1991) as *cited* by Buettner and Wildasin (2005), for example, conducts such an analysis of fiscal policy at the level of the US Federal government, and we utilize a similar approach at the city level.

The cumulative impact of the post-1998 tax reforms and the reassignment of revenue sources on the vertical fiscal balance is reflected by the centralization of tax collections to the federal budget. Therefore, the attainment of more efficient and transparent revenue assignments brought about potentially larger fiscal disparities in the Russian Federation. The federal government had to rely on a new system of equalization grants to offset potential increase in disparities in the distribution of fiscal resources. In addition, the federal government maintained an ad hoc mechanism of “mutual settlements,” which were mostly non-explicitly budgeted transfers granted to some regions during the process of budget execution. Fiscal capacity concerns the ability of the jurisdiction to raise revenue for public spending given the level of economic activity within the boundaries of the jurisdiction and the devolved authority to translate this economic activity into public revenues (Martinez-Vazquez and Timofeev, 2007)

2.13 FINANCIAL MANAGEMENT

According to section 215 (1) of the Constitution of the Republic of South Africa the National, provincial and municipal budgets and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and the public sector. All spheres of government require finances to carry out their duties. In the public sector, the demands usually exceed the financial resources to satisfy the needs of the

communities. For this reason, regulatory measures are required for the purpose of ensuring effective governance of the financial resources of the public sector.

The Constitution, section 155 (6) further provides that provincial government must provide for the monitoring and support of municipalities in the province. The provincial government may also intervene unilaterally in the financial affairs of a municipality in order to remedy an unacceptable situation.

In order to accomplish objectives for the local sphere of government, Parliament has enacted the Local Government: Municipal Finance Management Act (2003) (MFMA), the Local Government: Municipal Structures Act (1998), as amended, and the Local Government: Municipal Systems Act (2000) (MSA), as amended, as well as other legislation, to lead municipalities to reform and modernise financial management practices.

This legislation supplements conventional procedural financial management rules with a performance-based system focusing on outputs, outcomes and measurable objectives (A Guide to Municipal financial Management for Councillors).

As described by A Guideline to Financial Management for Councillors, the MFMA aims to modernise financial management practices by placing local government on a financially sustainable footing and supports co-operative government between all spheres of government. Successful implementation of the provisions of the act will maximise the capacity of municipalities to deliver services to their residents, users and customers.

Financial issues, certainly, constitute the biggest challenge confronting municipalities. Clearly there is a need for a new financial system for the new model of developmental local government. A review of the financial system is, of course, underway. It is being dealt with by the DPLG, the National Treasury, SALGA, and Financial and Fiscal commission. Among the issues being reviewed are the “equitable share” formula RSC levies, Capacity-building grants, infrastructure transfers, property rates, the fiscal powers and functions of district and local municipalities, the remuneration of councillors and municipal managers, and additional sources of revenue for municipalities. The Municipal Finance Management Bill and Property Rates Bill before Parliament, and the pending Bill on the division of fiscal powers and functions between local and district municipalities are aspects of the new financial system. Apart from some knowledge of the Municipal Finance Management Bill and Property Rates

Bill, most municipalities are not aware of the aspects of the review of the local government financial system. SALGA in particular needs to respond to this, but so do other authorities (Portfolio Committee, 2003).

Section 78 of the Municipal Finance Management Act (MFMA) further points out that each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure— (a) that the system of financial management and internal control established for the municipality is carried out diligently; (b) that the financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently; (c) that any unauthorised, irregular or fruitless and wasteful expenditure and any other losses are prevented; (d) that all revenue due to the municipality is collected; (e) that the assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary; (f) that all information required by the accounting officer for compliance with the provisions of this Act is timeously submitted to the accounting officer; and

(g) that the provisions of this Act, to the extent applicable to that senior manager or official, including any delegations in terms of section 79, are complied with. (2) A senior manager or such official must perform the functions referred to in subsection (1) subject to the directions of the accounting officer of the municipality.

Falkman and Tagesson (2008) maintain that a municipality or county council that does not conform to a standard issued by the Council for Municipal Accounting must, according to the law, state this in the annual report and explain why it does not conform to the standard. In Sweden we thus have an accounting model that should be used uniformly by all municipalities. The essential question of this study is whether the municipalities do or do not comply with the accounting standards issued by the Council for Municipal Accounting.

Perez *et al.* (2005) stated that as financiers of public sector entities, citizens can be considered one of the main groups of users of governmental financial information. This information, therefore, should offer them answers concerning the use of resources by government and the management of government agencies and programs. However, it is often the case that citizens have difficulty in accessing such information, thus implying a lack of information

transparency. Alongside this, there has been a generalized development of Information and Communication Technologies (ICT) at all levels of economic and social life. In the business sector, firms have taken advantage of many of the possibilities these new technologies bring to achieve greater competitive advantage. In turn, public administrations have felt the need to respond to this technological process, embracing these new technologies to guide their relations with their operating environment (firms, citizens, and other public administrations).

Perez *et al.* (2005) further pointed out that in recent years, the term electronic government (e-government) has been used to refer to public initiatives that attempt, through the use of ICTs (mainly Web sites, but also other uses of Internet such as e-mail, and other tools, including videoconferencing, intranets, etc.), to facilitate greater access to government services, make the information more publicly available, and achieve a greater accountability by the government to other public and business agents at different levels. Given this, e-government requires a change in the way that public administrations think and act when perceiving their information supply functions and service provision to other public administrations, firms, or citizens. E-government is a broad term, both in the technologies used and in the content on which it is based. Aware of the different ICT possibilities through which e-government can be channelled, this article focuses on the Internet due to its wide use by citizens and its ability to provide instant access to government financial information (Perez, Hernandez and Bolivar, 2005).

Operating cash-flow for Australian local government entities is defined in accordance with the accounting standard, AASB 107 Cash-Flow Statements. The standard defines cash-flows from operations as cash-flows attributable to “the principal revenue-producing activities of the entity and other activities that are not investing or financing activities” (AASB 107, para. 6).⁹ These cash-flows are reported using the direct method, therefore differences between the net profit variable and the cash-flow from operations variable are due to accrual adjustments. The definition of cash-flow from operations applied in Australia is conceptually consistent with that applied in the US via SFAS 95 Statement of Cash-Flows (Pinnuck and Potter, 2009).

According to Teles and Joia (2010), from the legal standpoint, the framework of sustainability of the technological option in Pirai is the Director Plan of Information Technology (PDI), developed with assistance from UnB in 1997, which is the legal basis for structuring the IT

coordination actions in the municipality. Thus, the initial translation of the premises for the changes in Pirai was enrolled through the PDI in the incipient digital inclusion network of the municipality. In the words of the municipal mayor:

“In 1996, we began a process of diversification of options for generating income and employment in the municipality. We believed that technology should play a role in this change and that it also included the modernization of the municipal administration. In 1997, already during the government of Pezão³, the staff of UnB came to help us and organise our valid ideas.”

2.14 RESEARCH QUESTIONS

The key problem underlying the study is that the state of financial administration and management at Naledi Local Municipality is far from satisfactory and thus is completely dysfunctional. The research questions comprise the concepts and categories (behaviours, attitudes, and so on) that the researcher intends to study (Alasutari *et al.*, 2008).

Following from the above key problem are the following research questions:

- Does the Naledi Local Municipality have the appropriate and relevant finance administration and management?
- Does the Naledi Local Municipality have adequate financial administration and management skills and capacities?
- Does the Naledi Local Municipality comply with the provisions of the MFMA and other relevant legislative policies and directives? And
- Does the Naledi Local Municipality adhere to National Treasury regulations and Auditor General’s directives?

2.15 CONCLUSION

Chapter two has given an investigation of the hypothetical aspects of the research topic. The chapter has outlined the most suitable and important variables of financial administration and management at a local level of government.

In the next Chapter the detailed theory which is linked to the research topic will be dealt with. The chapter will outline the research approach, research design and research methods used in the study. The decision on which research approach to use will be made based on the most suitable method to get information needed to answer the questions raised.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The aim of the study is to provide an assessment of the financial administration and management in Naledi local Municipality, which falls under Dr Ruth S Mompati District Municipality. For the researcher to confirm this, it is going to be essential to bring together information from the specified population while at the same time employing the acceptable methodology and examine the responses. This chapter will be outlining the research approach, research design and research methods to be used in the study.

The following are the research questions for the study: (1) Does the Naledi Local Municipality have the appropriate and relevant finance administration and management? (2) Does the Naledi Local Municipality have adequate financial administration and management skills and capacities? (3) Does the Naledi Local Municipality comply with the provisions of the MFMA and other relevant legislative policies and directives? (4) Does the Naledi Local Municipality adhere to National Treasury regulations and Auditor General's directives?

The chapter will discuss the research types, the strategy used, the sampling method and data collection methods implemented by the researcher. The study also seeks to justify the procedures employed in the research.

3.2 RESEARCH TYPES

3.2.1 Qualitative and Quantitative Research

A starting point in trying to understand the collection of information for research purposes is that there are two broad approaches: quantitative research and qualitative research. The early form of research originated in the natural sciences such as biology, chemistry, physics, geology, etc. and was concerned with investigating things which we could observe and measure in some way. Such observations and measurements can be made objectively and repeated by other researchers. This process is referred to as "quantitative research. Much later, along came the researchers working in the social sciences such as psychology, sociology, anthropology, etc. They were interested in studying human behaviour and the social world

inhabited by human beings (Morgan, 1983). Marshall and Rossman (1989) further explain that they found increasing difficulty in trying to explain human behaviour in simply measurable terms. Measurements tell us how often or how many people behave in a certain way but they do not adequately answer the question “why?” Research which attempts to increase our understanding of why things are the way they are in our social world and why people act the way they do is called qualitative research.

Whereas quantitative methodologies test theory deductively from existing knowledge, through developing hypothesized relationships and proposed outcomes for study, qualitative researchers are guided by certain ideas, perspectives or hunches regarding the subject to be investigated (Cormack, 1991).

TABLE 3.1 QUALITATIVE AND QUANTITATIVE RESEARCH METHODS

Qualitative	Quantitative
"All research ultimately has a qualitative grounding"	"There's no such thing as qualitative data. Everything is either 1 or 0"
The aim is a complete, detailed description.	The aim is to classify features, count them, and construct statistical models in an attempt to explain what is observed.
Researcher may only know roughly in advance what he/she is looking for.	Researcher knows clearly in advance what he/she is looking for.
Recommended during earlier phases of research projects.	Recommended during latter phases of research projects.
The design emerges as the study unfolds.	All aspects of the study are carefully designed before data is collected.
Researcher is the data gathering	Researcher uses tools, such as questionnaires or equipment to collect

instrument.	numerical data.
Data is in the form of words, pictures or objects.	Data is in the form of numbers and statistics.
Subjective - individuals? interpretation of events is important ,e.g., uses participant observation, in-depth interviews etc.	Objective? seeks precise measurement & analysis of target concepts, e.g., uses surveys, questionnaires etc.
Qualitative data is more 'rich', time consuming, and less able to be generalized.	Quantitative data is more efficient, able to test hypotheses, but may miss contextual detail.
Researcher tends to become subjectively immersed in the subject matter.	Researcher tends to remain objectively separated from the subject matter.

Source: Miles and Huberman (1994: 40).

Although there are differences between qualitative and quantitative approaches, some researchers maintain that the choice between using qualitative or quantitative approaches actually has less to do with methodologies than it does with positioning oneself within a particular discipline or research tradition. The difficulty of choosing a method is compounded by the fact that research is often affiliated with universities and other institutions. The findings of research projects often guide important decisions about specific practices and policies. The choice of which approach to use may reflect the interests of those conducting or benefitting from the research and the purposes for which the findings will be applied. Decisions about which kind of research method to use may also be based on the researcher's own experience and preference, the population being researched, the proposed audience for findings, time, money, and other resources available (Hathaway, 1995).

3.2.2 Research Methods To be Used

Because of the nature of this study, the research questions and the research objectives, the researcher is going to approach the research in a Quantitative perspective.

3.2.3 Data Required

It is stated in Leedy and Ormrod (2005) that the researcher's only perceptions of the truth are various layers of truth-revealing fact. In the layer closest to the truth are primary data; these are often the most valid, the most illuminating, the most truth-manifesting. Further away is a layer consisting of secondary data, which are derived not from the truth itself, but from the primary data instead. For example the researcher is the one who sits in a dungeon and tries to understand the sun only by looking at a shaft of sunlight that falls upon the floor. The direct beam of sunlight represents the primary data. But now imagine that the imprisoned researcher sees sunlight, not as a direct beam, but shimmering light on the floor. The sunlight (primary data) has fallen onto a mirror and then been reflected-distorted by the imperfections within the mirror-to an image like, yet also unlike, the original shaft of light. This reflect of light is secondary data.

3.3 DATA COLLECTION METHOD

3.3.1 Survey

According to Chadwick *et al.* (1984) survey research is the most widely used method of data collection in the social sciences. There are two main types of survey methods: the interview and questionnaires. Each includes a number of subtypes. For example, interviews may be conducted in group settings, by telephone, or in face to face private encounter between interviewer and respondent. The interview may be highly structured, with specific questions to be asked of all respondents, or it may be so unstructured that it resembles a conversation between friends more than an episode of data collection. Similarly, questionnaires may be administered to large groups in classrooms or other institutional settings, they may be mailed to respondents who fill them out in private and return them by mail, or they may be hand-delivered to respondents who are instructed to treat the questionnaire as if it were a self-administered interview.

3.3.2 Questionnaires

Chadwick *et al.* (1984) stated that in questionnaire surveys, a respondent fills out and returns to the researcher a self-administered “interview”, in which the questions and instructions are complete and understandable enough that the respondent can act as his or her own “interviewer”.

Advantages of questionnaires

According to Chadwick *et al.* (1984), the advantage of the questionnaire survey is economy. The second advantage of survey by questionnaire is that the respondent may consult with others, review records, think about a question before answering, and interrupt the process of completing the instrument if necessary. In an interview setting such time-consuming or disruptive actions are usually inappropriate. Some researchers argue that the questionnaire survey is a useful way to obtain information about sensitive topics. It is suggested that to report how often one exhibits deviant or disapproved behaviour is easier for the respondent working on a questionnaire than it would be in face-to-face interaction with an interviewer.

Disadvantages of questionnaires

Bailey (1994) has discovered the following disadvantages of questionnaires:

- i. Low response rate: Mailed questionnaires receive a low response rate due to lack of interest in answering the questions.
- ii. Many questions may remain unanswered: Lack of understanding questions may lead to respondents not answering or attempting to answer some questions.
- iii. Interpretation of the questions: Respondents may attach different meanings to the same question.
- iv. No control over date of responses: Lack of control over the time the questionnaire is completed can cause a delay in analysing data.
- v. Lack of flexibility: With no interviewer present, there can be no follow-ups in questions asked and no probing for specific answers.

A questionnaire was distributed to the employees and councilors of Naledi Local Municipality for completion. It is contained in Appendix 1 together with the covering letter. The measurement covered thirty-seven questions. To ensure that respondents shared common

notion of information quality, a definition will be given in the questionnaire. In order to meet objectives as set out in this dissertation, a carefully planned questionnaire was designed and distributed for completion by members of the identified sample group. The sampling was therefore carried out through the collation of data as contained in the questionnaire that were completed by officials of Naledi Local Municipality.

A questionnaire comprising a choice of seven indicators, being: “Yes; No; Not Sure; To a degree; Somewhat; A little; Not at all”. The respondents had to choose one answer per question. The questionnaire distributed was only meant for research purposes, and the responses were not to be distributed to anyone else.

3.3.3 Sampling Design

In choosing sampling as opposed to studying the population, four factors were considered be adequate to justify the procedure:

- i. Cost of the study.
- ii. Greater accuracy of results.
- iii. Greater speed of data collection
- iv. Availability of population elements.

There are some economic advantages in taking a sample rather than investigating the whole population. If sampling errors are eliminated, the study can produce accurate results without high cost implications. Effective sampling has the possibility of better testing, and more thorough investigation of missing information (Cooper and Schindler, 2003). Furthermore sampling enables the investigator to aptly supervise the elements being studied and is able to process information faster than is possible with the population. The speed of execution in sampling reduces the time between recognition of an information need and the availability of information. In terms of an infinite population, sampling can be the only process possible. (Cooper and Schindler, 2003).

According to Cooper and Schindler (2003), there are five probability-sampling designs that a researcher can use. These are given as simple random, stratified, and multi-phase, systematic and cluster sampling. The use of each is dependent on a number of factors: such as the structure of the market, variability of characteristics of the elements in the population and geographic spread of the population under investigation. The sample size was found after

thoughtfulness of the factors given by Cooper and Schindler (2003:190) who assert that the accuracy of the sample is influenced by the following factors:

- i. The variance within the population.
- ii. The desired precision of the estimate.
- iii. The interval range.
- iv. The confidence level in the estimate.
- v. The number of sub-groups of interest in the estimate.
- vi. If the calculated sample size exceeds 5% of the population, sample size may be reduced without sacrificing precision.

Table 3.2 below illustrates a comparison of probability sampling designs. The type of designs includes a simple random, systematic, stratified, cluster and multi-phase (Cooper and Schindler, 2003).

Table 3.2: COMPARISON OF PROBABILITY SAMPLING DESIGNS

Simple Random	Each population element has an equal chance of being selected in the sample. Sample drawn using random number/table.	Easy to implement with automatic dialing (random digit dialing) and with computerized voice responses.	Required a listing of the population elements takes more time to implement. Use larger sample sizes. Produces larger errors expensive.
Systematic	Selects an element of the population at the beginning with a random start and following the sampling fraction selects every element.	Simple to design. Easier to use than simple random. Easy to determine sampling distribution of mean. Less expensive than simple random.	Periodically with the population may skew the sample and results. If the population list has a monotonic trend, a biased estimate will result based on the start point.

Stratified	Divides population into sub-population and uses simple random on each stratum. Results may be weighted and combined.	Researcher controls sample sizes in the strata. Increased Statistical efficiency. Provides data to represent and analyses sub-groups. Enable use of different methods in strata.	Increased error will result if Sub-groups are selected at different rates. Expensive if strata on the population have to be created.
Cluster	Population is divided into internally different sub-groups. Some are randomly selected for further study	Provides an unbiased estimate of the population parameters if properly done. Economically more efficient than simple random. Lowest cost/sample. Easy to do without a population list.	Often lower statistical efficiency (more error) due to sub-groups being similar rather than different.
Multi Phase	Process includes collecting data from sample using a previously defined technique. Based on the information found, a sub-sample is selected for further study.	May reduce costs. First stage in enough data to satisfy or cluster the population.	Increased costs if indiscriminately used.

Source: Cooper and Schindler (2003).

3.3.4 Types of variables/measurements

Nominal variables

The simplest level of measurement is nominal measurement. Some authors contend that this is not really even measured at all. The term “nominal”, in this context refers to the assignment of names. By means of this process the characteristics of objects can be categorised. Nominal measurement is thus essentially a classification system which involves variable being divided into categories (de Vos *et al.*, 2005).

Ordinal variables

According to de Vos *et al.* (2005) ordinal-level measurement not only classifies observation, but also places them in a ranking order from high to low or from more to less. In other words,

it places them in categories which display a greater-than or smaller-than relationship to each other. Variables often measured on an ordinal scale are social class, social distance, attitudes and professional prestige. They further stated that in summary, ordinal measurement goes a step further than nominal measurement in that observations can be placed in ranking order. The values obtained to indicate relative positions between those observations, but not their absolute quantities or exact distances from each other. Ordinal figures thus indicate ranking order and nothing more.

Interval variable

This level of measurement is higher than the ordinal level. Interval measurement classifies and places in ranking order, but it also places the characteristics of variables on an equally spaced continuum. Unlike ordinal scales, equal interval level scales have a common measuring unit, for example year or degree of temperature. They indicate exactly how far each ranking order is spaced from the next, in other words the distance between the objects (de Vos *et al.*, 2005). An interval scale has all the characteristics of both nominal and ordinal scales, but provides additional information regarding the degree of difference between individual data items within a set or group.

Ratio variable

According to de Vos *et al.* (2005), the only difference between the interval level and the ratio level of measurement is the existence of a fixed, absolute non-arbitrary zero point. When an interval scale also possesses a natural zero point it becomes a ratio scale. Therefore the figures on a ratio scale indicate the real quantities of the characteristics which is measured. This scale enables us to say not only that one object possesses so many units more than the next object, but also that the first object is so many times greater or smaller than the next. Typical variable measurable with ratio scales are mass, length, income, birth, death, and divorce figures, number of children in a family, distance and age.

3.4 DATA HANDLING

According to de Vos *et al.* (2005), the simplest form of data analysis univariate analysis, which means that one variable is analysed, mainly with a view to describing that variable. Basically this means that all the data gathered on that one variable need to be summarised for

easy comprehension and utilisation (displayed or both). This summary can take on different forms, such as a tabular or graphic display or visual representation of the data. This display provides useful information to the researcher in and of itself, and provides the foundation for more sophisticated analysis at a later stage. A computer aided programme (SPSS) will be used to present the results when data collected will be analysed.

3.5 ETHICAL CONSIDERATIONS PERTAINING TO THE STUDY

Williams *et al.* (1995) highlighted that obtaining informed consent implies that all possible or adequate information on the goal of the investigation, the procedures which will be followed during the investigation, the possible advantages, disadvantages and danger to which respondents may be exposed, as well as credibility of the researcher, be rendered to potential subjects or their legal representatives.

3.5.1 Deception of subjects

According to Thyer (2001) social scientists may sometimes feel that some degree of deception might be necessary in order to generate meaningful research information. However, for some people, “some degree of deception” might mean “total deception”; it is thus hard to define “some degree of deception”. Judd *et al.* (1991) provide the following three reasons why subjects may be deceived: to disguise the real goal of the study; to hide the real function of the actions of the subject; and to hide the experiences that subjects will go through.

Objectivity vs. subjectivity in your research is another important consideration. Be sure your own personal biases and opinions do not get in the way of your research and that you give both sides fair consideration (Driscoll and Brizee, 2010).

3.5.2 Violation of privacy/anonymity/confidentiality

According to Reamer (1986), *cited by de Vos et al.* (2005), information given anonymously ensures the privacy of subjects. Researchers sometimes assure subjects of anonymity in their covering letters or by verbal communication, but secretly mark the questionnaires. It is often necessary that respondents be identified, for instance when reminders have to be sent to persons who have not responded, or follow up interviews have to be conducted with certain respondents. The ethical issue becomes relevant when subjects are assured of anonymity while the researcher knows that this will not be the case. Information about subjects available on

computer is not always confidential, since unauthorised persons could possibly gain access to the data.

The more sensitive the information or the more concealed the manner in which the information was gathered, the greater the responsibility of the researcher and all concerned to treat the information as extremely confidential (Huysamen, 1993).

3.5.3 Debriefing of respondents

Salkind (2000) stated that the easiest way to debrief participants is to discuss their feelings about the project immediately after the session or to send a newsletter telling them the basic intent or result of the study.

3.6 LIMITATIONS

The study is limited to the Naledi local municipality. The important limitation of the study will be due to the highly sensitive and political nature of the study, as some, if not all, municipal politicians and officials could hide some pertinent information regarding the questions asked. Data reliability may also be a limitation.

3.7 DATA ANALYSIS METHOD

In analysing results, the researcher required support from The North West University's Graduate School of Business and Government Leadership who are well equipped and are expertise in handling the kind of data collected. The software calculates mean scores according to each of the 34 statements in the questionnaire. That information was then used for doing frequency distribution tables, bar charts, table and bar graphs. Descriptive statistics will be used to analyse data coming from the survey. This form of data analysis is normally used to describe, make clear and investigate the relationship among variables. The research results conclude in a suitable discussion on the outcome of the study, which is complemented by relevant suggestions and recommendations for the future.

3.8 CONCLUSION

The chapter dealt with the research design that included sampling technique, measuring instrument, questionnaire, survey methods, data collection method and statistical methods to be used. The next chapter, which is chapter four (4), will present the research findings and the

results of the study.

CHAPTER 4

DATA DISCUSSION

4.1 INTRODUCTION

In this chapter the results of the observed analysis collected through the questionnaire, completed by various Naledi Local Municipality employees are analyzed and interpreted. The research findings, data analysis and interpretation of data are discussed in this chapter. The questionnaire was intended to assess the financial administration and management of Naledi Local Municipality.

Financial issues, certainly, constitute the biggest challenge confronting municipalities. Clearly there is a need for a new financial system for the new model of developmental local government. A review of the financial system is, of course, underway. It is being dealt with by the DPLG, the National Treasury, SALGA, and Financial and Fiscal commission. Among the issues being reviewed are the “equitable share” formula RSC levies, Capacity-building grants, infrastructure transfers, property rates, the fiscal powers and functions of district and local municipalities, the remuneration of councillors and municipal managers, and additional sources of revenue for municipalities. The Municipal Finance Management Bill and Property Rates Bill before Parliament, and the pending Bill on the division of fiscal powers and functions between local and district municipalities are aspects of the new financial system. Apart from some knowledge of the Municipal Finance Management Bill and Property Rates Bill, most municipalities are not aware of the aspects of the review of the local government financial system. SALGA in particular needs to respond to this, but so do other authorities (Portfolio Committee, 2003).

The first section examines the biographical data that deals with the position of the respondents, influence of the age, gender and time worked at the institution, and the questionnaire were answered in a tabular manner. The second section of the investigation observes the statistical setting of the data. The participants were anonymous, but details like sex and gender were supplied in order to draw attention to their unique group diversities and needs.

4.2 RESPONSE RATE

There were forty-three (43) people in the population and forty (40) of these people managed to complete the questionnaires. The data was summarised on a spreadsheet and the stats were calculated using SPSS.

The student has tried many times to show that she had met the requirements for the sample. The following statistical sample will show that the sample met the strict rules and that it was randomly selected. All names were allocated a number and numbers were drawn. If somebody did not complete a questionnaire, the next number was drawn and the person used. In this way the sample could be regarded as being representative. It is also acknowledged that, should somebody else want to use the results, they first test the results before it is used to confirm the results.

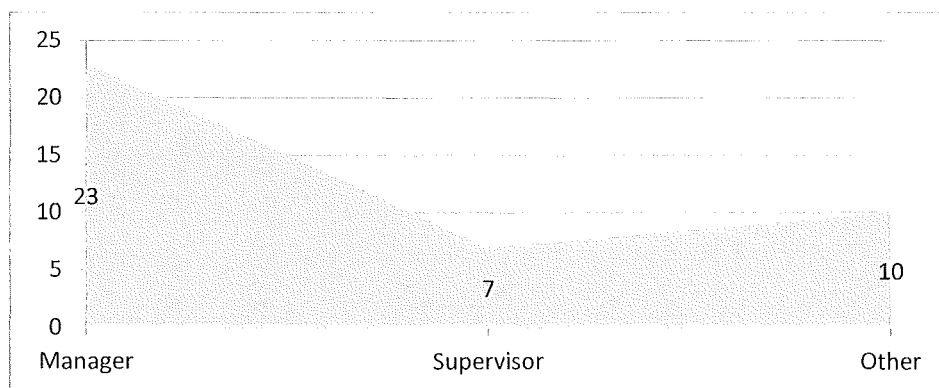
4.3 DEMOGRAPHICS

Naledi Local Municipality is one of the six local municipalities that fall under the jurisdiction of Bophirima District Municipality. It consists of Vryburg, Colridge, Huhudi, Kismet Park, Stella, Dithakwaneng, Devondale and surrounding farms. It is approximately 7264 square kilometres in extent with an estimated population of about 58 104. The larger portion (50.36%) of the population is in the economically active age (20 – 64 years), a large portion (44.83%) of the population is in the school going age (0 -19 years) and a small portion (4.53%) of the population is in retired age group (65 and older). About 58.30% of the total population of Naledi are staying in urbanized area (Naledi Local Municipality SDBIP, 2009).

The Naledi Local Municipality SDBIP 2009-2010 further states that Vryburg/Huhudi represents a regional node with the town of Stella representing the local node. These towns are surrounded by vast rural areas like Dithakwaneng and Devondale. Vryburg and Stella comprise of higher density settlements with mainly a residential character except for the regional urban centre or node. These towns are surrounded by very low density scattered rural settlements and villages. Naledi may be described as the economic hub of Dr R S Mompoti District Municipality.

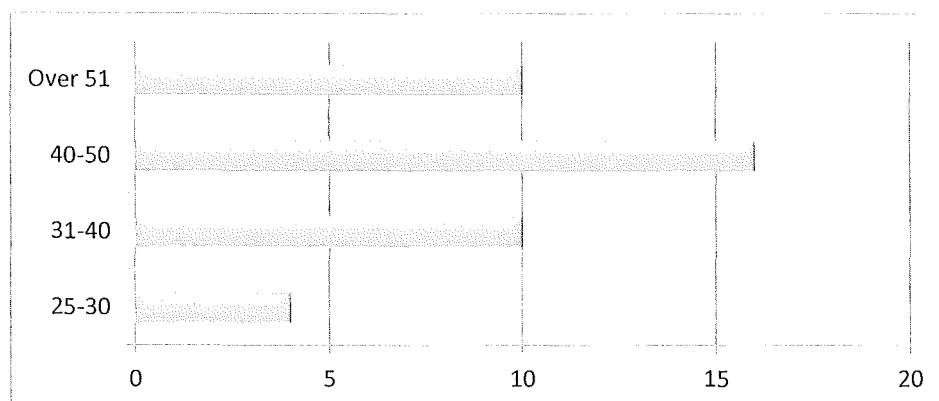
About 73.55% of total population of Naledi is economically active and 62.84% these people are not employed in the formal economy, 37.16% are employed. The dominant employment sector is farming while other sectors such as private households, social services, trade and institutional are weak. Most of the respondents were black. This means that there is a need for more people of other races to be employed to ensure that all people can participate in the financial management and administration.

Figure 4.1 Position of Respondent



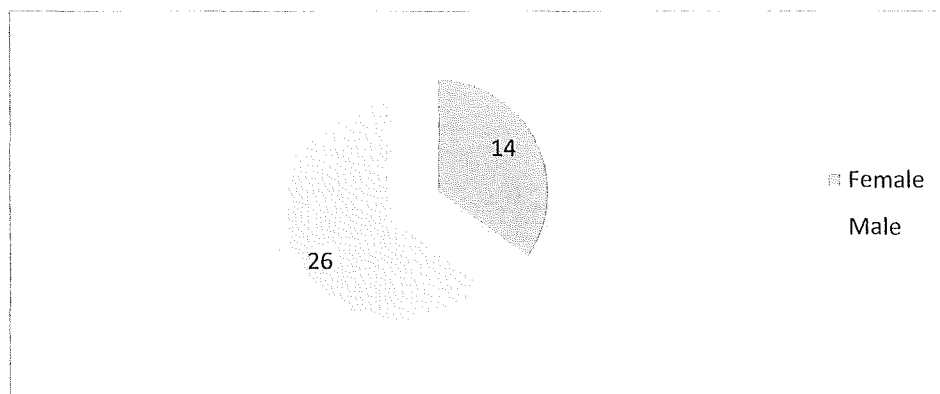
Top management is overstaffed (including councillors involved in the Finance Portfolio committee), and middle management is at the lowest level (7) in the sample (23). These managers need to have a know-how on the financial administration and management and familiarise themselves with the provisions of the MFMA as it differentiates between the role of executive councillors and their officials by making the executive mayor or committee responsible for policy and outcomes and the municipal manager and other senior managers for implementation and outputs.

Figure 4.2 Age



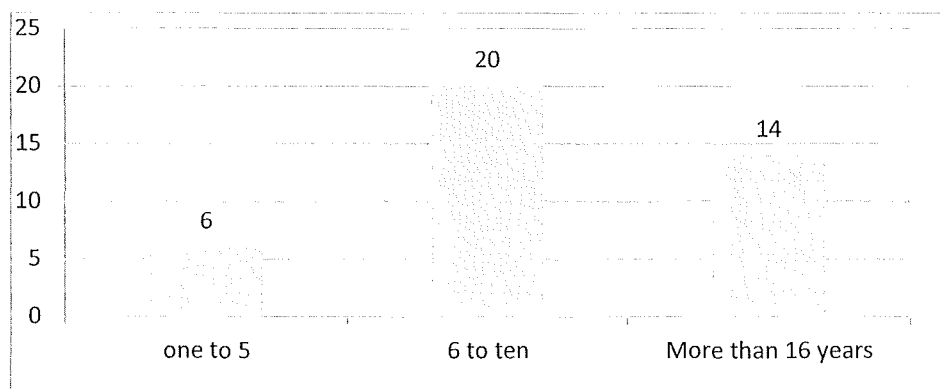
The age group of 40-50 had the most respondents. This is because older people should have experience and in most cases older people are trusted by their fellow workers when it comes to financial matters according to the black culture.

Figure 4.3 Gender



The finance department of Naledi Local Municipality is constituted mostly of males. Females need to make an effort to be appointed in this department. This is because females are mostly required as not capable of managing finances properly. This is again supported by Pacione (2001). The current Chief Financial Officer who has been employed for the past year and the deputy manager are females.

Figure 4.4 Time worked at Institution

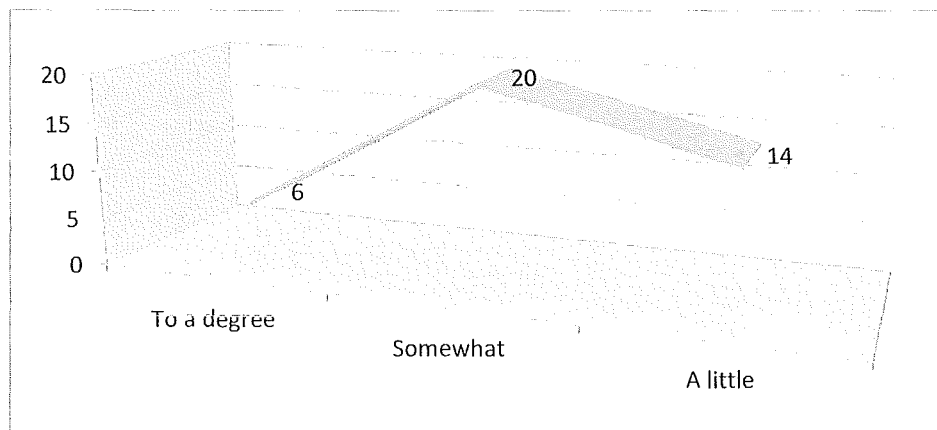


Most of the employees have been with the institution for more than five years. It seems like the longer the year the employees work there, the more comfortable they become with the place and their work. This could impact on their performance if they become too comfortable. When the years passes by (over ten years), the employees start retiring because of old age.

4.4 RESULTS OF INVESTIGATION

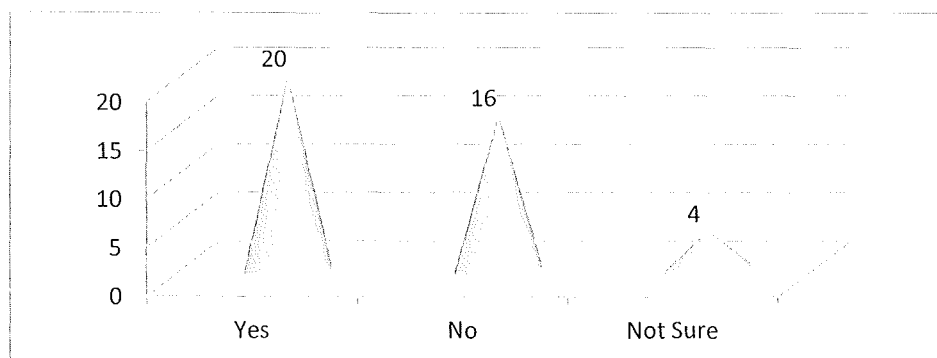
In this section of the analysis examines the statistical fit of the data. As part of the argument regarding the statistical conclusions of the questionnaire, the aspires have been sub-divided into diverse questions and the outcomes of these serve as an accomplishment of the objectives, as discussed in previous chapters of this research. The tables that provide information gathered from officials at Naledi Local Municipality authenticate the findings as interpreted and analysed below.

Figure 4.5 Appropriate finance and administration and management systems in place



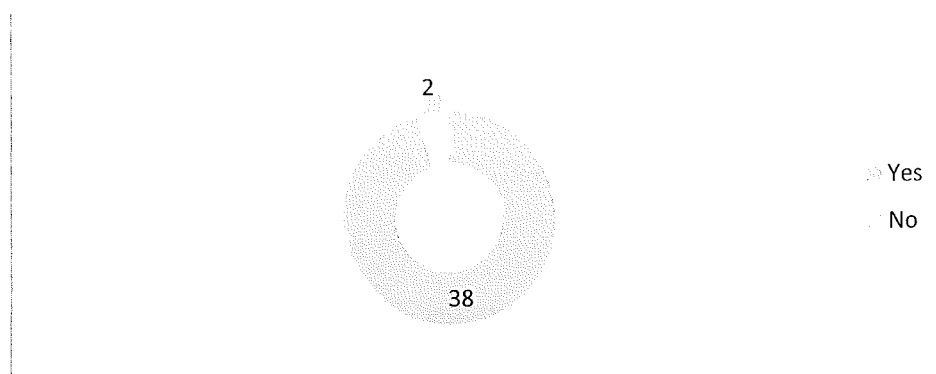
According to the respondents, the finance administration and managements systems of the Naledi Local Municipality are not totally in place. These mean that there is uncertainty in what, who, where and which is the appropriate manner of administering and managing finance. This is also supported by the findings of Falkman and Tagesson (2008).

Figure 4.6 Does the municipality have a reliable information system for recording and commitments?



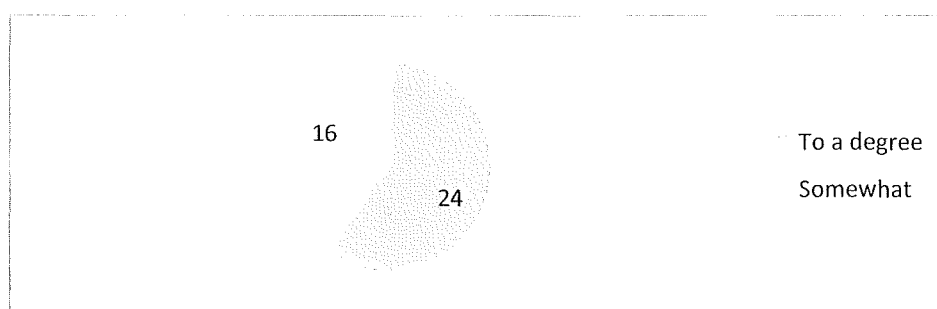
There is a reliable Information System for recording commitments. According to more than 50% of the respondents, the municipality uses the SAMRAS DB4 system which is known to be one of the best financial systems in SA. According to Perez *et al.* (2005), there has been a generalized development of Information and Communication Technologies (ICT) at all levels of economic and social life. In general, the businesses have taken advantage of the possibilities of these new technologies creativity competitive advantage. In turn, public administrations have felt the need to respond to this technological process, embracing new technologies to guide their relations with their operating environment (firms, citizens, and other public administrations).

Figure 4.7 Municipality keep a proper fixed asset register



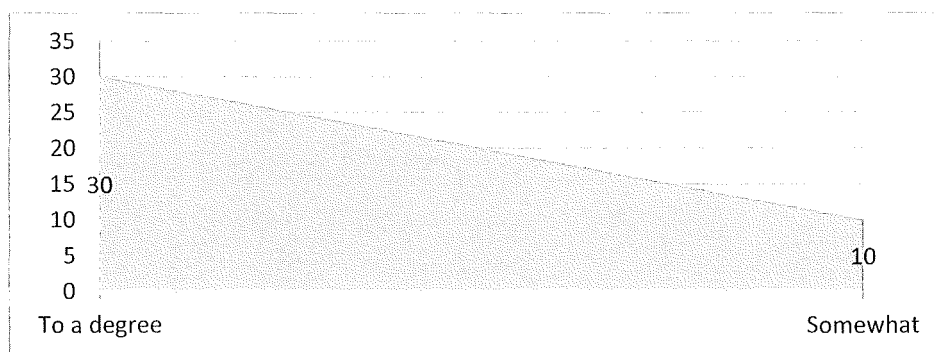
The fixed asset register has been kept by the municipality using Microsoft Excel to prepare a fixed asset. It is important to keep fixed assets register as it will include infrastructure assets which are the most expensive resources of the institution, and this is supported by the provisions of the Municipal Finance Management Act (MFMA), section 78.

Figure 4.8 Are the demands of a growing economy being met by the levels of municipal investments?



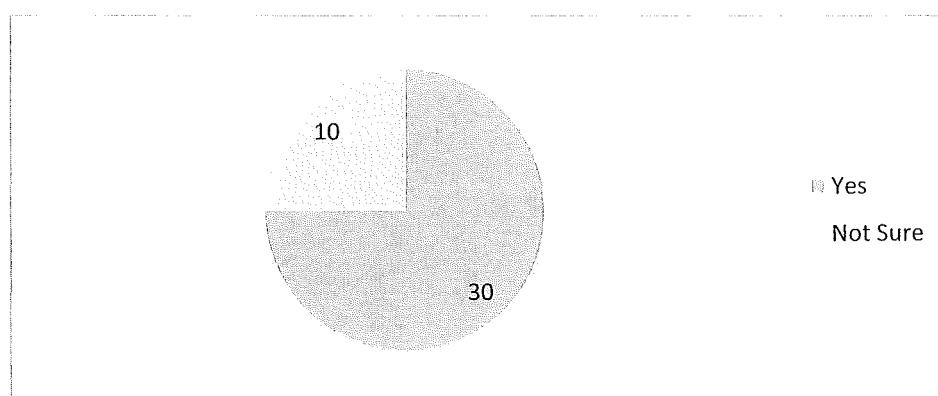
According to the National Treasury reports, the municipal investments have grown as compared to the past years. This clearly shows that the demands of a growing economy have been met by this investment levels. There was a challenge of not having an investment register before. The respondents did not seem too sure of this. This is in line with the findings of Skidmore and Scorsone (2011).

Figure 4.9 Are the councillors involved in the financial admin and management?



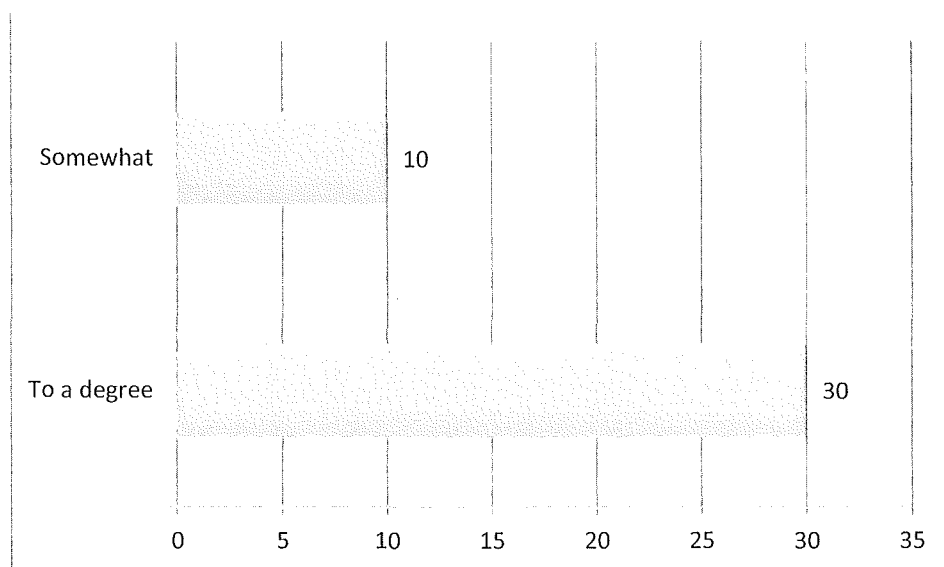
There are councillors who are appointed as members of the Corporate and Finance Committee. These Councillors are indirectly responsible for the financial management and administration of Naledi Local Municipality. As they are part of the political structure of the municipality, the corporate structure report to them on the events that occurred in the Finance department. This is in line with A Guide to Municipal Finance Management for Councillors and the Municipal Systems Act, 2000). The inquire shows that most respondents (30) new about this involvement.

Figure 4.10 Is your budget in line with the IDP?



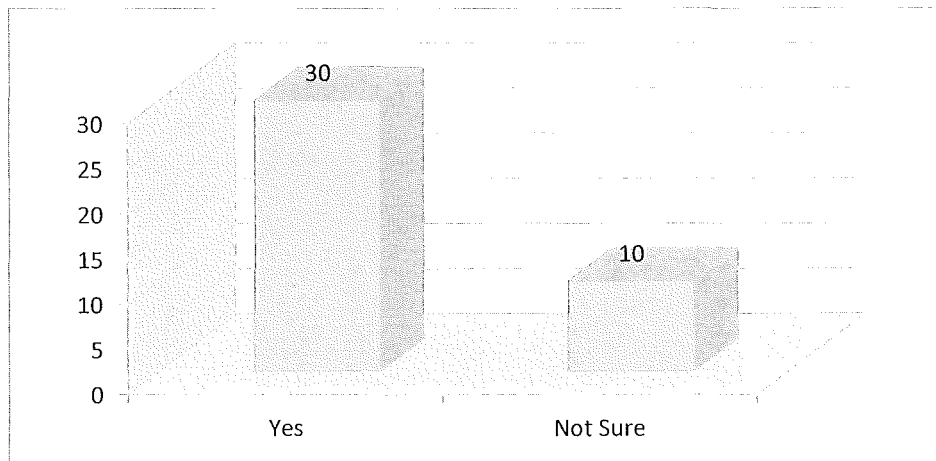
The budget is in line with the Integrated Development Plan (IDP) as most respondents show (30). Integrated Development Planning is a process that is a central planning tool for government that embodies local government development goals and a comprehensive service delivery programme. The municipality involves the communities in the IDP process through an IDP Forum in order to identify the needs of the community. The municipality submits a draft IDP and budget (which is aligned to the IDP) to the community. The not sure part (10) of the graph is caused by the fact that ward committees might not have had proper training on the know-how of IDP process in order for them to inform their communities on how to prioritise their needs. Implemented capacity building programmes for ward committee members will have to be put in place. The Naledi Local Municipality SDBIP (2009) also supports the above process.

Figure 4.11 Does the municipality have appropriate key controls implemented to ensure accuracy and completeness of disclosures made in the financial statements?



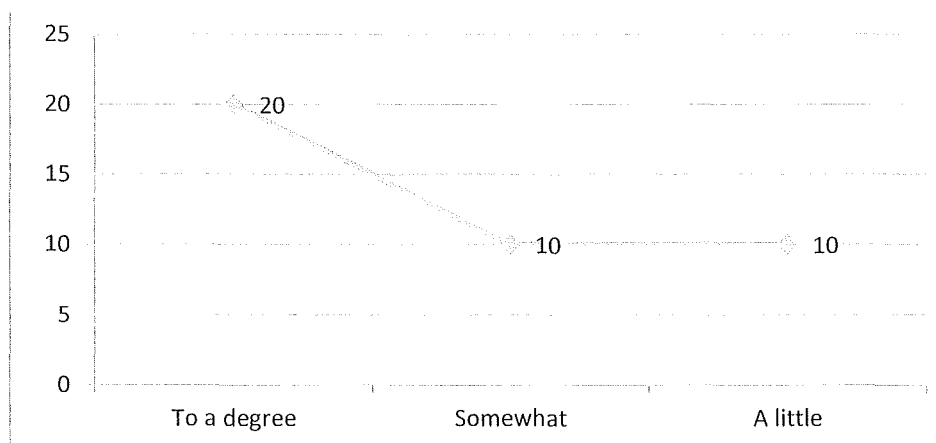
There are some appropriate key controls that have been implemented since the inception of the Acting Municipal Manager. He was employed by the National Government to assist the municipality with the entire municipal administration. Each of the functional managers is responsible for their sections and reports should be handed to the accounting officer on a monthly basis. This is supported by the MFMA (2003).

Figure 4.12 Does the municipality employ staff with relevant finance qualifications and skills?



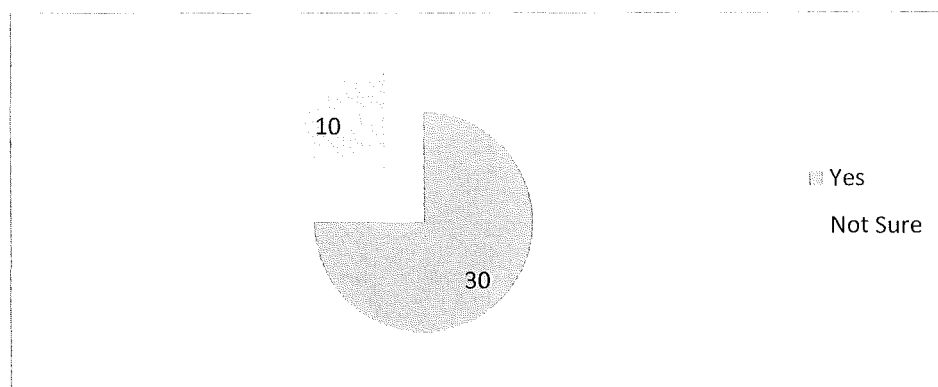
In the past years, after 1994, the municipality had staff with financial background, but no couple of relevant financial qualification. The municipality, later on, realised the need for qualified staff. As for those already employed, they will get the opportunity to acquire some qualifications. Most have not completed their courses; hence the sure part in the graph. The importance of employing well qualified and skilled employees is also in line with the finding of Benito *et al.* (2007).

Figure 4.13 Do finance employees receive appropriate training regularly?



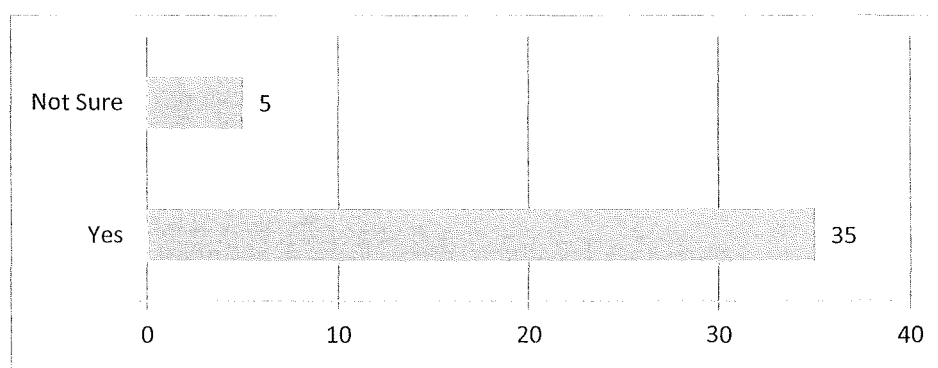
Finance employees receive appropriate training. Management, after monitoring their staff, could identify weak areas and ensure that such officials receive training in those relevant areas. This is in line with the Municipal Structures Act and the MFMA.

Figure 4.14 Do you prepare and send the financial statements and annual reports to national treasury?



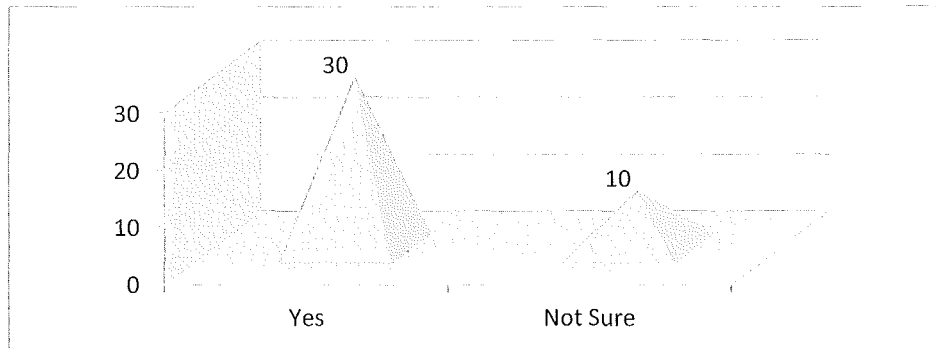
The financial statements are prepared monthly by the financial management officials and after they have been approved by the Chief Financial Officer and the Accounting Officer. The Budget and Treasury Office sends them to the National and Provincial Treasury. The Not sure part in the graph is brought by the effects of the past, when the institution did not have a Chief Financial officer to advice on this matter. The above is also supported by Jones *et al.* (1985).

Figure 4.15 Has the auditor-general set out their responsibilities in detail to the accounting officer?



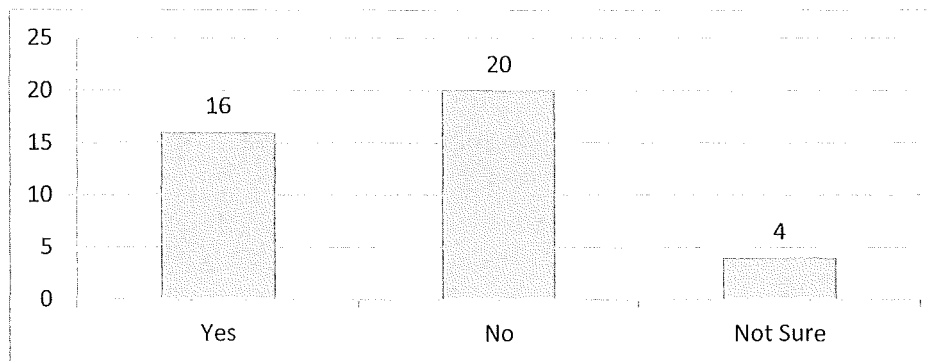
The Auditor General, before visiting the institution for Audit, would inform the accounting officer of such visit and highlight to him/her what could be expected for the audit. As stated by Schelker and Eichenberger (2010), auditors need to have a defined mission to assess the budget and policy propositions from a financial perspective and to transmit the auditing results to the principal (in this instance is the Accounting Officer).

Figure 4.16 Do finance managers need the required leadership and management skills for financial administration and management?



They would need the leadership and management skills, because, for a business to grow and remain healthy, one must master certain basic skills in management and leadership. The skills will help managers to avoid crisis situations where they have to do "whatever it takes to stay afloat". The basic skills include problem solving and decision making, planning, meeting management, delegation, communications and managing oneself. The finance managers need an up to date on the techniques of leadership and management. This is in line with the Municipal Organisational Performance Management Implementation Guide.

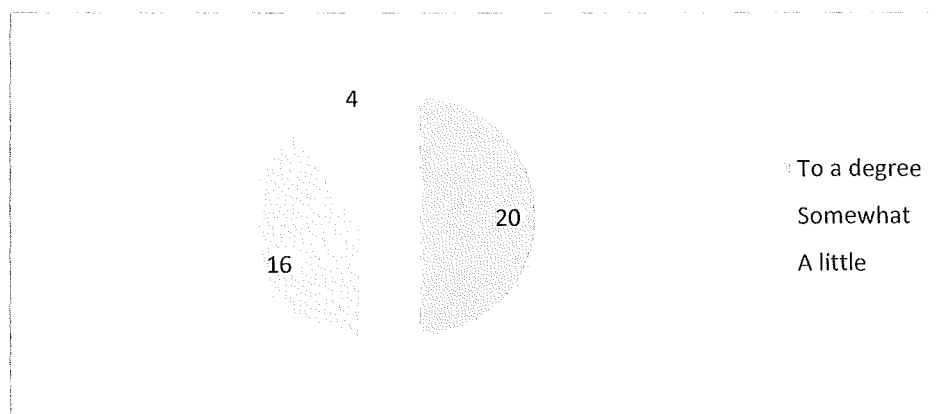
Figure 4.17 Does the finance staff go on team-building programs for motivation?



The institution may take its staff to team building programs, but it is clear that it is not done on a regular basis. People in the workplace would talk about building the team, working as a team. Only few of them could understand how to create the experience of team work or how to develop an effective team. The researcher asked this question in order to find out whether the institution could be coming up with strategies to motivate its staff to work as a team and

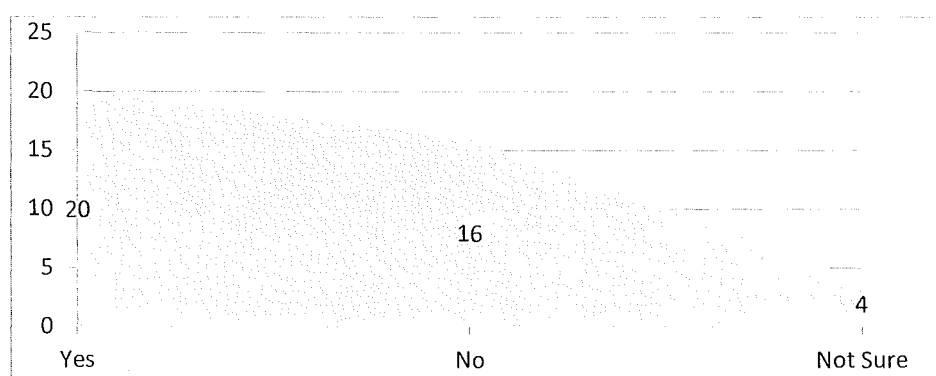
highlight the importance of team work. The above is also supported by the Municipal Organisational Performance Management Implementation Guide, 2006.

Figure 4.18 Does your management philosophy and operating style promote effective control over municipal funds?



The management philosophy and operating style of the municipal senior official does, promote control over municipal funds. The somewhat part in the graph is caused where a senior official failed to enclose certain expenditure in the operational or even the capital budget. This would cause an over expenditure for his/her department. This is also in line with the findings of Laswad *et al.* (2005).

Figure 4.19 Do you believe that your institution comply with the requirement of the MFMA?



The Naledi Local Municipality is trying to be in compliance with the MFMA, as it (MFMA) aims to put in place a sound financial governance framework. This is done by clarifying and separating the roles and responsibilities of the executive mayor or committee, non-executive

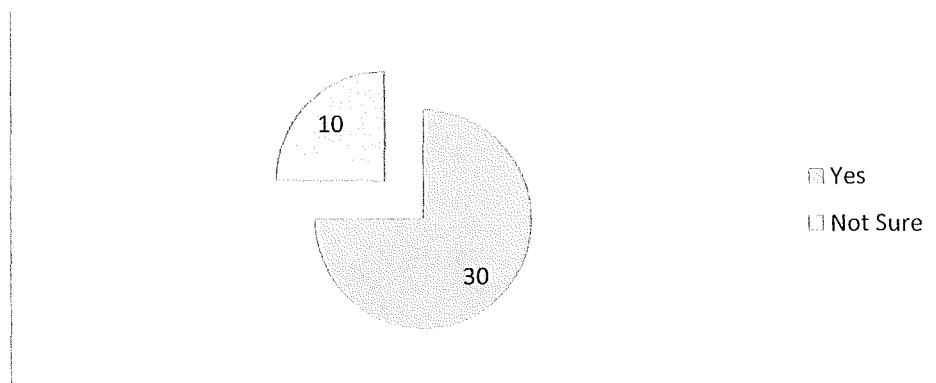
councillors and officials. This needs to be addressed by the organisation as the staff who reviewed this negatively should be convinced it can be improved. This could be changed goes because the municipality has employed two Finance Deputy Managers earlier in 2011 that have some financial qualifications and experience on financial management and administration, which is required by the MFMA. These people are better experienced than the current staff.

Figure 4.20 Do you have contract management system in place or identification of commitments?



The municipality has since the appointment of the Accounting Officer implemented a system whereby managers sign a performance agreement and a special manager would on monthly basis receive reports from managers and then evaluates their performance. The system can also keep records of all municipal contracts as per provisions of section 116 of the MFMA.

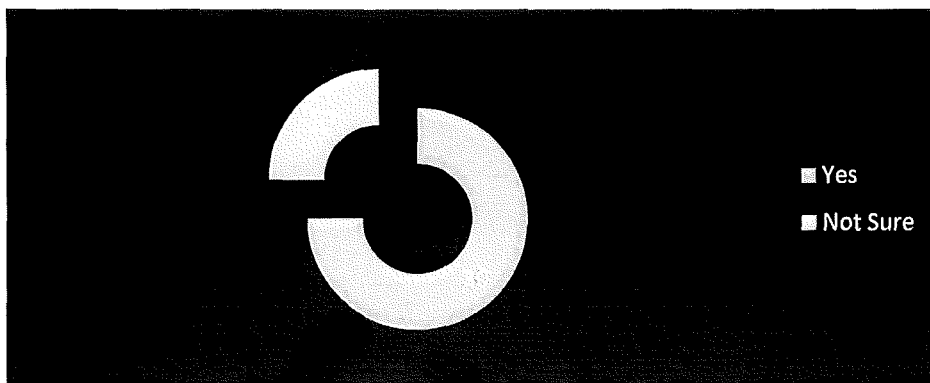
Figure 4.21 Do you have the required systems in place that ensures compliance?



The monitoring and evaluation that was done at the municipality was helpful because the systems that ensure compliance are in place. The senior managers are regularly advised to download a guideline from the National Treasury website, which would assist them. The

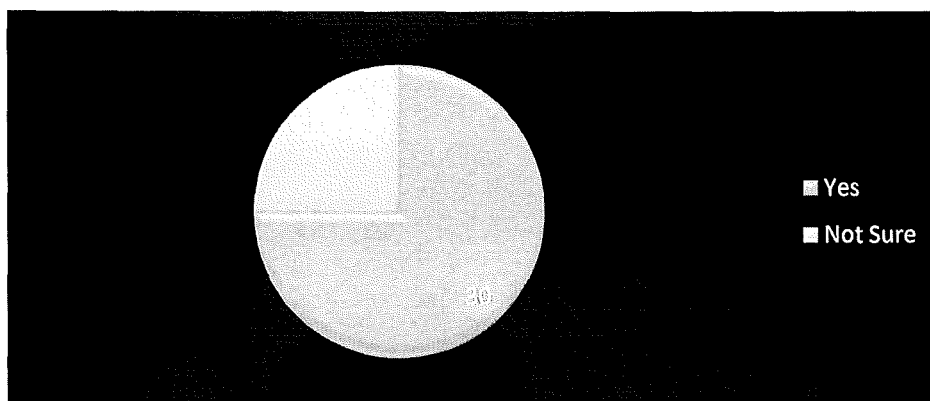
policies and procedure manuals of the municipality has also made compliance much easier. This is in line with the findings of Thorne *et al.* (2001).

Figure 4.22 Do you have a treatment plan to avoid unauthorised, irregular, fruitless and wasteful expenditure?



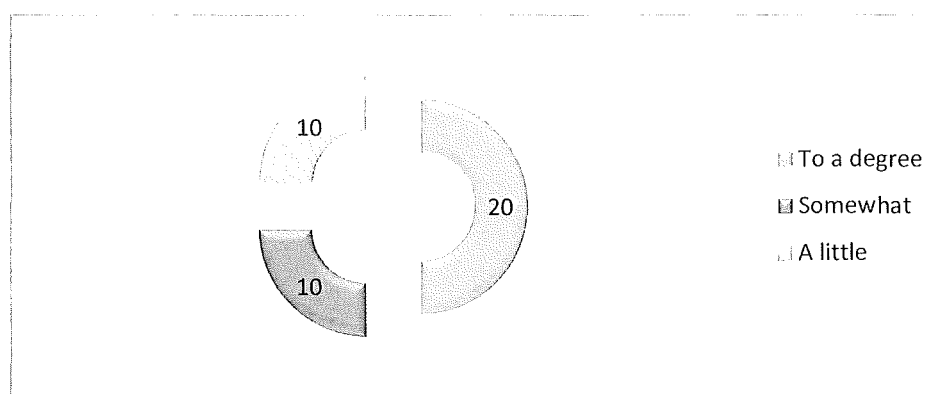
The plan that the municipality has for avoiding unauthorised, irregular, fruitless and wasteful expenditure is to conduct a workshop for all municipal officials, so that all have a clear understanding of the importance of including all expenses in the budget. If a budget is compiled by top management only (top-to-bottom budgeting), there will be some things ignored. The functional managers know exactly what they work with and what will be their future needs that would need to be added to the expenditure side of the budget. This is supported by the section 52 of the MFMA.

Figure 4.23 Are proper record keeping policies and procedures implemented and monitored?



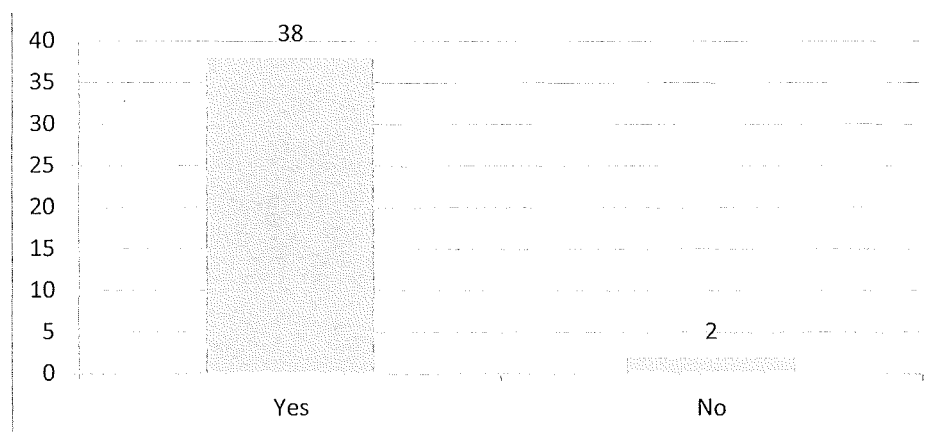
Record keeping policies and procedures of the municipality are not entirely implemented and monitored. A person can recognise this when Auditors are around and need historical information. Some managers together with their subordinates have to search for such information which they would have had available files. This could just have been avoided by implementing and monitoring proper record keeping policies and procedures.

Figure 4.24 Does the accounting officer adhere to the statutory responsibilities?



The Accounting Officer seems to be trying to adhere to his/her statutory responsibilities. The reason for the somewhat answer, comes from the senior managers who are regularly failing to submit the required reports on time. This keeps the Accounting Officer behind in his/her work.

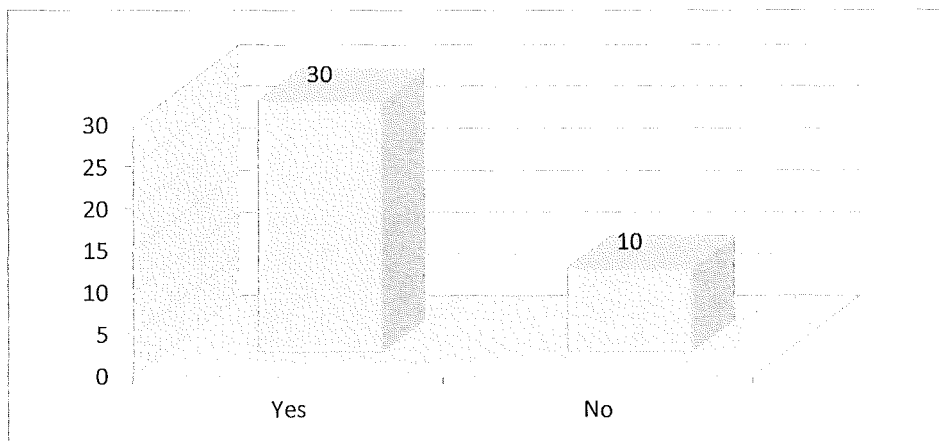
Figure 4.25 Are the supply chain management legislative requirements implemented or adhered to?



The supply chain management legislative requirements are implemented and adhered to. The municipality did not have a supply chain management unit before, but in 2010, a unit was established, hence the results. The No part in the graph is caused by those managers who are

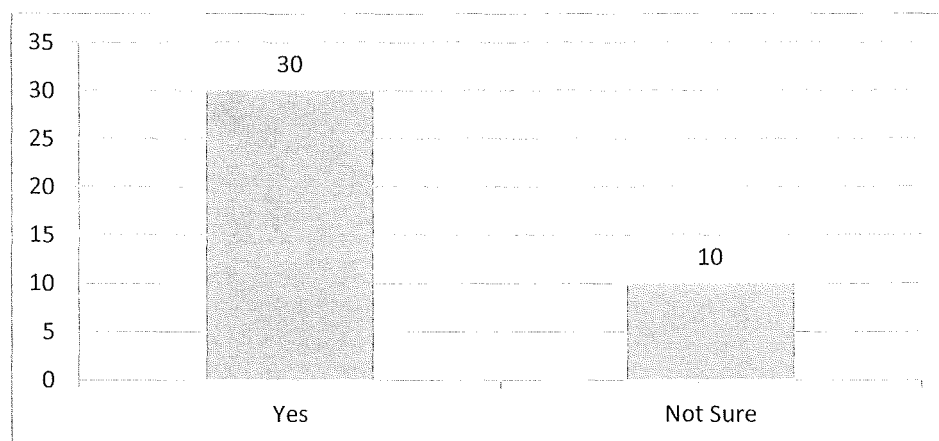
resistant to change and used to the fact that they procure goods themselves not through the supply chain management unit. This is in line with the findings of Johnson and Leenders (2003).

Figure 4.26 Does the municipality have a fraud prevention plan and is it implemented?



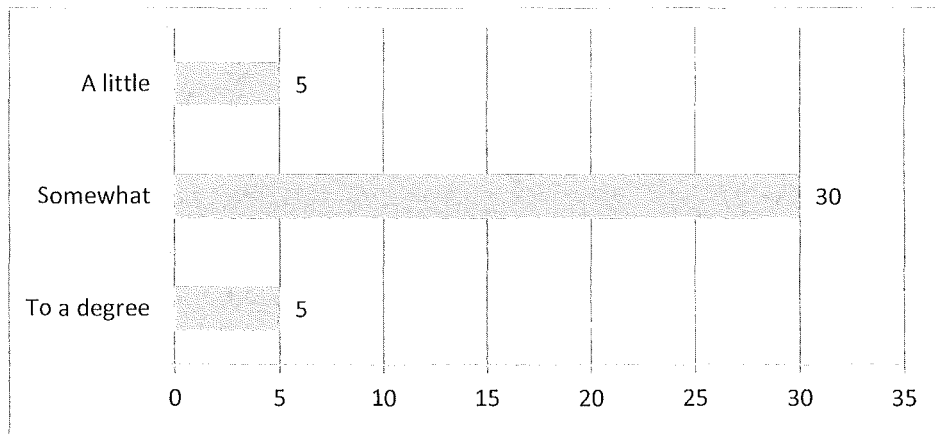
There is a fraud prevention plan and it is implemented. The supply chain management acting manager and the chief financial manager is doing their utmost to implement this plan. This is in line with the Local Government Anti-Corruption Strategy.

Figure 4.27 Does the municipality have financial admin and management policies and procedures available?



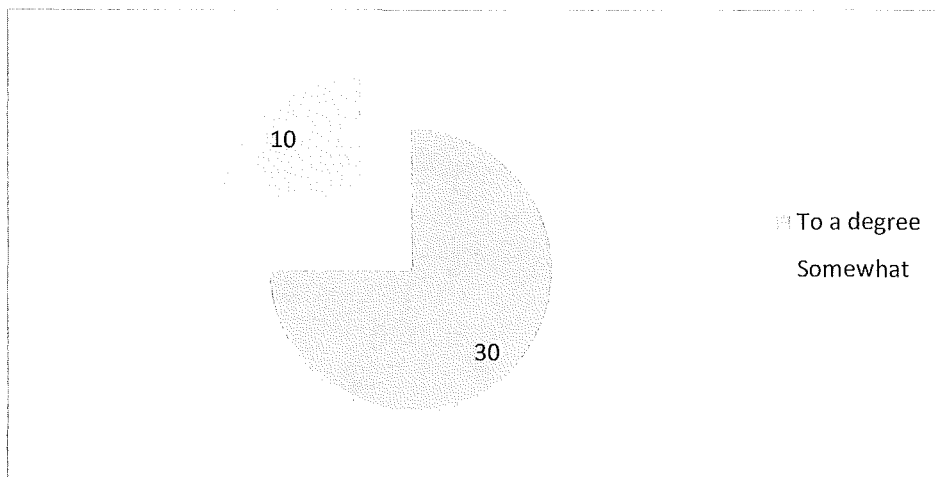
The municipality has the required financial administration and management policies and procedures available. Appropriate finance policies and procedures within the local sphere of government are also necessary to ensure control over finance management in municipalities. This is in line with the MFMA requirements.

Figure 4.28 Do you think the entire staff adherer's to those financial admin and management systems?



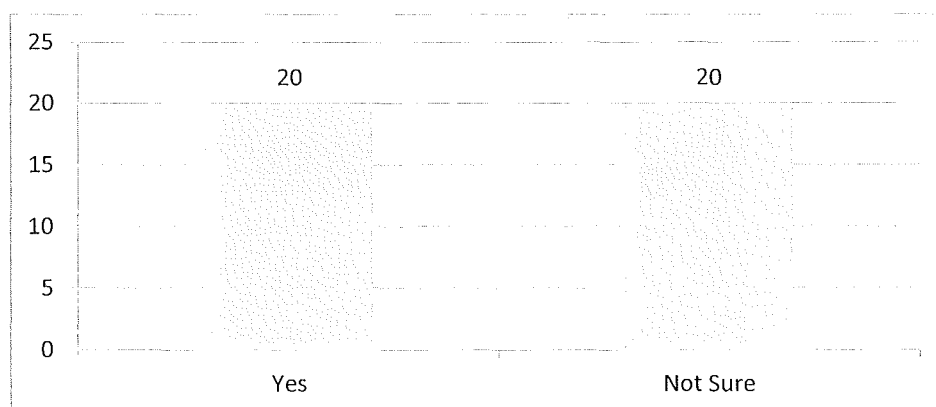
Not everyone working at the municipality adheres to the financial administration and management systems. It is an understanding that in an institution, not all staff members will adhere to institutional systems. Naledi Local Municipality is not an exception. But the results are satisfying and it shows that the staff is really putting efforts in this. This is supported by the MFMA.

Figure 4.29 Are the auditor general advices taken serious and implemented?



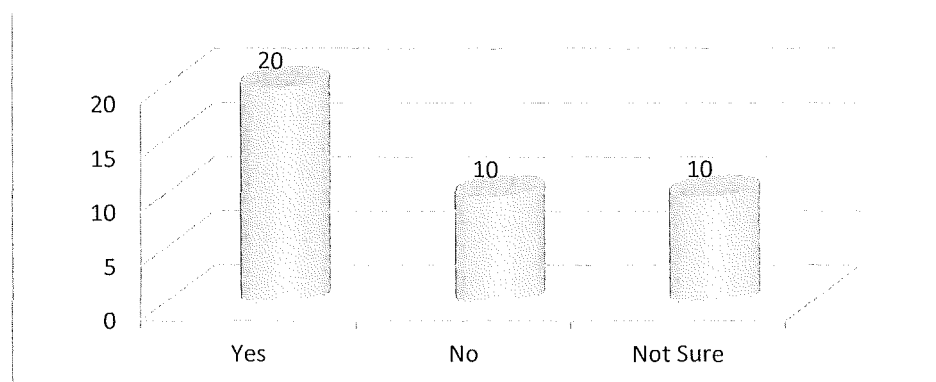
The Auditor General advices are taken serious and the municipal staff is really pushing to implement them. After every audit, the accounting officer arranges a meeting where the advices of the Auditor general are discussed and an implementation plan is discussed. This is in line with the findings of Schelker and Eichenberger (2010).

Figure 4.30 Do you think the national treasury offers training to the municipal employees?



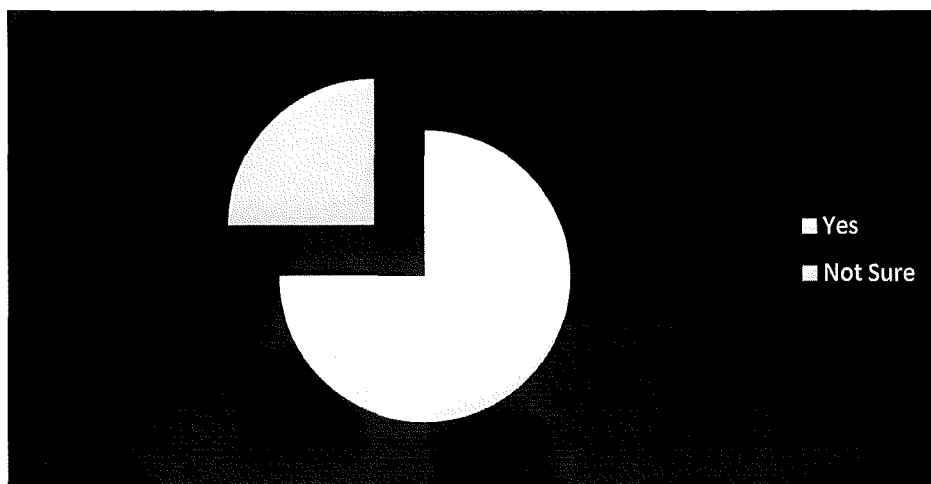
It is a tie because for the national treasury to provide training to municipal officials, the Accounting Officer must, together with the Chief Financial Officer inform national treasury on the type of training the staff would need. Then the national treasury would send facilitators from accredited institutions to provide the required training. On the other hand, National Treasury can decide to provide training when there is a new system introduced, in order for the municipal staff to be up to date with relevant financial information. Section (3) of the MFMA also highlighted that the National Treasury or provincial treasury may assist municipalities in the training of officials referred to in subsection (1).

Figure 4.31 Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan (IDP)?



The municipality has not been properly reporting on its performance with regard to the objectives, indicators and targets in its approve IDP. Therefore, the development of the turnaround strategy aims at targeting all gaps, (e.g. institutional weaknesses, service delivery deficiencies or lack of technical capabilities).

Figure 4.32 Is the audit committee properly established and functioning properly?



The audit committee is properly established at the Naledi Local Municipality. The audit committee did not meet at least twice during the financial year and did not also regularly review the Naledi Local Municipality's performance management system and make recommendations in this regard to the council. The not sure part is from the result of appointing senior managers with good qualifications but no audit skills or know-how. This causes a delay in the functionality of the committee as they need to be taken through the basics of auditing before decision could be made. This is also highlighted by the findings of Tillema and Bogt (2010).

4.5 MEASURES OF ASSOCIATION

According to Ferguson (1976) correlation is concerned with describing the degree of relation between two variables (whereas prediction is concerned with estimating one variable from knowledge of another).

Correlation is a measure of the relation between two or more variables. The measurement scales used should be at least interval scales, but other correlation coefficients are available to handle other types of data. Correlation coefficients can range from -1.00 to +1.00. The value of -1.00 represents a perfect negative correlation while a value of +1.00 represents a perfect positive correlation. A value of 0.00 represents a lack of correlation.

4.6 CORRELATION

If the correlation is positive then if one increases the other one increases. If it is negative correlation if one increases then the other one decreases. There is a negative correlation of -0.821 between status and age. The older you are the more senior position. The negative correlation of -0.766 that is between status and whether the municipality has reliable information system for recording and commitments means that the people at a senior position might not be aware of whether the information system is reliable or not. There is also a negative correlation of -0.766 which means that senior people do not know if the municipality keep a proper fixed asset register (as per GRAP requirements). A negative correlation of -0.98 stipulates that the senior the person the less they know if the demands of a growing economy being met by the levels of municipal investments.

There is a positive correlation of 0.75 between qualification and the years of service a person has worked. This means that the higher your qualification, the more the chances of enjoying work and being employed for longer. There is another positive correlation of 0.75 between qualifications and if there are appropriate finance and administration and management systems in place. The more qualifications the person has the better she/he will know about financial systems and have them in place.

The positive correlation of 0.87 that is between age and whether the demands of a growing economy are being met by the levels of municipal investments shows that the older the person the more knowledge they have and the more reliable they become. Gender and if councillors are involved in the financial administration and management have a negative correlation of -0.759. There is yet another negative correlation of -0.759 between gender and if the municipal budget is in line with the municipal IDP. The correlation between gender and “if the municipality have appropriate key controls implemented to ensure accuracy and completeness of disclosures made in the financial statements” reflect a negative correlation of -0.759 between variables. There is a negative correlation of -0.713 between gender and whether the municipality employ staff and relevant finance qualifications and skills.

A positive correlation of 0.769 between gender and if finance employees receive appropriate training regularly means that certain gender (males or females) get more attention when it comes to training. There is a negative correlation of -0.713 between gender and if finance

managers acquire the required leadership and management skills for financial administration and management. This supports the previous statement that the institution has employed at a higher level because of their leadership and management skills. The chance that the municipality have reliable is for recording and commitments and the demands of a growing economy being met by the levels of municipal investments is 0.784. The more reliable the better the demands of the growing economy are met by municipal investments.

A positive correlation of 0.784 concludes that the demands of a growing economy are being met by the levels of municipal investments that rises the chance of the municipality keeping a proper fixed asset register (as per GRAP requirements). The demands of a growing economy being met by the levels of municipal investments and status has a negative correlation of - 0.980, this shows that the senior employees are not aware if the municipal investment meet the growing economy. There is a positive of 0.938 between the councillors involved in the financial administration and management and whether the Municipality employ staff and relevant finance qualifications and skills. If councillors are more involved in the financial administration and management, there is a chance of employing staff with finance qualifications and skills.

The positive correlation of 0.938 between whether the councillors are involved in the financial administration and management and if finance managers acquire the required leadership and management skills for financial administration and management shows that it is indeed important to have councillors involved. The budget, being in line with the municipal IDP and finance managers acquiring the required leadership and management skills for financial administration and management, reflects a positive correlation of 0.938. The managers as leaders know that the budget has to be in line with IDP. This shows that they have the required skills. There is a positive correlation of 0.938 between a municipal budget is in line with the municipal IDP and whether the municipality employ staff and relevant finance qualifications and skills. The more the budget in line with IDP the higher the chance is that the municipality employ qualified staff.

The correlation between whether the municipality have appropriate key controls implemented to ensure accuracy and completeness of disclosures made in the financial statements and if the Municipality employ staff with relevant finance qualifications and skills reflects a positive

correlation of 0.938. A positive correlation of 0.938 is between whether the municipality have appropriate key controls implemented to ensure accuracy and completeness of disclosures made in the financial statements and if finance managers acquire the required leadership and management skills for financial administration and management. The more the leadership skills the managers acquire, the better the appropriate key control will be implemented to ensure accuracy.

Qualifications do not automatically mean that a manager's management philosophy and operating style promote effective control over municipal funds (-0.778). A negative correlation of -0.805 means that management philosophy and operating style to promote effective control over municipal funds is not determined by the years of experience a person has worked.

The more the institution does not comply with MFMA, means the less qualified people they have (-0.778), and on the other hand, the period a person worked at an institution does not mean compliance with MFMA (-0.805). The negative correlation of -0.805 clarifies the fact that there is be appropriate finance and administration and management systems in place, but less compliance with MFMA requirements. There is a negative correlation of -0.765 between whether the municipality has contract management system in place for identification of commitments and qualification. Contract management system in place for identification of commitments is not determined by the years of experience, hence a negative correlation of -0.709.

Qualified personnel not fully have the required systems in place that ensures compliance (-0.763). The negative correlation of -0.709 found between whether the municipality has the required systems in place that ensures compliance and the years of experience means that people who have worked at the municipality for longer still have no systems in place. The more the required systems the municipality has in place that ensures compliance the more the managers relax and forget to put efforts in ensuring that appropriate finance and administration and management systems are in place (-0.709).

There is a negative correlation of -0.850 between whether the municipality has a fraud prevention plan and is implemented, and gender. With the fraud prevention plan in place and implemented, the better the chances of having reliable information system for recording and

commitments (0.718). Another 0.718 positive correlation between whether the municipality has a fraud prevention plan and is it implemented, and if the municipality keep a proper fixed asset register (as per GRAP requirements) shows that the two variables are dependant of each other. The more the fraud prevention plan is implemented the higher the rate of keeping an appropriate assets register.

When there is a fraud prevention plan and is it implemented, the chances of meeting the demands of a growing economy being by the levels of municipal investments becomes very high, hence a positive correlation of 0.703. The correlation between whether the municipality have a fraud prevention plan and is it implemented and if the municipality have appropriate key controls implemented to ensure accuracy and completeness of disclosures made in the financial statements is a positive correlation of 0.805 between variables.

There is a negative correlation of -0.844 between whether the municipality has a fraud prevention plan and it is implemented and if finance employees receive appropriate training regularly. The plan is there, but employees are not trained for it. For the fraud prevention plan to be implemented employees should be sent on relevant training workshops. A municipality with a fraud prevention plan which is implemented has finance managers who acquire the required leadership and management skills for financial administration and management (0.805).

The negative correlation of -0.726 that is between status and whether the audit committee properly established and functioning properly means that the higher the status of an employee, the less they are involved with audit committee. The correlation between the level of qualification and whether the management philosophy and operating style promote effective control over municipal funds is a negative correlation of -0.778. People with qualifications do not always have the management philosophy and operating style. There is a negative correlation of -0.765 between whether there is contract management system in place for identification of commitments and the level of qualification. For the required systems that ensures compliance to be place the level of qualification needs to be higher (-0.763).

There is a negative correlation of -0.753 between whether the finance staffs go on team-building programs for motivation and if the National treasury offers training to the municipal employees. The finance staffs which goes for teambuilding programs are not offered necessary

training by National treasury. The positive correlation of 0.870 implies that the higher the management philosophy and operating style to promote effective control over municipal funds the more the municipality has contract management system in place for identification of commitments. In addition, the better the treatment plan the institution has to avoid authorisation, irregular, fruitless and wasteful expenditure (0.870).

There is a positive correlation of 0.870 between whether an institution complies with the requirement of the MFMA and if the management philosophy and operating style promote effective control over municipal funds. Given a correlation of positive 0.870, this shows that an institution that complies with the requirement of the MFMA has contract management system in place for identification of commitments.

4.7 CONCLUSION

The chapter has presented the detailed results of the analyses and interpretation while using the statistical methods given and explained at the beginning. The results of the survey have been presented in the form of graphs and tables. In addition, the analysis of the data presented in this chapter has been a clear confirmation of the financial administration and management in Naledi Local Municipality.

The next chapter presents the recommendations and conclusion categorised in their relevance to stakeholders. The discussions were based on how the tools identified in chapter two (2) will be employed to add value and improve the financial administration and management in Naledi Local Municipality. The purpose is to make sure that the stakeholders understand the recommendations in order to add value to existing literature and also identify gap areas where new or further research can still be conducted.

CHAPTER 5

CONCLUSION AND RECOMMENDATION

5.1 INTRODUCTION

Researcher has in the previous chapter, performed an analysis and interpreted the statistical data, and stated the findings of the research. It has been outlined in the previous chapters that financial management and administration systems are fairly, but not totally so, and some appropriate key controls to ensure accuracy and completeness of disclosures made in financial statements has to be totally implanted in Naledi Local Municipality. The analysis was about the assessment of the financial management and administration of Naledi Local Municipality.

In this final chapter, the findings of the research, derived through analysis and interpretation of statistical data, discussed in the previous section are consolidated. This chapter includes of the summary of the entire research, concentrate on the findings as per research question, gives managerial guidelines for financial management and administration and states future research opportunity in the field of study.

5.2 SUMMARY OF THE STUDY

The aim of the research was to investigate how accountability is impacting on service delivery and whether the services are sustainable and all community members are satisfied with what has been rendered in the Dr Ruth Segomotsi Mompati District Municipality. The financial administration and management has been analysed and the examiner focused on finance management systems, skills and capacities of finance staff, including managers, compliance with the provisions of the MFMA and other relevant legislative policies and directives, and adherence to National Treasury regulations and Auditor General's directives.

The study proved that the municipality has a fair level of finance management and admin systems in place and that National treasury needs to pay attention to training the entire finance staff on processes and procedure of finance management. Most current finance officials lack the broader skills to fully implement the MFMA, as do current municipal treasuries, since they have largely been accustomed to operating within a rules-driven environment, often steeped in a bean-counting culture out of step with modern management practices. The establishment of a

Budget and Treasury Office provides a once-off opportunity to break with these past practices by setting up a *new* structure comprising highly qualified and competent professionals and a *new* culture that provides the municipality with fiscal and financial leadership.

For this reason, the Minister of Finance has encouraged treasury and finance officials to form a new professional body to support and develop such officials – in this respect, given the similar approach of the Public Finance Management Act (PFMA) and the need for mobility between different spheres of government, the Minister has urged the merging of current bodies into a single new professional body. This call will require the promotion of a new corps of public sector finance and budget professionals – going beyond current narrow qualifications, which are not adequate in modern organisations or in the public sector. It will, however, also require a specific public sector approach, embracing the principles of “Batho Pele” and selfless service delivery to the public, which differ from current public sector practices and private sector professional associations (MFMA).

5.3 RESPONSE TO THE RESEARCH QUESTIONS

The main findings of this research in relation to each research question will be discussed below and of the findings relating to each question.

5.3.1 Does the Naledi Local Municipality have the appropriate and relevant finance administration and management?

Naledi Local Municipality has the appropriate and relevant finance administration and management systems, but they are not fully in place. There higher authorities are not aware of the reliability of the information systems for recording and commitments. Financial administration and management is an essential part of good governance. It is component of the foundation of the municipality and could be referred to as overall management discipline that all managers, irrespective of their profession, have to take responsibility for. Financial administration and management reinforce accountability to stakeholders for effective use of resources.

According to the Municipal Systems Act, a municipality “must develop a culture of municipal governance that complements formal representative government with a system of participatory governance”. The Act highlights the fact that residents have the right to contribute to the

municipality's decision-making processes through IDP forums. In the analysis in chapter four (4), figure 4.10, it is proven that the budget is in line with the IDP (30), but a negative portion means that Ward committees as another emerging political arena which should represent a fertile opportunity for communities' interests to be represented do not receive proper training on what is expected of them. Another emerging challenge is the practical problems facing ward committees, which should not be underestimated. The community has the right to "regular disclosure of the state of affairs of the municipality, including its finances. The municipality is expected to inform them about the costs encountered when providing services, and how the money is being used in order to encourage community to pay their fees. Residents also have the right to give feedback to the municipality on the quality and level of services offered to them; these can be done through the ward councillors and ward committees as they are in the political structure of the municipality.

For Naledi Local Municipality to have financial management systems in place in order to avoid overspending or under spending, the municipal budget should be in line with the IDP and each and every sectional manager should first identify the sectional needs and draw a budget together with the chief financial officer of the Deputy finance manager for budgets. A municipal budget is the managerial and political document in which the costs associated with various activities are estimated, anticipated revenues projected, and decisions made which result in appropriations, tax levies and borrowing authority. A budget is also a plan forecasting the amounts of money to be expended, revenues and their sources. Two kinds of budgets are commonly used, Naledi Municipality uses them as well: The Operating Budget which is the plan for current or annual expenditures and the proposed means of financing them, and the Capital Budget which on the other hand is the financial plan that details expenditures for equipment, repair projects, the purchase or construction of buildings and facilities, and the means of financing each over longer periods of time.

A municipality without a fixed asset register which includes buildings, machinery, equipment or other items having a useful life of several years and/or costing a significant amount of money to acquire does not have financial administration and management systems in place. The Naledi Local Municipality's fixed asset register has been kept by the municipality as illustrated on figure 4.7, but it was not linked to the financial information systems. The

officials have been using Microsoft excel to prepare a fixed asset register, but the auditors would query it as is will not have a proper balance in the general ledger accounts.

5.3.2 Does the Naledi Local Municipality have adequate financial administration and management skills and capacities?

The researcher has identified a lack of adequate internal controls to identify, implement and monitor compliance with the applicable accounting framework, which is an indication of inadequate financial skills capacity, (figures 4.13; 4.16; 4.18; 4.20; 4.21; 4.23; 4.27; 4.30) . Some of the Naledi Local municipality councillors and official has been sent to capacity-building and training courses and it showed that the courses were too generic and needed to be adjusted more to the specific needs of the municipality.

The substantial requirements relate to the 'appropriate steps' that the MEC or the Minister must take to ensure sufficient funding and capacity building initiatives at local level to perform the assigned function. This appears to be a stronger and more direct protection against unfunded mandates. The protection is phrased in a mandatory wording. National and provincial executives can be taken to task when these provisions are not adhered to. It is an implementation of the provisions in the Constitution that instruct provincial and local government to support the capacity of local government. The substantial requirements relate to finances and capacity building initiatives.

In this context, the level of development skills and expertise of senior officials at the institution is of great concern, figure 4.12 in chapter 4. There should be some strict requirements for the appointment of all finance staff. As proven in the statistical analysis above, most of the finance staff, who has worked at the municipality for longer period, have better financial administration and management skills, but lack a suitable development orientation, such as upgrading of systems. According to the audit Report, all senior managers, together with their senior officials are in need of extensive experience regarding financial administration and management.

There is a problem of inappropriately appointed staff, for example, political appointees and those appointed through nepotism. A solution to that would be that of such staff being taken to perform proper skills assessments and be re-deployed to positions more compatible to their skills levels.

Naledi Local Municipality has managers who truly require leadership and management skills for financial administration and management, the not sure part in figure 4.16 shows that. Furthermore, the capacity and skills of municipalities need to be strengthened further to enable them to be well placed to fully implement the new accounting standards.

5.3.3 Does the Naledi Local Municipality comply with the provisions of the MFMA and other relevant legislative policies and directives?

According to the statistical analysis, the level of compliance with the MFMA and other relevant legislative policies and directives has been on an average level. The institution does not have a formal risk assessments as required by section 62, invoices were not paid within 30 days as per Section 65(2), a proper system of internal control over assets and revenue does not exist, and contrary to section 131 the previous year's issues raised by the Auditor-General were not resolved.

As per requirements of the Municipal Systems Act, the fraud prevention plan was not in place as required by section 104, councillors did not declare their interests on an annual basis as required by section 7. The lack of compliance with the governing legislation stemmed from a lack of adequate supervision and monitoring processes from those charged with governance. The Constitution of South Africa s (152)(1)(a-b) The objects of Local Government is to provide democratic and accountable government for local communities, to ensure the provision of services to communities in a sustainable manner.

The above statement does not mean that Naledi Municipality is not entirely complying to the legislative requirements (figure 4.5), those are just the areas into which more focus has to be directed to, in order for the municipality to be fully compliant.

According the Service Delivery Budget Implementation Plan (Naledi Local Municipality SDBIP, 2009) in terms of Chapter 7 of the MFMA, the Mayor must "take all reasonable steps" to ensure that the SDBIP is approved by the Mayor within 28 days after the approval of the budget and that the SDBIP is made public no later than 14 days after that. The implementation and monitoring of the SDBIP is set out in Section 54 which details the responsibilities of the Mayor with regard to budgetary control and the early identification of financial problems. It states that whenever a budget monitoring report is received under Section 71 MFMA, the Mayor must check whether the budget is implemented in accordance with the SDBIP. In the

event it is decided to amend the SDBIP, any revisions to the service delivery targets and performance indicators made with the approval of council following an adjustments budget. The Mayor must issue instructions to the Accounting Officer to ensure that the budget is implemented in terms of the SDBIP. Thereafter the revised SDBIP must be promptly made available to the public. The municipality has been trying to comply with the above, with support from the provincial treasury.

According to the Audit Report, Naledi has endured pressure in developing its long term plans and the challenge now is to ensure that the strategies, programmes and plans are implemented, monitored and that corrective action be taken if necessary. Although not cast in stone, warning systems needs to be developed so that the municipality can pro-actively manage its resources well into the future and also to ensure internal and external legislative compliance.

5.3.4 Does the Naledi Local Municipality adhere to National Treasury regulations and Auditor General's directives?

One of the MFMA requirements is that municipalities need to improve their planning to ensure a proper financial statement preparation process to further improve the achievement of deadlines, and Naledi Local Municipality is not an exception to this. At the same time, the process needs to be managed more carefully with closer monitoring not only to produce financial statements within the legislative deadlines, but also to ensure the completeness and quality of the financial statements. The National Treasury and provincial treasury should continue to support and guide municipalities in their transition to fully implement GRAP, GAMAP and GAAP in accordance with the applicable government gazettes. Closer monitoring is required by the treasuries to ensure full compliance with the implementation plans.

The Financial Management Grant (FMG), made available by National Treasury: To promote reforms to municipal financial management practices, including the modernisation of budgeting, financial management, accounting, monitoring systems, and implementation of the Municipal Finance Management Act. The outputs include the preparation and implementation of multi-year budgets meeting national standards, the adoption of GAMAP, and improvements in internal and external reporting on budgets and financial information.

5.4 LIMITATIONS

The study is limited to Naledi Local Municipality, but it is relevant to all other South African local municipalities.

5.5 MANAGERIAL GUIDELINES

Appropriate finance policies and procedures within the local sphere of government are necessary to ensure appropriate internal control over finance management in municipalities in line with the Municipal Finance Management Act 56 of 2003 (Local Government Anti-Corruption Strategy).

According to Hajek (2010) financial variable inform about the scope of budget implementation. Their values are extracted from the municipality budget. The ratio of total revenue to total expenditure reports on the quality of the budget implementation. If it is constantly greater than 1, that is, total budget is in excess, and at the same time a growing trend is indicated, the municipality is in good financial state. The same fact holds for the current budget. Good financial standing enables the municipality to use surplus to finance its engagements.

According to Stalebrink and Sacco (2006) in government, incentive plans have traditionally been quite uncommon, but a variety of philosophies including public choice and the “new public management” have pushed for smaller government and a government that when it acts behaves more like a business. This means that managers are being rewarded for holding down costs and where appropriate encouraged relying on fees instead of taxes. Modell and Lee (2001) further emphasised that the controllability principle states that managers should only be held responsible for events and accounting items that are reasonably under their control.

The implementation of a strategy can only be determined as successful if it is measured. Therefore all objectives (financial or non-financial) in a model derived from the organisation’s vision and strategy must be measured to establish if it was implemented successfully. The Balanced Scorecard (BSC) is a tool that will enable the municipality to focus and align their executive teams, business units, human resources, information technology and financial resources to the municipality’s strategy (Naledi Local Municipality SDBIP, 2009). Naledi local Municipality has been using a balanced score card as a measuring tool for its objectives.

Whilst external factors certainly influence the finances of Naledi Local Municipality, these are not the only constraints the municipality has to consider in its developmental role. Naledi has initiated strategic and priority programmes in the IDP, which will have to be funded over many years in such a way to limit the financial impact of the cost of services to our citizens and to create some certainty in our rates and service charges. This has to be done so that the local economy is not undermined and changes in tariff structures do not have an upward pressure on local inflation.

There is a need for senior management and Councillors who are involved in the Corporate and Finance Committee to be financially literate and to be able to understand the fiscal environment their organisation operates in. Should the municipality establish such kind of programs, managers who are not experts in the finance genre could gain grounding in the core financial management skills.

5.6 FUTURE RESEARCH

This study contributes to various opportunities for further research, notably:

- Compliance with MFMA by South African Local municipalities.
- The effect of Asset Management in the Municipal Budget.
- The reliability of financial information systems in local municipalities.
- The financial stability of South African Local Municipalities.
- The impact of involvement of Councillors in service delivery.

5.7 CONCLUSION

The Department of Finance Budget Review (2000) stated that many municipalities face financial problems due to poor management and cumbersome administrative and budget systems, inefficient service delivery, disproportionate wage bills and high levels of poverty amongst residents. According to the Portfolio Committee Report (2003) financial issues, certainly, constitute the biggest challenge confronting municipalities. Clearly there is a need for a new financial system for the new model of developmental local government.

The view of the Department of finance is that local government expenditure, if left unchecked, can lead to excessive inflation and may break the back of the South African Economy (Cameron, 1995). It has been found out that one of the biggest crises facing the municipality has been that of non-payment of services, rent and rate charges.

The much more serious constraint for the municipality is to find the competent and experienced staff. An encouragement needs to be generated for those people with development experience to advance to sections where those types of skills are anxiously needed. The financial requirements, for maybe compensating those officials through increment to their salary, will not be such a big issue. The much more difficulty will be in the creation of pleasant and inspiring municipal environment for such people who accept change and enforce development.

The financial strategies adopted by the municipality, if strictly applied, should ensure that the municipality's finances remain favourable in the future. However, the challenge for the organisation is to ensure that projected income/revenue is collected and that expenditure is managed within the financial framework so that the objectives in the IDP can be achieved and strategic projects be implemented. This will ensure the improvement of the broader community's quality of life in the medium-term to long-term.

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A short disclaimer describing the purpose of the study

Dear Respondent

I am an employee of Naledi Local Municipality as an Acting Manager: Supply Chain Management; at current I am completing the research component of a Master's in Business Administration (MBA) with the North West University (NWU-Graduate School of Business and Government Leadership).

Towards this end, I would really appreciate your input in understanding how financial administration and management in Naledi Local Municipality is done.

I have attached a questionnaire which will assist me in collating the required data.

May I request for your assistance in the following:

- 1) Please complete the questionnaire to the best of your ability and;
- 2) Kindly forward it to other decision makers within your area. For follow-up purpose, kindly copy me when you forward the questionnaire to colleagues.

The questionnaire will not take more than 15 minutes to fill in. After filling in, please email your response to: mompho@gmail .com.

Thanking you in advance for your contribution in this regard.

Kind Regards,

Mpho Portia Moabelo: 082 706 3925

APPENDIX A: QUESTIONNAIRE

FOR OFFICE USE ONLY: Respondent Code: _____

VOLUNTARY QUESTIONNAIRE FOR MUNICIPAL OFFICIALS

"An assessment of financial management in Naledi Local Municipality: FINANCE"

Graduate School NWU

University of North West

Researcher: Ms Mpho Moabelo

Supervisor: Prof S Lubbe

Note to the respondent

- We need your help to understand how financial administration and management is done in Naledi Local Municipality.
- Although we would like you to help us, you do not have to take part in this survey.
- If you do not want to take part, just hand in the blank questionnaire at the end of the survey session.
- What you say in this questionnaire will remain private and confidential. No one will be able to trace your opinions back to you as a person.

The questionnaire as four parts:

Part 1 asks permission to use your responses for academic research.

Part 2 asks general personal particulars like your age, gender and home language.

Part 3 asks about self-plagiarism.

How to complete the questionnaire

1. Please answer the questions as truthfully as you can. Also, please be sure to read and follow the directions for each part. If you do not follow the directions, it will make it harder for us to do our project.
2. We are only asking you about things that you and your fellow researchers should feel comfortable telling us about. If you don't feel comfortable answering a question, you can indicate that you do not want to answer it. For those questions that you do answer, your responses will be kept confidential.
3. You can mark each response by making a tick or a cross, or encircling each appropriate response with a PEN (not a pencil), or by filling in the required words or numbers.

Part 1: Permission to use my responses for academic research

I hereby give permission that my responses may be used for research purposes provided that my identity is not revealed in the published records of the research.

Initials and surname _____ Postal address: _____

_____ Postal code: _____

Contact numbers: Home: _____ Cell: _____

Thank you very much for filling in this questionnaire.

No.	PART 1: GENERAL PERSONAL PARTICULARS Please tell us a little about yourself Please mark only ONE option per question below.	16.	Do finance managers acquire the required leadership and management skills for financial administration and management? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure
1.	I am <input type="checkbox"/> African <input type="checkbox"/> Coloured <input type="checkbox"/> Indian <input type="checkbox"/> Oriental <input type="checkbox"/> White <input type="checkbox"/> Other	17.	Does the finance staff go on team-building programs for motivation? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure
2.	I am: <input type="checkbox"/> Manager <input type="checkbox"/> Supervisor <input type="checkbox"/> Other:(Please specify) _____	18.	Does your management philosophy and operating style promote effective control over municipal funds? <input type="checkbox"/> To a degree <input type="checkbox"/> Somewhat <input type="checkbox"/> A little <input type="checkbox"/> Not at all
3.	I have : <input type="checkbox"/> Degree <input type="checkbox"/> Post-Graduate degree <input type="checkbox"/> Matric <input type="checkbox"/> I do not want to answer this question.		PART 4: COMPLIANCE AND MFMA AND LEGISLATIVE POLICIES AND DIRECTIVES Please mark only ONE option per question below.
4.	I am within this age group <input type="checkbox"/> < 20 yrs. <input type="checkbox"/> 21-30 yrs. <input type="checkbox"/> 31-40 yrs. <input type="checkbox"/> Over 50 yrs.	19.	Do you believe that your institution comply with the requirement of the MFMA? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure
5.	I am a: <input type="checkbox"/> Female <input type="checkbox"/> Male	20.	Do you have contract management system in place for identification of commitments? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure
6.	How many years of service do you have in your current work place? <input type="checkbox"/> 1-5 years <input type="checkbox"/> 6-10 years <input type="checkbox"/> More than 16 years	21.	Do you have the required systems in place that ensures compliance? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure
	PART 2: FINANCE ADMINISTRATION AND MANAGEMENT Please mark only ONE option per question below.	22.	Do you have a treatment plan to avoid authorisation, irregular, fruitless and wasteful expenditure? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure
7.	Are there appropriate finance and administration and management systems in place? <input type="checkbox"/> To a degree <input type="checkbox"/> Somewhat <input type="checkbox"/> A little <input type="checkbox"/> Not at all	23.	Are proper record, keeping policies and procedures implemented and monitored? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure
8.	Does the municipality have reliable information system for recording and commitments? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure	24.	Does the Accounting Officer adhere to the statutory responsibilities? <input type="checkbox"/> To a degree <input type="checkbox"/> Somewhat <input type="checkbox"/> A little <input type="checkbox"/> Not at all

9.	Does the municipality keep a proper fixed asset register (as per GRAP requirements)? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure	25.	Are the supply chain management legislative requirements implemented or adhered to? <input type="checkbox"/> Yes <input type="checkbox"/> No
10.	Are the demands of a growing economy being met by the levels of municipal investments? <input type="checkbox"/> To a degree <input type="checkbox"/> Somewhat <input type="checkbox"/> A little <input type="checkbox"/> Not at all	26.	Does the municipality have a fraud prevention plan and is it implemented? <input type="checkbox"/> Yes <input type="checkbox"/> No
11.	Are the councillors involved in the financial administration and management? <input type="checkbox"/> To a degree <input type="checkbox"/> Somewhat <input type="checkbox"/> A little <input type="checkbox"/> Not at all	PART 5: ADHERENCE TO TREASURY REGULATIONS AND AUDITOR GENERAL'S DIRECTIVES. Please mark only ONE option per question below.	
12.	Is your budget in line with the municipal IDP? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure	27.	Does the municipality have the financial administration and management system policies and procedures available? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure
13.	Does the municipality have appropriate key controls implemented to ensure accuracy and completeness of disclosures made in the financial statements? <input type="checkbox"/> To a degree <input type="checkbox"/> Somewhat <input type="checkbox"/> A little <input type="checkbox"/> Not at all	28.	Do you think the entire staff adheres to those financial administration and management systems? <input type="checkbox"/> To a degree <input type="checkbox"/> Somewhat <input type="checkbox"/> A little <input type="checkbox"/> Not at all
PART 3: SKILLS AND CAPACITIES Please mark only ONE option per question below.		29.	Are the Auditor General advices taken serious and implemented? <input type="checkbox"/> To a degree <input type="checkbox"/> Somewhat <input type="checkbox"/> A little <input type="checkbox"/> Not at all
14.	Does the Municipality employ staff and relevant finance qualifications and skills? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure	30.	Do you think the National treasury offers training to the municipal employees? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure
15.	Do finance employees receive appropriate training regularly? <input type="checkbox"/> To a degree <input type="checkbox"/> Somewhat <input type="checkbox"/> A little <input type="checkbox"/> Not at all	31.	Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved Integrated Development Plan (IDP)? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure
32.	Do you prepare and send the financial statements and annual reports to National treasury? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure	33.	Is the audit committee properly established and functioning properly? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure
34.	Has the Auditor-General set out their responsibilities in detail to the Accounting Officer? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure		

Thank you very much for filling in this questionnaire.

Thank You' Note

Dear Respondent

Please accept my compliments for the supportive role you played in filling out the questionnaire.

I would like to thank you for the insight and commentary you provided. I will be using the data from the survey to make recommendations on an assessment of financial administration and management in Naledi Local Municipality.

Thanks again for giving your time.

Kind Regards,

Mpho Portia Moabelo

082 706 3925

APPENDIX B: CORRELATION

		Status	Qualification	Age	Gender	Years	Qu1	Qu2	Qu3	Qu4	Qu5	Qu6	Qu7	Qu8	Qu9	Qu10
Status	Correlation	1.000	.474 ^{**}	-.821 ^{**}	.565 ^{**}	.178	.178	-.766 ^{**}	-.766 ^{**}	-.980 ^{**}	-.423 ^{**}	-.423 ^{**}	-.423 ^{**}	-.395 [*]	.489 ^{**}	-.395 [*]
	Coefficient															
	Sig. (2-tailed)		.002	.000	.000	.265	.265	.000	.000	.000	.006	.006	.006	.011	.001	.011
	N	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41
Qualification	Correlation	.474 ^{**}	1.000	-.039	.560 ^{**}	.758 [*]	.758 ^{**}	-.362 [*]	-.362 [*]	-.373 [*]	-.419 ^{**}	-.419 ^{**}	-.419 ^{**}	-.391 [*]	.635 ^{**}	-.391 [*]
	Coefficient															
	Sig. (2-tailed)	.002		.811	.000	.000	.000	.020	.020	.016	.006	.006	.006	.012	.000	.012
	N	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41
Age	Correlation	-.821 ^{**}	-.039	1.000	-.136	.215	.215	.637 ^{**}	.637 ^{**}	.871 ^{**}	.103	.103	.103	.097	-.141	.097
	Coefficient															
	Sig. (2-tailed)	.000	.811		.391	.172	.172	.000	.000	.000	.516	.516	.516	.542	.372	.542
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Gender	Correlation	.565 ^{**}	.560 ^{**}	-.136	1.000	.320 [*]	.320 [*]	-.538 ^{**}	-.538 ^{**}	-.585 ^{**}	-.759 ^{**}	-.759 ^{**}	-.759 ^{**}	-.713 ^{**}	.769 ^{**}	-.713 ^{**}
	Coefficient															
	Sig. (2-tailed)	.000	.000	.391		.039	.039	.000	.000	.000	.000	.000	.000	.000	.000	.000
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Years	Correlation	.178	.758 ^{**}	.215	.320 [*]	1.000	1.000 ^{**}	-.212	-.212	-.061	-.243	-.243	-.243	-.228	.545 ^{**}	-.228
	Coefficient															
	Sig. (2-tailed)	.265	.000	.172	.039			.177	.177	.702	.121	.121	.121	.146	.000	.146
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42

Qu1	Correlation Coefficient	.178	.758**	.215	.320*	1.000**	1.000	-.212	-.212	-.061	-.243	-.243	-.243	-.228	.545**	-.228
	Sig. (2-tailed)	.265	.000	.172	.039	.	.	.177	.177	.702	.121	.121	.121	.146	.000	.146
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu2	Correlation Coefficient	-.766**	-.362*	.637**	-.538**	-.212	-.212	1.000	1.000**	.784**	.408**	.408**	.408**	.383*	-.560**	.383*
	Sig. (2-tailed)	.000	.020	.000	.000	.177	.177	.	.	.000	.007	.007	.007	.012	.000	.012
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu3	Correlation Coefficient	-.766**	-.362*	.637**	-.538**	-.212	-.212	1.000**	1.000	.784**	.408**	.408**	.408**	.383*	-.560**	.383*
	Sig. (2-tailed)	.000	.020	.000	.000	.177	.177	.	.	.000	.007	.007	.007	.012	.000	.012
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu4	Correlation Coefficient	-.980**	-.373*	.871**	-.585**	-.061	-.061	.784**	.784**	1.000	.444**	.444**	.444**	.417**	-.494**	.417**
	Sig. (2-tailed)	.000	.016	.000	.000	.702	.702	.000	.000	.	.003	.003	.003	.006	.001	.006
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu5	Correlation Coefficient	-.423**	-.419**	.103	-.759**	-.243	-.243	.408**	.408**	.444**	1.000	1.000**	1.000**	.938**	-.584**	.938**
	Sig. (2-tailed)	.006	.006	.516	.000	.121	.121	.007	.007	.003	.	.	.	.000	.000	.000
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu6	Correlation Coefficient	-.423**	-.419**	.103	-.759**	-.243	-.243	.408**	.408**	.444**	1.000**	1.000	1.000**	.938**	-.584**	.938**
	Sig. (2-tailed)	.006	.006	.516	.000	.121	.121	.007	.007	.003	.	.	.	.000	.000	.000
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42

	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu7	Correlation Coefficient	-.423**	-.419**	.103	-.759**	-.243	-.243	.408**	.408**	.444**	1.000**	1.000**	1.000	.938**	-.584**	.938**
	Sig. (2-tailed)	.006	.006	.516	.000	.121	.121	.007	.007	.003	.	.	.	.000	.000	.000
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu8	Correlation Coefficient	-.395*	-.391*	.097	-.713**	-.228	-.228	.383*	.383*	.417**	.938**	.938**	.938**	1.000	-.548**	1.000**
	Sig. (2-tailed)	.011	.012	.542	.000	.146	.146	.012	.012	.006	.000	.000	.000	.	.000	.
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu9	Correlation Coefficient	.489**	.635**	-.141	.769**	.545*	.545**	-.560**	-.560**	-.494**	-.584**	-.584**	-.584**	-.548**	1.000	-.548**
	Sig. (2-tailed)	.001	.000	.372	.000	.000	.000	.000	.000	.001	.000	.000	.000	.000	.	.000
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu10	Correlation Coefficient	-.395*	-.391*	.097	-.713**	-.228	-.228	.383*	.383*	.417**	.938**	.938**	.938**	1.000**	-.548**	1.000
	Sig. (2-tailed)	.011	.012	.542	.000	.146	.146	.012	.012	.006	.000	.000	.000	.	.000	.
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu11	Correlation Coefficient	.333*	-.433**	-.557**	.288	-.600**	-.386*	-.386*	-.493**	-.219	-.219	-.219	-.219	-.205	.147	-.205
	Sig. (2-tailed)	.033	.005	.000	.064	.000	.000	.011	.011	.001	.164	.164	.164	.192	.351	.192
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu12	Correlation Coefficient	-.422**	-.778**	-.059	-.468**	-.805*	-.805**	.396**	.396**	.280	.355*	.355*	.355*	.333*	-.646**	.333*

	Sig. (2-tailed)	.006	.000	.709	.002	.000	.000	.010	.010	.072	.021	.021	.021	.031	.000	.031
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu13	Correlation Coefficient	-.422**	-.778**	-.059	-.468**	-.805*	-.805**	.396**	.396**	.280	.355*	.355*	.355*	.333*	-.646**	.333*
	Sig. (2-tailed)	.006	.000	.709	.002	.000	.000	.010	.010	.072	.021	.021	.021	.031	.000	.031
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu14	Correlation Coefficient	-.311*	-.765**	-.253	-.612**	-.709*	-.709**	.213	.213	.180	.464**	.464**	.464**	.436**	-.588**	.436**
	Sig. (2-tailed)	.048	.000	.106	.000	.000	.000	.176	.176	.254	.002	.002	.002	.004	.000	.004
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu15	Correlation Coefficient	-.311*	-.763**	-.253	-.612**	-.709*	-.709**	.213	.213	.180	.465**	.465**	.465**	.436**	-.589**	.436**
	Sig. (2-tailed)	.048	.000	.105	.000	.000	.000	.176	.176	.254	.002	.002	.002	.004	.000	.004
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu16	Correlation Coefficient	-.395*	-.391*	.097	-.713**	-.228	-.228	.383*	.383*	.417**	.938**	.938**	.938**	1.000**	-.548**	1.000**
	Sig. (2-tailed)	.011	.012	.542	.000	.146	.146	.012	.012	.006	.000	.000	.000	.	.000	.
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu17	Correlation Coefficient	-.395*	-.391*	.097	-.713**	-.228	-.228	.383*	.383*	.417**	.938**	.938**	.938**	1.000**	-.548**	1.000**
	Sig. (2-tailed)	.011	.012	.542	.000	.146	.146	.012	.012	.006	.000	.000	.000	.	.000	.
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42

Qu18	Correlation Coefficient t	-.395*	-.391*	.097	-.713**	-.228	-.228	.383*	.383*	.417**	.938**	.938**	.938**	1.000**	-.548**	1.000**
	Sig. (2-tailed)	.011	.012	.542	.000	.146	.146	.012	.012	.006	.000	.000	.000	.	.000	.
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu19	Correlation Coefficient t	-.395*	-.391*	.097	-.713**	-.228	-.228	.383*	.383*	.417**	.938**	.938**	.938**	1.000**	-.548**	1.000**
	Sig. (2-tailed)	.011	.012	.542	.000	.146	.146	.012	.012	.006	.000	.000	.000	.	.000	.
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu20	Correlation Coefficient t	-.688**	-.575**	.363*	-.850**	-.385*	-.385*	.718**	.718**	.703**	.805**	.805**	.805**	.803**	-.844**	.803**
	Sig. (2-tailed)	.000	.000	.018	.000	.012	.012	.000	.000	.000	.000	.000	.000	.000	.000	.000
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu21	Correlation Coefficient t	.169	-.167	-.368*	.175	-.365*	-.365*	-.235	-.235	-.300	-.133	-.133	-.133	-.125	.090	-.125
	Sig. (2-tailed)	.292	.297	.017	.267	.017	.017	.134	.134	.054	.400	.400	.400	.430	.572	.430
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu22	Correlation Coefficient t	-.395*	-.391*	.097	-.713**	-.228	-.228	.383*	.383*	.417**	.938**	.938**	.938**	1.000**	-.548**	1.000**
	Sig. (2-tailed)	.011	.012	.542	.000	.146	.146	.012	.012	.006	.000	.000	.000	.	.000	.
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu23	Correlation Coefficient t	-.395*	-.391*	.097	-.713**	-.228	-.228	.383*	.383*	.417**	.938**	.938**	.938**	1.000**	-.548**	1.000**
	Sig. (2-tailed)	.011	.012	.542	.000	.146	.146	.012	.012	.006	.000	.000	.000	.	.000	.

	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu24	Correlation Coefficient	.147	.673**	.127	.000	.558*	.558**	.000	.000	.000	.000	.000	.000	.000	.000	.000
	Sig. (2-tailed)	.359	.000	.424	1.000	.000	.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu25	Correlation Coefficient	-.395*	-.391*	.097	-.713**	-.228	-.228	.383*	.383*	.417**	.938**	.938**	.938**	1.000**	-.548**	1.000**
	Sig. (2-tailed)	.011	.012	.542	.000	.146	.146	.012	.012	.006	.000	.000	.000	.	.000	.
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu26	Correlation Coefficient	-.726**	-.575**	.451**	-.784**	-.408*	-.408**	.786**	.786**	.745**	.596**	.596**	.596**	.559**	-.868**	.559**
	Sig. (2-tailed)	.000	.000	.003	.000	.007	.007	.000	.000	.000	.000	.000	.000	.000	.000	.000
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu27	Correlation Coefficient	-.688**	-.511**	.494**	-.619**	-.385*	-.385*	.766**	.766**	.703**	.294	.294	.294	.276	-.791**	.276
	Sig. (2-tailed)	.000	.001	.001	.000	.012	.012	.000	.000	.000	.059	.059	.059	.077	.000	.077
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu28	Correlation Coefficient	-.395*	-.391*	.097	-.713**	-.228	-.228	.383*	.383*	.417**	.938**	.938**	.938**	1.000**	-.548**	1.000**
	Sig. (2-tailed)	.011	.012	.542	.000	.146	.146	.012	.012	.006	.000	.000	.000	.	.000	.
	N	41	41	42	42	42	42	42	42	42	42	42	42	42	42	42

Correlation b

		Qu1 1	Qu1 2	Qu1 3	Qu1 4	Qu1 5	Qu1 6	Qu1 7	Qu1 8	Qu1 9	Qu2 0	Qu2 1	Qu2 2	Qu2 3	Qu2 4	Qu2 5	Qu2 6
Status	Correlation Coefficient	.333 *	-.422 **	-.422 ⁺ *	-.311 *	-.311 *	-.395 *	-.395 *	-.395 *	-.395 *	-.688 **	.169	-.395 *	-.395 *	.147	-.395 *	-.726 **
	Sig. (2- tailed)	.033	.006	.006	.048	.048	.011	.011	.011	.011	.000	.292	.011	.011	.359	.011	.000
	N	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41
Qualifi cation	Correlation Coefficient	-.433 **	-.778 **	-.778 ⁺ *	-.765 **	-.763 **	-.391 *	-.391 *	-.391 *	-.391 *	-.575 **	-.167	-.391 *	-.391 *	.673 **	-.391 *	-.575 **
	Sig. (2- tailed)	.005	.000	.000	.000	.000	.012	.012	.012	.012	.000	.297	.012	.012	.000	.012	.000
	N	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41
Age	Correlation Coefficient	-.557 **	-.059	-.059	-.253	-.253	.097	.097	.097	.097	.363 *	-.368 *	.097	.097	.127	.097	.451 **
	Sig. (2- tailed)	.000	.709	.709	.106	.105	.542	.542	.542	.542	.018	.017	.542	.542	.424	.542	.003
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Gender	Correlation Coefficient	.288	-.468 **	-.468 ⁺ *	-.612 **	-.612 **	-.713 **	-.713 **	-.713 **	-.713 **	-.850 **	.175	-.713 **	-.713 **	.000	-.713 **	-.784 **
	Sig. (2- tailed)	.064	.002	.002	.000	.000	.000	.000	.000	.000	.000	.267	.000	.000	1.00 0	.000	.000
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Years	Correlation Coefficient	-.600 **	-.805 **	-.805 ⁺ *	-.709 **	-.709 **	-.228	-.228	-.228	-.228	-.385 *	-.365 *	-.228	-.228	.558 **	-.228	-.408 **
	Sig. (2- tailed)	.000	.000	.000	.000	.000	.146	.146	.146	.146	.012	.017	.146	.146	.000	.146	.007
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu1	Correlation Coefficient	-.600 **	-.805 **	-.805 ⁺ *	-.709 **	-.709 **	-.228	-.228	-.228	-.228	-.385 *	-.365 *	-.228	-.228	.558 **	-.228	-.408 **
	Sig. (2- tailed)	.000	.000	.000	.000	.000	.146	.146	.146	.146	.012	.017	.146	.146	.000	.146	.007
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42

Qu2	Correlation Coefficient	-	.396 ^{**}	.396 [*]	.213	.213	.383 [*]	.383 [*]	.383 [*]	.383 [*]	.718 ^{**}	-	.383 [*]	.383 [*]	.000	.383 [*]	.786 ^{**}
	Sig. (2-tailed)	.011	.010	.010	.176	.176	.012	.012	.012	.012	.000	.134	.012	.012	1.000	.012	.000
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu3	Correlation Coefficient	-	.396 ^{**}	.396 [*]	.213	.213	.383 [*]	.383 [*]	.383 [*]	.383 [*]	.718 ^{**}	-	.383 [*]	.383 [*]	.000	.383 [*]	.786 ^{**}
	Sig. (2-tailed)	.011	.010	.010	.176	.176	.012	.012	.012	.012	.000	.134	.012	.012	1.000	.012	.000
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu4	Correlation Coefficient	-	.280	.280	.180	.180	.417 ^{**}	.417 ^{**}	.417 ^{**}	.417 ^{**}	.703 ^{**}	-	.417 ^{**}	.417 ^{**}	.000	.417 ^{**}	.745 ^{**}
	Sig. (2-tailed)	.001	.072	.072	.254	.254	.006	.006	.006	.006	.000	.054	.006	.006	1.000	.006	.000
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu5	Correlation Coefficient	-	.355 [*]	.355 [*]	.464 ^{**}	.465 ^{**}	.938 ^{**}	.938 ^{**}	.938 ^{**}	.938 ^{**}	.805 ^{**}	-	.938 ^{**}	.938 ^{**}	.000	.938 ^{**}	.596 ^{**}
	Sig. (2-tailed)	.164	.021	.021	.002	.002	.000	.000	.000	.000	.000	.400	.000	.000	1.000	.000	.000
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu6	Correlation Coefficient	-	.355 [*]	.355 [*]	.464 ^{**}	.465 ^{**}	.938 ^{**}	.938 ^{**}	.938 ^{**}	.938 ^{**}	.805 ^{**}	-	.938 ^{**}	.938 ^{**}	.000	.938 ^{**}	.596 ^{**}
	Sig. (2-tailed)	.164	.021	.021	.002	.002	.000	.000	.000	.000	.000	.400	.000	.000	1.000	.000	.000
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu7	Correlation Coefficient	-	.355 [*]	.355 [*]	.464 ^{**}	.465 ^{**}	.938 ^{**}	.938 ^{**}	.938 ^{**}	.938 ^{**}	.805 ^{**}	-	.938 ^{**}	.938 ^{**}	.000	.938 ^{**}	.596 ^{**}
	Sig. (2-tailed)	.164	.021	.021	.002	.002	.000	.000	.000	.000	.000	.400	.000	.000	1.000	.000	.000
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu8	Correlation Coefficient	-	.333 [*]	.333 [*]	.436 ^{**}	.436 ^{**}	1.00 ^{0**}	1.00 ^{0**}	1.00 ^{0**}	1.00 ^{0**}	.803 ^{**}	-	1.00 ^{0**}	1.00 ^{0**}	.000	1.00 ^{0**}	.559 ^{**}
	Sig. (2-tailed)	.192	.031	.031	.004	.004	.	.	.	.	.000	.430	.	.	1.000	.	.000
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42

Qu9	Correlation Coefficient	.147	-	-	-	-	-	-	-	-	-	.090	-	-	.000	-	-
			.646**	.646*	.588**	.589**	.548**	.548**	.548**	.548**	.844**		.548**	.548**		.548**	.868**
	Sig. (2-tailed)	.351	.000	.000	.000	.000	.000	.000	.000	.000	.000	.572	.000	.000	1.000	.000	.000
Qu10	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
	Correlation Coefficient	-	.333	.333*	.436**	.436**	1.000**	1.000**	1.000**	1.000**	.803**	-	1.000	1.000	.000	1.000	.559**
	Sig. (2-tailed)	.192	.031	.031	.004	.004	.	.	.	.	.000	.430	.	.	1.000	.	.000
Qu11	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
	Correlation Coefficient	1.000	.428**	.428*	.442**	.442**	-	-	-	-	-	.608**	-	-	-	-	-
	Sig. (2-tailed)	.	.005	.005	.003	.003	.192	.192	.192	.192	.025	.000	.192	.192	.000	.192	.017
Qu12	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
	Correlation Coefficient	.428**	1.000	1.000	.870**	.870**	.333*	.333*	.333*	.333*	.562**	.390*	.333*	.333*	-	.333*	.596**
	Sig. (2-tailed)	.005	.	.	.000	.000	.031	.031	.031	.031	.000	.011	.031	.031	.000	.031	.000
Qu13	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
	Correlation Coefficient	.428**	1.000	1.000	.870**	.870**	.333*	.333*	.333*	.333*	.562**	.390*	.333*	.333*	-	.333*	.596**
	Sig. (2-tailed)	.005	.	.	.000	.000	.031	.031	.031	.031	.000	.011	.031	.031	.000	.031	.000
Qu14	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
	Correlation Coefficient	.442**	.870**	.870*	1.000	1.000	.436**	.436**	.436**	.436**	.497**	.369*	.436**	.436**	-	.436**	.448**
	Sig. (2-tailed)	.003	.000	.000	.	.000	.004	.004	.004	.004	.001	.016	.004	.004	.000	.004	.003
Qu15	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
	Correlation Coefficient	.442**	.870**	.870*	1.000	1.000	.436**	.436**	.436**	.436**	.497**	.390*	.436**	.436**	-	.436**	.448**
	Sig. (2-tailed)																

	Sig. (2-tailed)	.003	.000	.000	.000	.	.004	.004	.004	.004	.001	.011	.004	.004	.000	.004	.003
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu16	Correlation Coefficient	-.205	.333*	.333*	.436**	.436**	1.000	1.000	1.000	1.000	.803**	-.125	1.000	1.000	.000	1.000	.559**
	Sig. (2-tailed)	.192	.031	.031	.004	.004	.	.	.	.	.000	.430	.	.	1.000	.	.000
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu17	Correlation Coefficient	-.205	.333*	.333*	.436**	.436**	1.000	1.000	1.000	1.000	.803**	-.125	1.000	1.000	.000	1.000	.559**
	Sig. (2-tailed)	.192	.031	.031	.004	.004	.	.	.	.	.000	.430	.	.	1.000	.	.000
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu18	Correlation Coefficient	-.205	.333*	.333*	.436**	.436**	1.000	1.000	1.000	1.000	.803**	-.125	1.000	1.000	.000	1.000	.559**
	Sig. (2-tailed)	.192	.031	.031	.004	.004	.	.	.	.	.000	.430	.	.	1.000	.	.000
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu19	Correlation Coefficient	-.205	.333*	.333*	.436**	.436**	1.000	1.000	1.000	1.000	.803**	-.125	1.000	1.000	.000	1.000	.559**
	Sig. (2-tailed)	.192	.031	.031	.004	.004	.	.	.	.	.000	.430	.	.	1.000	.	.000
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu20	Correlation Coefficient	-.347*	.562*	.562*	.497**	.497**	.803**	.803**	.803**	.803**	1.000	-.211	.803**	.803**	.000	.803**	.943**
	Sig. (2-tailed)	.025	.000	.000	.001	.001	.000	.000	.000	.000	.	.180	.000	.000	1.000	.000	.000
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu21	Correlation Coefficient	.608**	.390*	.390*	.369*	.390*	-.125	-.125	-.125	-.125	-.211	0	.125	.125	.458**	.125	.224
	Sig. (2-tailed)	.000	.011	.011	.016	.011	.430	.430	.430	.430	.180	.	.430	.430	.002	.430	.155
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu22	Correlation Coefficient	-.205	.333*	.333*	.436**	.436**	1.000	1.000	1.000	1.000	.803**	-.125	1.000	1.000	.000	1.000	.559**

	Sig. (2-tailed)	.192	.031	.031	.004	.004	.	.	.	.	.000	.430	.	.	1.000	.	.000
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu23	Correlation Coefficient	-.205	.333*	.333*	.436**	.436**	1.000**	1.000**	1.000**	1.000**	.803**	-.125	1.000**	1.000**	.000	1.000**	.559**
	Sig. (2-tailed)	.192	.031	.031	.004	.004	.	.	.	.	.000	.430	.	.	1.000	.	.000
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu24	Correlation Coefficient	-.753**	.564**	.564**	.528**	.528**	.000	.000	.000	.000	.000	-.458**	.000	.000	1.000	.000	.000
	Sig. (2-tailed)	.000	.000	.000	.000	.000	1.000	1.000	1.000	1.000	1.000	.002	1.000	1.000	.	1.000	1.000
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu25	Correlation Coefficient	-.205	.333*	.333*	.436**	.436**	1.000**	1.000**	1.000**	1.000**	.803**	-.125	1.000**	1.000**	.000	1.000**	.559**
	Sig. (2-tailed)	.192	.031	.031	.004	.004	.	.	.	.	.000	.430	.	.	1.000	.	.000
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu26	Correlation Coefficient	-.368*	.596**	.596**	.448**	.448**	.559**	.559**	.559**	.559**	.943**	-.224	.559**	.559**	.000	.559**	1.000
	Sig. (2-tailed)	.017	.000	.000	.003	.003	.000	.000	.000	.000	.000	.155	.000	.000	1.000	.000	.
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu27	Correlation Coefficient	-.347*	.562**	.562**	.340*	.340*	.276	.276	.276	.276	.788**	-.211	.276	.276	.000	.276	.943**
	Sig. (2-tailed)	.025	.000	.000	.027	.027	.077	.077	.077	.077	.000	.180	.077	.077	1.000	.077	.000
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Qu28	Correlation Coefficient	-.205	.333*	.333*	.436**	.436**	1.000**	1.000**	1.000**	1.000**	.803**	-.125	1.000**	1.000**	.000	1.000**	.559**
	Sig. (2-tailed)	.192	.031	.031	.004	.004	.	.	.	.	.000	.430	.	.	1.000	.	.000
	N	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42