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Examining the organizational management failures resulting in irregular expenditure: A case of Tswaing Local Municipality

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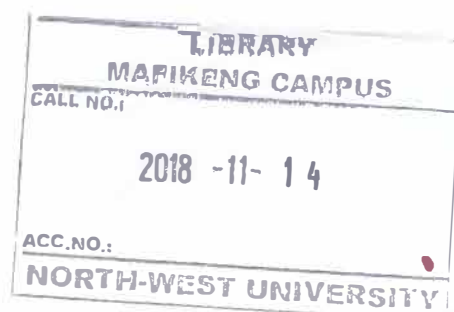
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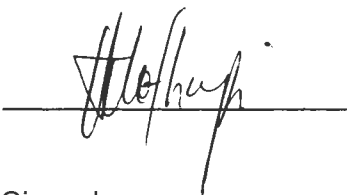
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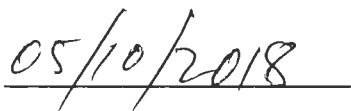


DECLARATION

I, Rev AUCHALIE JOHANNES MOTHUPI, declare that this study titled, “*Examining the organizational management failures resulting in irregular expenditure: A case of Tswaing Local Municipality*,” is my own work carried out under the supervision of Prof Ravinder Rena. This dissertation has not been submitted for any degree at any other university. All sources used in the study have been strictly indicated and acknowledged through references.

A handwritten signature in black ink, appearing to read 'A. J. Mothupi', is written over a horizontal line.

Signed

A handwritten date '05/10/2018' in black ink is written over a horizontal line.

Date

ACKNOWLEDGEMENTS



First, I want to thank God for his grace to sustain me throughout the course of this study. I acknowledge my indebtedness to my supervisor, Prof Ravinder Rena, for his patience and constructive contributions to make this study a success. I appreciate the fatherly relationship you maintained during the course of this study, thank you.

My deepest gratitude goes to my family, my wife Kagiso Mothupi, my mother and my in laws for their prayers and support throughout the period of this study.

Above all I wish to thank God to sustain me throughout it is by His grace.

Rev A.J MOTHUPI _____

DATE: _____

DEDICATION

I dedicate this dissertation to God who showered me and my family his mercies to complete this work.

ABSTRACT

The financial reports presented by the Auditor General of the North West province have confirmed the existence of some irregular, unauthorized, wasteful, fruitless and under expenditures in many financial years. This study aimed at identifying and establishing the organizational management failures resulting in irregular expenditure in Tswaing Local Municipality. The study adopted a social constructivist paradigm which enhanced adequate understanding of participants' opinions, traditional and social understanding of the phenomenon under study through interactions. A qualitative approach was applied as well as an exploratory design which enabled the researcher to use diverse methods such as document enquiry and interviews to determine the historical and actual cause of the study problem. The population of the study consists of 69 municipal financial workers and 6 senior managers selected for interviews using a purposive sampling method and the study also recorded a 100% response rate. Data were analysed using the Statistical Package for Social Sciences (SPSS). The study identified factors such as inability to follow competitive tender processes, inability to follow procedures in spending financial resources and inability to comply with the financial and treasury regulations as the factors that result in the irregular expenditure in the Municipality. Other factors such as the inability to conduct adequate internal control measures, benchmarking, budgeting, risk management, auditing, financial reporting, adequate planning, and other human resource problems are established as the organisational management failures that lead to irregular expenditure. The study recommends, among others, that the municipal role-players should follow financial regulations and procedures, tender process bids, as well as conducting variance analysis, auditing, internal control measures and benchmarking while disciplinary actions, expulsion and legal actions should be taken against culprits to reduce fraud in the Municipality.

Key concepts – Irregular Expenditure; Organizational Management Failures; Tswaing Local Municipality; Internal Control Measures; Public Financial Management act and Municipal Finance Management.

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LIST OF ACRONYMS

AG:	Auditor General
CFO:	Chief Financial Officer
ICAEW:	Institute of Chartered Accountants in England & Wales
IDP:	Independent Development Programme
IR:	Irregular Expenditure
IRM:	Institute of Risk Management
MFMA:	Municipal Financial Management Act
MSA:	Municipal Systems Act
MTREF:	Medium Term Revenue and Expenditure Framework
PFMA:	Public Financial Management Act
SDBIP:	Service Delivery and Budget Implementation Programme

CHAPTER ONE

INTRODUCTION AND OVERVIEW OF THE STUDY

1.1 Introduction

The attainment of independence by South Africans in 1994 brought some changes in the municipal governance and it is documented as having a history of poor governance. Consequent to these changes, the Constitution of the Republic was enacted in 1996 indicating precepts by which the National, Provincial, and the Municipalities would be governed (Manyaka, 2014). The Local Municipality is placed by the Constitution as the third arm of government as it falls just below the Provincial government. This transformation introduced other Acts such as the Public Financial Management Act, Municipal Financial Management Act, Municipal Systems Act and the Municipal Structures Act that supported Municipalities to raise own revenue and to make effective use of the available funds to ensure equitable service delivery.

The purpose of this research was to investigate the operational management roles and responsibilities towards reducing irregular expenditure in Tswaing Local Municipality of the North West province in South Africa. The concept of irregular expenditure dates as far back as 1994, as a result of the changing financial management systems and the global conditions in which we find ourselves within South Africa. The concept of irregular expenditure was introduced during the adoption of the South African constitution in 1996 (National Treasury, 2010).

This chapter provides the overview of the study, problem statement, research objective which is followed by the research questions. The importance and benefits of the study, assumptions and delimitations of the study are also discussed.

1.2 Overview of Tswaing Local Municipality

This study was conducted in Tswaing Local Municipality which is one of the five Local Municipalities in the Ngaka Modiri Molema district. Tswaing Municipality is made up of 15 wards with major towns such as Sannieshof, Ottosdal and Delareyville which is the capital territory. The major occupation in the Tswaing Local

Municipality includes civil service, agriculture and mining. Figure 1.1 presents the map of Tswaing Municipality showing the neighbouring Local Municipalities.

Figure 1.1 Map of Tswaing Municipality showing other Local Municipalities in NMMD



Source: Local Government Handbook (2015)

1.2.1 Demography of Tswaing Local Municipality

Population

The land mass of Tswaing Local Municipality covers the area of 5 966km sq with a population density of 129 052 people. Table 1.1 presents the population structure of Tswaing Local Municipality.

Table 1.1: Population cohorts of Tswaing Local Municipality

Population	Percentage in 2016
Population under 15	29.4%
Population 15-64	65.4%
Population over 65	5.3%

Source: Local Government Handbook (2015)

From the Table above, population distribution by cohorts reveals that ages from 15-64 dominates the population fraction. Hence, the population of Tswaing Local Municipality is a youthful population.

Education

Table 1.2 presents the educational statistics of Tswaing Local Municipality

Education (Aged 20+)	Percentage in 2016
No Proper education	16.8%
Matric	20%
Tertiary education	4.1%

Source: Local Government Handbook (2015)

Table 1.2 portrays that fewer individuals within the Municipality have the opportunity to acquire some form of tertiary education.

Household dynamics

The total of 35 300 households are obtained in Tswaing Municipality. Table 1.3 presents the household dynamics of Tswaing Local Municipality.

Table 1.3: Household dynamics of Tswaing Local Municipality

Household dynamics	Percentage in 2016
Average household size	3.7%
Female headed household	36.2%
Formal dwellings	80.9%
Housing owned	67%

Source: Local Government Handbook (2015)

It is observable that Tswaing Local Municipality has more formal dwelling to provide municipal services.

Service delivery

Table 1.4 presents the basic services delivered by the municipal management of Tswaing Local Municipality.

Table 1.4: Basic service delivery by Tswaing Local Municipality

Designation	Total number of households
Water	4000
Electricity	4000
Sewerage and sanitation	4000
Solid waste services	4000

Source: Local Government Handbook (2015)

The above table informs that the municipal administration has numerous responsibilities in order to insure that equitable services are provided to the 4000 households.

1.3 Overview of the study

The annual reports of South African Municipalities have been criticized by the Auditor General. This is as a result of the many management failures that have resulted in irregular and unauthorised expenditure as well as wasteful, fruitless and under expenditure (National Treasury, 2014). According to DuBrin (2013), management can be regarded as an act of planning, organising, controlling, and directing business activities to achieve organisational goals. In this regard, it is deemed obligatory that the municipal workers should effectively manage the inflow and outflow of funds in the Municipality to avoid failures which may result in irregular expenditure. Ensor (2011) attributes the management failures that result in irregular expenses to weakness in the supply chain management, incompetency in handling information technology, lapses in human resource management and performance reporting. Scholars in municipal finance have different perceptions on the major causes of management failures resulting in irregular expenditure.

In other countries, irregular expenditure has been viewed in different ways in order to achieve a clean audit report. In Kenya, the concept of irregular expenditure is regarded as expenditure and other unauthorized expenditure made in contravention of the law and regulations (National Treasury, 2014). According to an analysis by Kenya's Auditor-General in 2013/2014, there also exist detailed irregular payments, unauthorized expenditures, diversion of funds, and in most instances, looting of public funds by government role-players in the process of utilizing government funds in Kenya. In Brazil, irregular expenditure is viewed as expenditure incurred in violation of the laws, regulations and code of conduct.

This study investigates the organisational management failures resulting in irregular expenditure in Tswaing Municipality of the North West Province, South Africa. The Auditor-General posits that the major cases of irregular expenditure in the public organisations occur during the procurement of goods and services. The Public Financial Management Act, Act 1 of 1999 and the Municipal Finance Management Act, Act 56 of 2003 posit irregular expenditure as an unauthorised expenditure that is incurred in violation of what is not acceptable with the requirement of the legislations of any applicable legislation, as well as –

(a) Act (PFMA); or

- (b) State Tender Board Act, 1968 or other regulations prepared in terms of that Act; or
- (c) Any provincial legislation providing for procurement procedures in that provincial government

In South Africa, 319 audits were completed in the 2014/2015 financial year, 22 Municipalities achieved a complete audit and eight municipal entities achieved clean audits (Auditor General, 2014). This constitutes an overall 9% as compared to the 5% obtained in the 2012/2013 financial year. In 2012/2013 financial year to 2014/2015 financial year, it was recorded that only 30 clean audits were obtained from the 319 Municipalities across the country. It is also noted that the 13 Municipalities that obtained clean audit in the 2012/2013 financial year sustained their achievement competently (Auditor General, 2014). Despite the commitment made by the government since 2011-2012 to achieve clean audit reports from the Municipalities, the results have shown negative audit outcomes.

The Auditor General (2014) avers that three provinces failed to produce any Municipality with clean audits. The provinces are the Free State, North West and Limpopo. The report revealed that, the Western Cape, KwaZulu-Natal and the Gauteng are the provinces that have the highest number of Municipalities with clean audits. According to Auditor General (2014), irregular expenditures in Municipalities in 2014/2015 remain a serious problem in the South African context. In the 2015 South African municipal report, Tswaing Local Municipality was one of the five Local Municipalities of the Ngaka Modiri Molema District Municipalities of the North West province of South Africa that have not achieved any clean audit in the past years. In a preliminary study, the financial statements of some entities were collected to scrutinise the level of irregular expenditure and achievement of clean audit reports. Also, the financial statement of Tswaing Municipality was collected to show the level of irregular expenditure in the Municipality.

Table 1.5 presents the audit report of government entities in South Africa while Table 1.6 presents the financial statement of Tswaing Municipality showing the irregular expenditure from 2010/2011 to 2014/2015 financial years.

Table 1.5: Audit Opinions on all public sectors entities for 2010/11 financial year

Audit Outcome	National Government & Entities		Provincial Government		Local Government	
	2011/ 2010	2010/ 2009	2011/ 2010	2010/ 2009	2011/ 2010	2010/ 2009
Clean Audit Report	116	145	46	54	13	17
Unqualified Audit Report	163	119	140	153	114	149
Qualified Opinion	24	30	47	42	54	55
Adverse Opinion	3	3	1	1	7	7
Disclaimer Opinion	5	4	8	19	57	58
Outstanding Audit Report	5	2	29	11	38	51

Source: Auditor General Financial Report in the North West province (2012)

Table 1.6: Established irregular expenditure in Tswaing Local Municipality

Auditee	Audit year	Irregular expenditure	Cumulative irregular expenditure
Tswaing Local Municipality	2010/2011	6 644 604	6 644 604
Tswaing Local Municipality	2011/2012	16 501 082	23 145 686
Tswaing Local Municipality	2012/2013	49 295 192	72 440 878
Tswaing Local Municipality	2013/2014	12 085 714	84 526 592
Tswaing Local Municipality	2014/2015	6 693 623	91 220 215

Source: Financial department of Tswaing Local Municipality (2016)

1.4 Problem statement

According to Table 1.5, it is observable that there has been management failures in the Tswaing Local Municipality as they have not achieved a clean audit report due to the irregular expenditure as obtained in 2010/2011 to 2014/2015 financial years. It is ostensible that the municipal financial management unit has been deviating from abiding with the legislative precepts as indicated by the Public Financial Management Act and the Municipal Financial Management Act. The problem persists and the situation is worsening as Table 1.5 confirms the cumulative irregular expenditure from 2010/2011 to 2014/2015 amounts to over ninety one million rand. It is deemed necessary to conduct a research to know why there exists irregular expenditure in Tswaing Municipality and to find soluble measures to arrest the deteriorating situation.

1.5 Aims and contributions of the study

The study will contribute in establishing organisational and management measures to reduce irregular expenditure in the Tswaing Local Municipality which may lead to improved audit opinions and service delivery. The study will further establish a link between organisational and management failures resulting to irregular expenditures in the Tswaing Local Municipality and other Municipalities that experience the same financial mismanagement. The study will also be useful in providing knowledge to policy makers, also in academia and the communities that are served by the Tswaing Local Municipality.

1.6 Research questions

The research questions this study addresses are:

- What is irregular expenditure according to the Municipal Finance Management Act (MFMA) and international practice?
- What are the factors contributing to irregular expenditure in Tswaing Local Municipality?

- What organisational management failures resulted in irregular expenditure in Tswaing Municipality?
- What are the current measures put in place by management to reduce irregular expenditure in the Municipality?

1.7 Research objectives

The following are the research objectives of this study:

- To identify the context of irregular expenditure as defined by MFMA in Tswaing Municipality and as identified by literature.
- To identify factors contributing to irregular expenditure in Tswaing Municipality
- To establish the organisational management failures that result in irregular expenditures in the Tswaing Local Municipality.
- To offer possible solutions to reduce irregular expenditure in the Tswaing Local Municipality.

1.8 Delimitations of the study

This study is delimited to the Tswaing Local Municipality. The participants of the study are the municipal financial workers in the Municipality. The study is strictly confined to matters related to municipal financial management and in the area of irregular expenditure. The study area is deemed to be a microcosm of similar Local Municipalities elsewhere in South Africa.

1.9 Structure of the dissertation

The structure of the dissertation follows the following format:

Chapter one: Introduction and the overview of the study

This chapter clarifies the nature of the study including the introduction, background of the study, the aims of the study. Other topics which are presented include the

problem statement, research questions, and research objectives, delimitation of the study and the layout of the final report.

Chapter two: Literature review

Chapter two provides the literature review. The review of scholarly articles on the causes of management failures that contribute to irregular expenses was made, together with a review of some municipal legislation that explain the context of irregular expenditure.

Chapter three: Research Methodology

This chapter provides the relevant research methods used to achieve the purpose of the study. The topics presented include research approach, research population, sampling and sampling techniques, data collection instruments, data analysis, reliability and validity and the observed ethical guidelines.

Chapter four: Presentation and analysis of data

Chapter four dealt with the presentation and analysis of data collected from the respondents.

Chapter five: Recommendations and concluding remarks

Chapter five presents the overview of the chapters, recommendations, limitations of the study and the concluding remarks.

1.10 Chapter summary

Chapter one provides the introduction and overview of the study. Other topics presented include the problem statement, the aims and contributions of the study, research questions and the research objectives. Also, the delimitations of the study and the structure of the dissertation were explained. The next chapter presents the literature review of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides the literature review of the study. The meaning of financial management and the legislations that underpins the municipal management are presented. The context of irregular expenditure and management failures that result in irregular expenditure are also presented to find answers to the research questions.

2.2 Municipal Financial Management

Local Municipalities in South Africa raise revenue through own sources and through inter-governmental transfers. According to Pauw, Woods, Van der Linde, Fourie, and Visser (2013), financial management is a management strategy which an organization adopts to achieve its financial goals. The actualization of these financial goals entails analysing financial opportunities, evaluating investment opportunities and monitoring the financial implications of the investment. Furthermore, Pauw *et al.* (2013) established three basic fundamentals of financial management as why, what and how financial resources can be effectively maximized and managed.

“Why should we manage the financial resources of the Local Municipalities?” This question in this category gives the Municipality a guideline and a direction in getting involved in any financial activity. It should be clearly guided that the business aim of Municipalities is to maximize profit and minimize cost in business opportunities, and also to secure the available financial resources for the interest of the residents.

“What is the function of financial management?” This question helps to ascertain the basic function of financial management. Pauw *et al.* (2013) recognized the basic functions of financial management as assessing and sourcing of funds, making of sound strategies for management of finance, making of targets, measuring and evaluating of targets, presentation of results and remedial actions to deviations.

“How are the financial resources of the Municipalities managed?” The process by which the Municipalities manage their financial resources is determined by answering this question. The municipal managers and the accountants are expected to implement reasonable policies that will be able to guide municipal financial

management, make good budgets, monitor budgets, raise technological standards, and make proper account on revenue and expenditure which will help the Municipality to achieve their desired objectives.

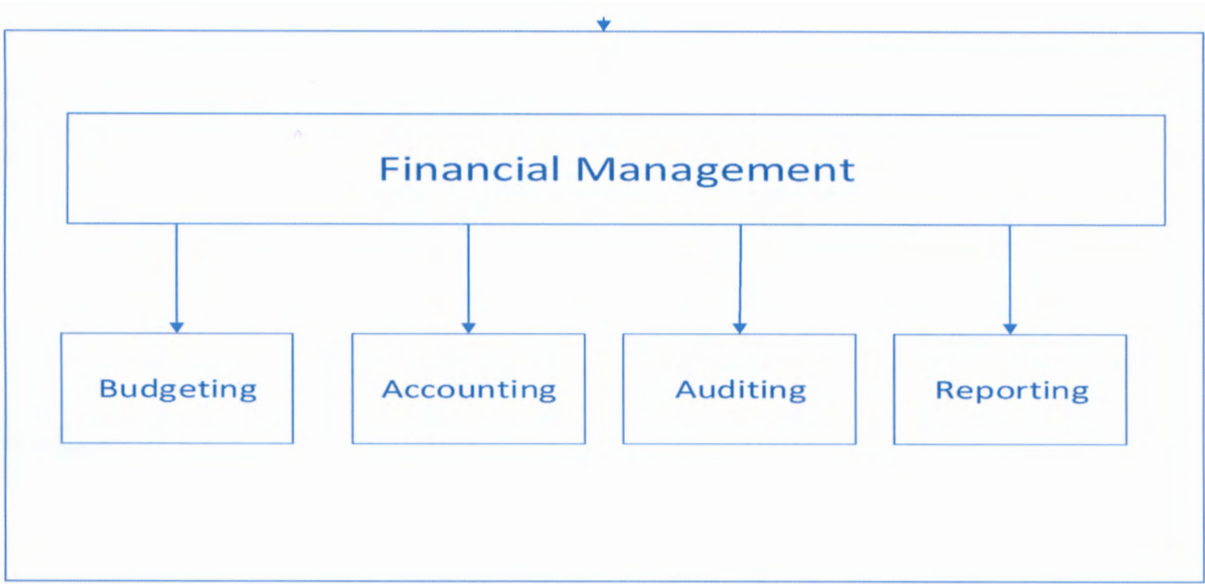
Fourie and Opperman (2011) asserts that municipal financial management is the aspect of management that ensures that the Municipality raises enough funds from tax payers, makes resourceful use of the funds, and provides the needs of the citizens and accounts for the funds raised from the taxpayers. Furthermore, the fundamental function of the municipal financial management is seen to be sourcing of financial resources and making effective use of the sourced resources.

According to Banerjee (2015) financial management is the act by which funds are acquired for the organisation. Financial management also aids in making an investment decision and ensuring that investments are profit oriented. Financial management is a very sensitive aspect of the organisation because it enhances the choice of financial decisions, investments and dividend sharing. The maximisation of profit depends on the wise financial decision and investment by the top management of the Municipality (Oberholzer, 2011). Furthermore, it is a well-known fact that lack of financial management will have a setback in the service provision duties of the Municipality.

Municipal financial management enables the Municipality to source revenue to ensure that the basic needs of the residents are provided (Blore, Devas & Slater, 2004). Furthermore, the financial management functions of the Municipality involve raising revenue for the Municipality, making taxes reasonable and collection of taxes, service provision and subsidising for the services, accounting for the financial resources and monitoring the financial resources.

Financial management is the aspect of management that ensures that the Municipality gathers and makes use of the accrued funds in an effective and efficient way (Venkateswaran, 2014). Municipal financial management consists of four major important aspects namely, budgeting, accounting reporting and auditing. These aspects of financial management help the Municipalities to manage their available resources effectively to ensure that the Municipality perform their constitutional duties to the residents. Figure 2.1 below shows the link between financial management and its categories.

Figure 2.1 Aspects of Financial Management



Source: Adapted from Blore, Devas & Slater (2004)

2.2.1 Budgeting

Municipal budgeting is a planning activity that involves forecasting the expected revenue that will be mobilised by a Municipality and anticipated expenditure in a given financial year (Blore *et al.*, 2004; Fourie and Opperman, 2011). Municipal budgeting represents a comprehensive corporate plan for financial control and an intensive guide to limiting expenditure in the financial management practice. Devas *et al.* (2008) assert that municipal budget encompasses the necessary development plans that a Municipality adopts in achieving its long-term and medium-term objectives. Furthermore, the content of the municipal budget may include the income and expenditure targets, the revenue sources, the expected expenditure, threats to budget objectives and combination of strategic networks for achieving the objectives (Devas *et al.*, 2008).

However, the budget provides a direction of expected income and expenditure for a financial year; in most developed countries, some Municipalities hardly use budgets as a monitoring tool to achieve municipal effective performance. In Republic of South Africa, the Municipal Financial Management Act, (No 56 of 2003) states the contents of municipal budgets as the total expected revenue for the financial year, expected

total expenditure for the financial year, expected revenue on each revenue source, and an information concerning amendments on the expected income and expenditure which will tend to effect the voted budget.

2.2.2 Accounting

Municipal accounting is a process of recording, classifying, interpreting and presenting financially related information of the Municipality over a period of time (Devas *et al.*, 2008). Municipalities receive funds from many sources and it is the duty of the municipal accountant to record and present the financial receipts and expenditures made by the Municipality. Hence, it is deemed necessary to employ a certified accountant for this task to ensure an effective record and performance. The prime objective of preparing a financial record is to ascertain the financial position of the Municipality and to know the changes in the cash receipts and expenditure over time (Fourie and Opperman, 2011).

The preparation and presentation of a financial statement enable the entire public to know the flow of funds in the Municipality and how credible they are in handling municipal finance (Fourie and Opperman, 2011). Municipal accounting enables the general public to have knowledge of the financial transaction of the Municipality, enhances the public to compare the rate of income that is mobilised by the Municipality and assists both the management and the public to ascertain the financial capacity of the Municipality (Fourie and Opperman, 2011). MFMA Act No 56 of 2003, (Section 95) states the functions of the accounting officer as management of financial resources, recording of financial transactions, internal financial control and audit systems, and maintaining policies in accordance with the municipal financial transactions.

2.2.3 Auditing

Auditing is a process of evaluating the performance of the financial effectiveness of a Local Municipality; it also examines the progress of the financial report with proper compliance with the judicial precedents and to provide a detailed financial report on the findings. The auditor examines the financial report prepared by the municipal

accountant to ensure that the content conforms to the policy of the Municipality (Devas *et al.*, 2004). Auditing helps to reveal management fraud, incompetence, progress, threat and other sensitive information contained in the financial report.

The Municipal Financial Management Act, No 56 of 2003 states that the auditor general is responsible for auditing the municipal financial reports at the end of every financial year.

2.2.4 Reporting

Municipal financial reporting is the process by which the municipal financial officer issues out reliable information on issues related to finance. This financial report gathers adequate information on receipt of funds on each financial source and the total expenditure by the municipal financial management (Blore *et al.*, 2004). The revenue performance, the assessed income behaviour and the expenditure by the Municipality should be recorded and reported regularly, monthly or quarterly and submitted to the management for scrutiny. There is also a need for adequate financial information on the flow of funds in the municipal administration to enhance effective and efficient decision-making in a dynamic environment (Devas *et al.*, 2004).

In the Republic of South Africa, the Municipal and Financial Management Act, No 56 of 2003, (section 121), states that every municipal financial officer must prepare financial reports at the end of each financial year. The (MFMA) also states that the purpose of the financial report is to provide a detailed financial report on income and expenditure, provide an analysis of budget and financial performance, and promote the object of accountability. According to Fourie and Opperman (2011) Municipalities must ensure that their financial report is presented in every financial year because it will help to communicate financial transactions made by the municipal financial management to the public thereby enhancing confidence therein.

2.3 Legislative background of municipal financial management

Prior to the attainment of independence by South Africa in 1994, several laws and Acts were promulgated to foster the pace of effective financial management in all the Municipalities in the country. These frameworks are the government guidelines to

improve effective and efficient municipal financial management (Khalo, 2007). The Constitution of the Republic of South Africa established the framework for which the Local Municipalities control the activities and overall functions of Local government. The Constitution of the Republic of South Africa therefore, forms the base or framework for which other municipal legislations exist. The municipal governance as preserved in the Constitution of Republic of South Africa is sustained by other Acts namely; the Municipal Structures Act, Municipal Systems Act, Municipal Financial Management Act and the Property Rates Act. Ababio (2007) asserts that these municipal legislations buttress the financial management objectives and frameworks of the Municipalities and ensure sustainable financial stability within the spheres of the Municipality.

2.3.1 The Constitution of the Republic of South Africa

According to Pauw (2009), the Constitution of the Republic of South Africa forms the base of the municipal finance framework in South Africa. It comes in handy when disputes arise amongst the domains of governance or in the Municipalities and amongst different entities with regard to municipal financial management issues. Section 152 makes provision for the Local government to provide adequate municipal services to the residents in order to pursue its fundamental objectives. With regard to this provision, it holds that the Local Municipalities should be accountable to the residents (Ababio, 2007). In the Constitution, numerous facets of municipal finance are discussed which include the principles of municipal financial management and administration in section 195(1) and the municipal budget, revenue and expenditure in sections 160(2), 215 and 227 (Khalo, 2007). Figure 2.2 presents the several legislations that emanated from the Constitution.

Figure 2.2: Background of South African municipal legislations



Source: Wilgenbus (2014)

Other municipal legislations which support the Constitution in the management of municipal finance are discussed below.

2.3.2 Municipal Finance Management Act (Act 56 of 2003)

The main aim of this Act is to enhance economic development in the Local Municipalities through proper financial management. Additional contents of this Act include promoting an effective financial management, proper implementation of sound budgeting, corporate governance; sustainability of service delivery, proper planning, accounting, and reporting of financial activities of the Municipalities. The Municipal Financial Management Act provides the basis for proper financial

management philosophies, practices, standards and values in the Local Municipalities (Ababio, 2007; Khalo, 2007). The Municipal Financial Management Act is aimed to transform the Local Municipalities in South Africa to become more participatory, transparent and accountable. Khalo (2007) and Fourie and Opperman (2011) posit that the key aim of this Act is to govern, also guide effective municipal financial management by establishing ethics for efficient categories of duties and other categories of efficient municipal management which include budgeting, reporting, revenue mobilisation and financial dealings with other entities. The MFMA took effect on 1 July 2004 (National Treasury, 2004).

The Municipal Financial Management Act contains 16 chapters. Chapters 4, 7 and 8 are explained to suit the purpose of this study.

- Chapter 4 expressed all the matters affecting municipal budgets, as well as the necessary procedures to be observed during budget formulation, items to be included, method of approval, and nature of future adjustments.
- Section 53 and section 54 which are found in chapter 7 specify the rights or obligations of the mayor with regard to the formulation and approval of the budget, also in detecting errors in financial management.
- Sections 62 and 65 which are found in Chapter 8 of the MFMA request the Chief Financial Officer (CFO) to assist the senior managers to carry out the financial management duties with regard to budget formulation, financial reporting, implementation and internal control procedures.

In sections 62–70 the Municipal Financial Management Act supports the accounting officer to manage the revenue and expenditure of the Municipality, though to certain delegations of responsibility. The Chief Financial Officer should ensure leadership and the necessary guide by maintaining adequate financial management practices by applying applicable policies and managerial measures.

The Municipal Financial Management Act (Act 56 of 2003), Sections (64) (1) posit that the municipal financial accountant is responsible for the management of the municipal revenue. Also, Municipal Financial Management Act (Act 56 of 2003), Section (64) (2) states clearly the duties of the municipal accountant as follows:

- A collection of municipal revenue to conform to Section 95 of Municipal System Act and other debt collection policies guiding the Municipality.
- Calculating and reporting the municipal revenue on a monthly basis.
- Ensure that surcharges and interests are charged in the municipal payment arrears or debts except where there is an indication by the Municipality for exemption.
- Ensure that the revenue collected by the Municipality and or other revenue collecting agents are being reconciled on a weekly basis.
- Ensure that the revenue collected by the Municipality is calculated and presented every month.
- Ensure that the revenue collected from each section of revenue target are paid into the municipal working account.
- Ensure the maintenance of municipal information system and accounting, recognising revenue when it is earned, accounts for receipt of revenue, and accounts for debtors.

Other relevant functions of the municipal executives are:

Municipal managers: The municipal managers serve as a link between the Municipality and the councillors. They ensure effective financial management and accountability in the Municipality. Also, they make recommendations and reasonable financial advice to the councillors

Auditor General: The Auditor-General ensures that the annual municipal financial accounts are reconciled by engaging in proper auditing and presenting the audits in the annual financial accounts.

Councillors: The financial issues of the Municipality are handled and monitored by the councillors. The councillors make sure that the municipal finances are utilised effectively.

Treasurers: The municipal treasury is entrusted with the rights to make and implement the annual budgets of the Municipality, ensure that the municipal revenue is not mismanaged.

2.3.3 Municipal Structures Act (Act 117 of 1998)

According to South African Legislation, the Municipal Structures Act (Act 117 of 1998) established the main criteria of grouping the types of Municipality ranging from the population of the particular area to its functions. The Municipal Structures Act (Act 117 of 1998) grouped Municipalities into A, B, and C categories. Category 'A' Municipality is known as the metropolitan Municipality; category B Municipality is known as the Local Municipality while category C Municipality is referred to as the district Municipality.

The Metropolitan Municipalities are types of Municipalities that have self-standing authority in their areas of jurisdiction and fall at the second level of an administrative level just below the provinces. The areas that have category A' Municipalities are areas of high population and places that are comprehensively developed. Category A Municipalities are distinguished by high movement of goods and services, great industrial areas with multiple business districts, a place for higher economic activity, a place for integrated development and having interdependence for social and economic linkages between units. According to the Municipal Structures Act (Act 117 of 1998), the areas that do not meet up with these standards fall under category B and category C Municipalities.

The Municipal Structures Act (Act 117 of 1998) further states that regions that are not capable of having metropolitan Municipalities must be awarded a district Municipality. District Municipalities (category C Municipalities) share authorities with the Local Municipalities (category B Municipalities) and have greater authority and control in areas that have more than one category B' Municipality just within the area that it falls. They have executive and legislative authority and share in common the functions and duties of a Local Municipality.

Local Municipalities (category B) share the same municipal executive and legislative supremacies with district Municipalities. The Local Government Municipal Structures Act (Act 117 of 1998), Sections 9 (a-f) specifies that category B Municipalities are Municipalities with collective executive system, ward participatory system, mayoral executive system and plenary executive system.

The Municipal Structures Act, 1998 (Act 117 of 1998) indirectly directs the municipal financial management which specifies that the executive committee must endorse the integrated development plan to address the residents' needs. The Local Government Municipal Structures Act mandates the system of delegation of authority to ensure organisational competence (Van der Walt, 2007). Municipal Structures Act further strives to give directives on how the Municipalities manage their funds. It also puts clarity to the nature of division of power between all the categories of the Municipalities (Fourie and Opperman, 2011).

2.3.4 White Paper on Local Government

The White Paper on Local Government in 1988 specifies how the Municipalities should incorporate the various development planning programmes with community-based objectives and necessities. The White Paper on Local government equipped the Municipalities on the adequate legislations for long-term financial management solutions. Pauw *et al* 2013. (in Ababio, 2007) specify that planned legislation should be established in order to achieve financial stability and to curb intensifying consumer debt to encourage efficient service delivery.

2.3.5 Municipal Systems Act (Act 32 of 2000)

The objective of this Act is to establish good and cordial relationships between the Municipality, administrators and members of the community. It made provision for the Municipalities to control credit and collect debts, monitor standards and establish frameworks for support to ensure that Municipality financial position would function effectively. This Act is viewed as the basis at which the new Local government system is founded. The Municipal Systems Act specifies the principles which the municipal managers will adopt to manage the internal systems. It also stipulate the duties of the administration of the Local Municipalities to enhance development and to empower Municipalities to deliver basic services and to embark on their economic developmental activities (Van der Walt, 2017; Fourie and Opperman, 2011).

- In Sections 73(2) of the Municipal Systems Act, it explains the contents of the Constitution which enshrines the Municipalities to deliver equitable and accessible services to the residents.

- In Sections 74 and 75 of the Municipal Systems Act establish the object of tariff and levies and section 96 further indicates the necessity of collecting adequate levies payable to the Municipalities by the residents.

It should be noted that a loose link exists between the MSA and other legislations, particularly the Municipal Financial Management Act. In both Acts, it should be noted that the budgeting procedures, supply chain management, the responsibilities of the stakeholders are explained making them to be complementary (Fourie and Opperman, 2011).

2.4 Meaning of irregular expenditure

As noted in the background of the study, irregular expenditure is regarded as the contravention of financial expenses obtained in:

- PFMA
- Treasury regulations
- National Treasury instructions in terms of Section 76 of the PFMA
- Provincial Treasury instructions issued in terms of Section 18(2)(a) of the PFMA;
or
- Any other relevant legislation

The Municipal Financial Management Act defined irregular expenditure as any kind of expenditure which is made in infringement with or not in compliant to either the MFMA, the MSA or the Remuneration of Public Office-Bearers Act, 1998 (Act 20 of 1998) or the expenditure which is incurred in contravention of the supply chain management policy/by-law of the Municipality. Furthermore, Irregular expenditure may also be incurred as a result of spending public funds without informing the officers involved in the spending of public funds, while the expenditure should not be regarded as unauthorised or fruitless and wasteful expenditure in the organisation (Pauw, 2009).

According to the findings obtained in the 2011 Draft Management letter by the Auditor General in 2011, it is revealed that R32 million expenditure was spent due to the inability to comply with the Municipal Supply Chain Management Regulations of the MFMA, 2005 (National Treasury, 2005b). It is observed also that in 2010 financial year, the total of R95 million was mentioned in a report as nonconformity with the Municipal Supply Chain Management Regulations. The total of 12 findings in the 2012 audit report as regards the non-compliance with the Municipal Supply Chain Management Regulations clarify the worth of irregular expenditure as R147,74 million spent in the past financial year (Auditor General, 2012).

The Auditor General specified in his North West MFMA 2009–10 General Report (2011) that despite the fact that supply chain management policies are in order, the role-players lack the ability to enforce and monitor compliance regarding the supply chain management policies which result in irregular expenditures as incurred by several Municipalities in South Africa. There is also a lack of proper risk analysis, internal control measures as well as efficient record keeping and contract management.

More than 60% of the Local Municipalities in North West did not submit their financial documentation to the Auditor-General's office on time. Twenty three Municipalities in the North West (N.W.) were reported to have failed in achieving a clean audit during the 2013/2014 fiscal year. The report further paints a disturbing picture of high levels of unauthorized, irregular, wasteful and fruitless expenditure, the disappearance of tender documents, unfair and non-competitive procurement, and lack of provision of adequate services such as water and sanitation.

The reports on irregular, fruitless, unauthorised, and wasteful expenditure are shown in the ensuing Table 2.1 below:

Table: 2.1: Municipal Expenditures in the North West Province: 2012/2013/2014

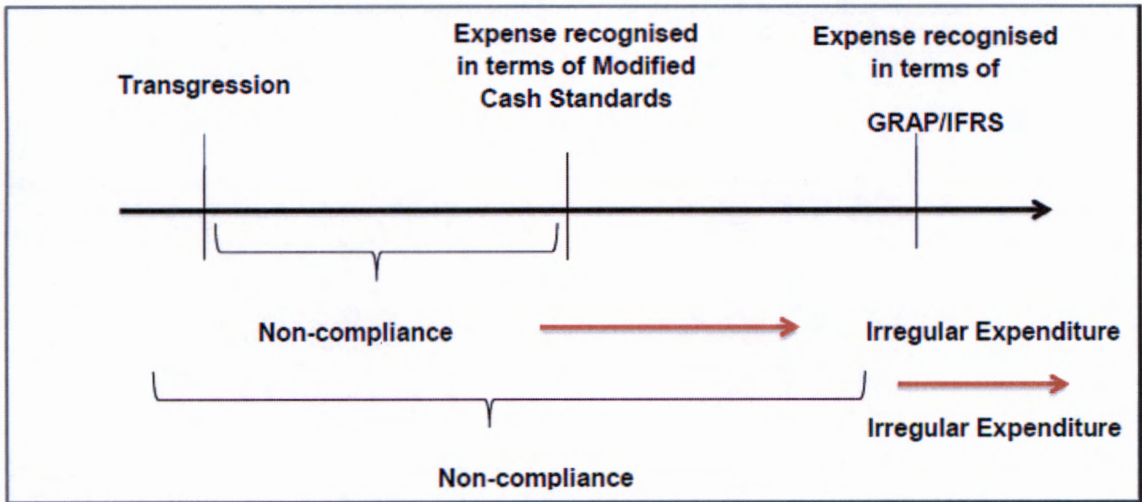
Nature of expenditure	2013/14	2012/2013
Unauthorized expenditure	R4.3bn	R6.3bn
Irregular expenditure	R10bn	R4.7bn
Fruitless/ wasteful expenditure	R260m	R253m
Total	R14.6bn	R11.3bn

Source: Daily Maverick (2014).

In the N.W. province, poor planning was cited as the major cause of such high irregular expenditure hence impacting negatively on sustainable service delivery. To this background, two Municipalities in the North West were placed on administration in 2014 (Makwetu, 2015). It is also acknowledged that basic municipal services were poor.

According to the Updated Guideline on Irregular Expenditure (2015), irregular expenditure is linked to the financial expenditure made in an organisation without consenting to the available legislations or without recognising the principles as obtained in the Modified Cash Standard. Figure 2.1 above presents the non-compliance and recognition of irregular expenditure.

Figure 2.3 Non-compliance and recognition of irregular expenditure



Source: Updated guideline on irregular expenditure (2015)

Figure 2.3 explains the relationship between non-compliance and recognition of irregular expenditure as observed in paragraphs 5 and 6 of the Updated Guideline on Irregular Expenditure (2005). The diagram shows that, if non-compliance is corrected or condoned on any expenditure sustained in terms of the appropriate accounting principles, such a transaction, condition or event will not result in irregular expenditure.

2.4.1 Cases of irregular expenditure

Table 2.2 provides the examples of irregular expenditure as obtained in Section 35 of the Updated Guideline on irregular expenditure (2015).

Table 2.2 Examples of irregular expenditure

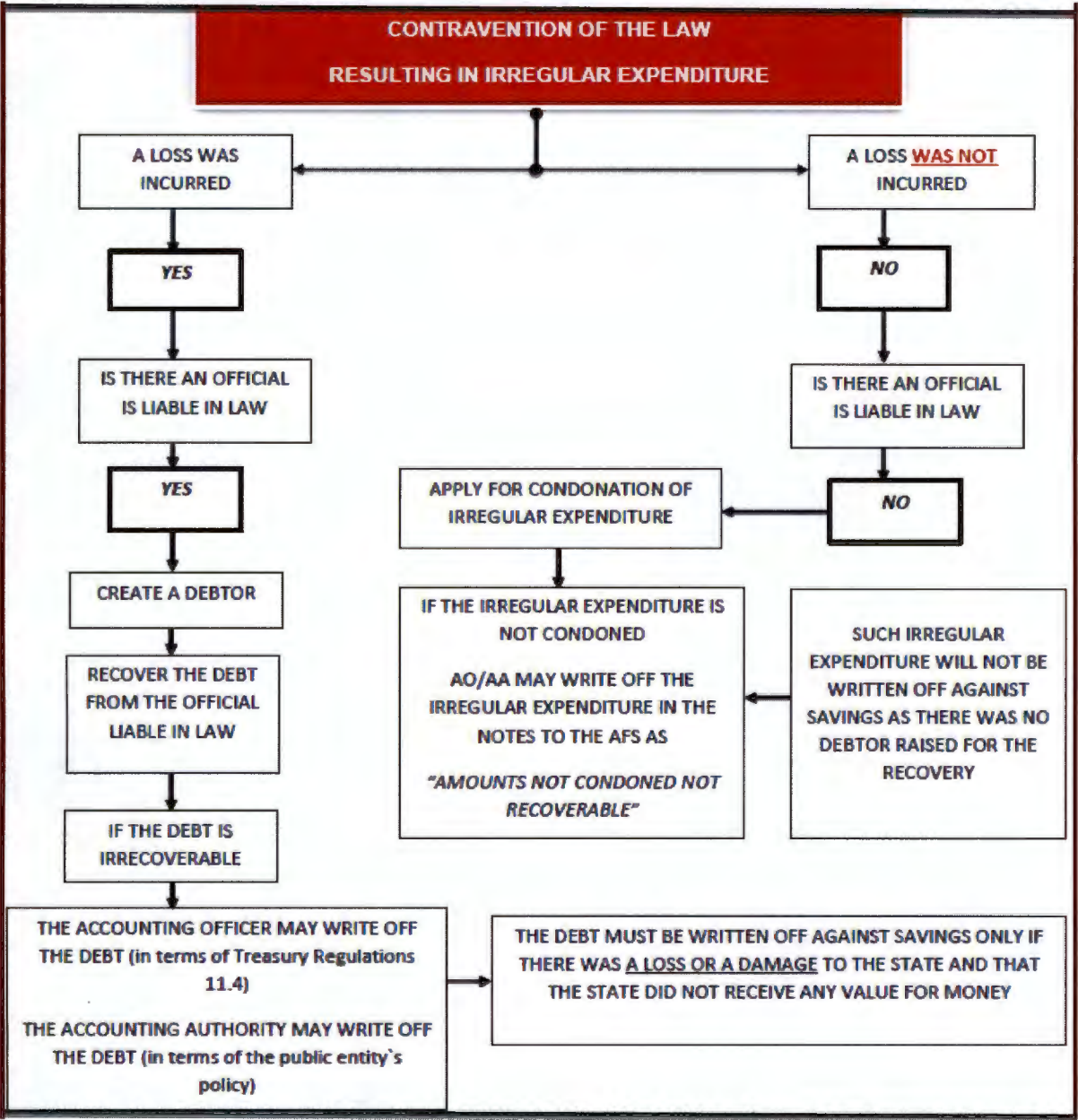
Categories of irregular expenditure	Authorities responsible
Irregular expenditure can be sustained as due to the inability of departments, organisations, trading entities and institutions to comply with the treasury regulations or to incur expenditure in partnership with other entities without authorization of the designated authority	National Treasury and the provincial Treasury
Irregular expenditure can be incurred as a result of the obtaining of goods and services by departments, organisations, trading entities through price quotation and where the worth of the purchase exceeds the benchmark values as determined by the National Treasury for price quotations. (Contravention of Treasury Regulation 16A6.1)	The National Treasury

Irregular expenditure can be incurred in organisations and institutions as a result of obtaining goods and services through competitive tender process bids and where the reasons for avoiding the competitive bids has not been explained or written down by the relevant accounting officer (Contravention of Treasury Regulations 16A6.4)	The Accounting authorities
Irregular expenditure can be incurred as a result of the inability to comply with the requirements of the institution's legislations in terms of PFMA. Overdue performance is inappropriate, i.e. An accountant or officer approving R50 000 while his limits is within R40 000.	Accounting authorities
Irregular expenditure may be incurred as a result of inability of departments to comply with the provisions as provided in the available legislations.	The Departments responsible for the transactions

Source: Updated guideline on irregular expenditure (2015)

Figure 2.4 explains the step by step approach in the treatment of irregular expenditure.

Figure 2.4: Steps in treating of irregular expenditure



Source: Updated guideline on irregular expenditure (2015).

From Figure 2.4, it is observable that a debtor is created when an officer has been found liable in incurring an irregular expenditure of which a loss is incurred. The said expenditure should be recovered from the officer and if it is deemed irrecoverable, the debt should be written off in terms of the Treasury regulations. Consequently, when a loss is not incurred and if there is no officer liable in law, application for condonation of the irregular expenditure should be made. In a case where the irregular expenditure is not condoned, the Accounting officer may write off the

irregular expenditure. It should be noted that debts occurring in the irregular expenditure should be written off against savings if there is no loss or damage to the state and if the state did not receive any value for money.

2.5 Management failures resulting in irregular expenditure

In the organisation, managers and sectional managers assume the responsibility to set targets and achieve the relative targets that are set in the budget; in the case of occurrence of variances, managers have to implement reasonable action to put the organisation back to action. The real resources used are measured to the budgeted resources and the calculated adjustments are used to measure the performance of the manager as well as the responsibility centre. The implementation of the variance analysis assists the organisation in changing the activities to achieve expected budget or to revise their objectives (Lanen *et al.*, 2011). According to Fourie and Opperman (2011:12), the major causes of irregular expenditure may be lapses in the budgetary control by the authorities. This section explains the link existing between budgetary control, internal control, risk management and irregular expenditure.

Fourie and Opperman (2011) aver that adequate budgeting, internal financial control and risk management are the most essential tools to achieve Municipality's service delivery plans. In implementing the Integrated Development plan, the annual budget serves as an essential tool which is regarded as the main strategic tool of the Municipality. The annual budget should be result-focussed and the expected results should be in accordance with the service delivery goals as specified in the Independent Development Programme (IDP). The Service Delivery and Budget Implementation Plan (SDBIP) is the most essential budget management tool which forms a comprehensive plan for implementing the Municipality's service and the annual budget over the next 12 months. It also measures the submission of the expected usage of allocated resources and the extent to which performance targets for each revenue source and expenditure votes are met (Fourie and Opperman, 2011). It is practical that no Municipality can provide efficient service delivery to the community residing in its jurisdiction area if it does not control the occurrence of irregular expenditure which occurs as a result of poor budgeting and financial control, risk management and internal financial control. According to Ensor (2011),

the management failures that result in irregular expenditure include weakness in risk management, supply chain management, lapses in human resource management and performance reporting.

2.5.1 Risk management

Stanleigh (2016a) posits risk management as the identification, analysis, control and extenuation of risk exposure in relation to specific organisational goals. Risk management is further classified as a proactive control of possible events or risks in the organisation. Wyman (2007) affirms that the need for good governance and financial growth determines how much risk the Municipalities would like to take. According to Wyman (2007), it is certain that Municipalities should take risks to make returns on investments which should be based on strategic decisions of the organisation (Wyman, 2007).

Municipal risk management is a cohesive framework to manage risks to maximize the Municipality's value (Chapman, 2006). Risk management remains an important concern to organisations that want to grow and survive in the business environment. In order to achieve a competitive advantage, organizations should classify risks and then find a way to moderate the risks that profess to hinder productivity. Risk management assists organizations to make accurate financial decisions with minimal errors (Gitman, 2006). Stanleigh (2016a) affirms that achieving maximum profitability requires the Municipalities to consider and evaluate necessary risks and return. In the absence of risk evaluation, organisations are bound to make wrong decisions which disrupt achieving the expected goals (Gitman, 2006).

The implementation of risk management has aided the Municipalities to reduce unexpected, irregular and wasteful expenditures in the allocation of resources. It advances communication and provides senior management with a concise summary of threats, which can be faced by organisation, thus helping them in better decision making. In the organisations, strategic risks are the risks which emanate from directors' decisions concerning the organisation's goals. According to the Institute of Risk Management (IRM) (2002), effective risk management emphasises the treatment of risks. Furthermore, it helps the organization to understand the potential risk influences that retards the growth of the organisation. The IRM (2002) opines

that risk management reduces the probability of organisational failures and the uncertainties in achieving the organisational goals.

According to the Institute of Chartered Accountants in England and Wales (ICAEW) (2002), the processes involved in risk management include:

- Identifying and ranking the future risks
- Choosing the risk management measures to counter risks
- Implementing risk control measures
- Observing the efficiency of the chosen risk management control measures
- Devising further measures for improvement

Furthermore, Bennet and Cusick (2007) aver that the process of risk management consists of six phases, namely:

- Goal setting
- Risk identification
- Risk measurement
- Strategy planning
- Risk monitoring and observation
- Activity controlling

According to King Committee (2009), the board should appreciate that strategy, risk, performance and sustainability as inseparable. The board should:

- a) Maintain and ensure strategy approval
- b) Should make provision for the alignment of company purpose, its business and the stakeholders' expectation.
- c) Ensure that unevaluated risks should not hinder the success of strategy and business plans
- d) Satisfy that strategies produce expected outcomes.

In this regard, Municipalities that fail to conduct adequate risk management forecast are bound to incur irregular expenditures which will have a negative effect in achieving a clean audit.

2.5.2 Budget formulation

Vanderbeck (2010) affirms that budgeting is an art of planning used by organisations to assist in setting organisational goals. Brock, Harrington, Ramey (2007) supports this assertion by affirming that the context of budget includes a particular period of time to the calculated plan. CIMA study guide (2009) posits budget as the comparison of a forthcoming accounting period to a forecast that is viewed to be an estimate of what is likely to happen in the nearest future. The budget can be regarded as a road map that specifies the way to organisations as well as alerting them when they depart from the scheduled route (Vanderbeck, 2010). Furthermore, Brock *et al.* (2007) posit budgeting procedure as a very essential part of cost accounting.

Coombs, Hobbs, Jenkins (2005) see the planning process made at the end of each financial process as budgets. A budget is an essential business activity which should be made by the top management of the organisations. In organisations, the master budget is viewed as the general organisational road map for the financial dispensation which consists of the strategic objectives of the organisation (Lanen *et al.*, 2011). The general budget and planning procedures in South African Municipalities is comparable as it consists of a five-year plan, the IDP, a three-year MTREF budget and the actual one-year SDBIP.

It is viewed that Municipalities make budgets to forecast future risks, review objectives of the organisations which are communicated to staff, motivate current staff to achieve the desired targets, allocate financial resources to all the departments, and performance evaluation (Adams *et al.*, 2003).

2.5.1.1 The process of budget in Local Municipalities

Pauw (2009) affirm that a public sector budget is a financial road-map for work related activities to be done in the interest of the public. The municipal budget estimates the expected revenue to be earned and the expected expenditure to be

made as well as authorising certain expenditures. In South African Local Municipalities, the municipal budget serves as manifestation of the masses' desires which make it to be binding whenever it is approved. Furthermore, the budget specifies the specific objectives of the Municipalities as it specifies the programmes that are to be funded within the sphere of the Local Municipality. The budget predominantly sets limits to which financial expenditure should be made and sets targets on how to generate revenue (Lanen *et al.*, 2011). Since the public sector is owned by the public, the various objectives of the public must be clearly stated in the budget, though Municipalities are envisaged to provide quality services to the residents and not to make profits (Coombs *et al.*, 2005). Also, the public sector budgets have to be made in a way that will support the Municipalities with the planning, co-ordination and control of the different activities to ensure efficient service delivery (Fourie and Opperman, 2007).

Pauw (2009) posit that a distinction should exist between the budgeting process and the budget cycle in the Municipalities. The budgeting process indicates the various procedures which are determined by the current legislation to set up the budget and to get it endorsed in chamber. All the viewpoints required in budgeting from the planning stage until the approval stage, are incorporated into the budget cycle.

The budgeting processes are the standards connected in the budgeting procedure in the national and provincial government; however, few perspectives remarkably attribute in distinctive ways of Local Municipalities. Budgeting and the planning process should be incorporated by guaranteeing that the capital and operational spending plan is connected to the revenue and expenditures as contained in the IDP. The IDP is a five-year key advancement or strategic plan to improve planning, development advancement and administration in the Local sphere of governance (Pauw, 2009).

Maphiri (2011) clarifies that, taking after a conventional method of budgeting by developed countries, in the most recent two decades, South African Municipalities have set out on a change of the budgeting process. The view point is to enhance productivity and viability in service delivery. Government at first began with detailed budgeting to guarantee control over contributions and in addition, changes to upgrade financial train and controls to ensure that financial expenditure will remain

within the budget. In this regard, the various departments need to submit each departmental budget, key planning activities which involve the needs that are to be addressed in the budgeting process. These arrangements must be adjusted to the government general key plan. The last change is the presentation of the performance budget plans where the accentuation is put on yield and result construct measures and less concentration in light of information based measures. The last budget reform stage is not completely accepted in South Africa as non-financial related execution displayed as a supplement to budgetary data and the reviews done by the Auditor General are likewise predominately done on financial information sources and less on the service delivery outputs and results. In 2006 budgetary year, the Auditor General initiated phasing in performance audits.

National Treasury sets up the budgetary guidelines to ensure that the three arms of government do not deviate from their budget focus (Pauw, 2009). The budget reform process was impacted to the municipal government through the rules given by the phasing in performance audits as directed by National Treasury in MFMA Circular 28, dated 2005. The Municipal Financial Management Act states that the Municipal mayor should co-ordinate the budget procedure and guarantee that the financial expenditure agrees with the spending requests which should be submitted to the chamber for endorsement. The budget should be presented in an approved format by the National Treasury, comprising an operating budget which presents the expected revenue and expenditure for three years (MTREF) and a capital budget, which is in accordance with the IDP (Van der Walt, 2007). The community and all the stakeholders who are involved in the budgetary process should be counselled before the budget is endorsed by the legislature. The participatory process should be highly enabled and it should be obligatory that the provision for financial outlay to fund some capital projects should be made. The needs of the women in the society, disabled and the disadvantaged should be competently addressed (Fourie and Opperman, 2011).

The legitimate structure regarding the budgetary procedure, the National Treasury in every year issues a Municipal Budget Circular giving direction to districts on how to prepare annual budgets and MTREF. The national needs, inflation forecasts and also direction with respect to applicable key issues for the particular year, for

example, planning with the expectation of complimentary essential administrations, optional spending portions, electricity tariffs, are contained in these directives. Tariff increments of the Municipalities higher than the inflationary predictions be made and communicated in details to the National Treasury, in spite of the fact that its endorsement for the budget is not required.

However, it is unfortunate that there exist some issues encountered in the budgetary systems in South Africa. Despite the fact that the municipal budgetary process is underpinned by the MFMA and the annual MFMA guidelines, the budgetary process is not generally followed as a guide hence the needs of the communities are not always addressed in the annual budgets. In this regard, Tswaing Local Municipality should ensure that the budgetary process is recognised to avoid incurring irregular expenditure during the financial year.

2.5.1.2 Importance of budgetary control

Leitch (2003:2) affirms that budgetary control is any measure used by the management to set efforts, to quantify these objectives against the real results and to direct the employees to abide by the due legislations to achieve the set goals. Spending plans, additionally a blend of monetary and non-money related targets, can be utilized as a part of this control instrument. Ababio *et al.* (2008) posit that no financial control framework may be used more sufficiently than this financial plan known as budget. The budget is regarded as the basis of a company's financial control system and a control device. The budgetary control framework is regarded as the real outcome when it is compared with the objectives while corrections are made on the deviations (Brock *et al.*, 2007). After real outcomes are contrasted and the financial plan, directors can change their exercises to achieve the financial plan or they can even overhaul their arrangements or objectives (Lanen *et al.*, 2011). Otley (1995) sees budgetary control as imperative in the foundation of successful authoritative control and the sole formal control system at senior administration level. Indeed, even in Japan the significance of the utilization of planning for cost arranging and control is recognized and apparently controls costs and is pivotal in the arranging procedure (Sakurai and Scarbrough, 1997). The budgetary control system is the actual results compared to the budgeted goals and corrective actions taken to

rectify the variations (Brock *et al.*, 2007). Leitch (2003) further posits that budgetary control helps the organisation set targets and to measure these targets against the actual outcomes while Ababio *et al.* (2008) assert that no organisation can implement any financial control competently than a budget.

2.5.1.3 Process of budgetary control in Local Municipalities

In the Municipalities, the municipal managers are liable to control the municipal income and expenditures after the budget allocations have been furnished. It is to be noted that the cycle of the budget includes monthly, quarterly and mid-year reports while a full report is issued at the end of the financial year as a financial report. The managers are expected to explain the variations between the actual and budget figures as regards the revenue, expenditures and irregular expenditures. In budgetary control, managers should relatively maintain the gap between the actual expenditure and the budgetary figures and must be guided by the monthly cash flow provisions. At the end of the mid-year or the end of the financial year, the municipal manager submits the financial report to the mayor who checks if the budget has been executed according to the SDBIP and if the need be, an adjustment budget and revisions to the SDBIP, in terms of section 28 of the MFMA, is suggested (Pauw, 2009). The budgetary control in the Local Municipalities is said to be completed if it is finally accepted by the legislature or municipal council.

Fourie and Opperman (2011) assert that budget control in Local Municipalities is viewed as a "watchdog" to guarantee that effective financial provisions and expenditures in a financial year are actually followed. In this regard, it behoves the municipal managers to implement necessary strategies to avoid irregular expenditures. In the case of the occurrence of variances between the budget targets and actual results, reasons need to be provided and the municipal managers need to ensure that it does not affect the service delivery motive of the Municipalities, remedial actions should be taken (Van der Walt, 2007). According to MFMA, the executive mayor and the executive committee are in charge to check the performance of the municipal administration of in the aspect of budgetary performance and service delivery through the monthly performance progress reports. The Council is also responsible to hold the mayor and senior managers accountable

on the basis of the quarterly performance and financial reports as well as the annual reports. According to Van Wyk and Kroukamp (2007), budgetary control in Local Municipalities is difficult to implement without a cost-benefit analysis for all services to know which services are delivered in cost-effective manner and which are not, and without knowledge of the relationship between activities and costs.

2.5.1.4 Advantages of budgetary control

There are several advantages in budgetary control as observed by Ehlers and Lazenby (2010) when they opined that adequate budgeting supports the implementation of management strategy by the top management. The worth of a budget as a resource distribution plan is dependent on its alignment with the organisation's strategic goals. Ehlers and Lazenby (2010) state that if a few financial resources are allocated to a budget, the strategy implementation of the budget will not be well executed and may lead the municipal managers to incur irregular expenditures. In the same vain, the allocation of so much financial resources in a budget will waste financial resources and invariably reduce municipal financial performance.

Carter *et al.* (1997) posit that the following are the advantages of budgetary control:

- Budgetary control helps management to forecast the future and to formulate counter plans to achieve the targets set for various activities
- Budgetary control helps the municipal managers to learn how to plan ahead
- It helps the managers to avoid incurring irregular expenditures
- It promotes communication and co-ordination of financial activities among the top management in the Municipality.
- Budgetary control specifies the areas of responsibility of the municipal managers while they are required to achieve the stated obligations within their limits
- Budgetary control enables the issue of performance appraisal which helps the management to measure variances between the budget and actual results

- It helps to dictate variances while remedial actions can be applied
- Budgeting control helps to improve allocation of financial resources
- Budgetary control helps to cut down on management time by using the principle of management by exception while variances over a specific percentage such as 5% or 10%, or a predetermined amount, are investigated

Leitch (2003) identified the following as the weakness of budgetary control in the Municipalities:

- In budgetary control, action is taken when variances or deviations are dictated
- Due to time factor and financial resources, there is no proper action taken to get the project back on track to reach the proposed limit.
- Budgetary control does not express the unforeseen contingencies as management is unwilling to discuss results other than the planned effects.

2.5.1.5 Reasons for budget deviations

According to Maphiri (2011), the National Treasury (2000) identified four outstanding causes of budgetary deviations. They are:

- Error occurring in the capturing of transactions into the accounting system and transactions that still have to be captured into the system at the end of the specific monitoring time frame.
- Error occurring due to deviation on unforeseen events occurred during the financial year as well as incorrect anticipation of events at the beginning of the year. In order to know the effectiveness of budget utilisation as an internal control tool, management needs to know the following:
- If the proposed budget is competently apportioned and if all the transactions are recorded effectively in the right financial period;
- If the revenue and expenditure figures are well estimated for the financial period

- If action is taken by the authorities responsible to rectify the deteriorating situation.

Section 28 of the MFMA states that an adjustment budget should be submitted annually at the end of January to the Tswaing Local Municipality for approval. As indicated in the background of the study, the financial statement of Tswaing Local Municipality in the 2010/2011 to 2014/2015 recorded more than R91 million irregular expenditure. These findings of the Auditor General indicate that the budgetary control system in Tswaing Local Municipality is not effectively implemented.

2.5.3 Internal control in Local government

Gyüre (2012) asserts that the issue of addressing the unnecessary risks in the municipal financial management should be addressed by the implementation of internal control. Furthermore, Gyüre (2012) posits that the financial risks have reached such a high level that it is not only a threat to the Local Municipalities but also a threat to the entire economy.

The objectives of the internal control system include the implementation of efficient and effective operating systems and sustainable financially service delivery (PricewaterhouseCoopers, 2009). Laubscher and Van Straaten (2009) aver that constitutional financial control in Local Municipalities include external and internal factors, of which preparation of the budget falls within the external component and internal auditing falling in the area of the internal component. Local Municipalities must device an efficient internal financial control system in order to be accountable to the public (Laubscher & Van Straaten, 2009). The control function in the public sector is a very essential factor to ensure that the financial resources are effectively used to avoid unnecessary wastage. The duty of the internal control section is to ensure that the financial activities of the public are competently accounted and presented (Kakumba & Fourie, 2008).

The key to good financial governance begins with the application of an efficient internal financial control system in the private and public sectors. It is obvious that the community needs service delivery; an efficient internal financial control system will give the necessary information for governance and accountability in the public

sector (Fourie, 2007). Van der Nest *et al.* (2008) posit that managers need to implement sound internal control system and sound governance in their various responsibility areas, as it is viewed that increase in accountability is necessary for good democracy as well as for improved service delivery.

Fourie and Opperman (2011) aver that internal control is a process applied by municipal management to give reasonable guarantee of the achievement of the following categories of objectives to:

- Control internal finance
- Ensure effective governance and accountability
- Ensure the dependability of reports
- Ensure competence in operations
- Ensure submission to legislation

Internal control system is viewed as a measure by which organisations co-ordinate all necessary systems to achieve the above-mentioned objectives. In a letter written to the Mayor by the Council of the City of Berkeley in California in the year 2003, Hogan asserts that the council and the city manager have the sole responsibility to maintain a proper system of internal control to alleviate the occurrence of irrational loss or misappropriation of assets, loss of public confidence in the City of Berkeley and to deliver the budgeted service delivery to the community. The mistakes of the council are the responsibilities of the internal control system.

2.5.3.1 Deficiencies in internal control measures

Smith (2005) in Cullen *et al.* (1994) posits that the following are the causes of failures in internal control measures:

- Absence of honesty by the municipal top management
- Inability to achieve a strong control environment
- Lack of consistency

- Inability to communicate and the lack of ability to react as required.

According to Huefner (2011), the inability to monitor the financial issues as contained in the budget can lead to fraudulent expenditure, irregular expenditure, waste, loss or ineffective use of the resources of the Municipality which may invariably increase the tax burden of the community. Agu (2002) affirms that the actual application of internal control measures by the municipal top management prevents fraud in the Local government.

The Auditor General expressed the success of internal control in the 2009–10 Audit Report of the Tswaing Local Municipality and also indicated that the internal control shortages can be associated with the qualification on the financial statements, the findings on the objectives and the compliance with applicable legislation (IDP, 2011). Despite the fact that no opinion was expressed in the aspect of the efficiency of the internal control system of the Tswaing Local Municipality, it is a point to note that shortages exist which needs to be acknowledged and amended to achieve a clean audit.

The North West Province Municipalities were advised to implement adequate internal audit measures if they want to achieve clean audit reports (Auditor General, 2011). The municipal management should ensure that basic control measures such as monthly financial reconciliations are executed as they are simply designed to assist in sound municipal financial management. In this report, the Auditor General stated that the following are necessary to obtain and sustain a clean audit report:

- Excellent leadership,
- Good financial and performance management
- Exceptional governance

The Tswaing Local Municipality is expected to device the basic financial and performance reporting controls to avoid incurring irregular expenditure and to achieve clean audit reports in consequent financial years.

2.5.4 Benchmarking in the Local Municipalities

Nick Griffin, General Manager of New Zealand Registry Services affirms that benchmarking is the procedure of ascertaining, as well as the measurement of the organisation's own processes and practices against a defined standard. According to Naidoo and Reddy (2008), benchmarking remains an effective tool for constant municipal development. Organisations can identify the things that need to be changed, how they can be changed and the benefit that will accrue to the Municipalities if the changes are effected. Furthermore, Schwalbe (2010) affirms that benchmarking creates excellent forecast ideas by comparing detailed characteristics of projects with other projects within or outside the organisation.

According to Ehlers and Lazenby (2010), Municipalities can achieve remarkable success over the long term if the organisation can advance in its strategic management activities. The continuous improvement can only be done by adopting re-engineering activities and benchmarking. The Centre for Municipal Research and Advice (2010) posits that the Local Municipalities have just adopted the technique of benchmarking which involves a self-appraisal process and comparisons with the Municipality's own management processes and achievements in the provision of service delivery with that of other Municipalities. These comparisons are conducted in the Municipalities with good practices which help the top management to find measures to enhance performance. It has specific benefits in the implementation of policies in Local government.

2.5.4.1 Advantages of benchmarking in Tswaing Municipality

The Centre for Municipal Research and Advice (2010) opines that the most essential advantage obtained in benchmarking with others is that it will encourage the Tswaing Municipality to identify unnecessary gaps in their various financial practices, to identify breaches in performance, strengths and weaknesses and to encourage the municipal top management to accept new ideologies, policies and processes to achieve a clean audit report by 2017.

Benchmarking as a tool in Local Municipalities can only be fruitful if it has the full support and commitment of the top management, if the Municipality understands and knows its own policies and practices, if benchmarking is part of teamwork and if it is

done periodically and not just once (Naidoo & Reddy, 2008; Centre for Municipal Research & Advice, 2010). In this regard, benchmarking requires the following:

- Periodic review
- Knowledge of policies and practices
- Teamwork by the financial municipal workers

2.6 Chapter summary

This chapter presents the meaning of financial management and the effective legislations that supports adequate municipal financial management. These legislations include the constitution of South Africa, Municipal Financial management Act, Municipal Structures Act, White Paper on Local Government and the Municipal Systems Act. This chapter also provides the meaning of irregular expenditure and its accounting principles. It also provides the management deviations that result in the incurring of irregular expenditure. Such deviations include inability to conduct effective risk management, deviations in the budget formulation and inability to carry out efficient internal control measures. The next chapter presents the research methodology.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides the appropriate research method which the study adopted to achieve its objectives. The research paradigm, approach and design are well explained. It establishes the population of the study, the method of sampling selection and the data collecting instruments. Furthermore, data analysis, validity and reliability of measuring instruments are explained while the ethical concepts that guide the research process are also explained.

3.2 Research paradigm

Research method or paradigm is the totality of beliefs that guides action to a study (Creswell, 2014). Furthermore, a paradigm positions the researcher on world philosophies and the general ideologies of the phenomena under study. The study adopted the social constructivist paradigm. This paradigm choice facilitates an in-depth knowledge of the phenomenon under study through interaction with participants (Creswell, 2014). This paradigm enables the researcher to focus on the participants' view on the problem under investigation using open-ended questions (Creswell, 2014).

The social constructivist movement believes that people try to understand the world in which they live by developing subjective meanings of their daily experiences. This subjective meaning may be complex as the participants differ in thinking and conceive multiple subjective ideas. The goal of a study built under this paradigm is to focus on the participant's opinion on the problem under investigation through interviews. It also focuses on the understanding of the specific context in which people lived based on their historical and cultural settings (Creswell, 2014). The purpose of this study was to identify the cause of irregular expenditure in Tswaing Local Municipality. The choice of this paradigm will help to understand the views of the participants, their traditional and social understandings and variations through interactions.

3.3 Research approach

Creswell (2014) posits that the philosophical assumptions, design and methods contribute to the research approach. In social research, there exist several research approaches such as the quantitative research method, qualitative research method, and mixed methods research (Creswell, 2014). For the purpose of this study, the qualitative research approach was adopted. The types of research approaches are presented in sections below for sake of clarity in this study.

3.3.1 Quantitative research approach

Edmonds and Kennedy (2012) posits that a quantitative research approach refers to the systematic steps of scientific research which adopt the use of quantitative principles. In the same direction, Creswell (2013) maintains that quantitative research empowers the researcher to test theories by scrutinizing the relationships existing among variables, measured using detailed instruments and analyzing the data using statistical procedures. The following are the advantages of using a quantitative research approach:

- Enabling the researcher to find the relationship existing among interacting variables
- Enabling the researcher to present information using graphs, charts and tables
- Supports the collection of data using questionnaires
- Quantitative research saves cost
- In quantitative research, a wider coverage and response can be collected within a short time frame due to the use of questionnaires

3.3.2 Qualitative research approach

Bryman and Bell (2015) affirm that a qualitative research is the collection of non-numerical data using designs such as participant observation, phenomenology, or case study to interpret results in narrative or descriptive accounts. This study adopts the qualitative approach based on the following reasons:

- Assists the researcher to acquire a thorough understanding of the phenomenon under investigation
- It enables the researcher to interact with the municipal financial workers through interviews, thereby gaining extensive information regarding the occurrence of irregular expenditure in the municipal accounts
- It enables the researcher to obtain historical account of the occurrence of irregular expenditure and seek solutions to halt the deteriorating situation
- It supports the researcher to present the findings in a narrative account thereby establishing the central ideas and discussing these ideas consequently.

3.3.3 Mixed method approach

A mixed methods research is regarded as the procedure of collecting, analysing and using quantitative and qualitative data in the research process in order to have a comprehensive knowledge of the study (Creswell in Maree, 2010). The mixed methods research supports the research findings by comparing and discussing results obtained from the survey and the interviews with the participants. Other advantages of using a mixed methods approach in a research study include the following:

- Supporting the research findings by comparing and discussing both qualitative and quantitative results.
- Establishing lucidity of findings by discussing the quantitative result before the qualitative result.
- Enabling development by using the findings of the quantitative result to inform the other (qualitative result).
- Encouraging initiation by the discovery of inconsistencies thereby generating views for reformulation of questions for future research

3.4 Research design

Creswell (2014) posits that a research design is a technique of collecting and analyzing data in a research process. Gray (2014) upholds that a research design includes the method of data collection, instrument developing techniques, method of

sampling and data analysis just to provide answers to the research problem. Bhattacharjee (2012) affirms that research design is a plan of research that helps in making decisions and assumptions to detailed methods of data collection and analysis, also Punch (2009) believes that the research design places the researcher in the pragmatic situation and relates the research questions to data. In summary, research design is the strategies to follow in the research process, the conceptual framework, data collection procedure and data analysis.

The study adopted an exploratory design. Baxter and Jack (2008) aver that an exploratory research is regarded as the investigation into a problem which provides new perspective to the research problem. Labaree (2013) affirms that an exploratory research is conducted where there is little information about a problem and the researcher may use different methods such as interviews, document analysis, group discussions and surveys to gain information from the respondents. An exploratory research includes various facets which are observed and explored to comprehend the phenomenon under examination. The following are the reasons for adopting the explorative research design for this study:

- Due to the lack of information regarding the reasons for irregular expenditure in Tswaing Local Municipality, an exploratory design was adopted to provide answers and solutions to the study focus
- Exploratory design enables the researcher to use diverse methods of enquiry such as interviews and also analysing some documents to determine the cases of irregular expenditure, management of irregular expenditure and the condonation of irregular expenditure
- This design enhanced a comprehensive understanding of the study as the municipal financial managers were interviewed thereby enabling the researcher to obtain the historical cause of the study problem.

3.5 Population of the study

Population refers to the group to which the researcher wants to study or generalize the study results. Kumar (2011) sustains that population (N) is a set from which the subset called sample (n) is drawn for analysis and decisions. The population of this

study consists of the municipal financial workers. Table 3.1 presents the population of the study.

Table 3.1 Population of Tswaing financial workers

Designation	Population
Financial clerks	13
Financial officers	12
LED officers	8
Community Service financial officers	14
Technical officers	13
Auditors	9
Total	69

Source: Tswaing Municipality handbook (2017)

3.6 Sampling procedure

Six financial executives of the Municipality were selected for this study. These executives include the municipal accountant, the municipal manager and the internal auditor. According to Gray (2014), in order to know the attributes of the entire population, sampling is applied whereby subsets within the population are selected and examined. Bhattacharjee (2012) upholds that sampling in a study should be carried out such that the study result will epitomize the real features of the entire population. In a research study, sampling is carried out to know the characteristics of the population which helps to reduce expenses, save time and to evade the inconveniences of continuous appointments with the population group (Gray).

This study adopts a non-probability method of sampling known as the purposive sampling. Bhattacharjee (2012) posit that a non-probability sampling method entails

selecting respondents in the study where the opportunities of selection cannot be adequately determined because of the non-randomness in selection while Gray (2014) affirms that a non-probability sampling method does not involve chance selection but a personal judgment of the researcher. The purposive sampling method was adopted in this study. The reasons for adopting a purposive sampling method are:

- Purposive sampling method enhances originality, validity of data collection and ensures that the data collected will be a true representation of the population (Relmer & Ryzin, 2011).
- Purposive sampling enabled the researcher to select the best candidates for data collection.
- The adoption of purposive sampling helped the researcher to collect a first-hand information due to the vast knowledge and working experience of the municipal financial executives

3.7 Data collecting instrument

According to Gray (2011), data collection method entails the procedure of collecting raw information from the respondents. In this study, interviews and document analysis are used to collect data for this study

3.7.1 Semi-structured interviews

Leedy & Omrod (2010) posit an interview as a means of collecting data which enables the interviewer to collect facts, opinions, behaviours and beliefs by asking questions to the interviewee. An interview guide is used in an interview which enables the interviewer to maintain the flow of the interview which helps to get new ideas and in-depth findings to the phenomenon under study (Leedy & Omrod, 2010).

The interview questions were formulated in simple English language and divided into six (6) sections.

- Section one sought the biographic information of the participants.

- Section two searched to identify the context of irregular expenditure as identified by MFMA and other relevant legislations.
- Section three elicited the factors that result in irregular expenditure in Tswaing Local Municipality
- Section four tried to find out the organisational management failures that resulted in irregular expenditure in Tswaing Local Municipality and, also the link that exists between them.
- Section six asked for possible solutions to reduce irregular expenditure in Tswaing Local Municipality

Six financial management executives of Tswaing Local Municipality were interviewed in this study. The financial executives were consulted for the interviews, fortunately they accepted to be interviewed. An agreement afterwards was made for the date and time for the interview. Table 3.2 presents the time schedule of the interviews.

Table 0.2: Interview schedule for the municipal financial executives

Designation	Date of the interview	Time
Municipal manager	19-06-2017	8:00-8.30 am
Chief financial officer	20-06-2017	10:00-10.30 am
LED officer	21-06-2017	10:00-10.30 am
Acting community service director	22-06-2017	10:00-10.30 am
Technical director	23-06-2017	10:00-10.30 am
Internal auditor	26-06-2017	10:00-10.30 am

In this study, open-ended questions were used as a means of data collection technique. Furthermore, follow up questions were asked where necessary just to obtain in-depth opinions from the financial executives. Creswell (2014) posits that the following are the advantages of adopting interviews as a means of data collecting instrument in a study:

- Interviews are the most relevant means when participants cannot be directly observed.
- It provides detailed information of the problem under investigation by contacting the respondents directly.
- The researcher guides and controls the flow of questions, responses and makes amendments where necessary.

On the day of the interview, the following procedures were observed:

- The Interviewer introduced himself and thanked the participants for the opportunity they provided to be interviewed
- The interviewer addressed the participants on the nature of the study, aims of the study and the type of responses needed.
- The participants were requested to give their best opinion on the interview questions and the follow-up questions as well.
- The interview questions were harmonised, clarified and the participants were motivated by the interviewer to give more concise responses.
- The interviewer recorded the answers with field notes to avoid misconception of facts which increased the accuracy of data collection.
- The interviewer ensured that there was effective communication as the interview was conducted in good and simple English language understandable by the respondents.
- The interviewer ensured that the duration of the interview was less than one hour to eliminate boredom by the participants.
- Lastly, the interviewer thanked the participants for their cooperation, kindness, and their thoughtful responses.

3.8 Data analysis

Bastick and Matalon (2007) aver that data analysis refers to a process of interpreting data that were collected from the respondents to present a comprehensive summary. Data collected through interviews in this study were analysed in relation to the objective of the study. Data collected through interviews were transcribed from the

field notes. The data were coded into themes and categories while the central ideas were discussed.

3.9 Ethical consideration

Ethical concept in a research refers to what is acceptable and what is not acceptable in the course of conducting a research study (Hammerseley & Traianon, 2012). In the process of conducting a research, an unethical procedure does not portray illegality of conduct; researchers may not be guilty in the eyes of the civil law but remain guilty in the ethics of research (Bhattachajee, 2012). The following ethical concepts were observed in this study:

- The ethical committee of Faculty of Commerce was contacted for the study
- A clearance certificate was issued by Faculty of Commerce in order to be eligible to collect data from the respondents.
- The respondents were contacted while dates of the interviews were scheduled and duly accepted
- The participants were meant to understand that participation is voluntary while they are allowed to quit at will.
- They were assured that the anonymity of their responses would be maintained
- The researcher established a gap between the participants in order not to influence the findings
- In the reporting phase, the researcher avoided the use of wrong information, confusing reports, and other attempts to hide findings.

3.10 Reliability, validity and objectivity of the research process

The degree of an instruments' ability to measure what it is supposed to measure in a social research is known as validity (Kumar, 2011). The instrument that is meant for data collection is supposed to be dependable and be able to measure the general responses of the participants. In this study, content validity was obtained by formulating the interview guides from the prescripts of the literature review and other experiences gathered from several Municipalities that fall under the same situation.

The researcher formulated the interview questions using clear and simple English language that was easily understood by the municipal executives. Validity was also maintained by ensuring that the interviews were conducted with only the municipal executives that have extensive knowledge on the study focus just to obtain clarity and validity of responses.

Reliability refers to the degree of consistency of an instrument (Maree, 2010). Furthermore, reliability measures the dependability, stableness, honesty and accuracy of a measuring instrument (Bastic & Matalon, 2007; Kumar, 2007; Maree, 2010; Gratton & Jones, 2011). The researcher obtained reliability by ensuring that relevant data were attributed to the research questions.

Furthermore, objectivity is used through the methodology of measurements, data collection, and data analysis through which reliability and validity are established (Susanne, 2012:2). Objectivity was attained by creating an appropriate distance between the researcher and respondents in order to reduce bias. The researcher maintained a distance from the participants in this study so that the responses by the participants were not influenced by undue familiarity.

3.11 Summary

This chapter provides the appropriate research methods used for this study. The constructivist paradigm underpinned the study while the qualitative research approach was adopted. The exploratory design was also selected for the study which enhanced an extensive data collection due to the direct interaction with the participants. Other topics discussed are the population, sampling selection, data collecting instruments, data analysis, validity and reliability and the ethical concepts observed in the research process. The discussion and interpretation of the results obtained in the interviews are presented in the next chapter.

CHAPTER FOUR

ANALYSIS AND INTERPRETATION OF DATA

4.1 Introduction

This chapter presents the analysis of the face-to-face interviews conducted with the municipal role-players in Tswaing Local Municipalities. The researcher proposed to interview six (6) financial employees in the study, fortunately, all the participants were interviewed making a hundred percent (100%) response rate. Based on the studies of Serame (2011:32) who avers that a valid and reliable conclusion can be drawn by a researcher if a 70% response rate is obtained from the distribution of questionnaires, with a response rate of 100%, it can be inferred that the study collected enough data to arrive at valid and reliable conclusions.

4.2 Data analysis and presentation

After the interviews were conducted, the researcher started by reading the interview field notes to further understand the responses made by the various participants. Afterwards, the transcribing of the recorded interviews was made into themes and categories using Atlas-ti statistical package. Data were compared to establish themes, trends and patterns. Emerging themes, trends and patterns were identified and written down. Emerging themes were cross-referenced with the research questions to ensure that the investigation stayed on track. Related topics were categorised and data materials belonging to each category were grouped together.

In the presentation phase, the researcher presented the biographic information of the respondents followed by the themes and categories of findings. More so, a deliberate attempt was made to corroborate the findings of the study to the literature review in the quest to find soluble solutions to the phenomenon under investigation. Each category of findings was discussed accordingly, reference made to the statements made by the participants while it was further validated with the literature findings. Results from the six participants were combined together to give a more coherence concept and to enhance clarity and simplicity of presentation.

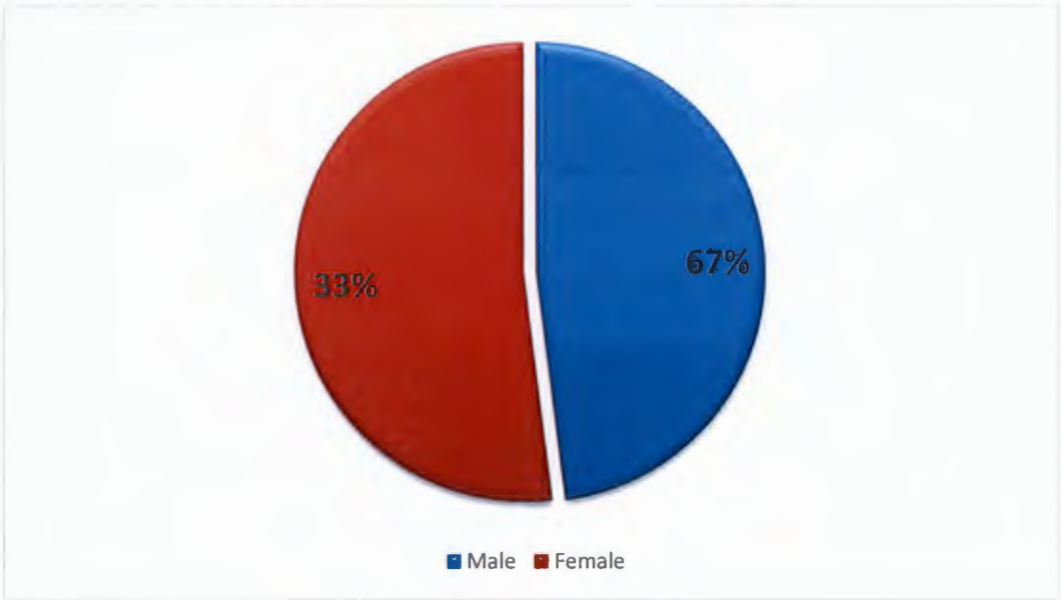
4.3 Presentation of biographic information

The biographic information of the participants such as gender, age group, race, years of experience and highest educational qualification were obtained and presented Tables and Figures below. It is to be noted that all the Tables and Figures presented in this chapter are primary sources obtained from the study.

4.3.1: Gender

In this category, the participants were asked to indicate their gender, their responses indicate that there are more male role-players in Tswaing Municipality than females.

Figure 4.1 Gender



Source: Primary data

4.3.2 Age group

The participants were asked to indicate their age group, the findings indicate that majority of them are above 40 years.

Table 4.1 Age groups

Age group in years	Frequency
31-35	1
36-40	2
Above 40	3
Total	6

Source: Primary data

In Table 4.2, the participants were required to indicate their race, the responses obtained indicate that the majority of the municipal financial role-players are black.

Table 4.2: Race

Race	Frequency
Black	4
Coloured	2
Total	6

Source: Primary data

4.3.4 Years of experience

The study proceeded in asking the particiapnts about their years of experience, it was discovered that majority of them have worked from 17 years and above.

Table 4.3 Years worked in the finance department

No of years worked in Finance department	Frequency
7-11	1
12-16	1
17-21	2
Above 22	2
Total	6

Source: Primary data

4.3.4 Highest qualification in education

Finally, the study asked to know the qualifications of the participants, their resposes affirm that the highest qualification of the majority of the role-players is undergraduate diploma.

Table 4.4 Highest academicqualification

Highest qualification obtained	Frequency
Undergraduate diploma	3
First Degree	1
Post graduate diploma	1
Honours degree	1
Total	6

Source: Primary data

4.4 Presentation of themes and categories of findings

This section presents the discussion of findings obtained from the face to face interviews from the respondents in Tswaing Municipality. The interviews were analysed and coded into themes and categories. Coding of data refers to the process by which the researcher studies the transcribed data and categorises them into meaningful units and sub-units (Maree, 2010:105). The data collected from the semi-structured interviews were transcribed; themes and categories were generated according to the research questions. In the presentation of the categories of findings, the study followed a descriptive and a narrative format to explain deeper the findings from the participants.

Figure 4.2 below presents the network diagram of generated themes and categories from findings as obtained in the face-to-face interviews.

Figure 4.2: Network diagram of findings

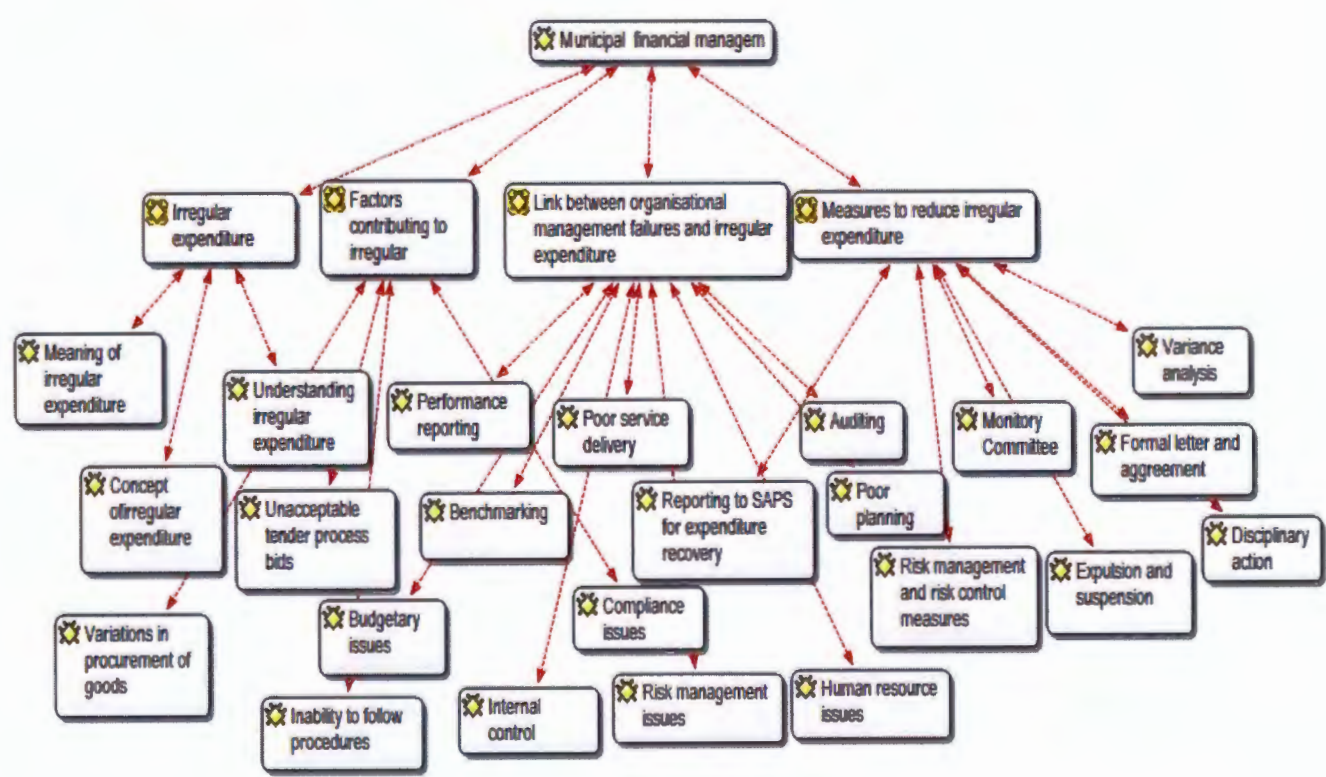


Figure 4.2 was further transformed to a table to enhance clarity and comprehensibility of presentations.

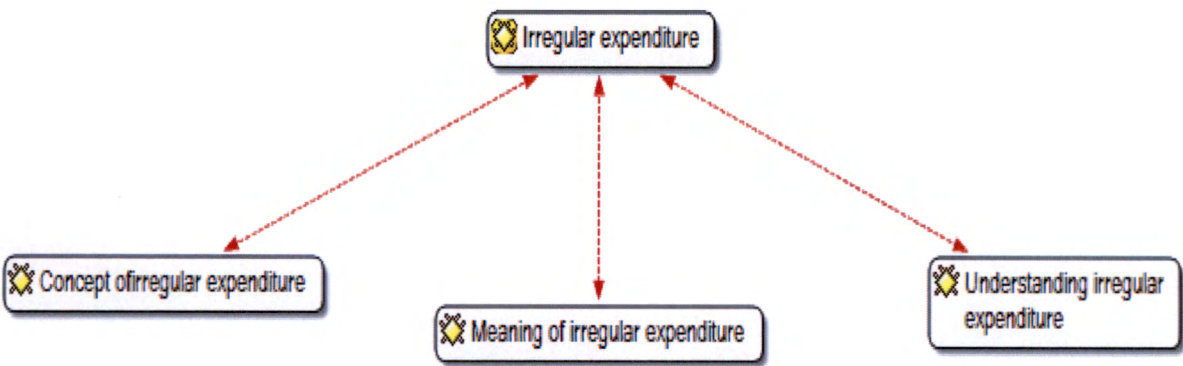
Table 4.5 Themes and categories of findings

Themes	Categories
What is irregular expenditure	• Meaning of irregular expenditure • Understanding irregular expenditure • Concept of irregular expenditure
Factors contributing to irregular expenditure	• Compliance issues • Inability to follow instructions • Unacceptable tender process • Variations in procurement of goods and servicesMe
The organisational management failures that result in irregular expenditure	• Poor service delivery • Risk management issues • Auditing • Poor planning • Human resource issues • Internal control issues • Budgetary issues • Benchmarking • Performance reporting
Measures to reduce irregular expenditure	• Variance analysis • Disciplinary action • Mornitoring committee • Formal letter and agreement • Expulsion and suspension • Risk management and risk control measures • Reporting to SAPS

4.4.1 What is irregular expenditure according to the Municipal Finance Management Act (MFMA) and international practice?

The participants viewed irregular expenditure in several ways which include the real meaning of irregular expenditure, their understanding of irregular expenditure and the concept of irregular expenditure. Following are the synopsis of the participants' views presented in Atlas-ti network diagram in Figure 4.3 below:

Figure 4.3: Meaning of irregular expenditure



4.4.1.1 Meaning of irregular expenditure

In the face-to-face interview process, the researcher asked to know the real meaning of irregular expenditure as it is obtained by law and all the participants explained that irregular expenditure refers to all expenditures made in contravention obtained in Public Financial Management Act, Treasury Regulations, and National Treasury Instructions which are in terms with Section 18(2) (a) of the Public Financial Management Act or any other financial regulations. One of the participants explained that there has been cases of irregular expenditure in the Tswaing Local Municipality, the participant moved further to indicate that the major causes of irregular expenditure may be lapses in the budgetary control by the authorities. Another respondent indicated that the financial managers should abide by the prescripts of the MFMA to ensure that there will not be an irregular expenditure in the accounting period. They should also ensure that all the expenditures to be incurred in the Municipality are signed by the authorities entrusted to it. In the literature review, it was revealed that irregular expenditure refers to all expenditures made by the financial administrators outside the precepts of municipal financial regulations.

4.4.1.2 Participants' understanding of irregular expenditure

As the interview session progressed, there was an inquiry to know the role-players' understanding of irregular expenditure. One of the respondents affirmed that Irregular expenditure may be incurred when an official spends public funds without informing the officers involved in the spending of public funds. This proposition is supported by the avowals of Pauw *et al.* (2009) as irregular expenditure is viewed as unauthorised or fruitless and wasteful expenditure made in the organisation without the authorisation of senior accounting officers. Another respondent affirmed that irregular expenditure may be regarded as any expenditure without a formal consensus of the financial employees in the Municipality. In this regard, the Updated Guideline on Irregular Expenditure (2015) affirms that irregular expenditure is linked to the financial expenditure made in an organisation without consenting to the available legislations or without recognising the principles as obtained in the Modified Cash Standard.

4.4.1.3 Concept of irregular expenditure

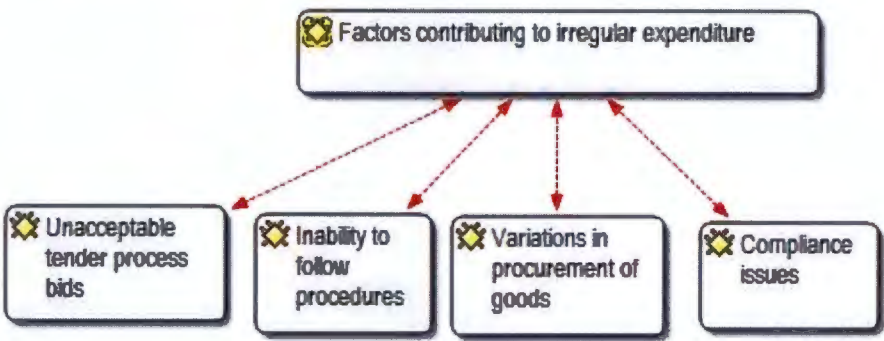
The interviewer asked a follow-up question to understand if the participants really understand the theories underlying irregular expenditure. One of the participants concurred that irregular expenditure is incurred as a result of inability to monitor the supply chain Management activities, disappearance of tender documents, also linked with the financial expenditure made in the Municipality without consenting to the available legislations.

Another participant said *"I know about irregular expenditure, it's all about fraud, looting of public money in a clever way, it's happening here all the time, it's all about greed and..... something needs to be done about it"*. With regard to this assertion, Table 1.6 indicates that the cumulative irregular expenditure for 5 financial years amounts R91 220 215.00. Moore so, the Auditor General avers that the issue of irregular expenditure is a serious problem in the country as many Municipalities fail to present clear audit reports.

4.4.2 What are the factors contributing to irregular expenditure in Tswaing Local Municipality?

The interviewer made further inquiry to determine the main causes of irregular expenditure from the respondents. The main causes of irregular expenditure as obtained from the participants are represented in the Atlas-ti network diagram in Figure 4.4 below:

Figure 4.4 Factors resulting in irregular expenditure



4.4.2.1 Unacceptable tender process

In this category, one of the respondents affirms that irregular expenditure may be caused as a result of the inability of financial employees to procure goods and services through competitive tender process bids. This assertion is based on the Contravention of Treasury Regulation 16A6.4 where the accounting authorities were directed to procure goods and services through competitive tender process bids and where the reasons for avoiding the competitive bids had not been explained or written down by the relevant accounting officer.

Another participant said *“The main causes of irregular expenditure in Tswaing Municipality is the inability to obtain goods and services through a competitive tender process and the procurement of goods and services by departments where the worth of the purchase exceeds the benchmark values as determined by the National Treasury for price quotations”*.

4.4.2.2 Inability to follow procedures

The participants affirmed that the superior officers do not follow procedures appropriately in handling financial matters such as tender process, procurement process and bidding process. This also relates to the directives obtained in the Contravention of the Treasury Regulation, 16A6.1.

One of the participants said, *“Some of the goods and services procured in this Municipality exceed the benchmark values, the superior officers don’t even involve us in making some financial decisions, they handle financial issues as they like”*. This finding indicates that most of the financial role-players do not follow procedures appropriately in handling financial matters which results in irregular expenditure.

4.4.2.3 Variation in procurement of goods

One of the participants indicated that irregular expenditure can be incurred as a result of the procurement of goods and services by departments where the worth of the purchase exceeds the benchmark values as determined by the National Treasury for price quotations. This conforms with directives obtained in the Contravention of the Treasury Regulation, 16A6.1. One of the participants affirmed that procedures are not always observed in the spending of municipal funds as most of the transactions are made by minority mafia decision.

One of the participants said, *“Things are really going wrong in this Municipality, the rate we incur irregular expenditure is alarming especially on variations in the procurement of goods and services”*.

4.4.2.4 Compliance issues

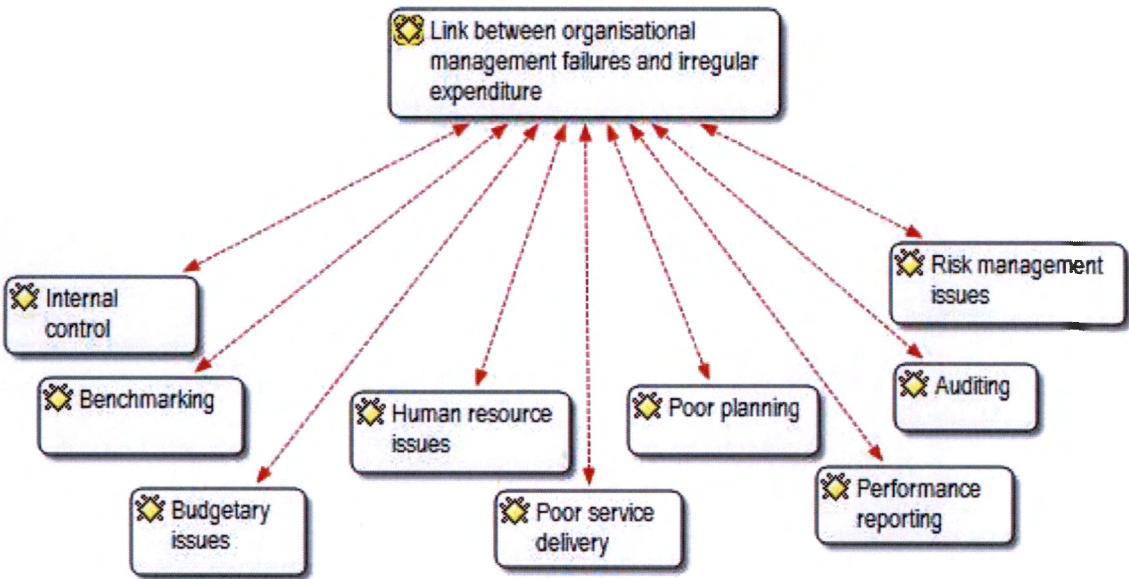
In this category, one of the participants said that the factors that contribute to irregular expenditure include inability of departments to comply with the treasury regulations or to incur expenditure in partnership with other entities without the written approval of the designated authority. Another respondent said that it can be incurred as a result of the inability of departments to comply with the provisions as provided in the available legislations while another said that it can be incurred as a

result of the inability to comply with the requirements of the institution's legislations in terms of PFMA.

4.4.3 What are the organisational management failures that result in irregular expenditure in Tswaing Municipality?

In this category, the interviewer asked to know if the participants understood the organisational management failures and the link between organisational management failures and irregular expenditure. They testified that there are numerous management failures that result to irregular expenditure in Tswaing Municipality. Their responses are presented in the Atlas-ti network diagram below:

Figure 4.5 Organisational management failures



4.4.3.1 Internal control failures

The participants indicated that internal control measures are one of the organisational management failures that result in irregular expenditure. The participants indicated that there is no efficient internal control measure in the Municipality.

One of the participants said, *“We need to put things right here, I’m not vindicating anybody but I sincerely observe that there is no strict internal control measures in this Municipality, we need to address it”*

The propositions of Gyüre (2012:173) indicate that the Municipalities should implement adequate internal control measures to implement efficient and effective operating systems and sustainable financial service delivery. Also, Laubscher and Van Straaten (2009) and Kakumba and Fourie (2008) aver that the implementation of internal control measures ensures effective use of financial resources as well as ensuring that the financial activities of the public are competently accounted for and presented. In the mainstream municipal financial management, Fourie and Opperman (2011) indicate that internal control measures help in facilitating financial control, accounting and corporate governance, reliability of financial reporting, effectiveness of operations and compliance with applicable legislations. In line with this, Smith (2005) affirms that lack of honesty, inability to achieve a controlled environment, lack of consistency and inadequate communication are obtainable in an organisation when the internal control measures fail.

4.4.3.2 Benchmarking

Almost all the participants indicated that benchmarking is an organisational failure that results in irregular expenditure.

One of the participants said, *“It is appalling that we don’t really have benchmarks to our budgets that are one of the factors that lead to the incurring of irregular expenditure in this Municipality”*.

The avowals of Naidoo and Reddy (2008) indicate that benchmarking is necessary in the organisation as it serves as a full support and commitment of management to follow policies, processes and practices in order to achieve a clean audit report. Furthermore, Centre for Municipal Research and Advice (2010) posit that benchmarking in the Municipalities requires periodic reviews, knowledge of current policies and teamwork in order to be successfully implemented.

4.4.3.3 Budgeting

In this category, the participants accepted that there is always a working budget made by the Municipality which serves as a watch-word in all the financial activities.

Two participants said, *"It is obvious that we have a budget that guide our financial expenditures in this Municipality, the problem we are having here is that we do not follow the budget as required, we need to know that"*. This indicates that the role-players in the Municipality should address the implementation of budgets in the Municipality.

Fourie *et al.* (2011) indicate that a municipal budget is a proto-plan for financial control and an intensive guide to foresee expenditures in the financial management practice while Devas *et al.* (2008) posit that a municipal budget incorporates the income and expenditure expectations and possible means to achieve them. In this regard, amendments in the budgets should follow due procedures so that they will not result to incurring irregular expenditure in the municipal financial management.

4.4.3.4 Risk management

The participants indicated that the inability to conduct adequate risk management activities is one of the organisational management failures that result in irregular expenditure.

One participant said, *"We conduct risk management activities in this Municipality but I don't think that it is adequate as we keep on incurring irregular expenditure, we need to look into it"*.

Wyman (2007) states that risk management is the identification, analysis, control and evaluation of risk exposure in relation to organisational objectives. Wyman (2007) further states that many Municipalities do not actualise their stated objectives due to the inability to conduct an effective risk analysis, therefore, municipal risk management is viewed as a comprehensive and integral framework to manage risks in order to maximize the Municipality's value (Chapman, 2006). Gitman (2006) avers that the implementation of risk management has aided Municipalities to reduce unexpected, irregular and wasteful expenditures in the allocation of resources while Stanleigh (2016b) affirms that the inability to conduct effective risk management activities makes organisations take wrong decisions which disrupt achieving the goals in both the long run and the short run curves.

4.4.3.5 Auditing

The participants also indicated that auditing is another organisational failure that results in irregular expenditure in Tswaing Municipality. However, they indicated that auditing is carried out in the Local Municipality as they contract external auditors for the Municipality auditing.

In this regard, one participant said, *"We need our auditing department here; we don't have to be contracting the external auditors always, our financial expenses need to be regularly audited to reduce fraud in this Municipality"*. This finding indicates that effective auditing should be carried out in Tswaing Municipality on regular intervals.

The avowals of Devas *et al.* (2008:105) reveal that auditing helps to reveal management fraud, incompetence, progress, threat and other sensitive information contained in the financial report while Fourie *et al.* (2011) posit that auditing examines the progress of the financial report with proper compliance with the judicial precedents and provides a detailed financial report on the findings.

4.4.3.6 Financial reporting

The participants indicated that inadequate financial reporting is one of the organisational management failures that result in irregular expenditure. Blore *et al.* (2004) posit that financial reporting gathers information on receipt of funds on each financial source and the total expenditure by the municipal financial management. The Municipal Financial Management Act, No 56 of 2003 (Section 121) specifies that all the municipal financial officers should prepare a statement of account at the end of each year to reduce financial fraud in the organisations. Fourie *et al.* (2011:530) affirm that Municipalities must ensure that their financial report must be presented at every financial year because it will help to communicate financial transactions made by the municipal financial manager to the public thereby enhancing confidence therein and achieving clear audit report. The presentation of financial reports at intervals in the organisations help to reduce irregular expenditure in the organisations, provide an analysis of budget and financial performance, and promote the object of accountability (Fourie *et al.*, 2011:530).

4.4.3.7 Poor planning

In this category, one of the participants explained that poor planning experienced in the Municipality is one of the organisational management failures that lead to incurring irregular expenditure.

The participant moves further to say, *“The inability to make provisions on contingencies during planning process, and when the change of plans are not communicated to the role-players, it leads to incurring of irregular expenditure in the Municipality. We always have challenges from the external environment; leaders should always put that into consideration”*

According to Silver (2016), leaders should plan effectively while considering material resources and human resources. Also, failures in planning arise due to poor time management, poor clear definition of objectives, poor budget and lack of support by all the stakeholders. Other participants also indicated that planning should be adequate and supportive in order to achieve the desired objective.

4.4.3.8 Human resource issues

This is another indication by the participants that the inability to manage effectively, that is, human resource issues, constitutes one of the major organisational failures that cause irregular expenditure. Two participants emphasised the inability to adopt strategic human resource planning as a key factor to organisational success by the Municipality. Uma (2013:110) avers that management should understand and manage the organisational human resource issues to ensure that the workplace diversity is handled. A planned mentoring programme, control and measure results and develops principles on giving financial rewards to the employees in order to avoid incurring irregular expenditure.

4.4.3.9 Poor service delivery

A follow-up question was asked by the interviewer to understand the link existing between organisational management failures and irregular expenditure. The participants were not hesitant to voice out that the link between the two factors is

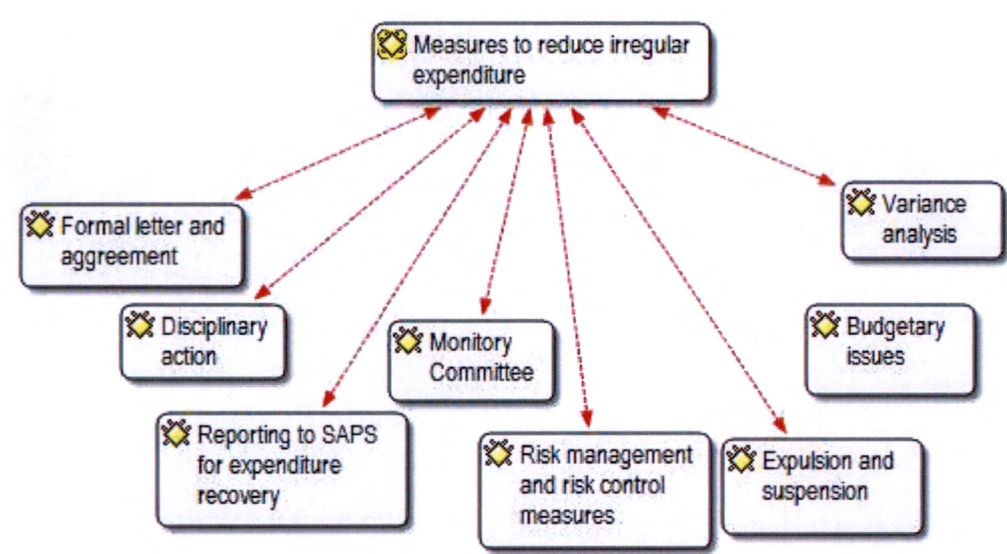
inability for the Municipalities to furnish their constitutional mandate in providing adequate services to the residents.

Five participants said, *“the link existing between organisational management failures and irregular expenditure is poor service delivery, u see....when all the funds that is to be used for service delivery disappears without traces, the masses suffer, it affects service delivery”*. All the participants affirmed that the Municipality will improve in service delivery if they could achieve clean audits in all years.

4.4.4 What are the measures to reduce irregular expenditure in the Municipality?

The interviewer made the last investigation to know the participants thought on the measures that should be implemented to halt the incurring of irregular expenditure in Tswaing Local Municipality. Their responses are presented in Figure 4.6 below.

Figure 4.6 Measures to reduce irregular expenditure in Tswaing Local Municipality



In this category, the participants indicated that the following should be implemented in Tswaig Municipality to reduce the incurring of irregular expenditure:

- Implementation of variance analysis to analyse the actual cost of projects and the deviations in the implementation process

- Implementation of budget control measures to enable the Municipality to stipulate the income and expected expenditure in the execution of certain projects.
- The Municipality should conduct risk management and risk control measures in order to make the right decisions in business to achieve the aims of the organisation.
- The participants suggested that the culprits should be expelled from the Municipality management.
- The participants also suggested that the culprits should face disciplinary actions.
- In order to reduce the incurring of irregular expenditure, the participants indicated that a monitoring committee should be commissioned to coordinate all financial projects, tender and or businesses in the Municipality.
- The Municipality should, as a matter of recovery, make agreement in writing, with the culprits to pay back the irregular expenditure.
- In extreme cases, the matter should be reported to South African Police service for proper prosecution of culprits to ensure that the irregular expenditure will be recovered.

4.5 Summary

This chapter presented the empirical findings of the study which focused on the qualitative studies. The face-to-face interviews conducted with the municipal role-players were analysed using Atlas-ti statistical package. Themes and categories were generated through the process of coding, while the central ideas were discussed. An attempt was made to correlate the findings with the literature review of the study in order to add meaning to the study. Chapter five presents the overview of the study, conclusion and recommendations.

CHAPTER FIVE

OVERVIEW OF THE RESEARCH, CONCLUSION, LIMITATIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the overview of the entire study and the summary of findings obtained from the interpretation of data made in the previous chapter. Conclusions were made as well as recommendations to uphold more ethical practices in the management of municipal finance in the Tswaing Municipality to reduce the occurrence of irregular expenditure.

5.2 Overview of the research

In chapter one, a foundation of the study was made by presenting the introduction of the study. The study progressed by providing the demographics of Tswaing Municipality; the meaning of irregular expenditure was explained as well as the extent to which Tswaing Municipality incurs irregular expenditure. It provides the problem statement, the relevant research questions that guided the entire study, the aims and objectives of the study. The delimitation of the study was explained, chapter exposition of the study provided as well as the summary of all chapters.

Chapter two provides the review of related literature of the study based on the concepts of irregular expenditure, causes of irregular expenditure and the organizational management failures that result in irregular expenditure. The appropriate legislations that support efficient management of municipal financial resources were reviewed. Finally, the chapter summary was provided.

Chapter three discussed the research design and methodology. The social constructivist paradigm was selected as the research philosophy underpinning the study while the qualitative exploratory design was adopted to collect and analyse data. Literature review and the empirical study followed a methodological approach which helped in the discussion of the qualitative results obtained from the face to face interviews. Data analysis was discussed; objectivity, reliability and validity were

established while the ethical issues surrounding the process of research were discussed.

Chapter four provided the presentation, interpretation, and discussion of findings. Data was analysed using Atlas-ti which helped in the coding of data into themes and categories. A network diagram was generated which enhanced the discussion of the chapter findings. Data was presented using tables which comprised frequencies and percentages of the responses by the participants and graphs in form of network diagram. Discussion of data was made thereafter which also followed a narrative order regarding the responses of the participants; afterwards, it was corroborated with the literature review findings to achieve a well-articulated presentation.

Chapter five focused on the overview of the entire chapters of the dissertation. A summary of findings from the each research questions was also presented and the conclusions. Recommendations were then made for this study and for any future study on the theme of the study.

5.3 Summary of findings

This section provides the biographical information of the participants as well as the summary of findings obtained through the empirical studies which was done according to the research objectives. The research objectives as posed in chapter one are listed below:

- To identify the context of irregular expenditure as defined by MFMA in Tswaing Municipality
- To identify factors contributing to irregular expenditure in Tswaing Municipality
- To establish the organisational management failures that result in irregular expenditures in the Tswaing Local Municipality.
- To offer possible solutions to reduce irregular expenditure in the Tswaing Local Municipality

5.3.1 Biographical information of the participants

The study revealed that the majority of the participants are above 40 years; majority of the participants are black while majority of the participants indicated that they have worked in the finance department for more than 17 years. Also, the highest academic qualification obtained by the majority of the participants is undergraduate diploma with no additional qualification.

The managerial implication of this is that the financial executives should strive and undertake additional training or courses in the area of financial management since the highest qualification of the majority of the participants is undergraduate diploma.

5.3.2 The context of irregular expenditure as defined by MFMA in Tswaing Municipality

The findings in this section portray that the participants acknowledged that irregular expenditures are all expenditures made in contravention obtained in Public Financial Management Act, Treasury Regulations, and National Treasury Instructions which are in terms with Section 18(2) (a) of the Public Financial Management Act or any other financial regulations. The participants further understand irregular expenditure as the result of spending municipal funds personally without due consultation of the necessary financial officials.

The managerial implications of this section portray that the municipal financial workers should not be involved in any kind of expenditure that is in contravention of MFMA or any financial regulation. The findings in this section further indicate that the municipal financial workers should conduct proper variance analysis, consult other executives before incurring other financial expenditure as obtained in the Modified Cash Standard in order to achieve a clean audit report.

5.3.3 Identify the factors that contribute to irregular expenditure in Tswaing Municipality

In this category, the study moved further to discover the factors that lead to irregular expenditure in the Local Municipalities. The findings disclosed that the financial

workers do not strictly follow the competitive tender process bids in procuring goods and services; do not follow procedure in spending public funds as the cost of some goods and services exceed the benchmark values. Variations also exist in the procurement of goods and services and other compliance issues such as the inability to strictly comply with treasury regulations and other fiscal regulations.

The managerial implications of these findings imply that the municipal financial employees should strictly follow the aforementioned factors in order to achieve a clean audit report. The findings indicate that the financial employees should be law abiding to follow the prescripts of the financial regulations especially in following tender bid process and avoiding variations in the procurement of goods and services.

5.3.4 Establish the organisational management failures that result in irregular expenditures in the Tswaing Local Municipality

In this category, the findings as obtained from the participants indicate that irregular expenditure results from the inability to conduct adequate internal control measures, benchmarking, budgeting, risk management, auditing, financial reporting, adequate planning, and other human resource issues. The findings further revealed that the link existing between organisational management failures and irregular expenditure is poor service delivery to the residents due to wastage of public funds which are meant for service provision and upgrade of infrastructure.

It is advisable, therefore, that senior managers of the Tswaing Local Municipality should conduct internal control measures and follow all the aforementioned factors to avoid incurring irregular expenditure. More so, since it is deduced that the link between irregular expenditure and organisational management failures is poor service delivery, the senior managers should strive to implement possible measures to avoid incurring irregular expenditure in order to provide adequate services to the residents as constitutionally mandated.

5.3.5 Possible solutions to reduce irregular expenditure in Tswaing Local Municipality

The findings in this section as indicated by the participants show that the following could be implemented to reduce the incurring of irregular expenditure: implementation of variance analysis, budget controls, risk management and risk control measures, expulsion from work, disciplinary actions, instituting a monitoring committee, making agreements with culprits to recover expenditure and to report to SAPS for prosecution.

The managerial implication of this finding indicates that the management of Tswaing Local Municipality should be very strict in matters related to income and expenditure of municipal funds. The internal financial control measures should be very strict and transparent. In the case of fraud or attempts to commit fraud, the municipal executives should take up the matter to ensure that it will not result in irregular expenditure, in extreme cases, the culprits should be sanctioned.

5.4 Conclusion

The study reveals that there is no justifiable reason to incur irregular expenditure by the municipal senior managers in Tswaing Local Municipality. The study concludes that irregular expenditure is incurred in Tswaing Local Municipality due to irresponsibility and impunity of the municipal officials to manage the financial resources equitably, conduct variance analysis, internal risk control and risk management measures. The study finally established that disciplinary actions, expulsion and prosecution should be applied to the culprits as a solution to achieve a clean audit. Nevertheless, the situation can be salvaged if the recommendations as provided in the study are implemented in Tswaing Local Municipality.

Furthermore, it should be noted that the financial department of Tswaing Local Municipality should possess leadership skills, accounting skills, budgetary skills, communication skills, management skills, perceptive skills and quick decision-making skills to ensure that there will be no organizational management failure that will result in irregular expenditure in the Municipality. This work, therefore, proposes that the recommendations will help to improve the lapses as witnessed in the

organizational management failures that result in irregular expenditure in Tswaing Local Municipality and other Local Municipalities that fall under the same circumstance in South Africa.

5.5 Limitations of the study

Despite the fact that the study achieved its objectives, the researcher is aware that the following limitations exist:

- Lack of articles and scholarly texts on irregular expenditure in South Africa which hindered the ability of the researcher to provide a broader view of irregular expenditure in other South African Municipalities.
- Failure of municipal officials to honour appointments as scheduled which resulted in re-scheduling of interviews which was time wasting and have financial implications.
- Inability to collect appropriate financial statements at the Municipality showing the level of irregular expenditure which delayed the progress of the study.

5.6 Recommendations

The following recommendations are made to bring a resolution to the problems as identified in the problem statement of this study. The recommendations will be made to the municipal executives of Tswaing Local Municipality.

- 1) Additional training courses should be given to the municipal financial executives to understand the concepts in municipal financial management. This could be done by engaging the services of financial professionals to train the municipal financial executives on how to handle municipal finance.
- 2) The municipal financial executives should conduct appropriate variance analysis. This could be done by applying strict principles of financial management and the execution of municipal auditing within equal intervals.
- 3) There should be availability of competent risk managers and risk control managers. The municipalities should strive to employ competent risk managers who would handle matters on risk analysis to reduce irregular expenditures and unwanted expenditures.

- 4) The financial executives should follow procedures, follow tender process bid, comply with the available financial legislations, and avoid variations in the procurement of goods to avoid incurring irregular expenditure in the Municipality
- 5) There should be effective implementation of financial management concepts such as auditing, financial reporting, internal control measures, financial accounting, and benchmarking.
- 6) There should be a monitoring committee which will supersede the financial expenditures and processes in the Local Municipality to reduce fraud.
- 7) Disciplinary actions, expulsion or prosecution should be taken against perpetrators of such acts.
- 8) Since irregular expenditure and organizational management failures lead to poor service delivery, the financial executives should apply strict management of financial resources to avoid wastage in order to provide service to the residents as constitutionally mandated.

5.7 Recommendations for future study

With regard to the findings of this study, much needs to be done in the area of municipal financial management to achieve a clean audit in each financial year. Similar studies should be conducted in other provinces to ascertain the organizational failures that result in irregular expenditure. However, this study was conducted in the North West province, the researcher feels that the findings and recommendations can be applied in other Municipalities in South Africa that are facing such financial problems.

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APPENDIX A ETHICS CERTIFICATE



NORTH-WEST UNIVERSITY
YUNIBESITHI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT

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Web: <http://www.nwu.ac.za>

Institutional Research Ethics Regulatory Committee

Tel: +27 18 299 4849
Email : Ethics@nwu.ac.za

ETHICS APPROVAL CERTIFICATE OF PROJECT

Based on approval by the Human Resource Research Ethics Committee (HRREC) on 05/06/2017, the North-West University Institutional Research Ethics Regulatory Committee (NWU-IRERC) hereby approves your project as indicated below. This implies that the NWU-IRERC grants its permission that, provided the special conditions specified below are met and pending any other authorisation that may be necessary, the project may be initiated, using the ethics number below.

Project title: Examining organizational management failures in resulting to Irregular expenditure: a case of Tswaing Local Municipality

Project Leader/Supervisor: Prof R Ravinder
Student: Rev. AJ Mothupi

Ethics number:

N	W	U	-	0	0	5	0	0	-	1	7	-	A	9
Institution			Project Number						Year		Status			

Status: S = Submission; R = Re-Submission P = Provisional Authorisation, A = Authorisation

Application Type: Master's
Commencement date: 2017-05-24 **Expiry date:** 2020-05-24 **Risk:** NA

- Special conditions of the approval (if applicable):**
- Translation of the informed consent document to the languages applicable to the study participants should be submitted to the HRREC (if applicable).
 - Any research at governmental or private institutions, permission must still be obtained from relevant authorities and provided to the HRREC. Ethics approval is required BEFORE approval can be obtained from these authorities.

General conditions:

While this ethics approval is subject to all declarations, undertakings and agreements incorporated and signed in the application form, please note the following:

- The project leader (principle investigator) must report in the prescribed format to the NWU-IRERC via HRREC.
 - annually (or as otherwise requested) on the progress of the project, and upon completion of the project
 - without any delay in case of any adverse event (or any matter that interrupts sound ethical principles) during the course of the project.
 - Annually a number of projects may be randomly selected for an external audit.
- The approval applies strictly to the protocol as stipulated in the application form. Would any changes to the protocol be deemed necessary during the course of the project, the project leader must apply for approval of these changes at the HRREC. Would there be deviated from the project protocol without the necessary approval of such changes, the ethics approval is immediately and automatically forfeited.
- The date of approval indicates the first date that the project may be started. Would the project have to continue after the expiry date, a new application must be made to the NWU-IRERC via HRREC and new approval received before or on the expiry date.
- In the interest of ethical responsibility the NWU-IRERC and HRREC retains the right to:
 - request access to any information or data at any time during the course or after completion of the project;
 - to ask further questions, seek additional information, require further modification or monitor the conduct of your research or the informed consent process.
 - withdraw or postpone approval if:
 - any unethical principles or practices of the project are revealed or suspected,
 - it becomes apparent that any relevant information was withheld from the HRREC or that information has been false or misrepresented,
 - the required annual report and reporting of adverse events was not done timely and accurately,
 - new institutional rules, national legislation or international conventions deem it necessary.
- HRREC can be contacted for further information via Estie.Fmitch@nwu.ac.za or 018 289 2873.

The IRERC would like to remain at your service as scientist and researcher, and wishes you well with your project. Please do not hesitate to contact the IRERC or HRREC for any further enquiries or requests for assistance.

Yours sincerely

Prof LA Du Plessis

Prof Linda du Plessis
Chair NWU Institutional Research Ethics Regulatory Committee (IRERC)

Digitally signed by
Prof LA Du Plessis
Date: 2017.06.08
15:18:12 +02'00'

APPENDIX B

INTERVIEW QUESTIONS



NORTH-WEST UNIVERSITY
YUNIBESITI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT

Dear Participant,

My name is AJ Mothupi, a Master of Commerce student of the North-West University, Mafikeng campus. I am conducting a research study on “The organisational management failures that results to irregular expenditure in Tswaing Local Municipality” I wish to invite you to participate in this study by giving your best opinion on the interview questions and the follow-up questions. The interview will require approximately 30 minutes to be completed.

Should you agree to take part in the study, please note that your participation will be voluntary and you may withdraw as and when you wish. I would also like to assure you that your identity will be kept secret and your responses will not be used against you.

Thank you for your assistance.

Yours sincerely,

AJ Mothupi

E-mail: jam122us@yahoo.com

Cell: 0823590340

SECTION 1: PERSONAL CHARACTERISTICS OF THE RESPONDENTS

1. Please indicate your gender

Male	Female

2. Please indicate your current age group in years

Less than 20	21- 25	26-30	31-35	36-40	Above 40

3. How many years have you worked in the finance department?

Less than 1	2- 6	7-11	12-16	17-21	Above 22

What is your highest educational qualification?

Matric	
Certificate programme	
Undergraduate Diploma	
First Degree	
Post Graduate Diploma	
Honours Degree	
Master’s Degree	
Doctoral Degree	

5. What is your race?

Black	
Coloured	
White	
Indian	
Others	

SECTION 2: RESEARCH QUESTIONS

- 1) What is irregular expenditure according to the Municipal Finance Management Act (MFMA)?
- 2) What are the factors contributing to irregular expenditure in Tswaing Local Municipality?
 - i) What are the main causes of the irregular expenditure in Tswaing Municipality? Can you briefly tell me the main cause?
- 3) What are the organisational management failures that result in irregular expenditure in Tswaing Municipality?
 - i) What are organisational failures?
 - ii) What are the factors as a result of the linkage between irregular expenditure and organisational failures?
 - iii) Do you experience the concept of organisational failure in this Municipality?
- 4) What are the current measures put by management to reduce irregular expenditure in the Municipality?
 - i) What has management done in terms of issues raised by the auditor general to resolve these recurring findings on irregular expenditure?

- ii) What control measures did management put to curb recurring irregular expenditure?
- iii) What steps have managers taken to recover the expenditure incurred as required by sec 102 (b i)
- iv) What are the steps that managers have taken to prevent the recurrence of the irregular expenditure as required by sec 102 (b ii)
- v) Did managers' report to the South African police service any irregular expenditure that may constitute a criminal offence in terms of sec 102 (2) and other losses which resulted from suspected criminal conduct?
- vi) Did the political leadership take disciplinary actions against the offenders as required by MFMA and if not why?

P. O BOX 5826
Mmabatho
2735

10th Nov 2017

CERTIFICATE OF LANGUAGE EDITING

TITLE OF THESIS

Examining the organisational management failures resulting in irregular expenditure: A case of Tswaing Local Municipality.

SUBMITTED BY

A. J. Mothupi

(Student No. 16464184)

FOR THE DEGREE OF

MBA

(Master of Business Administration)

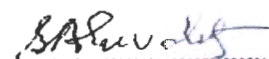
IN THE

Faculty of commerce and Administration

North-West University
Mafikeng Campus

Has been edited for language and other technical details by:

Prof. S. A. Awudetsey


.....
Prof S A Awudetsey
0722371390

APPENDIX D TURNITIN REPORT

EXAMINING THE ORGANISATIONAL MANAGEMENT FAILURES RESULTING TO IRREGULAR EXPENDITURE: A CASE OF TSWAING LOCAL MUNICIPALITY

ORIGINALITY REPORT

11%	6%	0%	0%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	dspace.nwu.ac.za Internet Source	2%
2	ulspace.ul.ac.za Internet Source	<1%
3	docplayer.net Internet Source	<1%
4	read.gaaaccounting.com Internet Source	<1%
5	www.finance.gov.za Internet Source	<1%
6	www.senqumunicipality.co.za Internet Source	<1%
7	beta2.statssa.gov.za Internet Source	<1%
8	services.bowman.co.za Internet Source	<1%