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**AN INVESTIGATION INTO THE EFFECTIVENESS OF BUDGET MANAGEMENT  
AND INTEGRATED DEVELOPMENT PLANNING**

**AT**

**MAFIKENG LOCAL MUNICIPALITY**

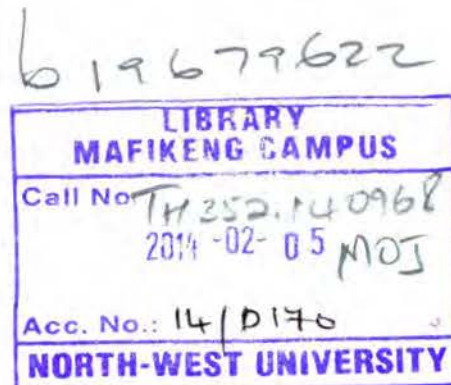
**BY**

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**(16315766)**

A mini-dissertation submitted in partial fulfillment of the requirements for the Masters Degree in Business Administration presented to the Graduate School of Business and Government Leadership, Faculty of Commerce and Administration, Mafikeng Campus of the North-West University.

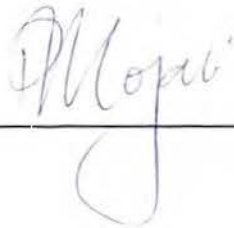
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**OCTOBER 2012**

## DECLARATION

I, Pulane Sylvia Mojaki, declare that the practical research project for the Master's Degree in Business Administration at the Graduate School of Business and Government Leadership, Faculty of Commerce and Administration, Mafikeng Campus of the North-West University hereby submitted has not previously been submitted by me at this or any university, that it is my own work in design and execution and that all materials contained here have duly been acknowledged.



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## **ACKNOWLEDGEMENTS**

### **I am especially grateful to:**

- My supervisor, Dr C Guduza, for his guidance and support. It was a privilege to work with you.
- My husband, Mokgele Mojaki, for your support, assistance and encouragement.
- My children, Phemelo and Resego Mojaki, for always understanding when I took your time to focus on my studies.
- My mother and my parents-in law for your understanding when I could not be present at times for family gatherings because of my studies.
- The Mafikeng Local Municipality management, thank you for the privilege of allowing me to work with you and your municipality.
- My employer, for providing me with the time to focus on my studies even though it was sometimes not easy.
- Last, to Almighty God for giving me the strength and courage to complete this dissertation. It was not easy but through prayer it has been possible.

## **ABSTRACT**

The purpose of this study was to investigate the effectiveness of budget management and planning in the Mafikeng Local Municipality with a view to determining the implementation of performance budgeting. Structured interviews in the form of self-administered questionnaires were utilised as the measuring instrument. Information on the annual reports was also utilised to understand the situation at the Mafikeng Local Municipality. The municipal manager, the chief financial officer and the members of the municipal council were the selected participants in the study. Representatives of the labour unions were also selected to participate in the study.

The study employed two methods of data analysis, the quantitative and qualitative data to determine the empirical and theoretical findings of the study. The findings of both the qualitative and quantitative analyses were similar as they revealed that the municipality had plans and budget in place. However, what was lacking was the alignment of the budgeting with the planning. The non-alignment of the budgets with the plans resulted in the municipality under-performing in terms of planned activities as well as spending patterns.

Gaps in the planning and budgeting systems of the municipality were evident, as the findings indicated that budgeting was done separately at the finance department and planning was done elsewhere. Comparative studies of international countries indicate that with proper implementation of performance budgeting, organisations are in a better position to plan and budget at the same time.

The recommendations from the study indicated that there was a lot that needed to be done by the Mafikeng Local Municipality to ensure that plans are aligned with the budget. The key recommendation of the study is that further research be conducted beyond 2011 in order to examine how far performance budgeting has progressed and to establish the opinion of the auditor general since the time of the study.

## TABLE OF CONTENTS

TITLE	PAGE NUMBER
<b>CHAPTER ONE</b>	
<b>ORIENTATION.....</b>	<b>1</b>
1.1 INTRODUCTION.....	1
1.2 AN ORIENTATION OF LOCAL MUNICIPALITY.....	2
1.3 BACKGROUND OF THE PROBLEM.....	4
1.4 STATEMENT OF THE PROBLEM.....	5
1.5 OBJECTIVE OF THE STUDY.....	5
1.6 LINKING THE OBJECTIVE OF THE STUDY TO THE CHAPTERS.....	6
1.7 MAIN RESEARCH QUESTIONS.....	7
1.8 ASSUMPTION OF THE STUDY.....	7
1.9 JUSTIFICATION OF THE STUDY.....	8
1.10 THE RESEARCH APPROACH.....	8
1.10.1 Data Collection Methods.....	8
1.10.2 Definition of key concepts.....	8
11.1 SCOPE OF THE STUDY.....	11
11.1.1 Delimitation of the study.....	11
11.1.2 Limitations to the study.....	11
12. CONCLUSION.....	12

## **CHAPTER TWO**

<b>LITERATURE REVIEW.....</b>	<b>13</b>
2.1 INTRODUCTION.....	13
2.2 THE MANDATE OF LOCAL GOVERNMENT.....	14
2.3 DEVELOPMENTAL DUTIES OF A MUNICIPALITY.....	15
2.4 PUBLIC FINANCE CONTROLS.....	15
2.5 PERFORMANCE BUDGETING.....	16
2.6 PHASES OF IMPLEMENTATING PERFORMANCE BUDGETING.....	18
2.6.1 Programme budgeting.....	18
2.6.2 Output based budgeting.....	19
2.6.3 Outcome based budgeting.....	19
2.6.4 The Australian case study.....	20
2.6.5 Singapore case study.....	21
2.7 THE IDP AND BUDGETING.....	22
2.8 THE PLANNING AND DELIVERY CYCLE IN GOVERNMENT.....	23
2.9 MUNICIPAL BUDGETING PROCESS.....	24
2.10 PERFORMANCE BUDGETING IN PRACTICE.....	25
2.11 AN INTERNATIONAL EXPERIENCE.....	25
2.11.1 The Tanzanian performance budgeting.....	26

2.11.2 The Andhra Pradesh performance budgeting.....	27
2.22.3 Comparing the South African Model to the Tanzanian and the Andhra Pradesh model.....	27
2.12 PERFORMANCE MEASUREMENT.....	28
2.13 THE MLM IDP AND THE MUNICIPAL INFRASTRUCTURE GRANT (MIG).....	29
2.14 ACCOUNTABILITY IN MUNICIPALITIES.....	30
2.15 LEGISLATIVE SUPPORT FOR ACCONTABILITY.....	31
2.16 SUMMARY.....	34
<b>CHAPTER THREE</b>	
<b>RESEARCH DESIGN AND METHODOLOGY.....</b>	<b>35</b>
3.1 INTRODUCTION.....	35
3.2 RESEARCH DESIGN.....	35
3.2.1 Quantitative research.....	36
3.2.2 Qualitative research.....	36
3.3 CONTEXT OF THE STUDY.....	37
3.4 POPULATION AND SAMPLING.....	37
3.4.1 Target Population.....	37
3.4.2 Sampling Techniques.....	38
3.4.3 Selection Procedure.....	38

3.5 RESEARCH INSTRUMENT.....	39
3.5.1 Questionnaire design.....	39
3.5.2 Data collection procedures.....	39
3.5.3 Method of data analysis.....	40
3.6 VALIDITY AND RELIABILITY.....	40
3.7 ETHICAL CONSIDERATION.....	41
3.8 SUMMARY.....	42
<b>CHAPTER FOUR</b>	
<b>RESULT AND INTERPRETATION.....</b>	<b>43</b>
4.1 INTRODUCTION.....	43
4.2 RESPONSE RATE.....	44
4.3 QUALITATIVE ANALYSIS.....	44
4.4 QUANTITATIVE ANALYSIS.....	58
4.4.1 Analysis of the annual reports.....	58
4.5 ANALYSIS OF THE MIG .....	107
4.6 SUMMARY.....	109
<b>CHAPTER FIVE</b>	
<b>CONCLUSION AND RECOMMENDATIONS.....</b>	<b>111</b>
5.1 INTRODUCTION.....	111
5.2 THEORITICAL FINDINGS.....	111

5.3 IMPERICAL FINDINGS.....	114
5.4 THEORITICAL AND IMPERICAL FINDINGS.....	114
5.5 CONCLUSION.....	114
5.6 RECOMMENDATIONS.....	114
5.6.1 Budgeting and Planning.....	115
5.6.2 Reporting.....	115
5.6.3 Weakness in internal control systems.....	116
5.6.4 Compliance to laws and regulations.....	117
5.6.5 Leadership and accountability.....	117
<b>BIBLIOGRAPHY.....</b>	<b>119</b>

## **LIST OF TABLES**

Table 1.1: Population Distribution of Mafikeng Local Municipality

Table 2.1: Municipal Infrastructure Grant Spending patterns

Table 4.1: Role in Municipality

Table 4.2: Duration in Municipality

Table 4.3: Systems to measure service delivery

Table 4.4: MIG budget performance

Table 4.5: Integration of budgeting and planning

Table 4.6: Frequency of performance information reports

Table 4.7: Audit opinion

Table 4.8: Submission of Annual Reports

Table 4.9: Submission of Annual Financial Statements

Table 4.10: Systems to determine performance targets

Table 4.11: Systems to produce performance evidence

Table 4.12: Planning cycle

Table 4.13: Budget process

Table 4.14: Reporting cycle

Table 4.15: Prescripts to aligned budget and planning

Table 4.16: Performance budgeting against IDP

Table 4.17: Consultative process of the budget

Table 4.18: Improvements for implementation of performance budgeting

Table 4.9: Water Services (within rural areas)

Table 4.20: Sanitation within the urban areas)

Table 4.21: Roads and storm water services

Table 4.22: Electricity and public lighting (Rural areas)

Table 4.23: Mechanical Services

Table 4.24: Public Works

Table 4.25: Environmental Health Services

Table 4.26: Town Planning

Table 4.28: Community Facilities

Table 4.29: Maintenance of Parks

Table 4.30: Development and Maintenance of Sporting Facilities

Table 4.31: Traffic Management Services

Table 4.32: Provisioning of Testing and Licensing Services

Table 4.33: Provisioning of Fire, Rescue and Disaster Management

Table 4.34: Provisioning of Security and Fleet Management Services

Table 4.35: Encourage Municipal Transformation and Institutional Development.

Table 4.36: To encourage corporate governance, public participation and ward Committee system.

Table 4.37: Promote Local Economic Development, Tourism and Rural Development

Table 4.38: To ensure sound financial Management Services in line with Legislation Reporting and Accounting

Table 4.39: Provisioning of water and sanitation to rural and urban areas

Table 4.40: Access to sanitation

Table 4.41: Construction, maintenance and upgrade roads and storm water drainage System

Table 4.42: Provision of electricity to rural and urban areas

Table 4.43: Facilitate Human Settlement

Table 4.44: Town planning services

Table 4.45: Professional municipal health services in terms of Environmental Health Primary Care.

Table 4.46: Maintain Community facilities

Table 4.47: Upgrade and maintain parks, cemeteries and sport facilities

Table 4.48: Traffic Management services

Table 4.49: Testing and licensing

Table 4.50: Fire, Rescue and Disaster Management Services.

Table 4.51: Municipal Transformation and Institutional Development

Table 4.52: General Administration

Table 4.53: Legal and Valuation services

Table 4.54: Security and Fleet Management services

Table 4.55: Integrated Communication and Marketing

Table 4.56: Coordinate strategic planning

Table 4.57: Monitoring, evaluation and research

Table 4.59: Good corporate governance, public participation and Ward committees System

Table 4.60: Public Participation

Table 4.61: Implement Municipal performance management in line with Chapter 6 of MSA

Table 4.62: Internal Audit services

Table 4.63: Local economic Development

Table 4.64: Financial Viability and Management

Table 4.65: Revenue and Debtor Management control

Table 4.66: Information Technology

Table 4.67: Render expenditure and asset management

Table 4.68: To render accounting services

Table 4.69: Performance of the MIG

## **LIST OF FIGURES**

Figure 2.1: Intergovernmental Planning & Delivery cycle for 2010

Figure 2.2: Accountability Cycle

Figure 4.1: Budget Performance of Water Services (within rural areas)

Figure 4.2: Budget Performance of Sanitation (within urban areas)

- Figure 4.3: Budget Performance of the Roads and storm water services
- Figure 4.4: Budget Performance of the electricity and public lighting (Rural areas)
- Figure 4.5: Budget Performance of Mechanical Services
- Figure 4.6: Budget Performance of the Public Works services
- Figure 4.7: Budget Performance of the Environmental Health Services
- Figure 4.8: Budget Performance for town planning
- Figure 4.9: Budget Performance of the Community Facilities
- Figure 4.10: Budget Performance of the Maintenance of Parks
- Figure 4.11: Budget Performance of the Maintenance and development of sporting facilities
- Figure 4.12: Budget Performance of the provisioning of Traffic Management Services
- Figure 4.13: Budget Performance of the provisioning and testing and licensing Services
- Figure 4.14: Budget Performance of the Fire, Rescue and Disaster Management Services
- Figure 4.15: Budget Performance of the Security and Fleet Management Services
- Figure 4.16: Budget Performance on the achievement of the institutional Development objectives
- Figure 4.17: Budget Performance of corporate governance
- Figure 4.18: Budget Performance of the Local Development and Rural Development
- Figure 4.19: Budget Performance of the Financial viability and Management
- Figure 4.20: Water Services and sanitation to rural and urban areas

Figure 4.21: Access to sanitation

Figure 4.22: Roads and storm water services

Figure 4.23: Electricity to Rural and urban areas

Figure 4.24: Human Settlement.

Figure 4.25: Town Planning Services.

Figure 4.26: Environmental Health Services

Figure 4.27: Community Services

Figure 4.28: Develop and maintain parks

Figure 4.29: Traffic Management Services

Figure 4.30: Testing and Licensing Services

Figure 4.31: Fire, Rescue and Disaster Management

Figure 4.32: Institutional Development

Figure 4.33: General Administration

Figure 4.34: Legal and Valuation services

Figure 4.35: Security and Fleet Management Services

Figure 4.36: Marketing and Communication Services

Figure 4.37: Coordinate Strategic planning

Figure 4.38: Monitoring, evaluation and Research

Figure 4.39: Corporate governance

Figure 4.40: Public Participation

Figure 4.41: Municipal Performance

Figure 4.42: Internal Audit services

Figure 4.43: Local Economic Development

Figure 4.44: Financial Viability and Management

Figure 4.45: Revenue and Debtors management

Figure 4.46: Information Technology

Figure 4.47: Expenditure and asset management

Figure 4.48: Accounting Services

Figure 4.49: Performance of MIG

Figure 4.50: Role in Municipality

Figure 4.56 Audit opinion

## **LIST OF MAPS**

Map 1.1: Depicting District Municipalities in the North West Province

## **CHAPTER ONE**

### **1.1 INTRODUCTION**

The White Paper on Local Government (1998) proposes the introduction of performance management systems to local government as a tool to ensure developmental local government. It concludes that integrated development planning, budgeting and performance management are powerful tools which can assist municipalities to develop an integrated perspective on development in their areas.

The Integrated Development Plan enables the municipalities to focus on priorities within an increasingly complex and diverse set of demands. It enables them to direct resource allocations and institutional systems to a new set of development objectives (Van der Waldt, 2006:128).

This study seeks to assess and understand the effectiveness of the performance management, budgeting and integrated development plan of the Mafikeng Local municipality for the years 2009, 2010 and 2011. A brief background of the North West Province is outlined as well as that of the Mafikeng Local Municipality. The paper also reviews the level of spending patterns against the Integrated Development Plan (IDP) targets with regard to capital projects in the municipality.

The research also discusses the aspects of the Republic of South Africa's Constitution, Act 108 of 1998, the IDP as well performance budgeting in the municipality. An outline of the study carried out is discussed as well the problem statement.

The literature review is conducted through reviewed accredited journal articles, books and legislation. The aim of the study, research questions and objectives and a brief definition of terms used are also discussed

## **1.2 AN ORIENTATION OF MAFIKENG LOCAL MUNICIPALITY**

The North West Province is home to about 3.9 million people. The province is also known as the "Platinum Province" and it is centrally located on the subcontinent with direct road and rail links to all southern African countries. Agriculture is of extreme importance to the North West Province. About 64 000 people (1.7% of North West population) work in the agricultural sector (Statistics South Africa, 2007).

Mafikeng Local Municipality is situated in the North West Province about 26 kilometres south of the Botswana Border. It is the capital city of the North West Province and was known as the City Council of Mafikeng prior to 1994. The municipality is classified as a category B municipality (Municipal Systems Act No. 27 of 2000), which is a local municipality and falls under the Ngaka Modiri Molema District Municipality.

Ngaka Modiri Molema is a district municipality that incorporates the following municipalities: Mafikeng Local Municipality and other local municipalities such as Ramotsere Moiloa Local Municipality, Tswaing Local Municipality, Ditsobotla Local Municipality and Ratlou Local Municipality. The total area of the Mafikeng Local Municipality is approximately 3703km<sup>2</sup>. It is divided into 27wards consisting of villages and suburbs. According to the Community Survey done by Statistics South Africa (Stats SA 2010), the population of the municipality is estimated at 286,939 people. Approximately 75% of the area is rural and 25% urban.

The rural areas are in the southern and western part of the municipality and are under traditional authority control (Mafikeng Local Municipality 2010- 2011 reviewed IDP).

**Map 1.1: Depicting District Municipalities in the North West Province**



**Source: MLM: IDP 2010-2011 reviewed**

The map shows the demarcation of the four north-west districts, the Ngaka Modiri Molema District formerly known as Central Region is the region where the Mafikeng Local Municipality is situated.

**Table 1.1: Population Distribution of Mafikeng Local Municipality**

Year	Population
2008	281,557
2009	284,276
2010	286,939

**Source: Statistics SA 2008, 2009, 2010**

The population statistics of the Mafikeng Local Municipality were 281,557 in 2008 and between 2009 and 2010 there was a slight increase in the population by 2,719 in 2009 and 2,663 in 2010 respectively. This picture indicates that in a year the municipality grew by approximately 2000 people.

### **1.3 BACKGROUND OF THE PROBLEM**

The 2009-2010 Auditor General's (AG) Report released on the 29 June 2011 on audit outcomes of all municipalities, and tabled at the Provincial Legislature indicated that there was a call for urgent leadership involvement in all municipalities in the North West Province. The reason for this call, according to the AG, was that in the North West only 10 of the 24 municipalities were able to submit financial statements for audit within the legislated time frame.

The main reason for non-submissions by most municipalities and the regressed outcomes was inadequate human resources (HR) planning which gave rise to leadership vacancies or suspensions, resulting in capacity constraints in the key finance portfolios of municipalities. Consultants were being used by a few municipalities to assist with accounting-related services and the compilation of financial statements, according to the AG's report.

Non-submission of key documents such as financial statements indicates a lack of leadership in municipalities thus resulting in a call for intervention. Of the 10 municipalities that submitted their statements, Mafikeng Local Municipality was not amongst the 10. This is a concern considering that financial statements measure the performance and financial position of an organisation during a given period.

#### **1.4 STATEMENT OF THE PROBLEM**

The 2007-2008 annual report of the municipality states that the Mafikeng Local Municipality does not have a strong cash base to fund its capital projects.

The report also states that the municipality depends on Provincial Sector Departments and the Ngaka Modiri Molema District Municipality to fund its IDP.

The report further indicates that the District and Provincial Sector Departments neither transfer funds nor do they fund a large portion of these projects. Most of the IDP projects were funded by Municipal Infrastructure Grant (MIG) and loans, which increased the burden to consumers and residents in the form of increased tariff charges.

The above scenario poses a challenge to the municipality in terms of service delivery performance, planning and budgeting. There is also a high risk that the municipality's IDP is not integrated with its budgeting resulting in possible gaps in the planning and budgeting of the municipality. The identified risks might lead to the municipality not achieving its targets as set out in the IDP on capital projects that are mostly intended to improve the lives of the people of the North-West Province.

#### **1.5 OBJECTIVES OF THE STUDY**

The objectives of the study are to determine the linkage or synergy between budget performance and the integrated development plan implementation in the municipality and to address whatever gaps or challenges that may exist.

## **1.6 LINKING THE OBJECTIVES OF THE STUDY TO THE CHAPTERS**

The linkage of the objectives of the study is demonstrated in all the chapters in the study. Chapter one introduces the Municipality and highlights the assumption that there are problems or challenges in the municipality with regard to performance budgeting as well as integrated planning. The assumptions are based on the Auditor General's reports. Chapter two on the other hand demonstrates the linkage of the objectives by reviewing the local government finances, assessing the relevant legislation and policy requirements. The chapter also compares the international experience with the South African experience of the topic, thereby demonstrating the linkage and synergy of performance budgeting and integrated planning the municipality.

Chapter three discusses the scientific methods utilised in the study. This chapter links the objective of the study by outlining the research methodology and tools to be used in obtaining and determining answers to the research questions that are linked to the objectives. The chapter also highlights the sampling methods as well as research instruments to be used to collect data that will support the objectives of the study. In chapter four a detail analysis of both the empirical and theoretical analysis on the data collected this is done to ensure linkage with the relevant literature as well as the objectives of the study.

Lastly chapter five deals with recommendations and concluding remarks. The theoretical findings as well as empirical findings are compared to determine whether the objective of the study has been met. Also this chapter provides a brief conclusion and an indication that there is a need for further research on the study to determine later the progress made in aligning the budget with plans in the municipality.

## **1.7 MAIN RESEARCH QUESTIONS**

1. Is performance budgeting linked to integrated development plans of the Mafikeng local municipality?
2. What has been the performance of the budget versus the achievement of the targets in the IDP?
3. Is the achievement of the IDP targets measured against the performance of the budget?
4. What improvements can be made to the implementation of performance budgeting in the Mafikeng local municipality?

### **Sub Questions**

- i. How is the municipality's performance measured?
- ii. How is budgeting done in the municipality?
- iii. Where does the municipality source its funding?
- iv. How is the planning in terms of IDP done in the municipality?
- v. Is the IDP plan integrated into the budget?
- vi. How frequent is performance reporting and budgeting done?

## **1.8 ASSUMPTION OF THE STUDY**

The assumption of the study is that planning in the Mafikeng Local Municipality is not integrated with the budgeting process and therefore it is difficult to measure service delivery performance against the budget performance. This study sets out to assess this assumption and determine if indeed the municipality plans are not aligned with the budget.

## **1.9 JUSTIFICATION OF THE STUDY**

The justification of the study is the failure of the municipality to submit its performance measuring instrument in the form of annual financial statements.

It is also important to recognise that the budget that is allocated to the municipality is for rendering services to the community of Mafikeng; therefore, the leadership of the municipality must account for their performance with regard to the money spent on plans on an annual basis.

## **1.10 THE RESEARCH APPROACH**

The research employs qualitative as well as quantitative research tools utilising both a desk top approach and field. The data published in the annual reports of the municipality as well as the IDP were also utilised. Structured interview questionnaires were given to the executive mayor, mayoral committee members (mmcs), directors, the chief financial officer, the municipal manager and the representatives of the labour unions to obtain an overview of planning, budgeting and performance in the municipality.

### **1.10.1 Data Collection Methods**

The results of the data analysis were analysed using charts, tables and graphs.

### **1.10.2 Definition of Key Concepts**

The following definitions of terms were derived from the Constitution of the Republic of South Africa Act 108 of 1996 and the Local Government Municipal Finance Management Act, 56 of 2003 and the Local Government, Municipal Structures Act, 117 of 2000.

**i. Integrated development plan**

The Municipal Structures Act, No 117 of 2000 defines the integrated plan as a plan aimed at the integrated development and management of a municipal area.

**ii. Approve budget**

A budget is a plan that outlines an organisation's financial and operational goals. The Municipal Finance Act, No 56 of 2003 explains the approved budget as the annual budget approved by a municipal council or approved by a province or the national executive following an intervention in terms of section 139 of the Constitution.

**iii. Current year**

Current year means the financial year which has already commenced but not yet ended. The financial year of the municipality begins on 1 August each year and ends 31 July each year.

**iv. Auditor general**

Section 193 of the Constitution of the Republic of South Africa (RSA), Act 108 of 1996 defines the auditor general as the woman or man who is a South African citizen and is a fit and proper person to hold that office. The person who has specialised knowledge of or experience in auditing, state finances and public administration must be given due regard when appointed as the AG.

## **v. Financial statements**

In relation to a municipality or municipal entity, financial statements means statements consisting of at least a statement of financial position, a statement of financial performance, a cash flow statement, any other statement that may be prescribed and any notes added to these statements.

## **vi. Municipal financial year**

The municipal financial year means the financial year of a municipality commencing on 1 July each year and ending on 30 June of the following year.

## **vii Performance**

Performance can be defined as the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost and speed. In a contract, performance is deemed to be the fulfillment of an obligation, in a manner that releases the performer from all liabilities under the contract.

## **viii Integration**

Integration refers to the integration of actions such as budgeting, planning and programming of sectors such as government, business and community and of needs.

## **ix Development**

Development refers to the achievement of positive change in the quality of life and the environment.

## **X Planning**

Planning refers to the rational coordination of action to achieve future desired outcomes.

### **11.1 SCOPE OF THE STUDY**

The scope of the study was limited to the integration of budgeting and planning in the municipality.

#### **11.1.1 Delimitation of the Study**

The study was de-limited to the 27wards in the municipality (geographically) and in scope to service delivery plans and performance measured against the budget performance.

#### **11.1.2 Limitations of the Study**

Although the researcher predetermined the time frame of the conclusion of the study, there were limitations that hindered the progress of the study. The following were the limitations of the study:

- The municipal manager's tight schedule led to delays in completing the questionnaire because an appointment had to be secured first.
- Securing dates for interviews suitable for all the stakeholders involved was also problematic because the members of the mayoral committee have to be available during council meetings that are pre- scheduled and this was a serious time constraint.

- Unavailability of relevant municipality documents was also a huge concern, as it meant delays in completion of the study. It also indicated that there were challenges with record keeping in the municipality.

## **12. CONCLUSION**

This chapter provided a brief introduction to the study, the orientation and background of the Mafikeng local municipality. The concept of performance budgeting was introduced and its importance to the municipality. The chapter also discussed the background of the problem and clearly indicated the problem statement; objectives of the study; research questions and sub questions; the justification of the study; de-limitations and limitations of the study. The scope and the plan of the study were also discussed.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

This chapter provides the theory and literature pertaining to performance, budget management and planning in municipalities in general and the Mafikeng Local Municipality in particular. A thorough study of sources was consulted with the view of gathering information on the concept of performance budgeting and planning as well as budget management. Sources such as journals, books, legislation and policies covering the relevant topics were utilised throughout the study.

The main topics for the study include mandates of local government; developmental duties of municipalities; performance budgeting; IDP; accountability; lessons from other countries and, finally, the summary.

#### **2.2 THE MANDATE OF LOCAL GOVERNMENT**

Local governments were established in terms of the Constitution of the Republic of South Africa Act 108 of 1996, for the purpose of promoting social and economic development.

Valeta and Walton (2008:374) emphasise that the local government sphere plays a significant developmental role in the provision of public goods and services to the communities of South Africa. Against the backdrop of a sustained legacy of separate development which resulted in the current state of unequal socio-economic development in the country, the institution of local government is paramount to addressing the development question.

The effectiveness of municipalities to deliver on their mandate is largely dependent on their ability to plan and allocate public resources in a developmental and sustainable manner (Valeta & Walton, 2008:373). This chapter explores the relationship between the administrative processes of budgeting and planning and measures performance against the planned activities as well as the performance of the budget in local government, particularly in the Mafikeng Local Municipality.

### **2.3 DEVELOPMENTAL DUTIES OF A MUNICIPALITY**

Local government in South Africa was formed with a view to accelerating service delivery to the people, thus placing certain developmental duties and responsibilities on municipalities to deliver these services. Section 153 of the Constitution of the Republic of South Africa of 1996 states that a municipality must structure and manage its administration, budgeting and planning process to give priority to the basic needs of the community, to promote social and economic development of the community and to participate in national and provincial developmental programmes. In order for the municipalities to achieve the requirement of Section 153 of the Constitution, they must develop a monitoring tool in the form of an integrated plan.

According to the Local Government Municipal Systems Act, No 32 of 2000, an integrated development plan must reflect the following:

- The municipal council's vision for the long-term development of the municipality with special emphasis on the municipality's most critical development and internal transformation needs
- An assessment of the existing level of development in the municipality, which must include an identification of communities which do not have access to basic municipal services

- The council's development priorities and objectives for its elected term, including its local economic development
- The council's development strategies which must be aligned with any national or provincial sectoral plans and planning requirements binding on the municipality in terms of the legislation
- A spatial development framework which must include the provision of basic guidelines for a land use management system for the municipality,
- The council's operation strategies
- Applicable disaster plans
- A financial plan, which must include a budget projection for at least the next three years
- The key performance indicators and performance targets determined in terms of Section 41 of the Constitution of South Africa

In order for a municipality to become developmental it has to comply with the requirement of the Local Government Municipal Systems Act, No 32 of 2000. It must have proper plans in place, and the plans must be linked to the objectives and vision of the municipality as well its resources.

Therefore, this chapter sets out to illustrate that budgeting in general has moved from a simple exercise to one in which multiple factors such as planning, reporting, monitoring and performance are involved.

## **2.4 PUBLIC FINANCIAL CONTROLS**

Municipalities in general throughout the country have received bad reports from the office of the auditor general in the past and recent years. These reports are attributed to poor financial and internal controls. Ntonzima (2011:1017) highlights some of the key and critical public financial controls that can assist the municipalities to improve financial and internal controls effectively and efficiently.

### **i. Planning and Budgeting**

Planning that entails the direction of bearing a vision, goal and objectives of the organisation.

### **ii. Control Process**

The control process outlines the “clockwork” of control and indicates procedural steps that should be taken in order to effect control.

### **iii. Control Structures**

Control structures include constitutional pronouncements and existing legislation that govern the management of public monies.

### **iv. People**

People are the critical resource that any organisation requires for it to be able to achieve its objectives.

## **2.5 PERFORMANCE BUDGETING**

After the democratic election of 1994 in South Africa, transparency and accountability to the communities or public by government on the spending of the allocated budget and service delivery has been at the forefront. Bissessar (2010:22) states that perhaps the most central process for any government is its budget and its accompanying institutions.

The same author, (2010:22) stresses that clearly if any government is to achieve its tasks set out in the manifesto, it requires an adequate supply of money. However, the budget should not be viewed merely as an administrative tool, but as a crucial battle ground since it outlines how much, where and when to allocate resources which are always scarce in relation to demand. The budget also determines not only the prospects of a single government agency but also the prospects of many citizens regarding a better quality of life and for the success of the entire economy.

According to Nkoana et al (2009:50), performance budgeting, as its name suggests, is a result-oriented budgeting methodology which shifts focus from inputs to the service delivery outputs and outcomes of public expenditure.

The foregoing authors, (2009:50) further define performance budgeting as the procedures or mechanisms intended to strengthen links between the funds provided to the public sector entities and their outcomes and or outputs through the use of formal performance information.

An emphasis by the authors is on the results in the budget process that usher in the notion that the government should be held accountable for the service delivery through the spending of public money.

Municipalities have been tasked with a huge undertaking of aligning plans with budget in order to achieve the desired results with limited resources. According to Bissessar (2010:22), the budget has two dimensions. The first dimension is the problem of allocation of resources between the public and private sectors of the economy and the second is that the budget must balance the amount received and the amount spent, that is, income and expenditure.

Further, to illustrate that the concept of budgeting and planning is critical, the same author points out that as society has grown so too has the complexity in budgeting which has transcended income and expenditure concerns to include systems of planning, forecasting, monitoring and evaluating.

Budgeting in all spheres of government is about how government plans to allocate its resources and how it exercises control over those resources. Nkoana et al (2009:50) argue that performance budgeting is designed to improve decision making by providing relevant, timely and credible information on how well government services meet community needs within the constraints of the resources allocated. This statement is very true. If municipalities account for and report their performance better, their leaders will gain trust and respect from the communities.

The South African government has attempted to implement performance budgeting in all the three spheres of government in order to be on a par with international practices.

The following, according to Nkoana *et al*, (2009:51), are the three broad phases that countries such as the United States of America, Australia and Singapore in their attempt to implement performance budgeting experienced. The phases are discussed in detail and by way of case studies of both Australia and Singapore.

## **2.6 PHASES OF IMPLEMENTING PERFORMANCE BUDGETING**

### **2.6.1 Programme Budgeting**

The forgoing authors, (2009:51) explain that the first phase of programme budgeting is linking strategic plans with the budget, which is also a feature of programme budgeting.

Programme budgeting ensures that public resources are allocated according to government priorities. Unlike the traditional line item budget which gives information about cost of inputs utilised, a programme budgeting approach provides a broad explanation about what the government wants to achieve with public resources.

### **2.6.2 Output-based Budgeting**

The second phase in the implementation of performance budgeting links resource allocations with service delivery outputs. This is known as output-based budgeting. When compared with programme budgeting, which has a broader perspective, output-based budgeting ties public resource allocation to specific service delivery outputs. The narrower perspective of output-based budgeting plays a pivotal role in holding all managers accountable for delivering specific outputs, making use of the resources allocated to them.

The introduction of output-based budgeting makes it easier for the implementation of individual performance management systems in the public sector.

Rewards for individual performance in the public sector are based on individual managers achieving predetermined output targets, agreed to in the performance contract signed with the employers at the beginning of the fiscal year Nkoana *et al*, (2009:51).

### **2.6.3 Outcome-based Budgeting**

The third phase of performance budgeting as identified by the same authors is outcome-based budgeting. Outcome-based budgeting allocates public resources according to past performance of government departments.

Departments that have done well in the past may be rewarded with a greater allocation in their future budget as an incentive to keep on improving their performance in delivering public services. However, any additional allocation must be aligned with government-wide and departmental strategic objectives.

#### **2.6.4 The Australian case study**

According to Nkoana et al (2009:51), performance-based budgeting was introduced in the Australian federal government in 1996 and its first implementation was in the 1999-2000 budget year.

The authors also state that by introducing performance-based budgeting, Australian legislators intended, among other things, to achieve the following:

- Aligning of departmental outputs with specific government outcomes
- Improving the quality of decision making
- The provision of better management framework
- Encouraging transparency and accountability based on performance

As far as the Australian experience and the lessons that South Africa could learn from this system are concerned, the authors, (2009:51) point out that the Australian budget is more specific about pricing, quantity and quality of output than is currently the case in South Africa. The other point is that through the introduction of this performance-oriented budgeting, the Australian parliament is able to receive information about the costs of outputs and associated outcomes.

### **2.6.5 Singapore Case Study**

The foregoing authors, (2009:51) reveal that according to the United Nations Annual Meeting Report of 2006, performance budgeting was first introduced in Singapore in the Management Services Department (MSD) in the mid-1980s. The MSD introduced the Management Accounting System which is an activity- based costing approach. This system was introduced to cost financial performance indicators.

The system was first used in the navy and the air force and after successful implementation it was extended to all departments. Each department in Singapore is now funded on the basis of the performance budget.

Singapore's main aim regarding performance budgeting was to inform decision makers on resource allocations rather than linking funding with performance and results. According to the same authors, the rationale behind the Singapore system was that managers should own performance and the result or outcome in the same way they do with the allocation of their budget.

The South Africa government in trying to improve its expenditure management like other countries, adopted performance budgeting as a system that could enable it to achieve this goal (Nkoana & Bokoda 2009:52).

In demonstrating commitment to implement the system the government introduced the Public Finance Management Act (PFMA) of 1999 and the Municipal Finance Management Act (MFMA) of 2003.

## **2.7 THE IDP AND BUDGETING**

Municipalities are required to plan how they intend to roll out services to the communities on an annual basis. Therefore, they must have a planning instrument that they will utilise to develop those plans.

The Department of Local Government (DPLG), (1999-2000) defines the term "Integrated Development Planning" as the process through which municipalities prepare a strategic development plan for a prescribed three-year period.

The IDP is therefore a principal strategic instrument which guides and informs all planning, budgeting, management and decision making in a municipality. The IDP is a legal requirement that must be undertaken and adopted within the strict confines of the legal provisions and in terms of accountability and compliance must be reported to Treasury and Legislature (Valeta, *et al*, 2008:376).

Budgeting and planning in a municipality are required to be done at almost the same time in order to be in a position to direct or channel the available resources to priorities of service delivery.

The budget cycle of municipalities dictates that each municipal council must for each financial year ending 30 June, appropriate money with its budget. According to Valeta *et al* (2008:381), a municipal budget contains two components: namely, capital and operational budgets.

Valeta *et al* (2008:381) also highlight that the allocation of resources to implement the IDP, occurs through the budget process and that the budget must be informed by the strategies contained in the IDP.

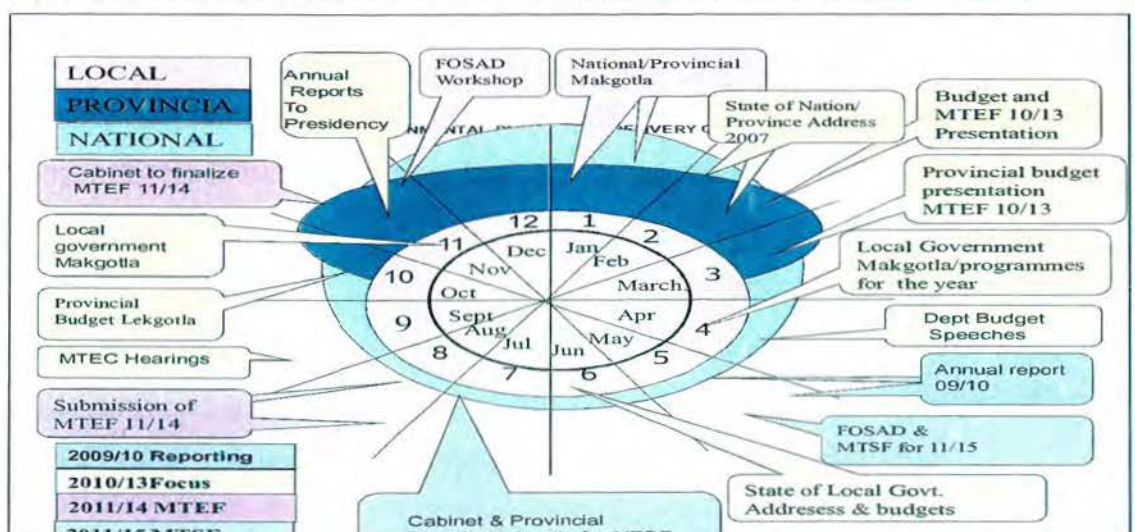
A point is raised by the same authors (2008:381), that a municipality is required to review its IDP annually. The reviews allow the municipality to expand upon or refine plans and strategies to include additional issues and to ensure that these plans and strategies inform institutional and financial planning in a municipality.

## 2.8 THE PLANNING AND DELIVERY CYCLE IN GOVERNMENT

Planning and budgeting in the three spheres of government are almost identical; the only difference is the time lines attached to each cycle. With regard to municipalities, the review of the IDP normally starts in August of each year and ends with adoption of the reviewed IDP at the end of May of each year as provided for in the legislative guidelines.

The two processes of the budget and the IDP adoption run parallel at the same time and are normally adopted at the same time before the end of May each year. Figure 2.1 below indicates the intergovernmental planning delivery cycle in government for 2010.

**Figure: 2.1: INTERGOVERNMENTAL PLANNING & DELIVERY CYCLE FOR 2010**



Source: Office of the Premier: Cycle 10-2010

The above model was developed by the North West office of the premier in 2010. The model demonstrates how planning and budgeting are linked in all three spheres of government. The figure shows that the planning, budgeting and reporting should be integrated from the beginning of the process until the end and that plans for the three spheres of government are integrated in ensuring synergy.

## **2.9 MUNICIPAL BUDGET PROCESS**

In terms of section 152 (a) and (b) of the Constitution of the Republic of South Africa, 1996, a municipality must strive to ensure the provision of services to the communities in a sustainable manner within its fiscal and administrative capacity to achieve the objectives or competencies of municipalities.

According to Vatala (2005:229) ,the competencies as set out in the Constitution must be cascaded into the municipality's IDP and ultimately to the business plans of senior managers.

The author asserts that the above section 152 of the Constitution of South Africa of 1996 makes provision that when a municipality commences with its budget process it must have a coordinated strategy. The strategy must outline various consultations in which communities and other relevant role players are involved.

A municipality budget must be aligned with an integrated plan, as it seeks to mobilise resources to benefit all communities especially historically disadvantaged individuals. One of the key policy frameworks that must be taken into account is assistance for the indigent, and poverty alleviation.

The two policies must be entrenched in all municipal processes and ultimately become a corporate responsibility, which must be cascaded into the performance agreement of senior managers (Vatala, 2005:228).

## **2.10 PERFORMANCE BUDGETING IN PRACTICE**

Putting budgeting into practice can be a challenge in some of the institutions. Gilmour and Lewis (2006:742) state that the government adopted performance measurement and performance budgeting for a number of reasons, but probably the most important was the promise these practices held for determining which government programme produced results and thus deserved budget increases.

The same authors indicate that unlike private sector enterprises, most government programmes are not designed to yield a profit; therefore, without the profit motive, it is difficult to know which programmes are generating benefits and which are not.

## **2.11 AN INTERNATIONAL EXPERIENCE**

As alluded to by the researcher in the preceding paragraphs, performance budgeting has been experienced not only in South Africa but in other international countries as well. It is, therefore, imperative to explore and interrogate other perspectives from around the world. This section explores and compares models in other countries and what South Africa could learn from these models.

The United States (US) government is a pioneer of performance budgeting (PB). Yet in practice it acknowledges the conceptual and practical difficulties of making it work to the satisfaction of both politicians and public managers.

Thus the US government is now into its fourth generation of PB implementation. Public managers and policy planners are painfully aware of the need to show the benefits of public expenditure. When analysed carefully, these benefits are construed around three notions: the impact of expenditure, the outputs to achieve that impact and the process to achieve that output (McGill, 2001:376).

### **2.11.1 The Tanzanian Performance Budgeting**

The following is a comparison of the Tanzanian and Andhra Pradesh performance budgeting as outlined by McGill (2001:377).

Tanzanian has around 26 million people and has a three-tier government structure made up of national, regional and local governments. The national government is the dominant force. The regional government is essentially an administrative service with an inherited political overtone and local governments are essentially urban and rural.

The overriding commitment of the national government is to decentralise itself to the lowest level of competent administrations. In January 1998, the cabinet decided to introduce performance budgeting to the government's annual estimates. This was directed in the Budget Guidelines for 1998-1999 to 2000-2001 (McGill, 2001:381). The government identified in the budget guidelines ministries to introduce PB in 1998-1999. That experience was reviewed to allow all ministries to prepare and submit performance budgets for 1999-2000, and then incorporated into an updated vision of a PB operations manual.

The new version introduced a new PB code structure. The code structure ensured that PB became integrated with the government's new integrated financial management system (IFMS) and new government financial statistics (GFS) framework (McGill, 2001:382).

According to the Tanzanian Government, 1999, the key characteristics of PB in Tanzania are a strategic performance framework with ranked target setting; a specific service delivery target for new year activities' inputs analysis and estimates and PB and accounting codes to allow expenditure tracing per target.

### **2.11.2 The Andhra Pradesh performance budgeting**

Andhra Pradesh (AP) has over 70 million people of which 27% of the population are classed as urban according to McGill (2001:383).

The PB in Andhra Pradesh took effect from the budget of 1987-1988. The intention was to move away from a bookkeeper's budget to a manager's budget" defined as programme and performance budgeting.

In order to facilitate the implementation of performance budgeting, a new budget classification was introduced as the planning budgeting, accounting and reporting (AP, 2000, Budget data, par.2.1v.4). The key characteristics of PB in AP are, therefore, a loose strategic framework, an organisationally-based programme definition and a PB and accounting code.

### **2.11.3 Comparing the South African Model with the Tanzanian and the Andhra Pradesh models**

An analysis of the two models indicates that the South African model of IDP and budgeting is aligned with the Tanzanian model rather than the Andhra Pradesh model. Again Tanzania's limited PB experience determined its budgeting against planning intention, which is exactly the same as the intention of the IDP in the South African model. Therefore, South Africa's model is on a par with international best practices.

## **2.12 PERFORMANCE MEASUREMENT**

Managing and measuring performance has been one of the key drivers in the reform of the public sector in recent years. It is one of the central planks of the reinventing government movement. Performance measurement may provide data on how effectively and efficiently public services are delivered. (Greiling, 2005:551).

Performance measure can assist with the programme by producing quantitative evidence which programmes use to accomplish their purpose. In order to evaluate progress in a municipality or an organisation, there should be a tool utilised to measure performance.

Fourie (2005:677) states that the South African government prefers to utilise performance data in their budget and decision-making processes. Therefore, it is a requirement that performance data be integrated into the budget-making process. The Constitution of the Republic of South Africa, 1996, requires each department to table a report of its performance and all related activities to the legislative authority.

Measuring performance in local government is imperative to determine whether the municipality is underperforming or not. According to Kroukamp (2007:21), an integrated approach to performance management is more effective and powerful to address the demands posed by globalisation.

One mechanism to ensure the establishment of performance management systems in local government level can be found in the legal obligation of local authorities.

The performance management system must be commensurate with its resources, best suited to its circumstances, and in line with priorities, objectives, indicators and targets contained in the IDP ( Kroukamp 2007:21).

The same author highlights that strategies to improve performance in local government depend on the nature of the role of local government in service delivery, the capacity of the people in local government and the resources available.

Measuring performance in an organisation is a central element of a public service. By measuring performance against pre-determined objectives or plans in the budget, the municipality is in a better position to account to the public and to measure itself in terms of performance and reporting and improvement.

### **2.13 THE MLM IDP AND THE MUNICIPAL INFRASTRUCTURE GRANT**

The MIG is a grant allocated to municipalities to complement the equitable share grant for local government. According to the Department of Provincial and Local Government, the grant is provided conditionally to municipalities.

The IDP of the MLM of 2010-2011 outlines the development and improvement of infrastructure in the municipal area. The infrastructure is funded mainly through the (MIG). The IDP further outlined the projects that are funded by the MIG and that were discussed and prioritised with the community through public participation. Table 2.1 below indicates the projects spending trends of the MIG for the three financial years 2009-2010, 2010-2011 and 2011-2012.

**Table: 2.1- Municipal Infrastructure Grant Spending patterns**

Municipality	2009-2010		2010-2011		2011-2012	
	Allocation	% Exp	Allocation	% Exp	Allocation	% Exp
Mafikeng	25 291 000.00	67%	29 417 000.00	85%	35 380 456.00	

**Source: NMMD 2012 Lekgotla Presentation Document**

Table 2.1 above indicates that the municipality was allocated a budget to spend on service delivery projects in the past three years. The patterns indicate that in all the years there was under-expenditure although there were some improvements in the 2010-2011 financial year.

## **2.14 ACCOUNTABILITY IN MUNICIPALITIES**

Accountability has become increasingly important in the conduct of government in South Africa especially in the municipalities.

Poor planning, poor financial management, lack of service delivery are often linked to non-accountability of managers at municipalities. The belief that public servants should be accountable to the electorate for their actions has long been accepted as a principle of democratic government.

Napier (2007:376) describes accountability at government level as the duty to explain or answer for one's conduct and being subject to a constant monitoring process either by higher or lower governmental authorities and within authorities and respective electorates or constituencies.

The alignment of the budget with the IDP is a requirement for all municipalities, and holds all managers of all municipalities accountable for non-service delivery.

The Mafikeng Local Municipality in particular is a local municipality providing services to the communities; therefore, management of the municipality is not only accountable to the municipal council but also to the people of the North West to provide them with basic services.

## **2.15 LEGISLATIVE SUPPORT FOR ACCOUNTABILITY**

“Accountability” is a term that is governed by legislation; therefore, it should be noted that failure to ensure accountability might mean failure to comply with the laws and regulations.

According to Napier, (2007:381), the Constitution of the Republic of South Africa, 1996, includes a number of supporting provisions to enhance accountability in the public sphere. The Municipal Finance Management Act of 2003 (MFMA) is one of the legislations that advocates accountability in municipalities thereby ensuring that lack of accountability is equal to non-compliance and is, therefore, a serious offence.

Accountability at municipalities is not only focused on service delivery but also on presenting credible information to the National Treasury. The provision of credible information assists the National Treasury with informed policy decisions for the purpose of allocating a share of the budget properly.

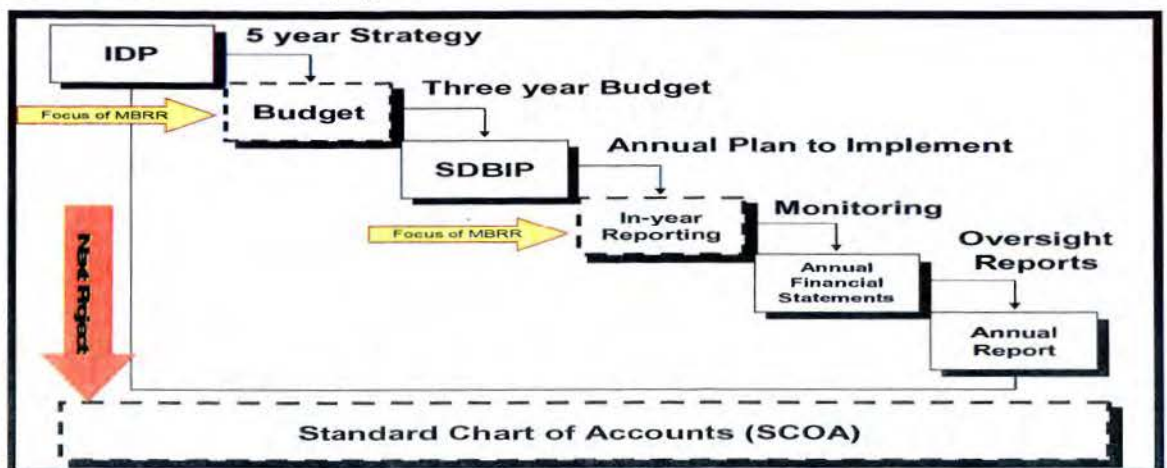
The National Treasury in its effort to assist municipalities in January 2009 rolled out a presentation on budgeting and reporting regulations.

In the problem statement, the National Treasury presentation in 2009 indicated that lack of consistent information across the Treasury reporting tools compromises monitoring and oversight by councils, the Department of Local Government, Treasuries and Legislatures.

The presentation also cited that the lack of consistency in the reporting tools compromised government’s ability to formulate coherent policies affecting local government and its ability to use the budget as a redistribution tool to address poverty and inequality.

The National Treasury (2009) also indicated that one of the underlying principles of the budget and reporting regulations was to promote transparency and accountability. Figure 2.2 below depicts a step-by-step guide of the accountability cycle.

**Figure 2.2 Accountability Cycle**



**Source: National Treasury. Chief Directorate Local Government Budget analysis, Intergovernmental Relations: January 2009**

The above accountability cycle clearly indicates how the IDP feeds into the budget, the reporting, monitoring and oversight. The annual reporting is the last step in the cycle. If a municipality fails to produce this report, it means that there is no accountability in that municipality.

In his research of accountability Ababio, (2007:10) asks the question “What has gone awry in municipalities?” His question is referring to a survey report of the AG in municipalities’ performance reports.

The author answers his question by saying that the inability of municipalities to function effectively may not be caused by a lack of financial resources but by the following:

- Weak leadership in strategic management, including corporate governance
- Shortage of skills to implement financial management legislation
- Misplacement of skills within the municipality
- Political consideration in appointment of senior managers without required qualifications
- Weak research capacities of municipalities
- Continued lack of integration and linkages between planning processes within other spheres of government
- Difficulties in linking planning and budgeting processes with varying time frames
- Institutional conflict around planning issues involving officials often resistant to change and newly elected and inexperienced councillors

The above points as detailed by Ababio (2007:10) are a true reflection of many municipalities in South Africa including the Mafikeng Local Municipality. Effective local governance means actual performance, the extent to which the system satisfies the basic functions of government as most of the population and interest groups view them.

## **2.16 SUMMARY**

This chapter provided an introduction of literature pertaining to the research topic. In the literature the mandate of local government was discussed as well as the developmental duties of municipalities. Performance budgeting and implementation were discussed in detail.

The review again explained the concept of IDP and budgeting to establish the linkage. An illustration of general planning was provided and the delivery cycle in government was discussed and demonstrated with a service delivery model.

This chapter also touched on the municipal budget process with a view to establishing a step-by-step guide for municipalities to follow when completing their planning and budgeting.

A comparison was drawn with other international countries such as Tanzania and Andhra Pradesh to benchmark the performance management systems in order to establish best practices.

The concept of performance measurement to establish accountability in municipalities was discussed. Finally, this chapter concluded by discussing the term "accountability" and the supportive legislation in detail as a mechanism to improve performance and financial controls in the Mafikeng Local Municipality and a tool to promote transparency.

The following chapter focuses on research methods. It outlines the research framework followed in the study, including data, sources and target samples utilised. The chapter also outlines the types of analysis used in the study.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 INTRODUCTION**

Chapter three discusses the research design methodology utilised in the study. It outlines the study framework including the research design, sources of data, sampling techniques, limitations of data and ethical considerations. This chapter also outlines the types of analysis utilised to arrive at the final conclusion.

#### **3.2 RESEARCH DESIGN**

Cooper and Schindler (2006) define research design as the blueprint for fulfilling research objectives and answering questions. The research design approach undertaken in this research was the qualitative method as well as the descriptive quantitative research method which is sometimes referred to as the mixed method approach.

According to Williams (2007:70), the mixed methods approach to research provides researchers with the ability to design a single research study that answers questions about both the complex nature of phenomenon from the participants' point of view and the relationship between measurable variables.

##### **3.2.1 Quantitative Research**

According to Leedy and Ormrod (2005:191), descriptive quantitative research examines the situation as it is. It does not involve changing or modifying the situation under investigation, nor is it intended to detect cause and effect.

Quantitative research attempts the precise measurement of something. In business research, quantitative methodologies usually measure consumer behavior, knowledge, opinions or attitudes (Cooper &Schindler, 2011:161).

### **3.2.2 Qualitative Research**

In this method, a self-administered interview questionnaire survey is posed to the participants. According to Casley and Kumar (1998), in-depth interviews with individual respondents are conducted. In such interviews, the interviewer probes the respondents, which permits them to have a conversation in which ideas flow freely. In this research, the targeted population were asked the same questions and given an opportunity to respond to the questions.

Cooper and Schindler (2011:162) state that the purpose of qualitative research is based, on the one hand, on the immersion of the researcher in the phenomenon to be studied; gathering data which provides a detailed description of events, situation and interaction between people and things, thus providing depth and details. On the other hand, quantitative research is often used for theory testing, requiring that the researcher maintain a distance from the research to avoid biasing the results.

### **3.3 CONTEXT OF THE STUDY**

The available secondary data on the annual reports and the IDP reports of the municipality were examined and could not qualify reasons for actual assessment of the alignment of the budget and planning of the Mafikeng Local Municipality.

It was, therefore, necessary to undertake a survey research in the form of structured interview questionnaires among members of the mayoral committee (MMCs), the chief whip, the directors, the chief financial officer, the labour unions as well as the municipal manager of the MLM in order to have an overview of the situation in the municipality.

### **3.4 POPULATION AND SAMPLING**

The Mafikeng Local Municipality is the organisation under study. The business of the MLM is to provide the communities of Mafikeng with basic services at the same time being accountable for the resources that are allocated to them. In the provisioning of basic services to its communities, the municipality is also tasked with the responsibility of ensuring alignment of the budget with its projected plans.

#### **3.4.1. Target Population**

The population under study consists of the following categories: the executive mayor, the chief whip, the MMCs responsible for individual portfolios, the directors, the Chief Financial Officer, the labour unions and the municipal manager.

The MMCs are made up of the executive mayor, the MMCS responsible for the following portfolios: planning and development, local economic development, public safety, community services, special projects and the infrastructure.

### **3.4.2 Sampling Technique**

The sampling technique chosen for this study was non-probability sampling. According to Cooper et al (2011:167), in non-probability sampling the sample size is generally small. The study might include just two or three focus groups or a few individual interviews.

The same authors, (2011:167) also explain that qualitative research involves non-probability sampling, in which little attempt is made to generate a representative sample.

One of the types of non-probability sampling is purposive sampling which is the sampling method utilised in this study. Cooper et al (2011:167) assert that in purposive sampling the researcher chooses participants arbitrarily for their unique characteristics or the experiences, attitudes or perceptions. During the interviewing process, the researcher sampled new participants to challenge emerging patterns.

### **3.4.3 Selection Procedure**

The municipal manager as the overall accounting officer in the municipality and the 10 MMCs were selected to participate in the survey. The participants were requested to provide responses to specific questions in relation to the budget management and integrated development planning in the municipality.

The response determined the level of effectiveness of aligning budget and planning within the municipality and also establishing service delivery performances against financial performance.

### **3.5 RESEARCH INSTRUMENT**

The instrument employed as a method of data collection in this study was the self-administered face-to-face interview in the form of a written questionnaire. Leedy, et al.(2005:196) describe survey research as typically employing face-to-face interviews, telephonic interviews or written questionnaires.

The interview is the primary data collection technique for gathering data in qualitative methodologies and varies based on the number of people involved during the interview conducted during the research (Cooper et al 2011:168).

The reason for employing this type of instrument was explained by Leedy et al (2005:196):in a structured interview the researcher asks a standard set of questions and nothing more. Face-to-face interviews have the distinct advantage of enabling the researcher to establish rapport with potential participants and therefore gain their cooperation.

Interviews also allow the researcher to clarify ambiguous answers and when appropriate follow up on the information. In this survey, all the participants were asked the same structured questions.

#### **3.5.1 Questionnaire Design**

A questionnaire was designed with a set of questions for all participants. The questionnaire is attached as Appendix 1.

#### **3.5.2 Data Collection Procedures**

An appointment with the participants was arranged and each one of them was provided with the questionnaire to respond to questions as outlined.

### **3.5.3 Method of Data Analysis**

The results of the data analysis were analysed using charts, tables, figures and percentages.

### **3.6 VALIDITY AND RELIABILITY**

In designing the questionnaire as the tool for collecting data, the validity and reliability was considered. Cooper et al (2011) argue that there are three major criteria for evaluating a measurement tool: validity, reliability and practicality. The same authors explain the criterion as follows:

- Validity refers to the extent to which a test measures what we actually wish to measure
- Reliability has to do with the accuracy and precision of a measurement procedure
- Practicality is concerned with a wide range of factors of economy, convenience, and interpretability (Cooper et al 2011).

The foregoing authors position that reliability is a necessary contributor to validity but it is not a sufficient condition for validity.

The authors further assert that reliability is concerned with estimates of the degree to which a measurement is free of random or unstable errors. In ensuring validity and reliability, the questionnaire with the same type of set of questions was provided to the highest body in the municipality comprising of MMCs and the municipal manager.

The purpose of asking the same questions of management of the municipality was to determine the extent to which management was aware of the requirements of planning and budgeting and to some extent determine the performance of the municipality in the provision of service and budgeting spending trends.

The instrument utilised in the study was a questionnaire which was reliable and its validity could be demonstrated because the responses were obtained from the participants themselves. The answers provided a measure of the factual truth of the status of the municipality as provided by senior management in the municipality.

### **3.7 ETHICAL CONSIDERATIONS**

Ethics in research is viewed as important and necessary in order to safeguard the participants and to obtain their trust. Cooper et al. (2011:32) stress that the goal of ethics in research is to ensure that no one is harmed or suffers adverse consequences from research activities. The same authors point out that whether data was gathered in an experiment, interview, observation or survey, the participant has many rights to be safeguarded.

In order to ensure that the highlighted ethical considerations were adhered to in this study, the participants' consent was obtained from them prior to the commencement of the interviews. The participants were also informed of their right to privacy. The interviews were conducted in an honest and professional manner.

### **3.8 SUMMARY**

The chapter discussed the research design for the study. Self-administered face-to-face interviews were used to gather data from the respondents. Data analysis techniques, procedures as well as ethical considerations were discussed.

Chapter four deals with the presentation of data and the analysis thereof. The data is presented in tables and chart form. The research question and objectives as well as findings are explained in this chapter.

## **CHAPTER FOUR**

### **RESULTS AND INTERPRETATION**

#### **4.1 INTRODUCTION**

Chapter four reports the results of the investigation conducted to determine the effectiveness of budget management and integrated development planning at the Mafikeng Local Municipality.

The data published in the annual reports as well as the self-administered interview questionnaires were used as statistical tools for results analysis purposes. The data is presented in tables and charts format. The research questions as well as the research objectives outlined in chapter one are also revisited to obtain a holistic overview picture.

#### **4.2 RESPONSE RATE**

In terms of the quantitative analysis the annual reports of the four financial years 2008/2009, 2009/2010, 2010/2011 and 2011/2012 were utilised to analyse the performance of the key performance areas against the actual budget.

The response rate for the qualitative analysis produced through interviews involved ten questionnaires but the researcher managed to conduct only four interviews with the chief financial officer, the municipal manager and the two MMCs.

### **4.3 QUALITATIVE ANALYSIS**

The purpose of conducting qualitative analysis was to further establish the holistic view of the municipality in terms of budget management and the alignment to the service delivery performance of the Mafikeng Local Municipality.

As already alluded to by the researcher, the qualitative analysis was based on a structured questionnaire in a form of interviews. The targeted participants were the executive mayor, the municipal manager, the CFO, the directors, the MMCs as well as representatives of the labour unions.

Appointments were scheduled and questionnaires were issued to the participants. At the time the research was conducted the municipality was undergoing the 2011/2012 audit; therefore, not all participants could participate in the interview.

Of all the participants the researcher managed to conduct only four interviews with the municipal manager, the CFO and the MMCs for Public Relations and the chairperson of the Municipal Public Accounts Committee (MPAC). The questionnaire contained 18 questions and participants provided their own opinions and answers. The following table indicates the questions as posed to the participants.

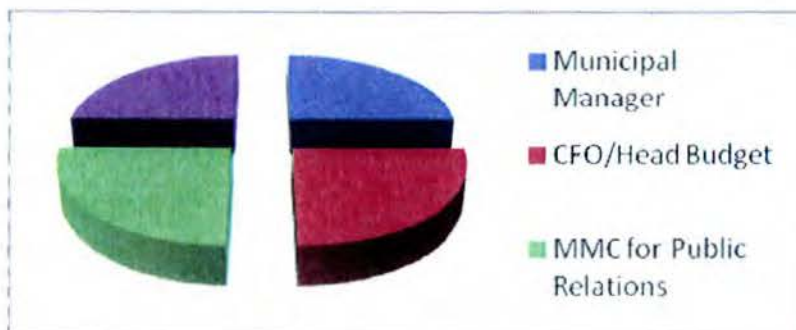
### 4.3.1 Interview Questionnaires Analysis

#### What is your management role in the Mafikeng Local Municipality?

**Table 4.1: Role in the Municipality**

Participant	Response
Municipal manager	Municipal manager
CFO/Head budget	CFO/Head budget
MMC	MMC for Public Relations
Chairperson of MPAC	Chairperson of MPAC

**Figure 4.1: Role in the Municipality**



The researcher managed to secure only four participants for the interviews because of non-availability of participants. The four participants included the municipal manager, the head of finance in the CFO's unit, the MMC for Public Relations as well as the chairperson of the Municipal Accounts Committee.

**How long have you been with the municipality?**

**Table 4.2: Time Duration in the Municipality**

<b>Participant</b>	<b>Average</b>	<b>Response rate</b>
Municipal manager	>5 Years	5 Years
CFO/ Head budget	>5 Years	5 years
MMC	>5 Years	12 years
Chairperson of MPAC	<3 Years<1 year	3 Years

The average time the participants have been with the municipality is 5 years, the longest being 12 years of the MMC for Public Relations.

**Does the municipality have systems in place to measure service delivery performance? If yes, what are the systems? If not, why not?**

**Table 4.3: Systems to Measure Service Delivery Performance**

<b>Participant</b>	<b>Response</b>
Municipal manager	Yes, 2012/13 Service delivery and budget implementation plan (SDBIP)
CFO/ Head budget	I am not aware of any system
MMC	Yes, Performance management system( PMS)
Chairperson of MPAC	Yes, IDP, budget, SDBIP, performance targets

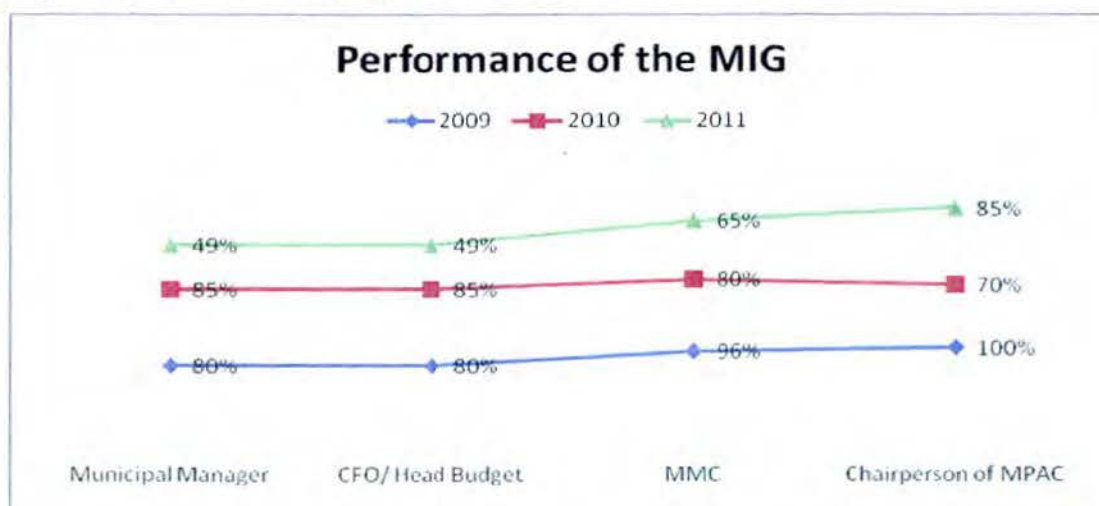
The responses to the above question seem to be different from the participants. Two of the four participants mentioned the SDBIP; the other two did not mention the document as a form of performance measurement tool. The indication is that there is no system in the municipality to measure service delivery performance against its budget performance.

**How has the MIG budget performance been in the past three years in terms of percentages?**

**Table 4.4: MIG Budget performance**

Participant	Response		
	2009	2010	2011
Municipal manager	80%	85%	49%
CFO/ Head budget	80%	85%	49%
MMC	96%	80%	65%
Chairperson of MPAC	100%	70%	85%

**Figure 4.4: Performance of the MIG**



All the participants provided different answers in terms of the spending trend of the MIG, except the head of budget and the municipal manager. The implication is that the information provided is neither reliable nor accurate and that there is a gap in recording accurate information in the municipality.

**In your view, is the budgeting and planning in the municipality integrated? If yes, how is the process done? If not, why not?**

**Table 4.5: Integration of budgeting and planning**

<b>Participant</b>	<b>Response</b>
Municipal manager	My view is that budget and planning in the municipality is integrated. The five year IDP is aligned with the budget; hence we have 2012/13 SDBIP
CFO/ Head budget	Partly integrated. Lack of proper alignment and coordination within directorates
MMC, Public relations	Yes, the budget steering committees work on it. The yard stick is the SDBIP
Chairperson of MPAC	Yes, during the planning process, IDP and budget are integrated and performance is measured by SDBIP and performance agreements are signed by directors

The responses in Table 4.22 indicate that there is no understanding in terms of the term “integration of the budget”. While the CFO/ head of budget indicated that there was lack of proper alignment and coordination, other participants differed. The general understanding was that as long as the budget appears in the IDP and the SDBIP, the budget is integrated.

## How frequently is reporting on performance information done and to whom?

**Table 4.6: Frequency of performance information reporting**

<b>Participant</b>	<b>Response</b>
Municipal manager	Quarterly through reviewing of performance agreements for all directors
CFO/ Head budget	Quarterly by the PMS/IDP manager
MMC	Line of communication is done through the MM (section 59). To the executive mayor. Mayoral report to council on monthly basis
Chairperson of MPAC	MM report to the executive mayor on monthly basis. Executive mayor reports to council on quarterly basis

The response provided seems to suggest that there is some form of reporting on a quarterly and monthly basis. However, the responsibility for reporting is solely placed on the municipal manager, who at the time of the responses referred the responsibility to the directors.

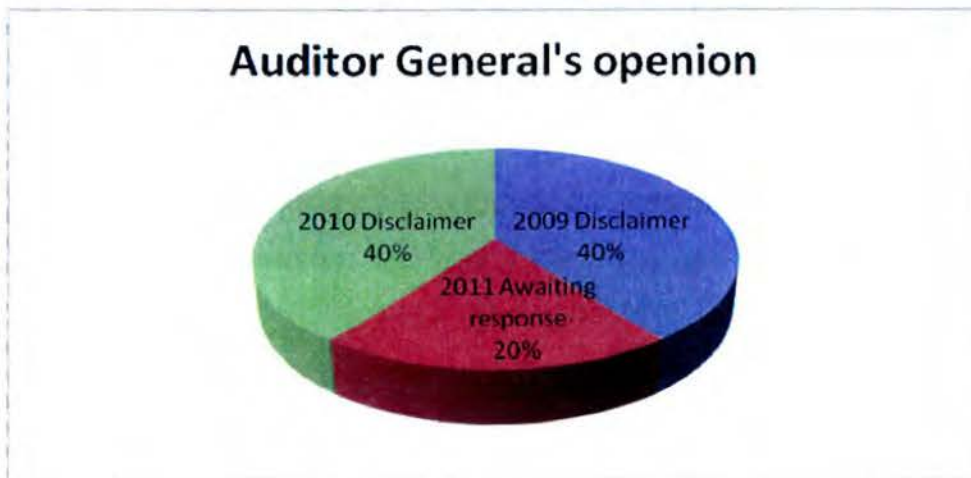
## In the past three years, what opinion did the municipality receive from the auditor general?

**Table 4.7: Audit opinion**

<b>Participant</b>	<b>Response</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Municipal manager	Disclaimer	Disclaimer	Disclaimer
CFO/ Head	Disclaimer	Disclaimer	Disclaimer

budget			
MMC	Awaiting response	Disclaimer	Disclaimer
Chairperson of MPAC	Awaiting response	Disclaimer	Disclaimer

**Figure 4.7: Auditor General's opinion**



The participants seem to differ regarding the 2011 audit report: 50% appear to agree that the opinion was a disclaimer while the remaining 50% disagree that they were still awaiting a response. The municipality received a disclaimer in all the years under review. The picture indicates a lack of understanding of processes in the municipality.

**Did the municipality submit its annual report in the past year? If not, why not?**

**Table 4.8: Submission of the annual report**

<b>Participant</b>	<b>Response</b>
Municipal manager	Yes
CFO/Head budget	Yes
MMC	Yes
Chairperson of MPAC	Yes

The responses are all the same, as all participants agree that the annual report for the past financial year was submitted. However, a concern is that none of the respondents indicated that the report was submitted late after the due date. The municipality report was undergoing printing and was yet to be tabled.

**Did the municipality submit its financial statement in the past year? If not, why not?**

**Table 4.9: Submission of the Financial Statements**

<b>Participant</b>	<b>Response</b>
Municipal manager	Yes
CFO/Head budget	Yes
MMC	Yes
Chairperson of MPAC	Yes

The financial statements were submitted according to the respondents. However, the submission was done after the closing date which none of the respondents mentioned in their responses.

**What system does the municipality use to determine their performance targets?**

**Table 4.10: Systems to determine performance targets**

<b>Participant</b>	<b>Response</b>
Municipal manager	SDBIP
CFO/Head budget	Manual
MMC	PMI, SDBIP, and internal audit
Chairperson of MPAC	SDBIP

The responses to the question are similar except the one from the head of budget. It appears that the municipality does not have a dedicated electronic system for reporting and capturing performance data.

**Does the municipality have systems in place (e.g. quarterly, monthly, annual reports and portfolio of evidence) to produce performance information evidence? If yes what systems are there? If not, why not?**

**Table 4.11: Systems to produce performance evidence**

<b>Participant</b>	<b>Response</b>
Municipal manager	Review of performance management system
CFO/Head budget	Performance is done on an adhoc basis
MMC	Yes, SDBIP, PMS, internal audit and performance agreements
Chairperson of MPAC	Yes, SDBIP, IDP, performance agreements and budget

The SDBIP is the main document that is used to measure performance in the municipality according to half of the respondents. The head of budget indicated that the performance information was done on an adhoc basis but did not indicate whether there was a system in place or not. If that is the case, the municipality does not have their own system to measure performance. They are reliant on the SDBIP document.

**When does the planning cycle begin in the municipality and what are the sources for planning?**

**Table 4.12: Planning cycle**

<b>Participant</b>	<b>Response</b>
Municipal manager	After approval of five years IDP and budget
CFO/Head budget	After approval of IDP and budget. Budget and IDP
MMC	June, Municipal Lekgotla and Provincial Lekgotla
Chairperson of MPAC	June every year, Lekgotla, Strategic Planning Sessions

The responses indicate a different understanding of the planning cycle and the time frames.

**When does the budget process in the municipality begin and what are the sources for budget?**

**Table 4.13: Budget process cycle**

<b>Participant</b>	<b>Response</b>
Municipal manager	Around May of each year
CFO/Head budget	Starts around September. Budget and IDP raw

	data and inputs from directorates and public
MMC	Financial period June and July, MIG, MSIG, rate
Chairperson of MPAC	Jan 31 to March 31, performance & financial expenditure

All respondents provided different views on the process of budgeting in the municipality. The indication was that the budget process was seen as the sole responsibility of the budget office as other respondents could not indicate for certain when the process starts and what the sources of budgeting are.

**When is the reporting cycle of the municipality and what are the reports used for reporting?**

**Table 4.14: Reporting cycle**

<b>Participant</b>	<b>Response</b>
Municipal manager	MFMA section 71 to measure monthly performance. Section 52d to measure quarterly. Section 72 to measure half yearly
CFO/Head budget	MFMA section 71 to measure monthly performance. Section 52d to measure quarterly. Section 72 to measure half yearly
MMC	Jan- March 31, financial expenditure
Chairperson of MPAC	Jan 31 to March 31, performance and financial expenditure

There was a balanced understanding of the reporting cycle and the understanding of the reports used for reporting. The MMC and the chairperson of the MPAC provided responses that were satisfactory considering that they were not involved in the day-to-day reporting cycle.

**Why is it necessary to align budget and planning? What prescripts determine this?**

**Table 4.15: Prescripts for aligning planning and budgeting**

<b>Participant</b>	<b>Response</b>
Municipal manager	To integrate expenditure, revenue with the plans and needs from the community
CFO/Head budget	To integrate expenditure, revenue with the plans and needs from the community
MMC	For better planning
Chairperson of MPAC	One can't plan without financing one's plans. A good plan without finance is as good as dead.

There was a general view that it was necessary to align budget and planning to achieve integration from all the participants.

**What has been the performance of the budget versus the achievement of the target in the IDP? Is there an alignment? if not, why?**

**Table 4.16: Performance of budget against IDP**

<b>Participant</b>	<b>Response</b>
Municipal manager	Yes, there has been alignment
CFO/Head budget	There has been misalignment between the budget achievement and IDP targets.

	Deviations from realistic targets – reactive to current situation
MMC	The budget is aligned with the IDP except on conditional grants
Chairperson of MPAC	Budget has been aligned with the IDP except on MIG projects

The responses were slightly skewed as three of the four agreed that there had been alignment in terms of budgeting and the achievement of targets in the IDP. However, the office of the CFO/head of budget disagreed and indicated that there had been misalignment and that there were deviations. The four responses indicated that the responses provided were not reliable and that there was a gap between the budget office and management in the municipality in terms of reporting and budgeting.

**What are the consultation processes during the budget processes and who are the stakeholders in the process?**

**Table 4.17: Consultative process of the budget**

<b>Participant</b>	<b>Response</b>
Municipal manager	Ward-based sector departments and municipal directorates and community (IDP representative forums)
CFO/Head budget	Ward-based sector departments and municipal directorates. Usually meetings are called at various places
MMC	Community, council, budget steering committee, business
Chairperson of MPAC	Budget, IDP Steering Committee, management, councillors in strategic plan,

	different stakeholders e.g. business and university communities at large council
--	--

Stakeholders had a fair understanding of the budget process.

### **What improvements can be made to the implementation of performance budgeting in the MLM?**

**Table 4.18: Improvements for implementation of performance budgeting**

<b>Participant</b>	<b>Response</b>
Municipal manager	This can only happen through adherence to provisions of MFMA
CFO/Head budget	To follow the prescripts of the law, develop policies relevant and appoint PMS head in terms of legislative scripts
MMC	Consultative forums
Chairperson of MPAC	Commitment, obedience and the love to make a difference from everyone involved can intensify; then things could improve

The responses from all participants to the above question indicated that there was a challenge in the municipality in terms of performance budgeting and that there are certain improvements that need implementation in order to overcome those challenges. The key factors are the comments on the adherence to prescripts as mentioned by the municipal manager as well as the budget head. Non-adherence to prescripts and regulations led to the non-achievement of objectives as set out in the plan of the municipality.

## **4.4 QUANTITATIVE ANALYSIS**

The section explored the performance information against the budget spending in the municipality for the past three years from 2009-2011. The information was obtained from the annual reports of 2008/2009, 2009/2010 and 2010/2011. The focus area was the service delivery, infrastructure and governance in the municipality; the targets of the key performance areas were compared with the actual budget spent.

### **4.4.1 ANNUAL REPORTS ANALYSIS**

#### **2008/2009 Annual Report**

There was no analysis performed on the annual report as the performance information was not linked to the budget and the actual expenditure. Therefore, it was difficult to determine the link between budget performance and service delivery performance.

#### **2009/2010 Annual Report**

In the 2009/2010 Annual report, the municipality clearly indicated its key performance areas, measurable objectives, annual targets, budgeted amounts, expenditure, actual performance, variance, reasons for underperformance and proposed remedial actions. The municipality outlined five key performance areas with different measurable objectives and the budget allocated to each area.

The analysis was conducted on all the key performance areas and the measurable objectives to align with budget performance.

**KEY PERFORMANCE AREA (KPA)1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT**

**Table 4.19: Water services (within rural areas)**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
Water services (within rural areas)	2009-2010	64 274 536.00	39 921 789.00	24 352 747.00	62%

**Figure 4.19: Budget performance of water Services (within rural areas)**

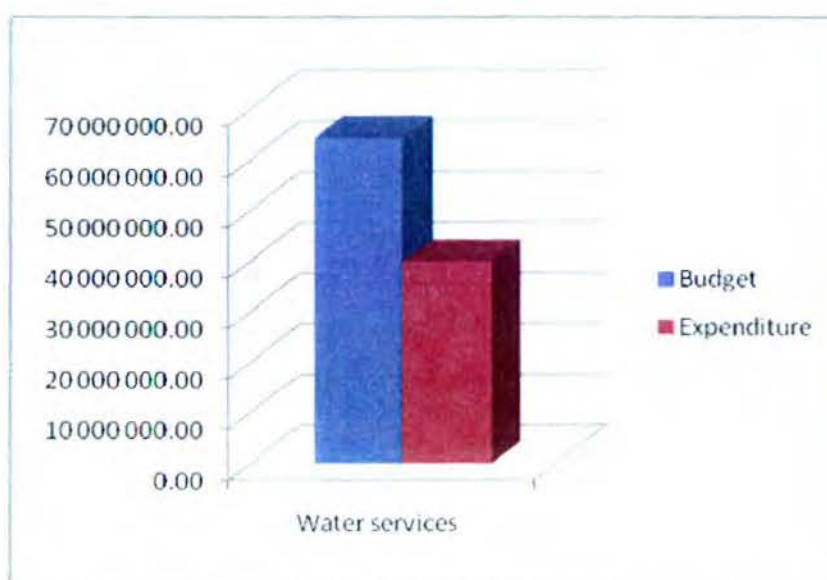


Table 4.19 and Figure 4.19 indicate under-performance in terms of the budget. The percentage is 62% with underperformance of 38%. The implication of under spending is that the planned projects were not achieved by the municipality. One of the reasons highlighted in the annual report for underperformance is the non-development of the water sector plan as well as the non-appointment of contractors.

**Table 4.20: Sanitation (Within the urban areas)**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
Sanitation (within the urban areas)	2009-2010	15 480 000.00	4 723 224.00	10 756 776.00	31%

**Figure 4.20: Budget performance of sanitation (within the urban areas)**

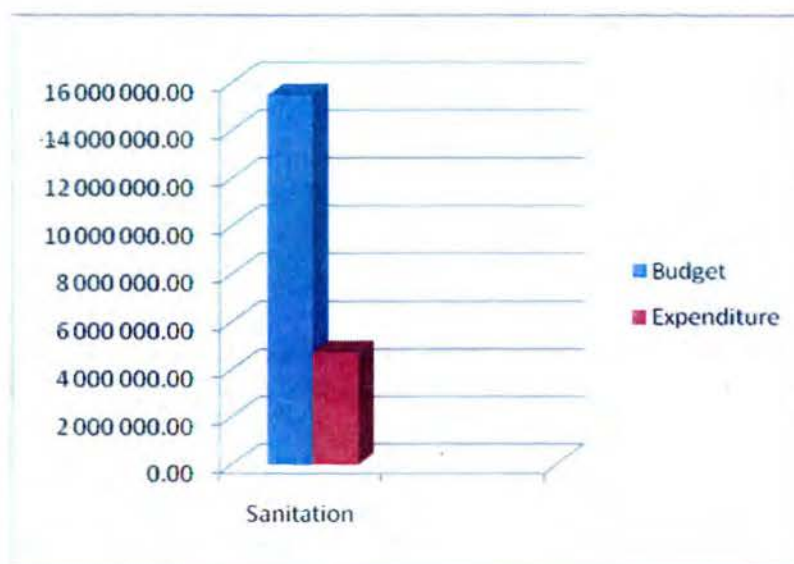
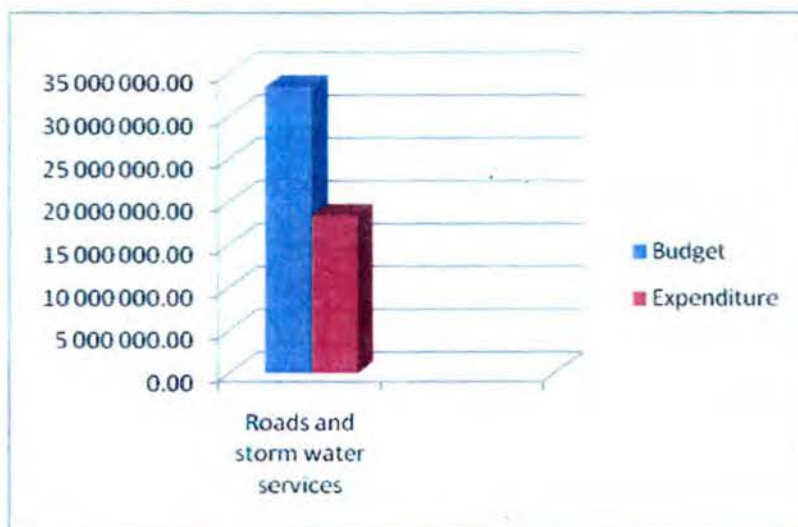


Figure 4.20 and Table 4.20 above show gross under spending of the budget by 69% for the most crucial services in the municipality. The impact of the under spending is that communities were not provided with the sanitation for the year 2009/2010 as planned by the municipality. Non-provisioning of services results in a backlog that requires more budget resources. The reason as provided in the annual report was the non-appointment of service providers.

**Table 4.21: Roads and storm water services**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
Roads and storm water services	2009-2010	33 400 000.00	18 392 100.00	15 007 900.00	55%

**Figure 4.21: Budget performance of the roads and storm water services**



An under spending of 45% is clearly shown in Figure 4.21 and Table 4.21. The picture indicates that the municipality failed to spend its budget in delivering the roads and storm water services to the community. The reasons expressed by the municipality were that the Road Master Plan had not yet been approved and the Road Maintenance plan was not yet developed. The reason for the non-performance is that the municipality did not have a plan in place to implement against the available budget.

**Table 4.22: Electricity and public lighting (rural areas)**

Measurable objective	Year	Budget	Expenditure	Variance	%
Electricity and public lighting(rural areas)	2009-2010	35 875 000.00	12 385 827.47	23 489 172.53	35%

**Figure 4.22: Budget performance of electricity and public lighting (rural areas)**

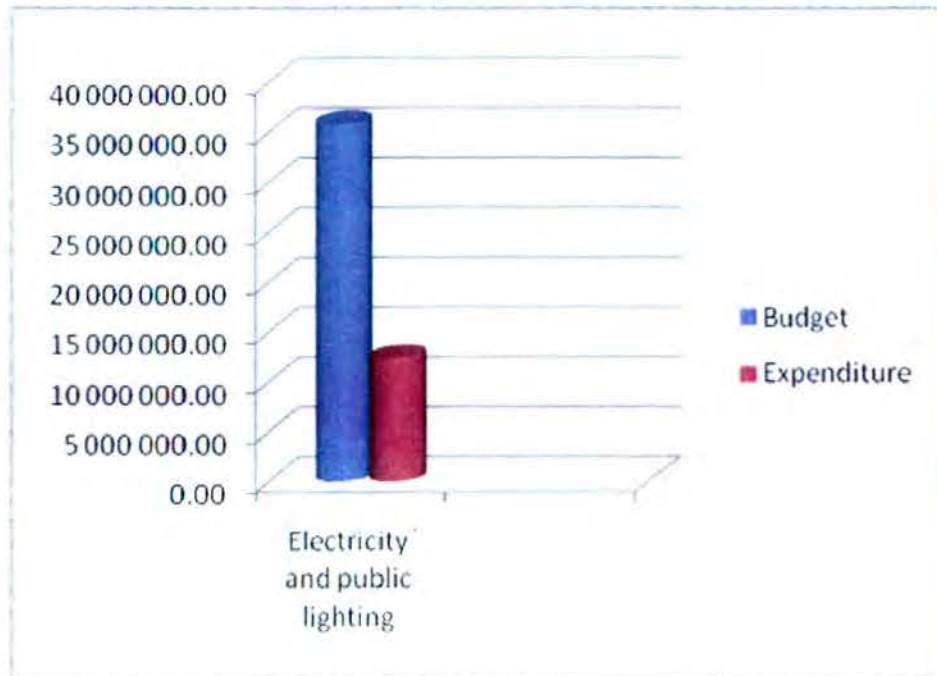
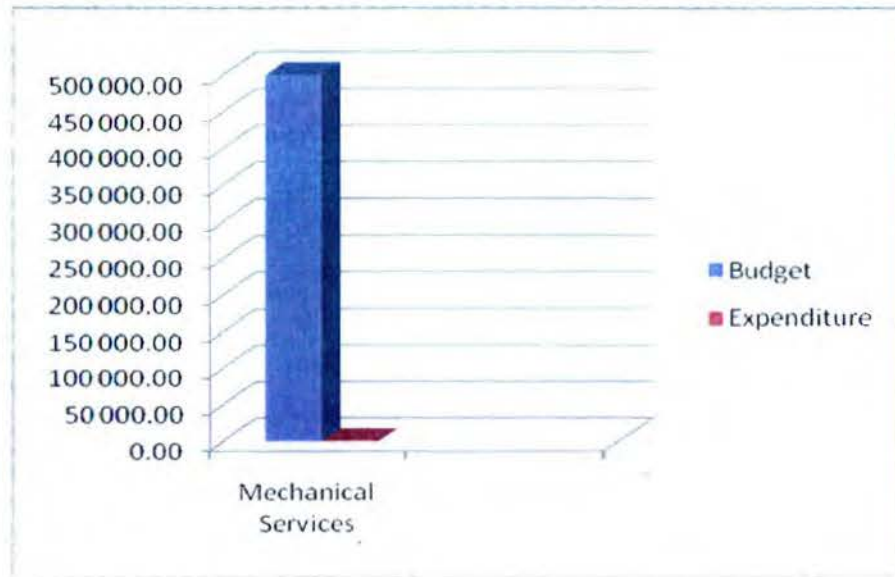


Figure 4.22 and Table 4.22 indicate spending of 35% achieved from the budget and under spending of 75%. The under spending of the budget impacts negatively on the municipality and it shows that planning and budgeting are not aligned. The reason cited by the municipality is that a master plan had not been developed. The master plan is the planning document that the municipality must utilise to input into the IDP. Without this document the municipality does not have the basis for utilisation of the budget allocated for these services.

**Table 4.23: Mechanical services**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To provide mechanical services	2009-2010	500 000.00	0.00	500 000.00	0%

**Figure 4.23: Budget performance of mechanical services**

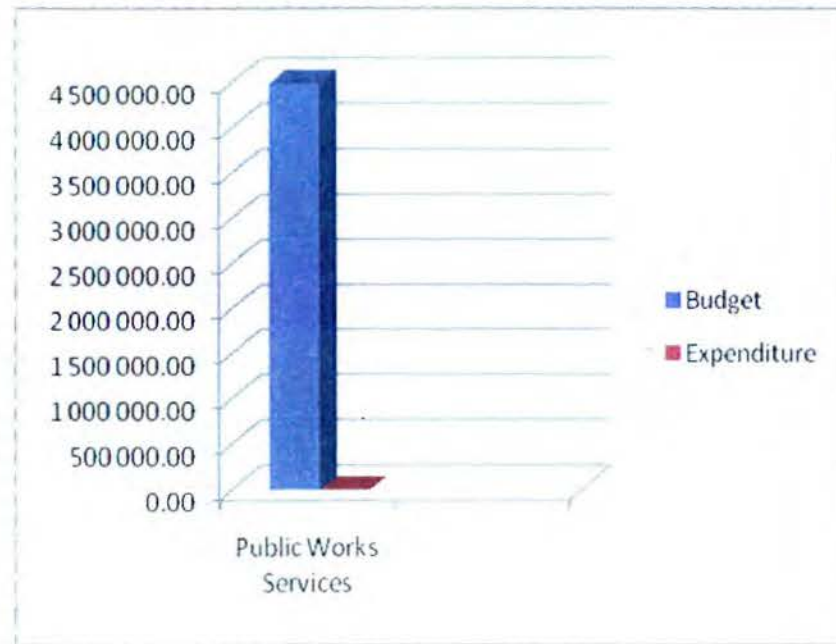


The municipality allocated R500, 000.00 to spend on mechanical services as shown in Figure 4.23 and Table 4.23. As at the end of the financial year 2009/2010 the municipality had not spent a cent from the budget. The money could have been allocated to another service. The under spending and underperformance are as a result of non-development of the mechanical services plan as devised by the municipality

**Table 4.24: Public works**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To provide public works	2009-2010	4 490 000.00	0.00	4 490 000.00	0%

**Figure 4.24: Budget performance of the public works service**



The municipality planned to provide multipurpose centres as part of the public works programme. The plan could not be achieved owing to the late procurement of a contract and the delays in the approval of the MIG. As a result, the municipality could not spend the R4,490 million allocated for the public works programme as indicated in Figure 4.24 and Table 4.24 above.

**Table 4.25: Environmental health services**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To provide environmental health services	2009-2010	64 317 980.00	45 411 480.36	18 906 499.64	71%

**Figure 4.25: Budget performance of environmental health services**

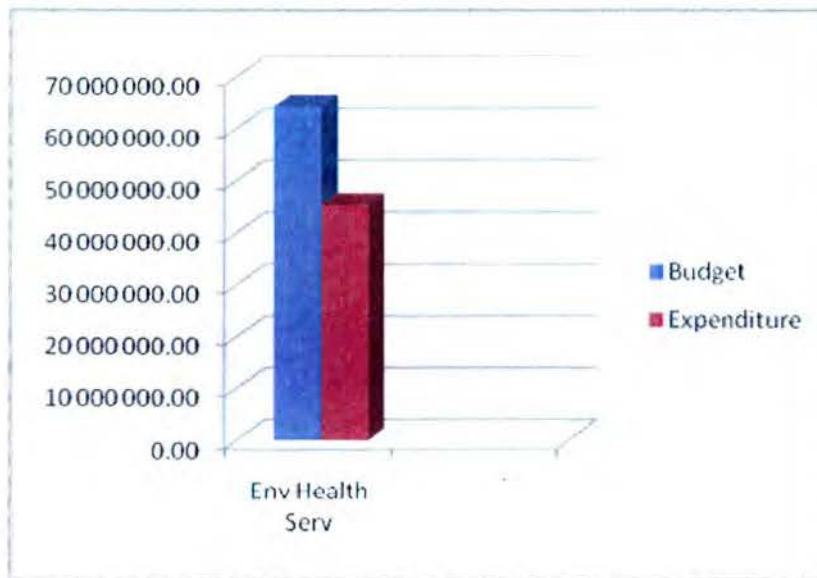
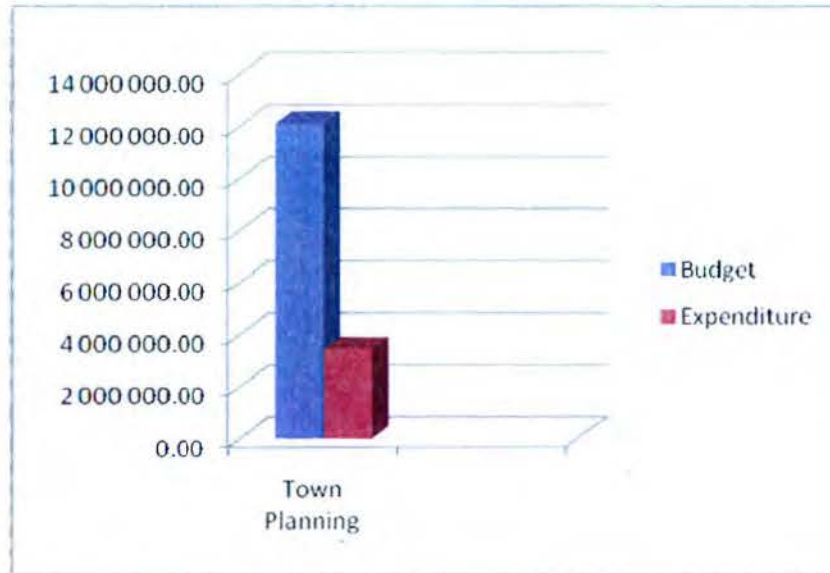


Figure 4.25 and Table 4.25 indicate that the municipality spent 71% of the budget allocated for environmental health services. The picture indicates an under spending of 29%. Some of the reasons highlighted as contributory factors to under spending in this area are the frequent breakdowns of refuse removal trucks as well as labour unrest that disrupts services.

**Table 4.26: Town planning**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
Town planning	2009-2010	12 110 000.00	3 447 204.00	8 662 796.00	28%

**Figure 4.26: Performance budget for town planning**

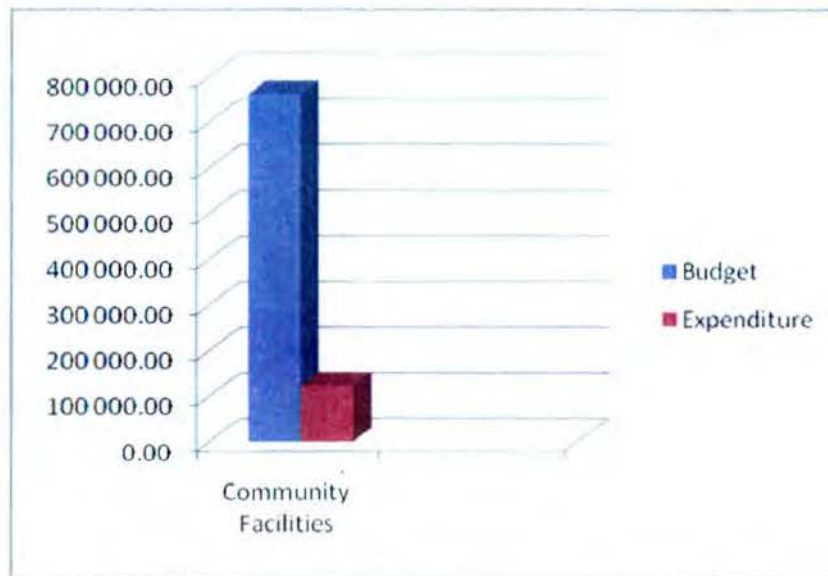


The budget performance for the measurable objective of town planning indicates under spending of 28% from the budget performance. The reasons advanced by the municipality are that the SDF had not yet been approved and the scheme had not been reviewed and targeted.

**Table 4.27: Community facilities**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
Community facilities	2009-2010	762 000.00	123 146.00	638 854.00	16%

**Figure 4.27: Budget performance of community facilities**

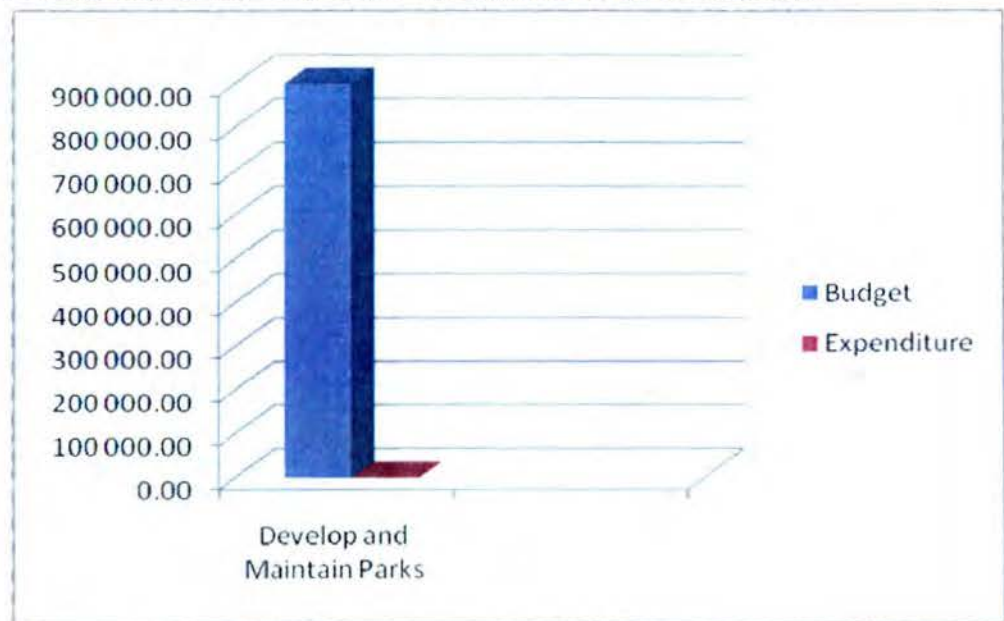


The community facilities section spent only 16% of the allocated budget. The annual report did not clearly indicate reasons for non-spending of the budget. The non-spending of the budget results in the surrender of the money to the Treasury and may result in the reduction of the budget allocation to the municipality in the following financial year. The non-spending results in the planned services not being provided to the community.

**Table 4.28: Maintenance of parks**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
Develop and maintain Parks	2009-2010	900 000.00	0.00	900 000.00	0%

**Figure 4.28: Budget performance for the maintenance of parks**

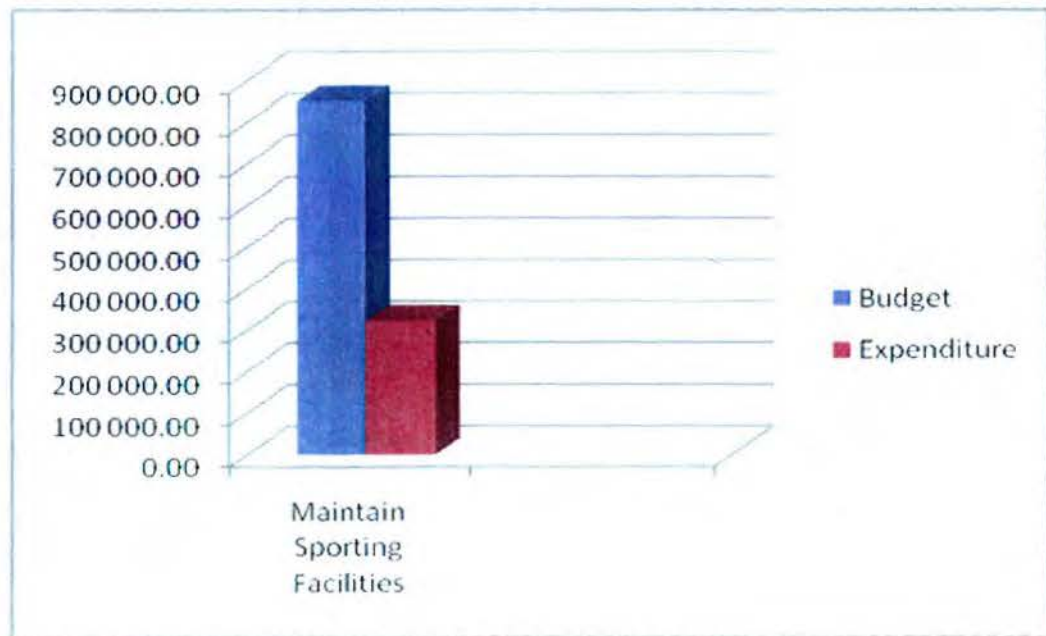


The amount of 900,000.00 was set aside by the municipality to upgrade one cemetery, however, the allocated budget was not spent by the municipality. In the annual report the municipality when providing reasons for underperformance indicated that the amount was excluded from the budget as it appeared in two different columns. Therefore, it is not clear whether this objective was budgeted for or not.

**Table 4.29: Development and maintenance of sporting facilities**

Measurable objective	Year	Budget	Expenditure	Variance	%
Develop and maintain sporting facilities	2009-2010	850 000.00	321 253.14	528 746.86	38%

**Figure 4.29: Budget performance for the maintenance and development of sporting facilities**



Only 38% was spent on this objective according to Figure 4.29 and Table 4.29. The under spending according to the municipality was as a result of tractor breakdowns, shortage of staff and minimal growth of grass during spring and winter.

**Table 4.30: Traffic management services**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To provide traffic management services	2009-2010	314 500.00	287 651.00	26 849.00	91%

**Figure 4.30: Budget performance of the provisioning of traffic management services**

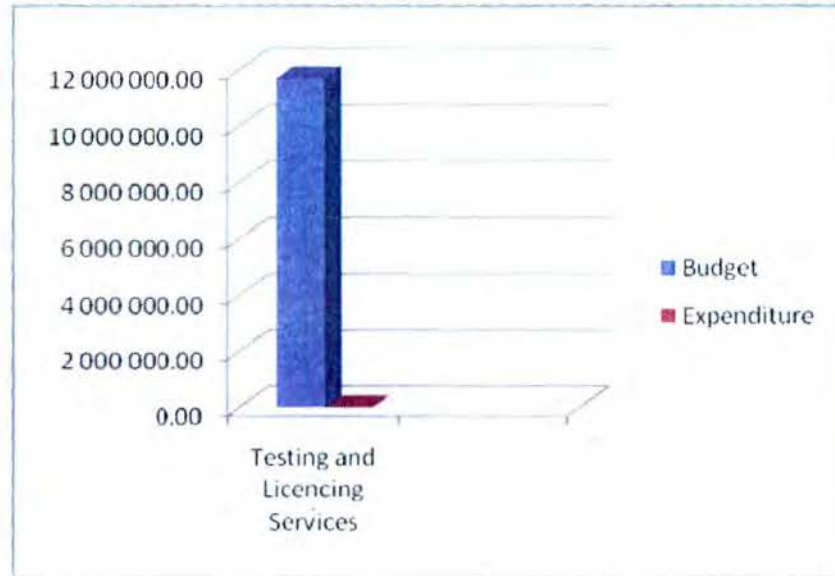


Figure 4.30 and Table 4.30 indicate the under spending of the budget allocated to the provisioning of traffic management services by 9%. No specific reasons were provided for the variance in terms of under spending of the budget.

**Table 4.31: Provision of testing and licensing services**

Measurable objective	Year	Budget	Expenditure	Variance	%
To provide testing and licensing services	2009-2010	11 675 000.00	0.00	11 675 000.00	0%

**Figure 4.31: Budget performance of the provision of testing and licensing service**

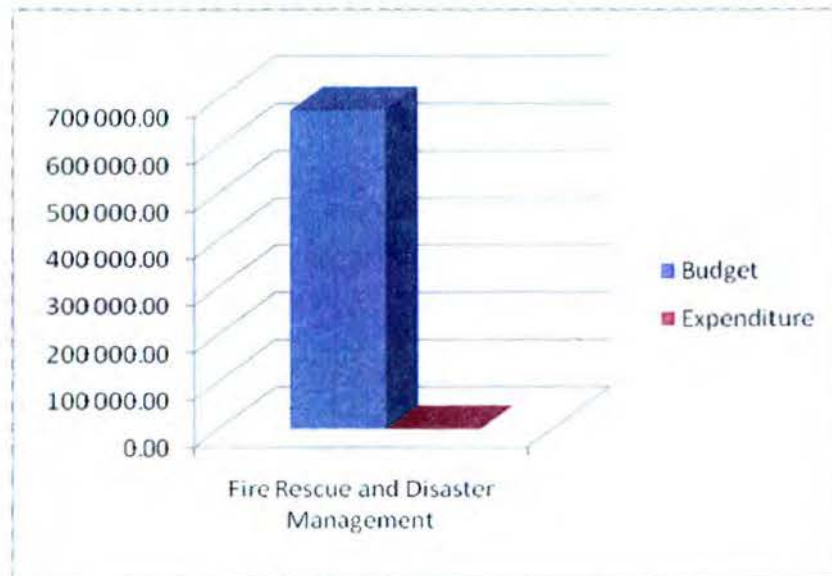


The municipality allocated the budget to the provision of testing and licensing services and as at 2009/2010 the spending was 0% for these services as depicted by Figure 4.31 and Table 4.31. Some of the reasons indicated by the municipality are the shortage of examiners and industrial action.

**Table 4.32: Provisioning of fire, rescue and disaster management**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To provide fire, rescue and disaster management services	2009-2010	675 000.00	0.00	675 000.00	0

**Figure 4.32: Budget performance of the fire, rescue and disaster management services**

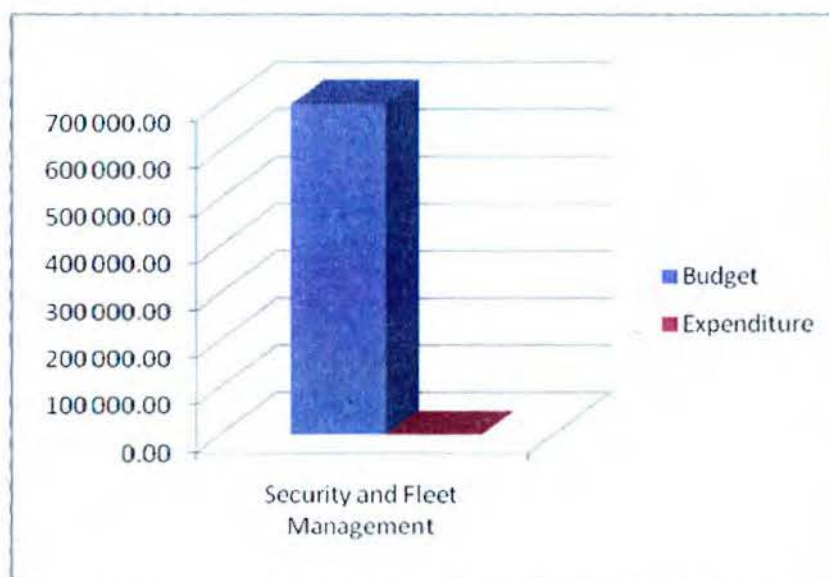


The budget allocated for these services was not spent. The percentage spending was 0% at financial year end. According to the municipality, the lack of spending was attributed to delay in the supply chain management processes. The impact is that budget was allocated without ensuring that proper processes were in place.

**Table 4.33: Provision of security and fleet management services**

Measurable objective	Year	Budget	Expenditure	Variance	%
To provide Security and Fleet management services	2009-2010	700 000.00	0.00	700 000.00	0%

**Figure 4.33: Budget performance of the security and fleet management services**



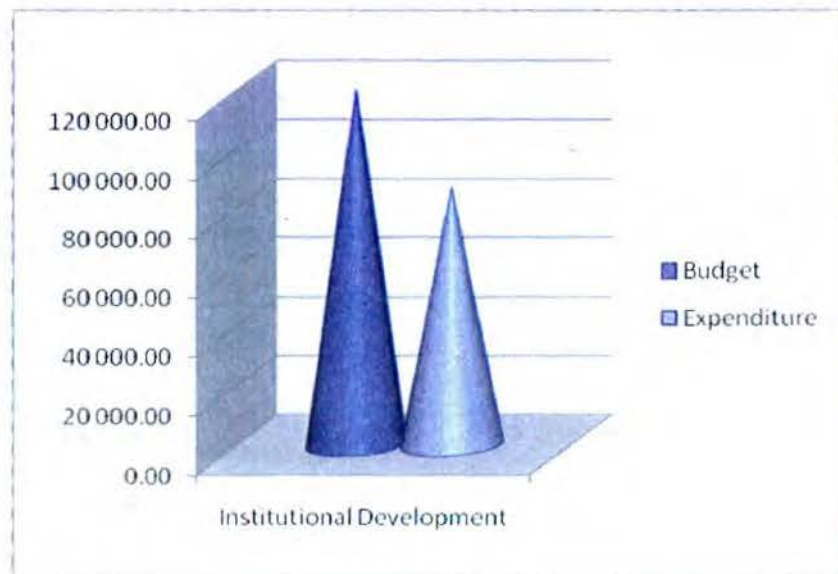
No expenditure is recorded under this measurable objective as indicated by Table 4.33 and Figure 4.33. The allocated budget was not spent by the municipality. No valid reasons were advanced in the report for not spending the allocated budget.

## KPA2 MUNICIPAL INSTITUTION TRANSFORMATION AND DEVELOPMENT

**Table 4.34: Encourage municipal transformation and institutional development**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To encourage municipal transformation and institutional development	2009-2010	120 000.00	87 000.00	33 000.00	73%

**Figure 4.34: Budget performance on the achievement of the institutional development objectives**



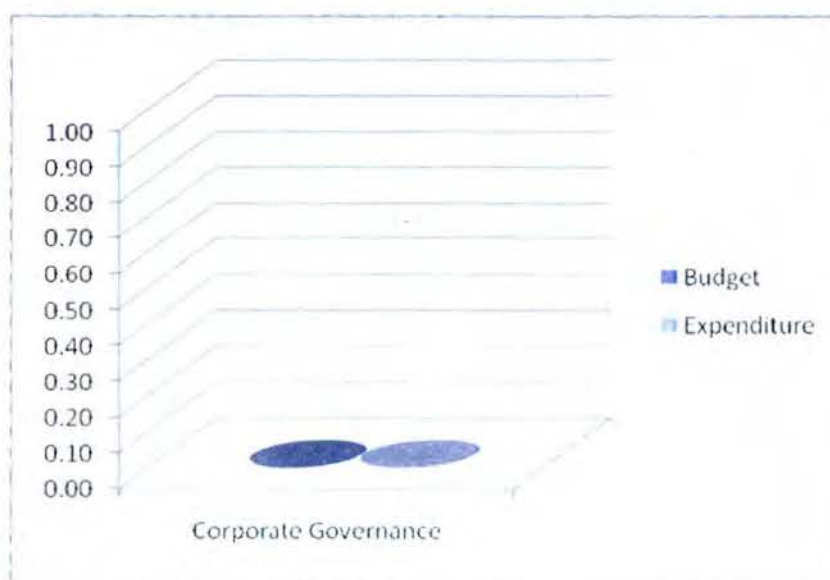
One objective registered in Figure 4.34 and Table 4.34 was to address the internal control environment by developing and implementing various policies to enable the municipality to function properly. The second intention was to establish an internal audit unit and a monitoring and evaluation system in the municipality. The IDP process plan was also included under this measurable objective. However, the municipality spent only 73% of the allocated budget in this area.

### KPA3: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

**Table 4.35: To encourage corporate governance, public participation and ward committee system**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To encourage good corporate governance, public participation and ward committee system	2009-2010	0.00	0.00	0.00	#DIV/0!

**Figure 4.35: Budget performance of corporate governance**



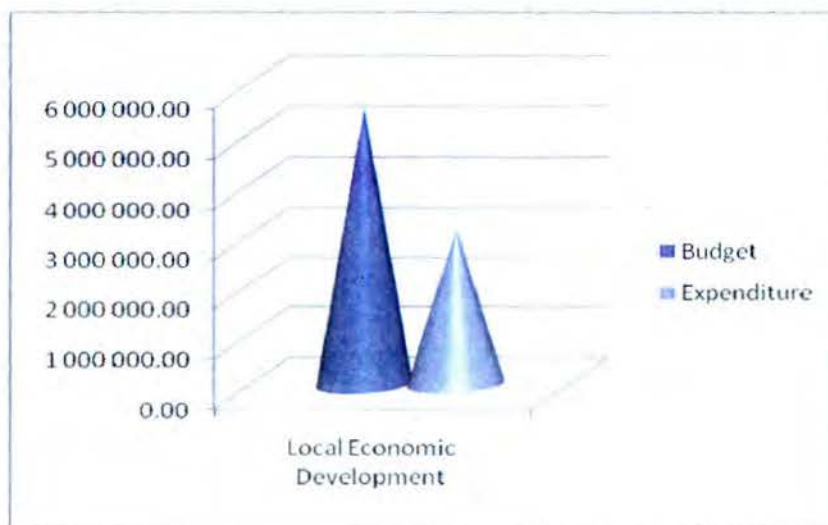
The municipality did not allocate any funding for this objective as indicated in Figure 4.35 and Table 4.35.

#### KPA 4: LOCAL ECONOMIC DEVELOPMENT

**Table 4.36: promote local economic development, tourism and rural development**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To promote local economic development, tourism and rural development	2009-2010	5 500 000.00	3 114 085.00	2 385 915.00	57

**Figure 4.36: Budget performance of the local development and rural development**



The percentage of spending as shown on Figure 4.36 indicates 57% of the budgeted amount. This percentage reflects under spending of the budget allocated for this objective. Lack of cash, lack of the budget and manpower are some of the reasons advanced by the municipality that contributed to the under spending of the budget by the municipality.

## KPA 5: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

**Table 4.37: To ensure sound financial management services in line with legislation, reporting and accounting**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To ensure sound financial management services in line with legislation reporting, budgeting and accounting	2009-2010	650 000.00	800 000.00	-150 000.00	123%

**Figure 4.37: Budget performance of the financial viability and management**



The above Figure and Table 4.37 indicate overspending of the budget with 123% spent on the allocated budget. The budget was allocated to the debtors' data base cleansing and risk reviews. However, according to the explanation as provided in the annual report, both the targets could not be met owing to industrial action and insufficient internal capacity to carry out the risk reviews. This is skewed reporting as the expenditure for the debtors' database is indicated as 800, 000.00 when in actual fact it exceeded the budgeted amount of R650, 000 for both objectives.

## 2010/2011 Annual Report Analysis

### KPA1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT

**Table 4.38: Provisioning of water and sanitation to rural and urban areas**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To facilitate the provision of water and sanitation to rural and urban areas	2010-2011	7 500 000.00	1 042 090.00	6 457 910.00	14%

**Figure 4.38: Water services and sanitation to rural and urban areas**

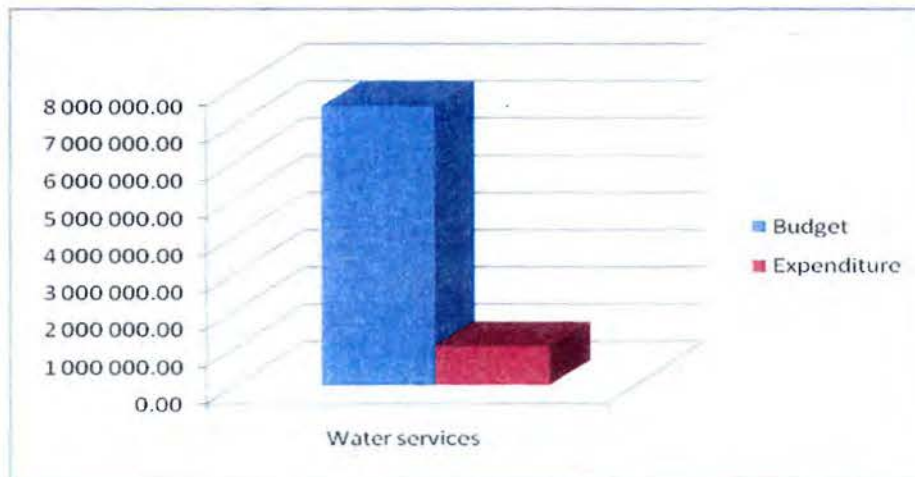
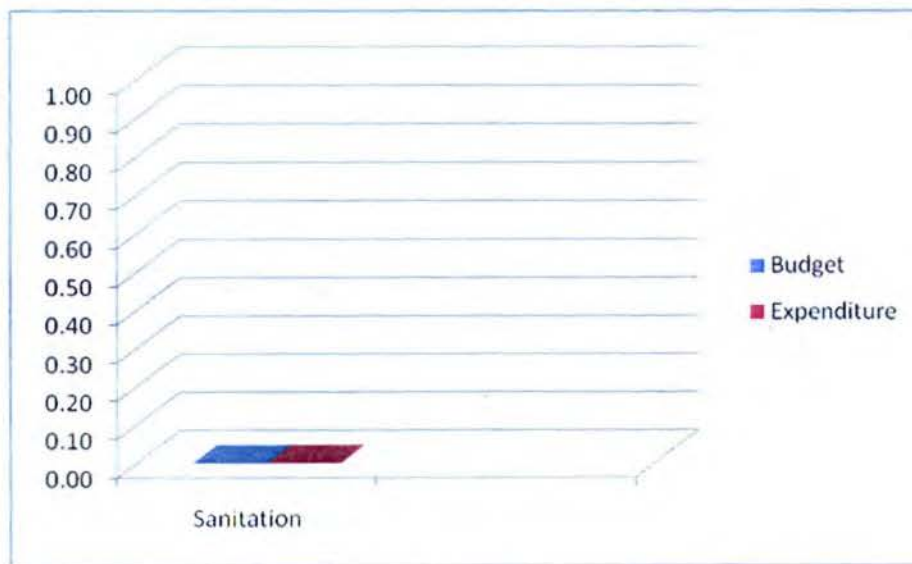


Table 4.38 and Figure 4.38 indicate that the municipality planned to provide communities with water. The expenditure amounted to only 14% at the end of 2010/11. Some of the reasons for this performance according to the municipality were lack of cash within the municipality and delays from the service providers in finalising the water sector plan.

**Table 4.39: Access to sanitation**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
Access to sanitation	2010-2011	0.00	0.00	0.00	#DIV/0!

**Figure 4.39: Sanitation**

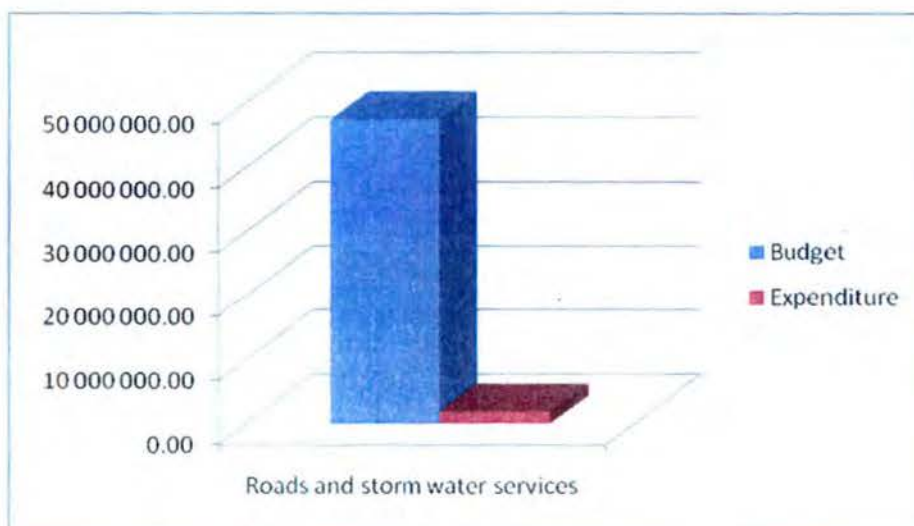


According to the municipality, the non-allocation and non-spending for the measurable objective of sanitation was attributed to delays by the internal processes of the Ngaka Modiri Molema District Municipality.

**Table 4.40: Roads, storm water drainage system and public works**

Measurable objective	Year	Budget	Expenditure	Variance	%
To construct, maintain and upgrade roads and storm water drainage system and public works	2010-2011	47 370 000.00	1 889 587.46	45 480 412.54	4%

**Figure 4.40: Roads and storm water services**



The picture above indicates a 4% spending on the allocated budget. Reasons as stated in the annual reports include that the municipality was waiting for project approval from Corporate Governance and Traditional Affairs. Other reasons cited include delays in the appointment of service providers by the supply chain management.

**Table 4.41: Provision of electricity to rural and urban areas**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To facilitate the provision of electricity to rural and urban areas	2010-2011	20 800 000.00	20 050 773.75	749 226.25	96%

**Figure 4.41: Electricity to rural and urban areas**

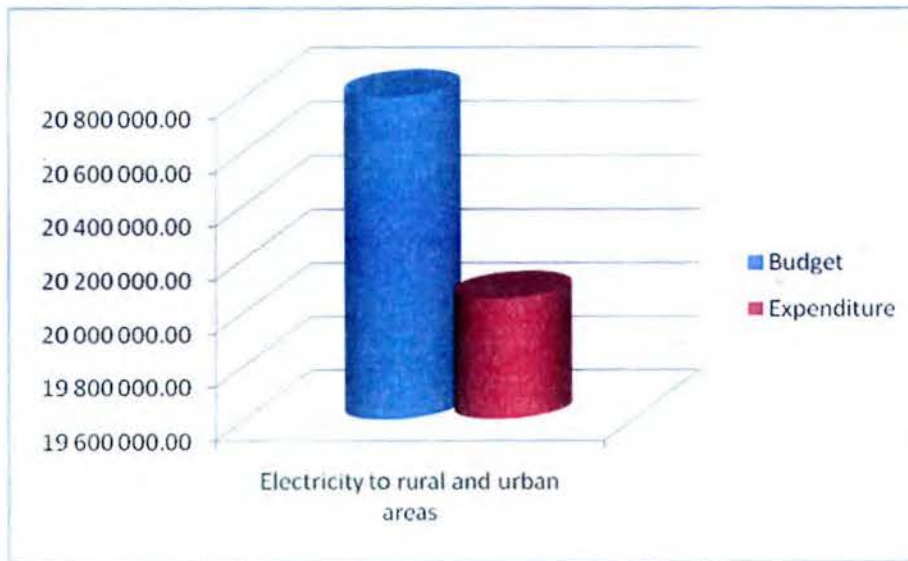


Figure 4.4.1 and Table 4.41 indicate that the municipality spent 96% of the budget allocated for the electricity measurable objective. This picture indicates improvement of spending.

**Table 4.41: Facilitate human settlement**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To provide and facilitate human settlement	2010-2011	6 700 000.00	5 071 043.90	1 628 956.10	76%

**Figure 4.41: Human settlement**

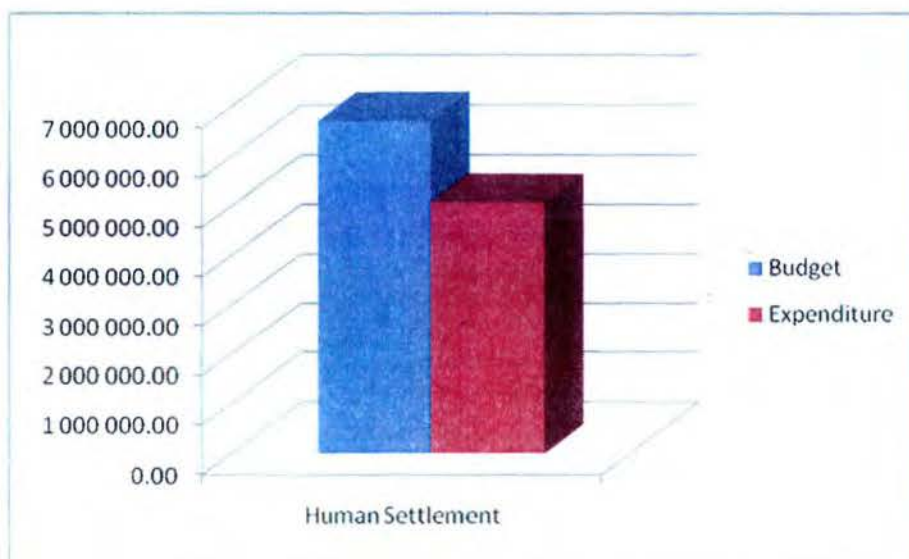
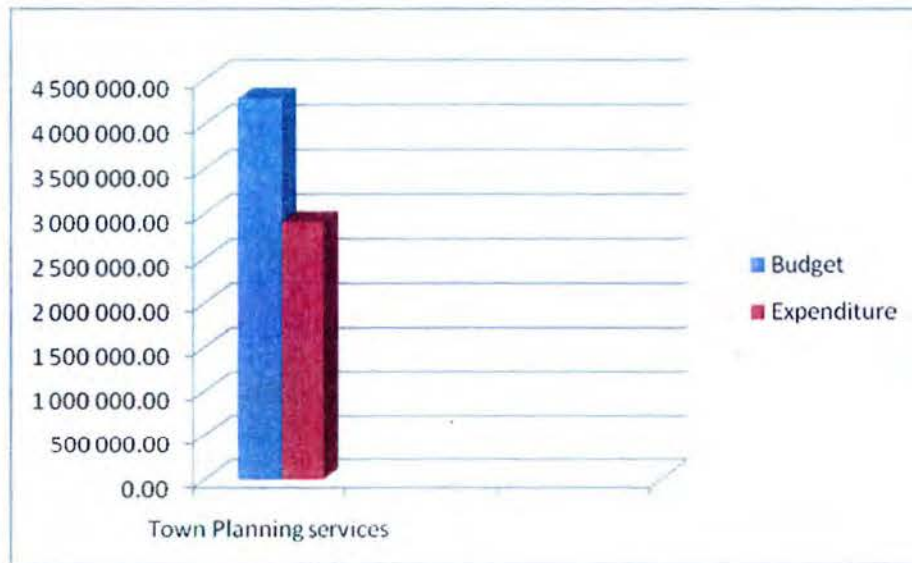


Table 4.41 and Figure 4.41 indicate that the municipality spent 76% of the allocated budget and Under spent by 24%. The expenditure is better when compared with other measurable objectives.

**Table 4.42: Town planning services**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To provide town planning services	2010-2011	4 286 000.00	2 907 739.25	1 378 260.75	68%

**Figure 4.42: Town planning services**

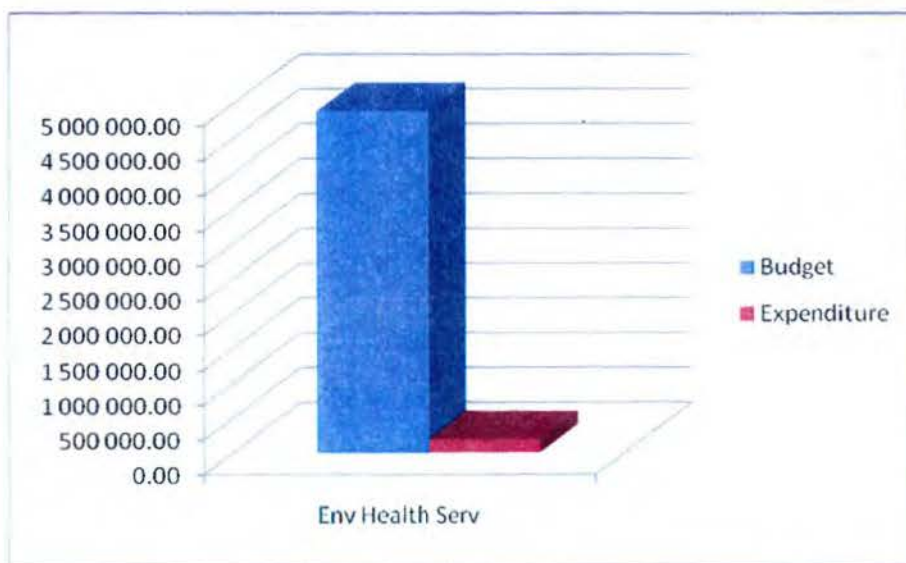


The under spending of 32% is attributed to the non-review of the spatial development framework as well as the town planning scheme by the municipality. Other reasons include the non-availability of the land audit report, the land disputes and the non-development of the climate change strategy.

**Table 4.43: Professional municipal health services in terms of environmental health and primary care**

Measurable objective	Year	Budget	Expenditure	Variance	
		(R)	(R)	(R)	%
To provide professional municipal health services in terms of environmental health and primary health care	2010-2011	4 899 000.00	190 816.41	4 708 183.59	4%

**Figure 4.43: Environmental health services**

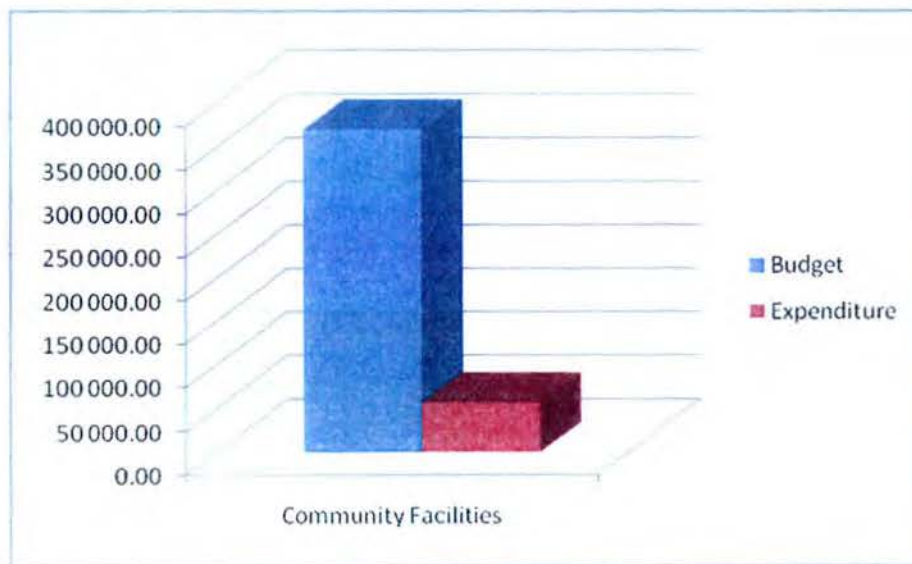


There was gross under spending in the health and environment objective. According to the municipality, this was due to the fact that old and unreliable equipment was used for refuse removal illegal dumping resulted.

**Table 4.44: Maintenance of community facilities**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To provide and maintain community facilities	2010-2011	370 000.00	56 727.85	313 272.15	15%

**Figure 4.44: Community services**

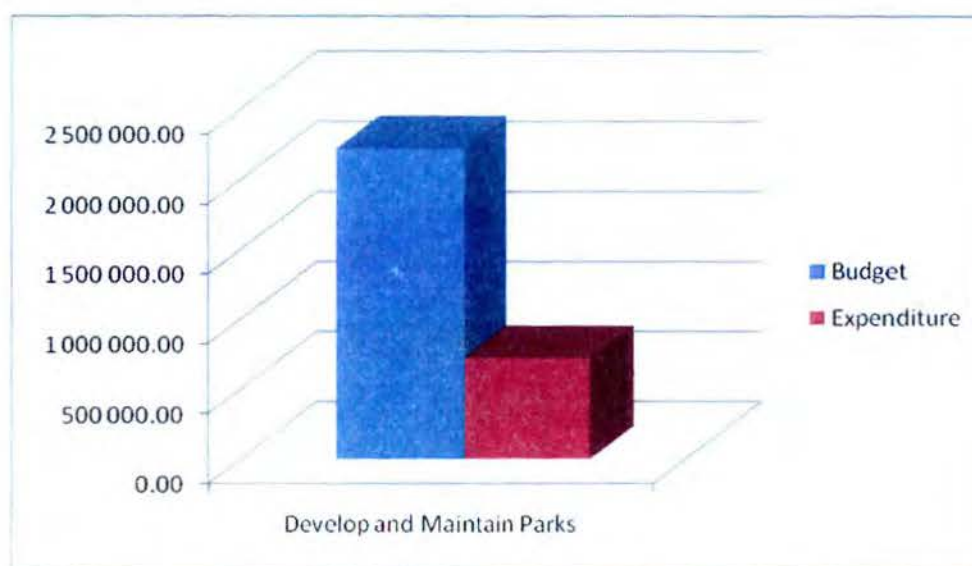


Only 15% was spent on the community services objectives resulting in under spending of 85%. No concrete reasons were provided for under spending by the municipality.

**Table 4.45: Upgrade and maintain parks, cemeteries and sport facilities**

Measurable objective	Year	Budget ( R )	Expenditure ( R )	Variance ( R )	%
To upgrade and maintain parks, cemeteries and sport facilities	2010-2011	2 218 780.00	719 838.95	1 498 941.05	32%

**Figure 4.45: Develop and maintain parks**

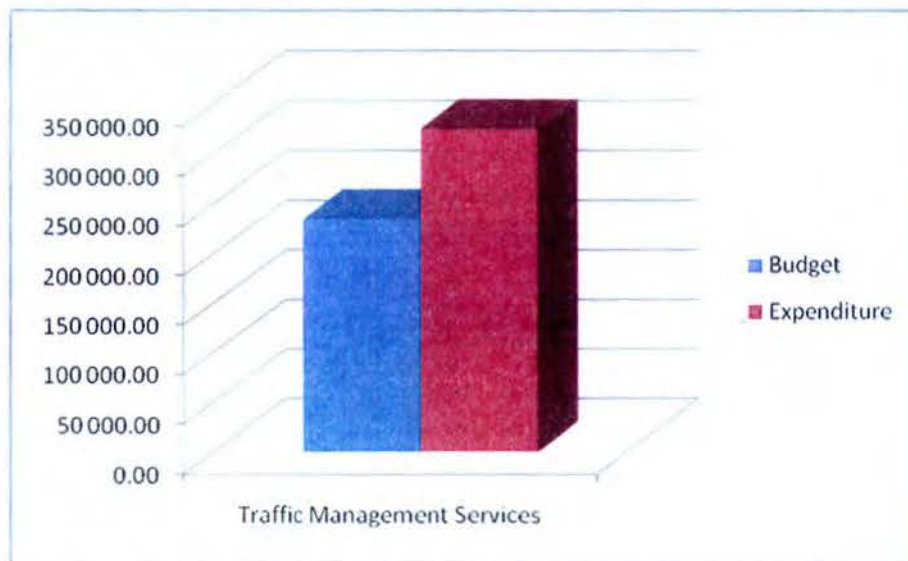


The contributing factor for under spending was the lack of funds and equipment as indicated in the annual report. The spending was at 32% as indicated in Table 4.45 and Figure 4.45.

**Table 4.46: Traffic management services**

Measurable objective	Year	Budget ( R)	Expenditure ( R)	Variance ( R)	%
To provide traffic management services	2010-2011	234 000.00	324 766.00	-90 766.00	139%

**Figure 4.46: Traffic management services**

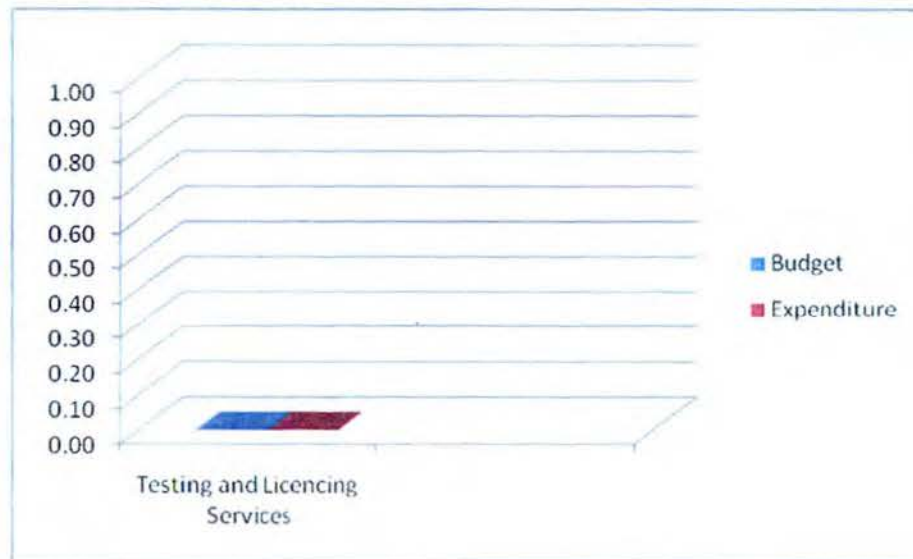


The overspending on the objective is attributed to the over-achievements of targets under this measurable objective.

**Table 4.47: Testing and licensing**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To provide testing and licensing services	2010-2011	0.00	0.00	0.00	#DIV/0!

**Figure 4.47: Testing and licensing services**



The internal budget was utilised for the measurable objective and no figures were indicated.

**Table 4.48: Fire, rescue and disaster management services**

Measurable objective	Year	Budget	Expenditure	Variance	%
To provide fire, rescue and disaster management services	2010-2011	730 000.00	318 250.00	411 750.00	44%

**Figure 4.48: Fire, rescue and disaster management**



Shortage of staff was offered as the contributory factor for the 44% spending for the measurable objective of fire, rescue and disaster services.

## KPA2: MUNICIPAL INSTITUTION TRANSFORMATION AND DEVELOPMENT

**Table 4.49: Municipal transformation and institutional development**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To encourage municipal transformation and institutional development	2010-2011	1 017 000.00	605 641.00	411 359.00	60%

**Figure 4.49: Institutional development**

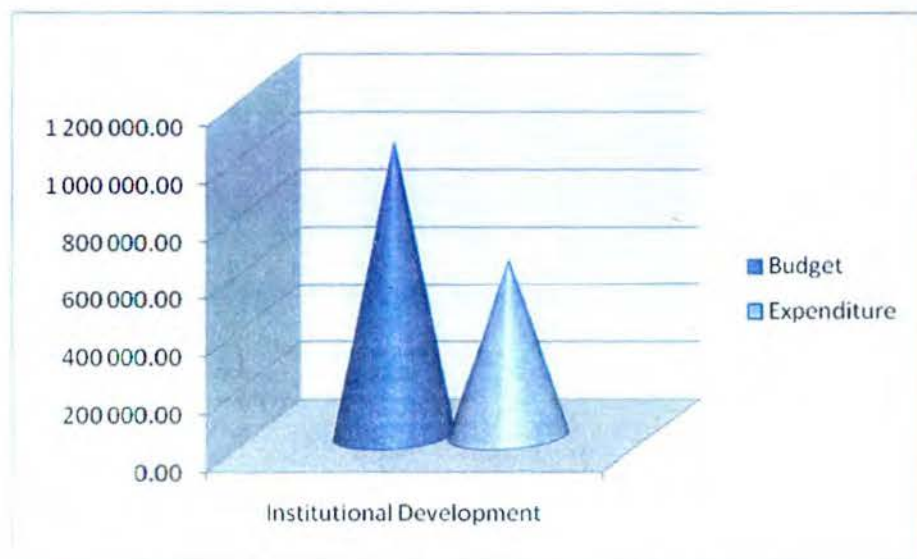
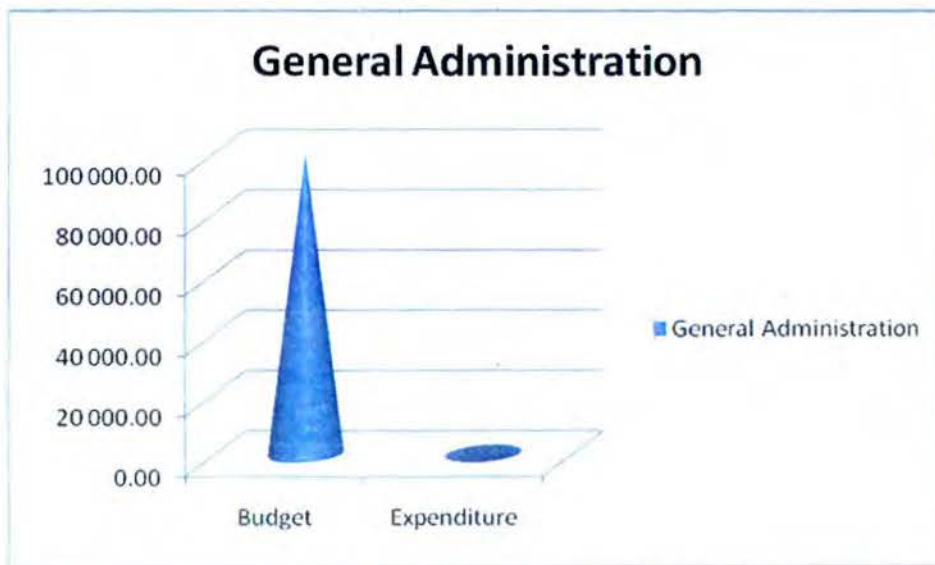


Figure 4.49 indicates that 60% was spent on the objective. The under spending was as a result of a human resource strategy that was not yet approved; the structure had also been developed but not yet approved. The Batho Pele strategy was also not well coordinated and there was no involvement in strategic management.

**Table 4.50: General administration**

Measurable objective	Year	Budget ( R)	Expenditure ( R)	Variance ( R)	%
To provide general administration	2010-2011	100 000.00	0.00	100 000.00	0%

**Figure 4.50: General administration**

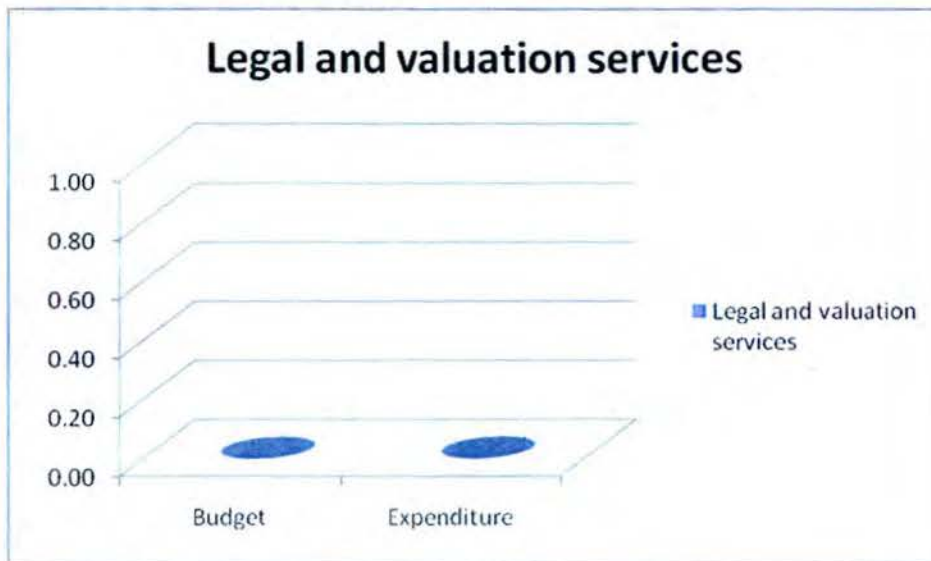


The 0% spending on general administration was as a result of the records management system and the call centre that were not fully functional.

**Table 4.51: Legal and valuation services**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To provide legal and valuation services	2010-2011	0.00	0.00	0.00	#DIV/0!

**Figure 4.51: Legal and valuation services**

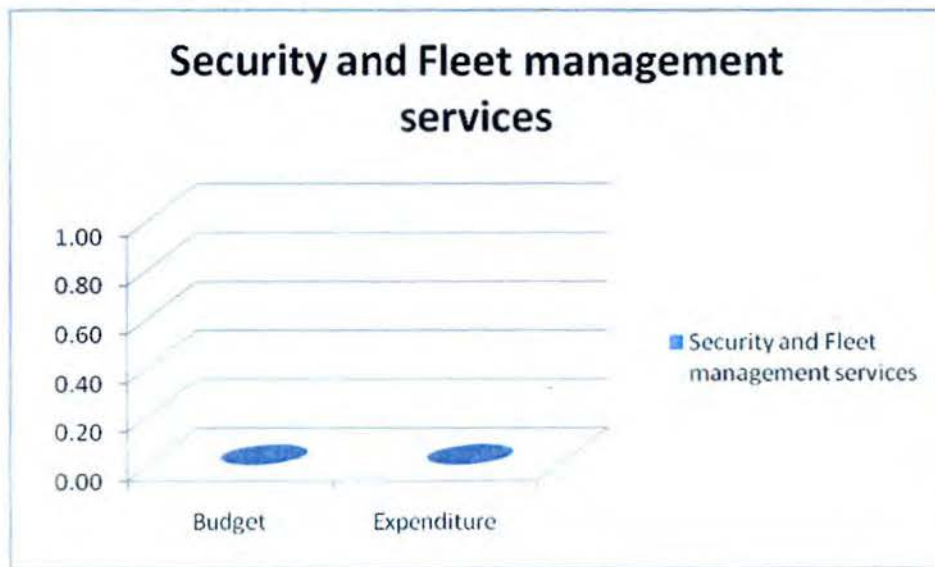


No budget was allocated for the legal and valuation services as the municipality Planned to produce reports rather than focusing on core programmes. Specific reasons were not provided in this regard.

**Table 4.52: Security and fleet management services**

Measurable objective	Year	Budget	Expenditure	Variance	%
To provide security and fleet management services	2010-2011	0.00	0.00	0.00	#DIV/0!

**Figure 4.52: Security and fleet management services**



The municipality did not allocate any funding for the objective as the focus was more on policy development, holding meetings with security service providers and reduction in the misuse of vehicles.

**Table 4.53: Integrated communication and marketing**

Measurable objective	Year	Budget	Expenditure	Variance	%
To provide integrated communication and marketing	2010-2011	0.00	0.00	0.00	#DIV/0!

**Figure 4.53: Marketing and communication services**

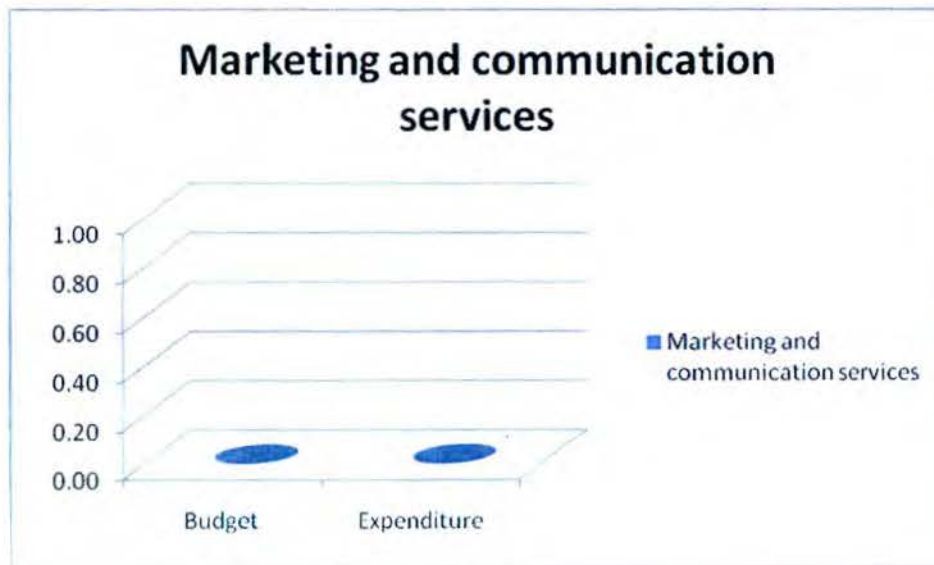


Figure 4.53 indicates no budget allocation and zero spending for the objective communication and marketing. The municipality planned to review the communication policy and strategy, to update the website, to improve the corporate image and to produce an internal newsletter. Most of the plans were not achieved or were only partly achieved.

**Table 4.55: Coordinate strategic planning**

To manage and coordinate strategic planning	2010-2011	0.00	0.00	0.00	#DIV/0!
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**Figure 4.55: Coordinate strategic planning**

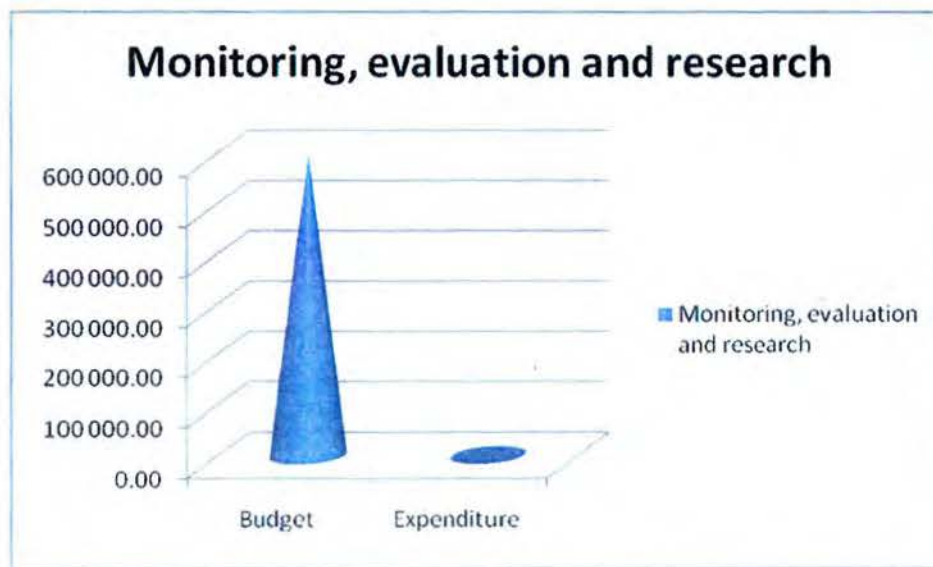


The focus in this area was on the implementation of the 2009 IDP assessment comments. Secondary plans were to develop the 2011/12 IDP process and approval by council. The municipality intended to resuscitate the IDP steering committee.

**Table 4.56: Monitoring, evaluation and research**

Measurable objective	Year	Budget ( R )	Expenditure ( R )	Variance ( R )	%
To provide monitoring, evaluation and research	2010-2011	600 000.00	0.00	600 000.00	0%

**Figure 4.56: Monitoring, evaluation and research**



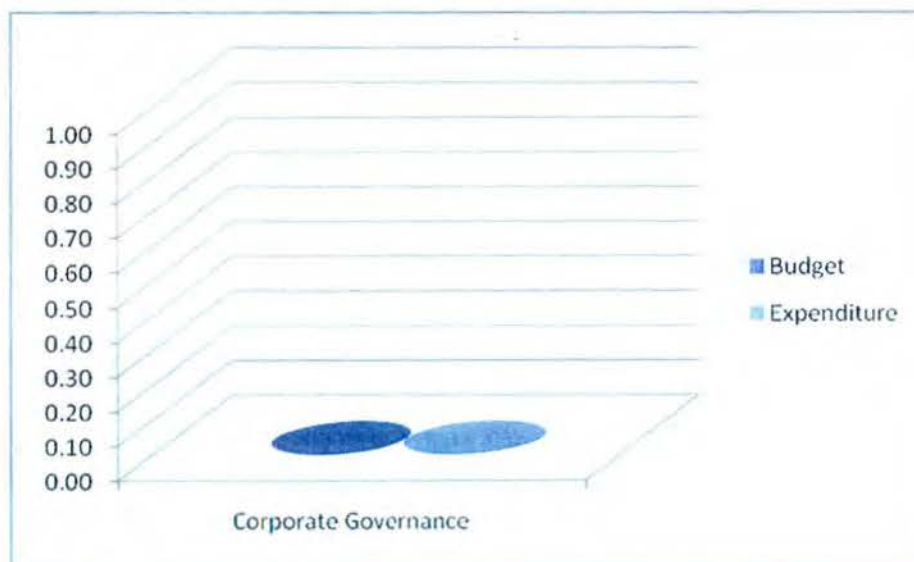
According to the report, the non-spending of the allocated budget was as a result of non- compilation of the monitoring and evaluation report and human resource constraints.

### KPA3: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

**Table 4.57: Good corporate governance, public participation and ward committee system**

Measurable objective	Year	Budget ( R )	Expenditure ( R )	Variance ( R )	%
To encourage good corporate governance, public participation and ward committee system	2010-2011	0.00	0.00	0.00	#DIV/0!

**Figure 4.57: Corporate governance**

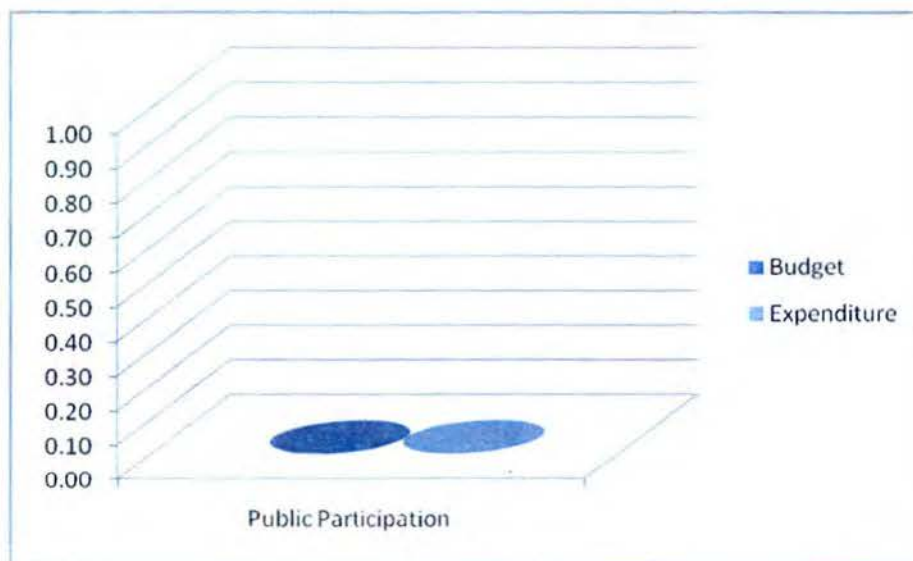


The internal budget was utilised to achieve the targets of corporate governance under equitable share.

**Table 4.58: Public participation**

Measurable objective	Year	Budget	Expenditure	Variance	%
Promote public participation	2010-2011	0.00	0.00	0.00	#DIV/0!

**Figure 4.58: Public participation**

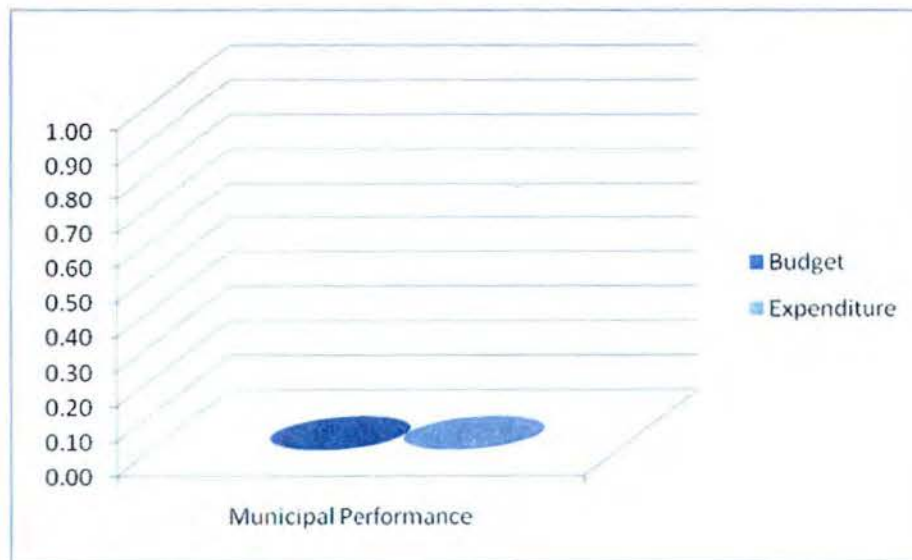


The internal budget was utilised for the public participation objective; hence no budget and expenditure were registered.

**Table 4.59: Implement municipal performance management in line with chapter 6 of MSA**

Measurable objective	Year	Budget (R )	Expenditure ( R )	Variance ( R )	%
To implement municipal performance management in line with chapter 6 of MSA	2010-2011	0.00	0.00	0.00	#DIV/0!

**Figure 4.59: Municipal performance**



The focus of this objective was on the alignment of performance agreements to DPLG regulations and to coordinate the municipality strategic planning section. It is not clear whether indeed the agreements were aligned.

**Table 4.60: Internal audit services**

Measurable objective	Year	Budget ( R )	Expenditure ( R )	Variance ( R )	%
To manage and coordinate internal audit services	2010-2011	0.00	0.00	0.00	#DIV/0!

**Figure 4.60: Internal audit services**



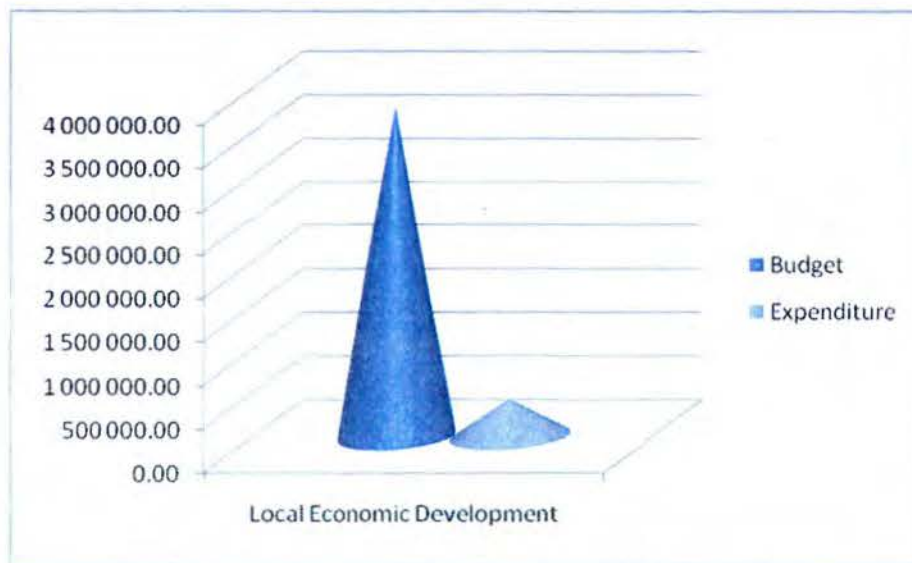
The internal budget was utilised but indication is that the unit was not established. The audit strategy was developed and was awaiting implementation.

## KPA4: LOCAL ECONOMIC DEVELOPMENT

**Table 4.61: Local economic development**

Measurable objective	Year	Budget	Expenditure	Variance	%
To promote local economic development, tourism and rural development	2010-2011	3 800 000.00	425 000.00	3 375 000.00	11%

**Figure 4.61: Local economic development**



The spending of only 11% for local economic development is attributed to the fact that the rural development strategy that was planned to be developed and implemented was not carried out. Cash flow challenges were experienced. Projects could not be implemented and the training that was planned for the SMMEs could not be carried out.

## KPA 5: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

**Table 4.62: Financial viability and management**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To ensure sound financial management services in line with legislation reporting, budgeting and accounting	2010-2011	0.00	0.00	0.00	#DIV/0!

**Figure 4.62: Financial viability and management**



No budget was allocated for the objective and therefore expenditure was at 0%. Greater focus was on internal controls and policies.

**Table 4.63: Revenue and debtor management control**

Measurable objective	Year	Budget ( R )	Expenditure ( R )	Variance ( R )	%
To provide revenue and debtor management control	2010-2011	1 200 000.00	1 090 283.00	109 717.00	91%

**Figure 4.63: Revenue and debtor management**

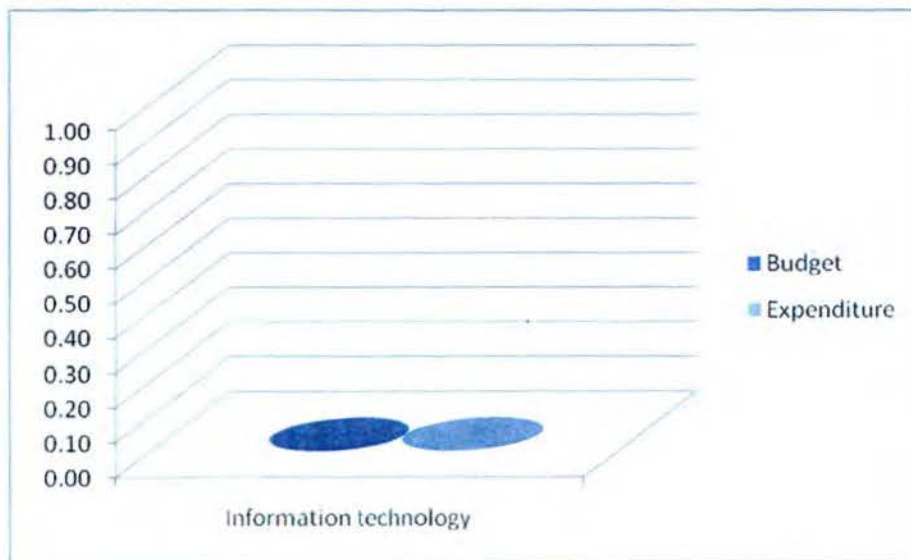


The budget allocated to the objective in Figure 4.63 and Table 4.63 was utilised to update the debtors data base and to incorporate the report into the revenue strategy through a consultant. The objective was achieved resulting in the spending of 91%.

**Table 4.64: Information technology**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To provide information technology	2010-2011	0.00	0.00	0.00	#DIV/0!

**Figure 4.64: Information technology**



No specific budget was allocated for this objective. The internal budget was planned to implement the call centre but the objective was not reached.

**Table 4. 65: Render expenditure and asset management**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To render expenditure and asset management	2010-2011	800 000.00	0.00	800 000.00	0%

**Figure 4.65: Expenditure and asset management**



The budget was set aside to develop an asset register that was Generally Accepted Accounting Practices (GRAP 17) compliant. The objective was not achieved hence the nil spending on the budget.

**Table 4.66: To render accounting services**

Measurable objective	Year	Budget (R)	Expenditure (R)	Variance (R)	%
To render accounting services	2010-2011	1 700 000.00	0.00	1 700 000.00	0%

**Figure 4.66: Accounting services**



According to the annual report of the municipality, budget was set aside for compiling a valid valuation roll. The objective is indicated as achieved and that the internal budget was used. However, it is not clear how much was spent in achieving the objective.

## **2011/ 2012 Annual Report**

The researcher was unable to perform the analysis of the 2011/2012 annual report because at the time that the research was conducted the municipality was undergoing the 2011/2012 audit and the annual report had not as yet been tabled.

### **4.5 ANALYSIS OF PERFORMANCE OF MUNICIPAL INFRASTRUCTURE GRANT FOR 2009/2010, 2010/2011 AND 2011/2012**

In order to perform a comprehensive analysis of the MLM budget performance, the researcher deemed it necessary to bring in the element of the MIG spending patterns. The analysis was conducted to obtain the overall performance of the grant for the past three years in percentage trend.

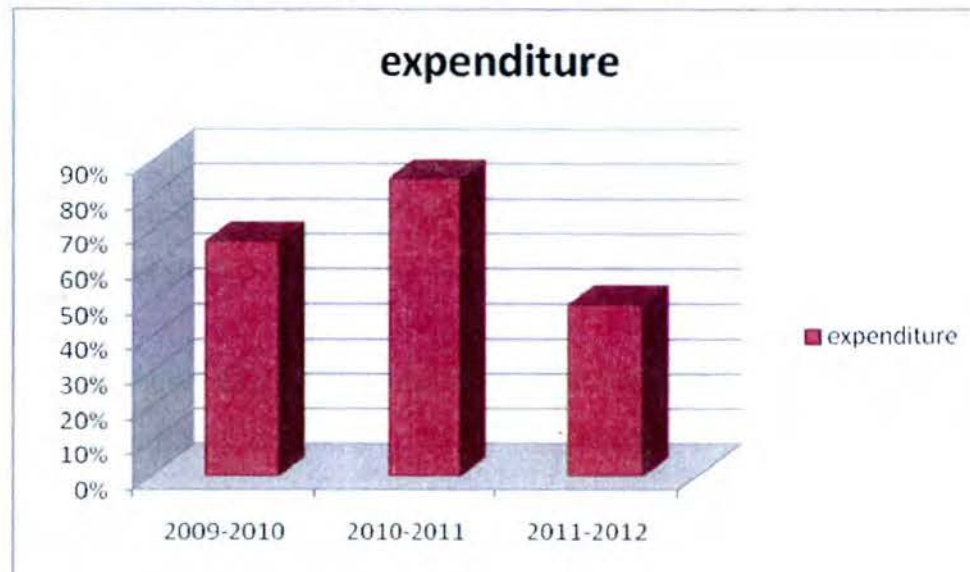
The main objective of the MIG is outlined in the Department of Provincial and Local Government's National MIG Management Unit programme, Processes and Procedures Unit Report of 2006. The objective is that National Government provides infrastructure facilities to ensure that all households have access to a basic level of infrastructure services.

The overall analysis of the spending patterns of the Mafikeng Local Municipality for the past three years is depicted in Table 4.67 and Figure 4.67 as obtained from the records of the Ngaka Modiri Molema District Municipality 2012 Lekgotla presentation.

**Table 4.67: Performance of MIG for Mafikeng Local Municipality**

Municipality	2009-2010		2010-2011		2011-2012	
	Allocation ( R )	% Exp	Allocation ( R )	% Exp	Allocation ( R )	% Exp
Mafikeng	25 291 000.00	67%	29 417 000.00	85%	35 380 456.00	49%

**Figure 4.67: MIG expenditure performance**



The above figure indicates a slight improvement in the 2010-2011 budgets when compared with that of the other years. The reason for this is that the municipality utilised the budget for planned projects. However, the expenditure pattern declined in 2011/12, an indication that suggests the planned projects were not achieved.

## **4.6 SUMMARY**

This chapter outlined the analysis carried out in the surveys to determine the effectiveness of performance budgeting in the Mafikeng Local Municipality. The analysis was conducted by means of two methods, quantitative and qualitative, by utilising the information in the annual reports of the municipality and by means of structured questionnaires in the form of interviews.

The quantitative analysis of the information obtained from the annual reports indicated that in all planned key performance areas, under spending of the budget was evident. Under spending of the budget is an indication of non-integration of budget as well as poor planning on the part of the municipality.

The situation can be attributed to under-targeting of annual targets or over-budgeting on measurable objectives. Again the impact of the situation resulted from the non-alignment of budgeting and setting of targets or plans by the municipality.

Qualitative analysis was carried out to obtain a holistic view of the performance budgeting in the municipality. The results indicated that there were challenges in the municipality in terms of alignment of the budgeting and planning as respondents provided different views on the aspects.

Another challenge that emerged clearly in the analysis was the lack or different understandings of the processes and procedures in the municipality by senior management that might impact negatively on the quality, accuracy and timely submission of annual reports to the Legislature and the annual financial statements to the AG as indicated in chapter one.

The municipality does not have well-implemented systems to measure its performance information and there is also a challenge of accountability as indicated in the analysis. The analysis on the municipal infrastructure grant was highlighted in terms of spending patterns.

The following chapter focuses on the concluding remarks and recommendations.

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

Chapter five discusses the research conducted and provides the major findings of the study. The purpose of the research was to assess the alignment of budgeting and planning within the Mafikeng Local Municipality. The research also aimed at assessing the effectiveness of the budgeting and planning tools or systems in the municipality. This chapter provides a brief discussion, recommendations and conclusion.

#### **5.2 THEORETICAL FINDINGS**

The study was carried out with the purpose of establishing the alignment of budgeting and planning in the Mafikeng local municipality in the context of providing services to communities within the limited resources available.

Two survey methods were utilised in the study in order to explain and understand the situation in the municipality. The budget and expenditure data from the annual reports was utilised as well as structured interview questionnaires which were administered to a specific group in the municipality.

During the analysis of the quantitative data obtained from the annual reports, it was evident that the municipality was under spending by 95% in all planned service deliveries as all the planned measurable objectives were performing below the expected percentage of spending.

The municipality had clear key performance areas as areas of focus in terms of service delivery. The areas were allocated budget, but the municipality was unable to spend the entire budget at the end of each financial year analysed. Several challenges and explanations were provided indicating reasons for underperformance on certain measurable objectives. Also an analysis of the MIG spending patterns was conducted to determine the level of spending by the municipality. The analysis revealed a skewed pattern as the indication was that the municipality was able to spend 85% of the budget in one year and 49% in another.

Lack of spending of the budget allocated to specific planned projects posed a huge risk to the municipality in the sense that community expectations were raised during the Imbizos and IDP consultative forums but the expectations were not met. Failure by the municipality to provide communities with planned service delivery projects may lead to community protests.

The other risk or impact of non-spending of the budget on planned projects led to a backlog of services. Non-compliance with the IDP and the MFMA in terms of budget management was also a threat to the municipality that led to non-alignment of processes such as the budget and the IDP.

### **5.3 EMPIRICAL FINDINGS**

The analysis conducted of the interviews revealed a lack of understanding of systems, procedures as well as laws and regulations by management of the municipality. The analysis also revealed challenges with regard to planning, budgeting and reporting in the municipality.

The interviews revealed that the municipality was not yet implementing performance budgeting and that the two processes were not synergised.

There were also gaps in terms of monitoring and evaluation in the municipality and, as a result, the issues of budgeting and planning were not discussed at a strategic level in the municipality. The municipality was also seen as not placing much attention on the performance information and putting in place systems to report its performance against the allocated budget which was the area of focus for the AG in the coming year.

The significance of all the above challenges is that in the coming years, the focus of the AG will shift from auditing and expressing an audit opinion only on the financial information to performance audits. There are gaps in the system that the municipality must address in order to be able to prepare for the audit on performance audits. The following are some of the identified gaps in the municipality's system in terms of performance budgeting:

- No systems in place to measure performance
- Disregard of legislation governing budgeting and planning processes
- Budgeting and planning not aligned
- No proper reporting mechanisms in place
- Under spending of the equitable share budget as well as the MIG
- Ineffective budget management systems
- Underperformance in terms of targets set
- Ineffective systems of internal controls
- Budgeting done only by the finance department
- Lack of ownership of reports in the municipality
- Budgeting and planning not addressed at a strategic level
- Too much reliance on the SDBIP and no system
- Lack of understanding of corporate governance matters at management level

## **5.4 THEORETICAL AND EMPIRICAL FINDINGS**

The theoretical and empirical findings in this study both indicate that the municipality has not implemented performance budgeting as required. The findings also identified gaps in the municipality's planning documents and its budget processes. The gaps indicate that budgeting and planning in the municipality are not aligned.

The comparison that was done in chapter two of the Tanzanian and Andhra Pradesh states on the performance budgeting found out that it is possible to implement performance budgeting by the government and that the implementation could benefit organisations if implemented correctly.

## **5.5 CONCLUSION**

This chapter provided discussions on the findings of the study as well as recommendations on how to overcome challenges or gaps identified. The Mafikeng Local Municipality was the organisation under study. Therefore, the findings of this study are intended solely for the Mafikeng Local Municipality and may not be compared or generalised to other municipalities in and outside the province.

## **5.6 RECOMMENDATIONS**

In the light of all the above challenges it is clear that the municipality is far from implementing performance budgeting and that it will continue to receive a bad audit opinion from the AG should matters not improve in the coming years. Therefore, the following are recommendations that could be useful to the municipality in order to turn the situation around.

### **5.6.1 Budgeting and Planning**

Aligning the budgeting and planning process is the first step that the municipality needs to implement in order to improve the material under spending of the budget. Senior management of the municipality must, on an annual basis, develop a strategic planning document that will inform their annual performance with clear goals and targets.

The annual performance document must then indicate clear key deliverables which are costed and are compliant with the SMART Principle, (Specific, measurable, achievable, reliable and time-bound). The strategic document should address long-term plans of the municipality whereas the annual performance plan must address the short-term plans of the municipality. These two documents must then be the basis of developing the IDP and the SDBIP and the performance agreements of senior management. All the mentioned documents will then be the road map for ensuring that the municipality delivers proper services to its communities.

### **5.6.2 Reporting**

Accurate, available and reliable information is a key factor in achieving a clean audit in any organisation. Clear guidelines are provided in the legislation that governs local government through which accounting officers could be held liable should they be found to be not complying with these pieces of legislation.

Senior management in the municipality must exercise oversight to ensure that monthly, quarterly and annual reports are presented and discussed at the executive management meetings.

Reporting time frames must be observed by the municipality in ensuring that annual reports at the end of the year are produced. A reporting framework as outlined in chapter two must be adopted and implemented by the municipality as a guide for the reporting formats.

Record keeping is also a critical factor if the municipality intends turning around the situation. The research identified that the municipality does not have a proper records management system in place, hence the low opinion of the AG. Management of the municipality must hold each manager accountable for reporting in their area of responsibility and ensure that there is a continuous maintenance of proper record keeping in the municipality.

### **5.6.3 Weakness in Internal Control Systems**

The research identified that one of the major reasons of under spending of the budget by the municipality was due to weaknesses in the internal control systems.

Internal controls such as policies, budget procedures, approved structure, lack of development and approval of planning documentations were all contributing to non-alignment of processes in the municipality.

The executive management of the municipality must ensure that they develop, approve and implement all relevant key policies that will enable programme managers to implement planned programmes in line with the budget.

Approval of the structure and appointment of key personnel in critical positions will ensure that the municipality achieves its objective. Continuous monitoring and review of controls by management will also alleviate some of the challenges faced by the municipality.

#### **5.6.4 Compliance with Laws and Regulations**

A question was posed to the participants in the interview regarding improvements that could be implemented in the municipality. All the responses to the questions highlighted compliance with MFMA. Indication from this response is that there was a gap in the municipality with regard to compliance with laws and regulations.

Municipalities are governed by many regulations. Non-compliance with these regulations implies that there is insufficient knowledge of these regulations among personnel in the municipality.

In order to address the situation, management of the municipality must hold any person found to be transgressing regulations accountable. Tighter controls should be put in place to ensure compliance. Regular workshops must be held with the personnel of the municipality regarding these laws and regulations.

Senior management of the municipality must set the tone. By implementing a culture of compliance from the top, other personnel in the municipality will also internalise the culture of compliance.

#### **5.6.5 Leadership and Accountability**

Leadership and accountability form the cornerstone of any successful organisation. The Municipal Finance Management Act stipulates clearly the importance of leadership and accountability in local government.

The research identified gaps or challenges in the leadership and accountability aspect in the municipality. Senior management of the municipality must provide leadership and become accountable for all responsibilities that are executed in the municipality, in order for the municipality to succeed and become viable as one of its key performance areas suggests.

The type of leadership that is needed in the Mafikeng Local Municipality is the transformational type of leadership. According to Daft (2011:320), transformational leadership is characterised by the ability to bring about significant change in both the followers and the organisation.

The author, (2011:320) also asserts that transformational leaders have the ability to lead changes in an organisation's vision, strategy and culture as well as promote innovation in product and technologies.

Without proper guidance at the strategic level that will guide the direction and the shape that the municipality must take, achieving a clean audit report by 2014 will not be possible.

As the analysis of the 2011-2012 annual report was not performed, it becomes necessary for this study to be conducted further in order to include the audit findings of the 2011-2012 audits. It is also essential to determine the situation from the time of this study in order to establish later the extent of progress made and opinion received from the office of the auditor general.

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