

CHAPTER 1

INTRODUCTION: ORIENTATION, PROBLEM STATEMENT, RESEARCH METHOD

Key Words: Executive Mayor, public financial management, local municipalities, accountability, budgeting, Auditor-General, legislation, risk

1.1 INTRODUCTION

The introduction summarises what the mini-dissertation is all about. The orientation is an explanation of the financial challenges that confront executive Mayors in their quest to implement objectives that promote concept developmental local government. A problem statement posits the hypothetical situation that necessitates the study, which is followed by a hypothesis. Research questions to be probed, and objectives to be targeted are put in place. The research methodology to unearth answers posed by the research question are outlined, and questions of ethics are answered. An outline of chapters concludes the chapter.

1.2 ORIENTATION AND BACKGROUND

Financial management, and its mismanagement in local municipalities in South Africa, have been a source of much concern to the citizenry. Reports of the Auditor-General are recurrently replete with cases of non-compliance with financial legislation; and hardly a week passes without incidence of labour strikes or newspaper reports on financial mismanagement of local municipalities (Nombembe 2010). These recurrences are yet, happening in the face of “state-of-the-art” financial legislation. The challenges that face the Executive Mayor regarding financial management, as political head of a local municipality, cannot be underestimated. A study of this nature is required to help unearth the causes of financial ineptitude, and to offer recommendations to ameliorate the cancer.

The role of the Executive Mayor (EM) prior to the new political dispensation was poorly defined, and this was also the case with the other functions. As described by Craythorne (1994:152), the role of the mayor was largely ceremonial, responsible for public appearances, entertaining guests and for chairing the executive committee without causing political controversy. Legislation, since 1996, have radically changed the functions and responsibilities of the EM, particularly in the role of financial management.

The underlying reason for financial management is to provide accountability, defined as “the responsibility of government and its agents towards the public to achieve set objectives and to take stock for them in public” (Fox & Meyer, 1995:2). This, as pointed out by Tengeni (2005:161), amounts to public accountability which is associated with representative democracy and of which the EM is a steward. The centrality of all the roles of the EM is therefore financial management as this function, together with political policy and direction, are what give birth to service delivery.

Public financial management involves the generation, allocation, use and control of public money (Pauw *et al.*, 2010:5). Issues in the discipline and its practice include budget preparation and its management, financial reporting, risk and procurement management (including supply chain), the audit process, public participation and consultation, asset management, intergovernmental fiscal relations and internal control (Visser & Erasmus 2010:77). Exposition of these financial functions will be the theme for chapter 2.

The financial roles of the EM have, since 1996 been clearly defined by legislation. Section 152 of the 1996 Constitution outlines the developmental roles of local government and, by implication, vests legislative and executive powers (by delegation) in the EM. The position of the EM is created by section 52 of the Municipal Structures (Act 117 of 1998) which, amongst other functions, tasks the EM to perform delegated duties assigned by Council, and leading the roles in designing the Integrated Development Plan (IDP) and the budget. The Act prescribes a code of conduct for councillors and officials. In terms of section 84 of the Municipal Systems (Act 32 of 2000), the EM has to initiate the Service Delivery and Budget Implementation Plan (SDBIP) which

sets budget projection for the following three years and which monitors performance indicators and targets. A transformation in financial functions at municipal sphere is the Municipal Finance Management (Act 56 of 2003) which regulates the financial functions of Council, the Executive, Management, Audit and Oversight Committees, and relations with the public. These roles, which are amongst many others, will be expanded in chapter 3.

Financial management and its concomitant functions are delicate national issues which must be protected by a sound legal foundation (Ababio, 2007:11). The 1996 Constitution provides enabling broad provisions in this regard. In terms of Chapter 10, Section 195, public administration has to be of high standard of professional ethics, there have to be efficient, economic and effective use of resources, service provision has to be impartial, fair, equitably and without bias, and a promotion of a public administration that is accountable and transparent. It is the promotion of these statutory tenets of accountability whose challenges form the core of the financial roles of the EM as basis for this study.

1.3 PROBLEM STATEMENT

A number of audited reports of the Auditor-General, since 2004 are those of “disclaimer”, that is, an auditing process for which a positive opinion could not be expressed due to adverse findings (Nombembe, 2010). Such has been the case for 15 local municipalities in the Free State. For the purpose of this study, the research will focus on four local municipalities in the Free State namely, Metsimaholo, Mafube, Moqhaka and Ngwathe local municipalities. The reasons for the selection are twofold. First is the proximity and cost efficiency of the selected study area to the student. Secondly, all four municipalities fall under the Fezile Dabi District Municipality. The area consists of a population of 474089 representing approximately 17% of the total population of 2706775 of the Free State province (Fezile Dabi 2010:5) Findings and recommendations made are not only to be representative of the broader group of municipalities, but are likely to be applicable for improvement by the 15 local municipalities in the Free State.

The scenario of challenges that confront municipalities and by implication' also EMs, as catalogued by the erstwhile Department of Provincial and Local Government include the following (Ababio, 2007:15):

- A number of municipalities that are owed up to R200 million each by their residents;
- Some municipalities that are unable to fill up to 300 posts due to financial constraint;
- A number of municipalities that do not have internal auditors;
- In an instance, 11 out of 50 receipt books could not be presented for audit;
- Payment vouchers amounting to millions not presented for audit;
- Several instances of dissatisfaction in accounting practices expressed by auditors.

The above examples of challenges are hypothetical to the selected local municipalities which have to be researched into, to determine the extent of human resource capacity and competency, as well as compliance to statute.

1.4 HYPOTHESIS

The hypothesis to operationalise the study is formulated as follows

Despite the existence of state-of-the-art legislation to regulate municipal finance, Executive Mayors in municipalities in the Fezile Dabi District face the challenge of poor service delivery as a result of non-compliance to financial statutes due to human resource incapacity.

1.5 RESEARCH QUESTIONS

Emanating from the orientation and problem statement are the following research questions:

- What is meant by Public Financial Management?
- What legislation and procedural systems impact the role of the EM in financial management?

- What is the extent of human resource capacity and competence that impact as challenges on the role of the EM in financial management in the selected local municipalities?
- What recommendations can be offered to help improve the challenges that confront EMs in financial management in the selected local municipalities?

1.6 RESEARCH OBJECTIVES

Flowing from the research questions are the following aligned objectives:

- To give a theoretical exposition of the concept Public Financial Management.
- To analyse relevant legislation and procedural systems that impact on the role of EMs in financial management in the selected local municipalities.
- To research into the extent of human resource capacity and competency in managing the challenges that confronts EMs in financial management in the selected local municipalities.
- To offer recommendations that to help improve the financial management challenges of the EMs in the selected local municipalities.

1.7 RESEARCH METHODS

Realising answers to research questions and objectives will require conduct of research through methodology. These will be literature review and empirical survey.

1.7.1 Literature Review

Exploration through the section on orientation showed that the background to the study is literature review. Sources that will be contacted involve books, journal articles, theses and dissertations, newspaper excerpts, legislation and regulations, and internet sources on Public Financial Management. A preliminary survey shows there are adequate sources in libraries in the Vaal region.

1.7.2 Empirical Survey

The tool for empirical survey will be an open-ended questionnaire. Due to the sensitive position of the researcher as an EM, any form of personal interview are likely to be influenced by bias and will be discouraged. Rather, guided by the Supervisor, a questionnaire will be constructed to test the following responses:

Biographical information which will show the competency, experience and skill of officials in financial management. Other questions will solicit the following responses:

- Extent to which regulations are complied or flouted at.
- Effectiveness of hierarchical supervision and monitoring.
- Extent to which action plans on audit queries and disclaimers are dealt with.
- Extent of political interference in appointments and compliance.
- Perceptions of personnel on causes of financial difficulties in the local municipalities.

The sample size will be 95 politicians and officials made out of the following incumbents:

- EMs of Mafube, Moqhaka, Ngwathe local municipalities;
- 5 Mayoral Committee members from the 4 municipalities in the study area'
- The 4 Municipal Managers;
- The 4 Chief Financial Officers;
- Executive Directors each from the 4 municipalities;
- Managers each from the 4 municipalities
- Chairpersons of Audit Committees of the 4 municipalities
- 10 ordinary employees randomly selected from each of the 4 local municipalities

Analysis of the responses will be by graphs i.e. quantitative, and by description and interpretation i.e. qualitative.

1.8 ETHICS

As pointed out, the researcher is an Executive Mayor. This brings in ethical questions of permission and consent. Firstly, permission to conduct research in the selected local municipalities will be obtained from the Speaker of the Free State Legislature, and from the Municipal Managers. Secondly, questionnaires to respondents will be blind to avoid bias. Respondents will be assured of anonymity.

1.9 CHAPTER OUTLINE

CHAPTER 1: Orientation, Problem Statement, Research Method

CHAPTER 2: Theoretical exposition of concept Public Financial Management

CHAPTER 3: Legislation and procedural systems on the financial roles of the EM

CHAPTER 4: Empirical research on financial challenges to the EM in selected municipalities

CHAPTER 5: Summary, Recommendations, conclusions

The next chapter deals with a theoretical exposition of the concept Public Financial Management.

CHAPTER 2

THE CONCEPT OF PUBLIC FINANCIAL MANAGEMENT

2.1 INTRODUCTION

Institutions throughout the world, whether public or private, function as a result of money. The prudent management of money, particularly in the public sector, becomes not only imperative but also a priority. This is because money in the public sector is not only meant for delivery of service ; its use must be accounted for by all who are custodians of public money.

This chapter examines the concept of Public Financial Management. The meanings attached to the concept are outlined; this is followed by an analysis of aspects such the legal framework, the budget as the medium for the generation, custody, allocation, use and control of the public purse, budgetary control, the linkage of the budget to strategic planning, risk management and internal control. It may be pointed out that the content of public financial management is quite wide and these may not exhaust the field. The aspects analysed are however, are representative of the scope for which the study is intended.

2.2 THE CONCEPT

The purpose of financial management in the public sector is to “ensure the efficient management of limited financial resources with the purpose to promoting economy and efficiency in the delivery of outputs. As pointed out by Bekker (2009:14) such efficient outputs are required to achieve desired outcomes that will serve the needs of the community”. The concept is viewed from a public management and administration perspective that the locus of it is the study of public institutions , together with the systems, procedures and mechanisms by which government receives revenue, expends money via the budget, and exercises control through specific mechanisms (Visser & Erasmus, 2009:15). For that matter, financial management ranges from daily cash management through to the formulation of long-term financial objectives,

policies and strategies in support of the strategic and operational plans of a public department (www.finance.gov.za). It includes the planning and control of capital expenditure, working capital management, interaction with the Treasury, funding and performance management accounting functions which are predominantly concerned with the collection, processing and provision of financial information and the planning, operation and control of the supporting financial systems (Fourie 2006:4).

Similarly, Nsingo (2008:40), describes public financial management as that part of management which is primarily concerned with the financial affairs of an institution and the translation of actions, both past and proposed, into meaningful and relevant information for use in the management process. It includes designing, establishing and maintaining an integrated financial management system that includes budgeting, accounting and managerial financial reporting which will furnish timely data that are used in the direction, evaluation and control of operations at the various levels/spheres of management " These are concurred by Mzini and Ababio (2009:150) who explain that public financial management is a broader concept which embraces financial management in organizations which have their own income and expenditure budgets. The core of government financial management is therefore generally taken to be budget planning and preparation, appropriation by the legislature, budget implementation, accounting and financial reporting, auditing and evaluation.

There have been major changes in the finance function as public spending has been subjected to cuts, new finance sources have had to be explored, and value for money has become a prominent term of all public expenditure programmes. Schwella *et al.* (1996:109) state that public finance does not have an independent purpose but it exists to serve. In other words the primary objective of public financial management is the distribution of values (Wang, Qiaoyi & Liwei Shang, 2004:36).

The size and complexity of public institutions and scarce resources have increased the emphasis and focus on public financial management (Mancosa, 2005). The effective and optimal use of financial resources is important in a constantly changing environment characterised by the increasing needs and

requirements of the citizenry. It is therefore vital that available resources are managed optimally to ensure that the objectives of the state and its departments are achieved (Van der Waldt & Du Toit 2002:301). In these sense, consequently, public financial management may be defined as the conscious activities and processes for implementing financial management legislation through the acts of budgeting, generating, custody, allocation, use and control of public money Public financial management is strictly regulated by legislation. In the next section, the relevant legislations will be highlighted.

2.3 LEGISLATIVE FRAMEWORK FOR PUBLIC FINANCIAL MANAGEMENT

Public financial management, no matter at what sphere it is implemented, is strictly regulated by legislation. This study is limited by its scope, that is, to public financial management at the municipal sphere in South Africa. Consequently, the discussion on the legislation aspects of the concept may be limited, even though references will occasionally be made to the national and provincial spheres. At the municipal sphere of public finance, the relevant pieces of legislation that impact on public financial management include the Constitution of 1996, the Public Finance Management Act 1 of 1999 (hereinafter referred to as the PFMA); the Local Government Municipal Finance Management Act 56 of 2003 (hereinafter referred to as the MFMA); the Local Government Municipal Property Rates Act 6 of 2004; the Local Government Municipal Systems Act 32 of 2000; the Intergovernmental Fiscal Relations Act 97 of 1997; and the Local Government Municipal Structures Act 117 of 1998. Each of these will be outlined in the following sections.

2.3.1 The 1996 Constitution

The 1996 Constitution of South Africa impacts on municipal government in two ways, namely it creates municipalities that are tasked with promoting a concept of developmental local government and, secondly, it regulates the ways and manner by which municipal finance should be regulated.

Local Government in South Africa is established in Chapter 7 of the 1996 Constitution. Section 151 creates municipalities with the provision that "the local sphere of government consists of municipalities which must be

established for the whole of the territory of the Republic. Such a provision radically departs from the system of pre-1994 when South Africa functioned on a system of separate development. By virtue of Section 151 (2-5), municipalities in South Africa are of devolutionary type. This is explained as “the transfer of responsibility, decision-making and resource and revenue generation to a lower level public authority that is autonomous and fully independent of the devolving authority” (Raga *et al.* 2012:119). This is as opposed to an outright decentralization where the higher levels of government can interfere in various aspects of the activities of municipalities (Ababio & Andoh, 2013:192). Thus in terms of the sections in the Constitution.

- The executive and legislative authority of a municipality is vested in its Municipal Council;
- A municipality has the right to govern, on its own initiative, the local government affairs of its community, subject to national and provincial legislation, as provided for in the Constitution;
- The national or a provincial government may not compromise or impede a municipality’s ability or right to exercise its powers or perform its functions.

Further, public financial management of municipalities are regulated by the Constitution to make municipalities perform a developmental function that is based on the democratization of use of public finance. In terms of Section 152 (a-e), the objects of local government are:

- To provide democratic and accountable government for local communities;
- To ensure the provision of services to communities in a sustainable manner;
- To promote social and economic development;
- To promote a safe and healthy environment; and
- To encourage the involvement of communities and community organisations in the matters of local government.”.

In promoting the above-stated objectives, the Constitution admonishes municipalities to strive, within their financial and administrative capacity, to achieve these objectives.

2.3.2 The White Paper on Local Government

The White Paper on Local Government of 9 March 1998 was a prelude to all current Acts on local government in South Africa. The White Paper discusses characteristics of developmental local government that is,), exercising municipal powers and functions in a manner which maximises their impact on social development and economic growth, playing an integrating and coordinating role to ensure alignment between public and private investment within the municipal area; democratising development; and building social capital through providing community leadership and vision, and seeking to empower marginalised and excluded groups within the community.

The White Paper further provides approaches that can assist municipalities to become more developmental .. These are “in the areas of integrated development planning and budgeting; performance management; and working with together with local citizens”. The White Paper deals with municipal finance, in that it puts forward a set of principles to guide the development of a new framework for municipal finance which includes local revenue instruments and policies and regulation for the property taxation system and establishment levies. Additional sources of revenue, such as fuel levy and the extension of property taxation to rural areas are explored. It also deals with municipal budgeting, accounting, financial reporting and management systems.

2.3.3 The Municipal Systems Act

The Municipal Systems Act 32 of 2000 deals with public financial management in the area of Credit Control and Debt Collection). In terms of section 96,

a municipality must collect all money that is due and payable to it, and must adopt, maintain and implement a credit control and debt collection policy

which is consistent with its rates and tariff policies. For that matter, a credit control and debt collection policy must provide for (

- Credit control procedures and mechanisms;
- Debt collection procedures and mechanisms;
- Provision for indigent debtors that is consistent with its rates and tariff policies;

Realistic targets consistent with general recognised accounting practices and collection ratios, the estimates of income set in the budget it less an acceptable provision for bad debts; interest on arrears; and extension of time for payment of accounts.) .

2.3.4 The Municipal Finance Management Act

The objective of the MFMA is to secure sound and sustainable management of the fiscal and financial affairs of municipalities as admonished by the Constitution, into financial regulations of municipalities in South Africa. The MFMA outlines extensive regulations on Supply Chain Management that relate to issues such as responsibilities of accounting officers, training of officials, system of demand and acquisition management, range of procurement processes, bid adjudication processes and disposal management as well as a range of ethical standards. Furthermore, the MFMA regulates municipal finance on capital assets, and prescribes procedures for municipal budget and reporting. Chapter 6 of the MFMA frowns on the acts of the “gruesome threesome” of unauthorised, irregular or fruitless and wasteful expenditure. The Act also regulates on adjustment budgets and on municipal reporting.

2.3.5 Intergovernmental Fiscal Relations Act

The Intergovernmental Fiscal Relations (Act 97 of 1997) seeks to promote co-operation between the national, provincial and local spheres of government. These are in the areas of fiscal, budgetary and financial matters, and to prescribe a process for the determination of an equitable process for the determination of an equitable sharing and allocation of revenue raised nationally. The Act deals with regulations on the conduct of intergovernmental

relations, the settlement of intergovernmental disputes, and defines intergovernmental structures.

2.3.6 The Preferential Procurement Policy Framework

The Preferential Procurement Policy Framework, Act 5 of 2000 was enacted to give effect to section 217 (3) of the Constitution by providing a framework for the implementation of procurement policy. The framework is applicable to the public sector procurement system of all organs of the State at national, provincial and local spheres of government. In terms of section 2(1) of the Act, an organ of state must determine and implement its own preferential policy within a prescribed framework.

The objectives of the PPPFA are the following (Visser, 2006:6):

- To address the inequalities in public sector procurement of the past.
- To allow for more flexibility in public sector procurement.
- To eliminate fronting and corruption..

Operating together with the PPPFA is the Policy Guidelines of the Supply Chain Management Framework. The objectives of these policy guidelines are “to transform the procurement and provisioning functions in government into an integrated supply chain management function and to create a common understanding and interpretation of government’s preferential procurement policy objectives”. A linchpin of the process of Public Financial Management is the system of budgeting which will be discussed in the next section.

2.4 BUDGETING IN THE PUBLIC SECTOR

All public needs require money and resources to realize. Provision of these is one of the reasons why government institutions exist, that is, provision of outputs and outcomes. These are provided through the budget. Pauw *et al.* (2009:58) define the concept budget as follows;

The budget is a financial plan that sets out how a government will achieve its objectives. Further, a budget is “simply a document identifying and stating particular objectives with associated expenditures linked to each objective”

(Visser & Erasmus, 2009:80). Consequently, the budget serves to achieve the following objectives (Gildenhuis, 1993:391-412):

- “A planning process in which the budget represents the financial component of the strategic and operational or business plan;
- A management process in which the budget serves as a plan of action as well as making control over and reporting on possible expenditure;
- An instrument for promoting and ensuring financial coordination due to a set of measurable objectives and outputs;
- A policy formulation instrument where the budget determines which services should be rendered with available funds, as well as the priorities of services;
- A policy declaration instrument that states the financial implications of of the policy for the following year;
- An instruction document promulgated by the legislature for execution by government departments;
- A source of financial information because the budget is a public document;
- A basis for accountability where the reports of the Auditor-General and the Annual report of Departments are tabled in the legislature and scrutinised by the SCOPA;
- A means to determine the funding requirements for public expenditure.

The budget, in particular is used by executives and policy implementers as an operative handbook. For that matter, Visser and Erasmus, (2009:81) outline the functions of the budget as follows:

- The budget identifies the aims and objectives of spending agencies in broad outline and closely scrutinise these policy objectives regarding the allocation of means;
- The budgeting system identifies the executive programmes whereby these objectives are pursued, or are to be pursued;

- It emphasises policy priorities and consider alternative possibilities for allocation of means;
- It integrates objectives and their executive programmes, directly connecting specific policy aims with their financing;
- It strives for multi-term financial planning of executive programmes to achieve specific objectives by associating such planning with the means that will be needed over the long term; and
- It uses, and at the same time facilitates the development of analytical and evaluation techniques for ascertaining whether spending are done economically.

A budget document therefore contains a full listing of expenditure programmes. A business plan, for instance, cannot replace a budget, since a business plan has other objectives over and above pure budgeting. From the viewpoint of government however, the budget can be regarded as a type of business plan, as its purposes are similar to those of a business plan. Arising out of the budgeting implementation processes are issues of budget control, risk management and internal control, all of which will be discussed in the next sections.

2.4.1 Budgetary Control

The mere fact that a particular budget statement has been well prepared or organised does not guarantee that the implementation of the contents would be perfect. Budget implementation of any entity must be controlled due to unforeseen circumstances. The means is budgetary control.

Budgetary control has been defined as the establishment of budgets for public institutions that relate the responsibilities of public managers to the requirements of a policy, and the continuous comparison of the actual with the budgeted results, either to secure by individual action the objectives of the policy or to provide a firm basis for its revision (Visser, 2006:31). This means that budgetary control relates expenditure to the person who incurs the expenditure to ensure that actual expenses can be compared with budgeted expenses, thus affording a convenient method of control.

Visser (2006:31) categorises budgetary control into three aspects, namely:

- Control during preparation of budget;
- Control during out-turn; and
- Control by review.

Once a budget is approved, it is most likely that the income and expenditure patterns may require changes. These are to be expected due to incidents such as unforeseen changes in pay and prices levels; urgent needs arising after the budget has been approved; and delays in carrying out projects because of circumstances such as the weather, labour unrests or global disturbances on currencies. Thus regulations such as the PFMA and the MFMA provide for procedures of allowing some degree of flexibility. Mechanisms for budgetary control will therefore be outlined.

2.4.1.1 Supplementary Estimates and Adjustment Budgets

In occasional instance, a municipality may authorise some addition to the budgeted expenditure. Thus in terms of section 28 of the MFMA, a municipality may revise an approved annual budget through an adjustment budget. In that case, an adjustment budget:

- “Must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year
- May appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for.
- May, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
- May authorise the utilisation of projected savings in one vote towards spending under another vote.
- May authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the Council.

- May correct the errors in the annual budget; and
- May provide for any other expenditure within a prescribed framework”.

2.4.1.2 Virement between Main Divisions within Votes

Virement means “the transfer of monies between headings or votes of a budget so that overspending on one head is met either by under spending on another or from increased income” (Visser, 2006:34). In terms of section 43 of the PFMA an accounting officer of a public institution may utilise a saving in the amount appropriated under a main division within a vote, for the defrayment of excess expenditure under another main division within the same vote, unless relevant treasury directs otherwise. The utilisation of such a saving is known as a virement.

Such a saving may not exceed eight percent of the amount appropriated under the main division. It is however, necessary that the accounting officer submit a report to the executive authority and to the relevant treasury within seven days that contains the prescribes particulars concerning the utilisation of a saving. The utilisation of a saving is not allowed if:

- An amount is specifically and exclusively appropriated for a purpose mentioned under a main division within a vote.
- An amount is appropriated for transfer to another institution; and
- An amount is appropriated for capital expenditure but used to defray current expenditure (Visser 2006:35.)

2.4.1.3 Rollovers and Unspent Revenue Balances

The normal practice is that any unspent revenue provision which remains unspent at the end of the financial year is forfeited and returns to the general balances of the authority. Visser (2006:35) points out that this approach maintains tight control. There may therefore be good reasons for allowing unspent balances to be carried forward to the following year. The aims of this approach are the following (Visser & Erasmus, 2009:59):

To overcome the effects of delays in providing the goods or services which are outside the influence of the department concerned.

- To avoid any tendency for departments to spend, particularly near the end of the financial year, just to exhaust the budget provision without proper regard for value for money.
- To recognise that it may be necessary for departments to save part of the budget provision for several years in order to afford a fairly major of equipment or important service.

Although the rollover of funds is allowed in terms of sections 30 and 31 of the PFMA, Treasury Regulations set certain guidelines according to which it must be done. . Requests for rollovers must be submitted to the relevant treasury on or before the last working of May each year, in a format determined by the National Treasury (Ababio 2007:42)

2.4.1.4 Unauthorised, Irregular and wasteful expenditure

A political office-bearer of a municipality is liable for unauthorised expenditure if that office-bearer knowingly or after having been advised by the accounting officer of the municipality that the expenditure is likely to result in unauthorised expenditure, instructed an official of the municipality to incur that expenditure (Pauw *et al.*, 2009;101).

The MFMA, in terms of section 32, prescribes the following sanctions on unauthorised expenditure:

- “The accounting officer is liable for unauthorised expenditure deliberately or negligently incurred by the accounting officer;
- Any political office-bearer or official of a municipality who deliberately or negligently committed, made or authorised an irregular expenditure is liable for that expenditure; and
- Any political office-bearer or official of a municipality who deliberately or negligently made or authorised a fruitless and wasteful expenditure is liable for that expenditure.”.

Public Financial Management involves much risk of which every municipality must guard against. In the next sections, there will be an analysis of strategic planning and risk management.

2.5 LINKING STRATEGIC PLANNING AND BUDGETING

The imperative of linking strategic planning to budgeting in a municipal management is underlined by Visser (2006:15) when he writes: proper strategic planning and financial management planning or budgeting in the public sector be considered as the vehicle that will enable the management cannot take place when either the strategic plan or the financial management plan is developed in isolation and without taking the imperatives of one another into account. Further, the urgency of the integration between planning and budgeting is underscored by the Municipal Systems Act. Section 23 gives a mandatory order to municipalities as follows:

A municipality must undertake developmentally-oriented planning so as to ensure that it-

- Strives to achieve the objects of local government set out in section 152 of the Constitution;
- Gives effect to its developmental duties as required by section 153 of the Constitution; and
- Together with other organs of state contribute to the progressive realisation of the fundamental rights.).

The singular role of the Executive Mayor in linking the Integrated Development Plan (IDP) to the budget of the municipality's strategic plan, that is, the SDBIP The Service Delivery and Budget Implementation Plan, will be discussed in Chapter 3.

2.5.1 Developing programmes in strategic plan

Before any financial planning can be done, it is important for a municipality to identify the programmes and projects on which money has to be spent. This can only be achieved by determining the goals and the objectives that have to be accomplished based on the analysis of the mission statement and the statutory mandate of a municipality (Visser & Erasmus, 2009:124). The programmes and projects that have been identified will in the end form the basis of the operational or business plan of the municipality and should be

considered as the vehicle that will enable the council of a municipality to achieve its objectives

2.5.2 Advantages of Integrated Planning

The integration of strategic and financial planning has a number of advantages. These include (Du Plessis, in Visser, 2006:26):

- It extends and deepens multi-year budgeting, since it is based on a comprehensive planning process;
- It strengthens the link between integrated planning and service delivery since it provides the outputs;
- It enhances budgetary scrutiny by the Council since it provides the Council with relevant information on which sound decisions can be taken;
- It improves accountability by providing performance information for budget managers and the general public;
- It provides more source of documentation for researchers that want to analyse the integrated plans of the municipality.

2.6 RISK MANAGEMENT

Risk as a concept has been defined as the potential for unwanted negative consequences of an activity or event (Visser & Erasmus 2009:196). This means that what transactions an official implements may not achieve the desired result as a result of unforeseen consequence. Risk may therefore be seen as an unpredictable outcome of a transaction as a result of an undesired interference. On the other hand, McKinney (in Visser & Erasmus 2009:196) defines risk management as a comprehensive and systematic approach aimed at identifying, measuring and controlling an entity's exposure to accidental loss, theft, and liability involving human, financial, physical and natural resources. In other words, while risk may be unforeseen, risk management is a conscious effort to pro-actively plan to avoid or to minimise the occurrence of risk. Thus Coe (2005:187, in Visser & Erasmus 2009:200) refer to risk management as the process of identifying and controlling risks of all kinds namely, accidents, fire, theft and liability suits.

Risk management has become imperative for public institutions of late as a result of continued liability crises. Secondly, the creation of safe working environments results in fewer accidents, greater productivity and higher staff morale. Thirdly, the costs of accidents and expenditure associated with stolen or misused assets are reduced (Coe, in Visser & Erasmus, 2009:197).

2.6.1 Risk Management Units

A well established risk management programme is, according to Coe (in Visser, 2006:63), based on three critical components. These are: a centralised unit with trained staff, formal risk management policies and a system of good record keeping.

To establish a risk management programme it is imperative for a government department to set up a risk management unit and centralise all risk management duties under a qualified and competent risk manager. If the public institution is very small in terms of the number of staff and activities the risk management function can also be performed by the accountant or the financial manager (McKinney, in Visser & Erasmus 2009:198). Risk managers and their staff must be well trained because risk management is mostly technical in nature. They should therefore be well informed about insurance coverage and loss reduction techniques. At the same time, risk managers and their staff should also possess good interpersonal communication skills because an effective risk management programme will require the close cooperation and involvement of all other managers, supervisors and staff within the department or directorate.

2.6.2 Risk Management Policies

Clearly written risk management policies and procedures are very important requirements and should also be developed for government departments based on their unique functions. Such risk management policy provisions should include the following (Visser, 2006:64):

- Goals and philosophy;
- Types of risks to insure;
- The criteria for selecting insurers;

- Types of risks that the department can expect; and
- Safety programme directives”.

2.6.3 Record-keeping

A thorough record-keeping system is important in a risk management programme. Accurate records are necessary to identify, measure and control risks and to evaluate the effectiveness of the risk management programme. Examples of such records are (Visser 2006:64):

- Schedule of the insurable values of all buildings and their content;
- Details of make, year and value of all mobile equipment;
- Insurable policies in use along with expiration date;
- Claims and loss records;
- Premium/loss comparisons.

2.6.4 Combating Risk

The process of setting up a risk management department in a public institution implies that risk must be combated. This aspect comprises the measures to control, avoidance, transfer and reduction.

2.6.4.1 Risk Control

Risk control involves any action that is aimed at preventing losses or minimizing the consequences of losses that may arise from all pure risks facing the institution. Risk control is therefore defined as a method of counteracting risk (Visser, 2006:71). Risk control should therefore be applied as comprehensively as possible and not be limited to the prevention of losses which is referred to as loss control.

Coe (in Visser, 2006:71) indicates that the control of risks depends on their frequency and severity. As such, four probable risks can be identified” namely:

1. Low frequency, low severity
2. Low frequency, high severity
3. High frequency, low severity

4. High frequency, high severity.

The risks in categories 1, 3 and 4 should either be avoided, reduced or assumed while the risk in category 2 should be transferred.

2.6.4.2 Avoidance

According to Henson and Larson (in Visser, 2006:73), risk avoidance refers to the elimination of activities that constitute some risk to the public institution, especially if the activity involves a high degree of risk and is not that important to the institution. Risk in this matter can be eliminated by changing the work methods or by stopping a particular service or activity completely.

It is however possible that an activity that should be eliminated has certain benefits for the institution, which makes it difficult to give it up. An example is where a public institution decides that the continuation of an activity to eventually deliver a service may present an unacceptably high probability of an incident causing injury to a large number of employees and local residents. In such a case the risk could be avoided by abandoning the activity but the cost to the public institution would be the loss of possibly a large part of the capital invested in the process.

Examples of how risks can be eliminated or avoided are (Visser & Erasmus, 2009:205)

- By using safety equipment such as gloves or special shoes;
- By prohibiting employees with poor driving records from using institutional vehicles;
- By duplicating and storing all valuable materials in a second site;
- By not leaving equipment, supplies, or vehicles in areas open to theft or vandalism; and
- By immediately repairing damaged equipment or facilities that may cause an accident.

2.6.4.3 Risk Transfers

Risk that is not assumed or retained or retained must be transferred. Visser and Erasmus (2009:205) maintain that risks can be transferred, usually by

insurance, in which case the insurer will carry the associated risks, losses and costs. At the same time, risks can be transferred from one party to another by means of leases and contracts.

There are three forms of risk transfers, namely (Visser, 2006:78):

The first form is the transfer of activities to another organization. In this instance, there is the subcontracting of a certain specialised processes to organizations outside the public institution which are better equipped and more experienced to carry out such activities. Secondly, there is the legal assignment of the financial losses arising from the occurrence of the risk to another organization. A third way of dealing with transfer of risk is by joining a pool, also referred to as “shared insurance”

2.6.4.4 Risk Reduction

Henson and Larson (in Visser & Erasmus, 2009:206) emphasise that “the major focus of a risk management programme is the reduction of risks, of which loss reduction forms a part.” Risk reduction is therefore aimed at reducing either the probability of a loss producing event occurring or the financial consequences when it does.

There are a number of techniques that can be used to reduce losses significantly, namely (Coe, in Visser & Erasmus, 2009:206):

Reduction through safety and security: The reduction of risk through these measures includes the use of physical devices and procedural measures such as the installation of security locks and bars, and alarms to detect thieves. There are also procedural measures meant to reduce risks such as the frequent disposal of flammable waste, the separation of dangerous processes, regular inspection of by supervisory staff of safety guards on machinery, and security checks on employees and regular maintenance of buildings and facilities.

Reduction through organizational planning: The reduction of risk through organizational planning involves the use of educational programmes, business planning and other financial measures. Educating staff about the causes and consequences of loss is a most effective way of reducing losses, as human acts and omissions are the cause of many accidents. Secondly, financial

measures making provision for contingencies should be budgeted for. Expenses that will be incurred for maintaining the risk management process and covering costs arising from losses, injuries, and hazards must be provided for, and the financing of these is an important step in the process.

2.7 FINANCIAL REPORTING

The quest for accountability and transparency in the South African public service is by means of financial reporting. The utmost need for it is listed by virtue of section 195 of the 1996 Constitution which states that public administration must be accountable and transparent.

2.7.1 Financial reporting defined

The purpose of any financial report is to indicate the extent of compliance with appropriations and contractual, legal and other requirements (Visser & Erasmus, 2009:342). Internal control and public accountability requirements insist that timely reports be issued throughout the financial year. Depending on administrative requirements, daily, weekly, monthly or quarterly reports may be developed. With reference to municipalities, the Annual Report forms the basis of financial reporting.

2.7.1.1 The Annual Report

, Section 121 of the MFMA obliges every municipality and every municipal entity, for each financial year to prepare an annual report. The Council of a municipality must, within nine months after the end of the financial year deal with the annual report of the municipality.

According to section 121(2), the purposes of an annual report are:

- To provide a record of the activities of the municipality during the financial year;
- To provide a report on the performance against the budget of the municipality; and
- To promote accountability to the local community for the decisions made throughout the year by the municipality

In addition, in terms of section 121(3) of the MFMA, the Annual Report should report on.

- The annual financial statements of the municipality,
- Consolidated annual financial statements;
- The report of the Auditor General;
- The annual performance report of the municipality;
- An assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges; and
- Any other information as may be prescribed.

2.7.1.2 External Reports

The external report is intended for the use by external parties such as the Auditor General, Parliament and taxpayers. Accountability for the achievement of assigned responsibilities must be clearly indicated, and a measurement system capable of comparing predetermined objectives with actual achievements should be maintained.

The external report should satisfy a number of requirements, namely (Visser & Erasmus, 2009:343); legal, contractual and fiduciary. The reports should provide information to assist interested parties in monitoring the performance of the municipality to determine whether available resources have been utilized in accordance with the approved budget and business plan.”

2.7.1.3 Users of Financial Information

The financial statements of a municipality describe the financial results for a specific period and its financial position at the end of the period. However, the financial achievements of the municipality is not evaluated in these statements. The responsibility for analysing, interpreting and evaluating the information contained in the statements for a specific purpose rests with the users of the financial statements (Faul et al., in Visser, 2006:137).

The users of the information contained in financial statements may be divided into two groups namely, external and internal users. External users include all persons or organizations that, though may have financial interest, exist

outside the municipality and are not directly involved in its management. Internal users, on the other hand are generally employed by the municipality and responsible to its management (Visser, 2006:137)

The following main external users with a financial interest in a municipality can be identified (Visser, 2006;139)

- Legislature and its citizens;
- Investors and creditors;
- Other governments and international agencies;
- Economic and financial analysts;
- Treasuries;
- Statistics SA

On the other hand, a municipality's own personnel, whose task it is to manage the municipality in such a way as to achieve its objectives set in the strategic and business plans are the internal users of financial and accounting information. This group is known as management and is accountable to the executive authority responsible for the municipality. .

2.8 CONCLUSION

The chapter involved a theoretical exposition of the concept public financial management. What the concept entails was summarised in definitions. The grounds which the concept covers were treated in f detail. These included budgeting, budget control and the need to link the budget to strategic planning. Risk control as a hazard to municipal management was tackled, so also was risk management and financial reporting. In the next chapter, the role of, and the challenges that confront the Executive Mayor in implementing these concepts in a municipality, will be discussed..

CHAPTER 3

THE FINANCIAL ROLES AND CHALLENGES OF AN EXECUTIVE MAYOR

3.1 INTRODUCTION

Chapter 2 provided an analysis of concepts in Public Financial Management. The discussions were on issues such as the place and role of public finance in government, the legislative framework within which the executive mayor functions, and concepts such as budgeting, budgetary control, financial reporting, risk management. This Chapter is about the role and challenges of the executive mayor of a municipality in South Africa. It begins with an outline of scenario of the challenges that confront the executive mayor. This is followed by the constitutional creation of categories of municipalities in South Africa. The financial roles of the executive mayor are given much attention with particular reference to the budget preparation process. The chapter ends with a caveat that the budgeting process of municipalities in South Africa cannot be legitimised without public participation.

3.2 SCENARIO OF FINANCIAL CHALLENGES TO AN EXECUTIVE MAYOR

Over some time now South Africa has witnessed a spate of community service delivery grievances that testify to the growing dissatisfaction of citizens with local municipalities (Mathoho, 2013:1); These unrests tend to relate to financial challenges of municipalities in the country. In relation to municipal performance, the Auditor-General report of 2009 indicated that out of 283 municipalities, only seven received financially unqualified auditreports, that is, no irregular findings on either predetermined objectives or compliance with laws and regulations, thereby implying clean administration. Municipal Mayors and other executive officials came under spotlight for some of the failures of municipalities.

Nyalunga (2006:3) gives a vivid analysis of the scenario of municipal financial chaos. In his correct view, local government inherited a growing responsibility for service delivery, primarily because South Africa inherited a public sector marked by fragmented and gross inequality at all levels of state activity.. The effect of the gross inequality is pointed out by Surty (2010:5) that with the negative perceptions of local government, the responsibility for failure to perform would lie squarely on the shoulders of those individuals leading any institution, in the case of municipalities, the executive mayor and the municipal manager.

South African municipalities currently find themselves in a constant state of change or transformation. Part of their major problem is the struggle to shake off the legacy inherited. Despite the policy and political changes since 1996, the legacy of apartheid remains embedded in many municipalities. Makobe (2002:3-5) identified some elements that are still visible in many municipalities which have not yet gone through a transformation programme, namely:

- Many municipalities are still traditional, rule driven bureaucracies which are used to servicing the public in a responsive manner;
- A number of administrations are not structured in a manner that should enable these to undertake multi-dimensional activities such as the Integrated Development Planning. Many departments within the same organization do not co-ordinate their activities with one another;
- Many administrations are inward looking and cannot respond to changes in their technological, economic or policy environments;
- Municipal service delivery is often neither cost-effective nor efficient; and
- Apartheid regulations are often still in place, creating a degree of inflexibility in the system..

The culmination of the service delivery complexities as compounded by the above views demanded a revolution in policy review that would transform the structure, the psyche the rate and attitude towards service delivery to be championed by an Executive Mayor. Among these reviews are the following (Pieterse, 2002:3-35):

- The creation of larger areas of jurisdiction through the drawing of/demarcation of new municipal boundaries. The joining of former black townships and rural areas with established municipalities;
- A corresponding increase in service backlogs, which new municipalities must eliminate;
- A complete redefinition of local government roles;
- The devolution of several new powers and functions to local government, without an accompanying increase in its fiscal base;
- Increased demands and opportunities provided by the information age; and
- A new and evolving relationship between councillors and officials, for example the introduction of Executive Mayors and Speakers.

It is in the light of the above aspects that the structural revolution in the legislation at the sphere of local government are analysed in the next sections. 3.3 LEGISLATION RELATING TO THE EXECUTIVE MAYOR

The position of the Executive Mayor (EM) of a municipality in South Africa is an all-embracing one, being both ceremonial and executive. The municipal function in South Africa is a devolutionary one where the Executive Mayor wields much authority and power (Ababio & Andoh, 2013:191-192). As such, it has to be created and regulated by legislation. Such would be the discussion in the next sections.

3.3.1 The Constitution Mandates

The legal basis for local government in South Africa is based on Chapter 7 of the 1996 Constitution and also, in Chapters 3 and 13 which deal respectively with principles of co-operation and local government finances (Swift, 2009:1). The Constitution describes the "local sphere" of government as consisting of municipalities which must be established for the whole territory of the Republic. The devolutionary nature of municipalities, as identified by Ababio and Andoh (2013) are as stipulated in Section 151 (2-4), namely:

- The executive and legislative authority of a municipality is vested in its Municipal Council;
- A municipality has a right to govern, on its own initiative, the local government affairs of its community, subject to national and provincial legislation, as provided for in the Constitution; and
- The national or a provincial government may not compromise or impede a municipality's ability or right to exercise its powers or perform its functions.

The Constitution does not mention the creation of EMs, nor for any other positions. What it does is the classification of municipalities into Categories A, B and C. These are represented as follows in Table 3.1::

TABLE 3.1: Categories of Municipalities in South Africa

CATEGORY	DESCRIPTION
Category A	A municipality that has an exclusive municipal executive and legislative authority in its area.
CATEGORY B	A municipality that shares municipal executive and legislative authority in its area with a Category C municipality within whose area it falls.
Category C	A municipality that has municipal executive and legislative authority in an area that includes more than one municipality.

Source: 1996 Constitution: Section 155

With the above quasi-autonomous status, an EM as the incumbent head is likely to wield political and economic authority and power which must be regulated by legislation. The reason for this potential authority is that the Constitution makes municipalities quasi-autonomous with the devolutionary tenets.

3.4 THE EXECUTIVE MAYOR

The position of the Executive Mayor is created by the *Municipal Structures Act* (Act 117 of 1998). Incidentally, the position is mentioned in the Act only after the creation and functions of the Executive Committee had been dealt with. The implication is that the Executive Mayor reports to the Executive

Committee and to the Member of Executive Committee of the respective province who has the discretion to appoint a deputy executive mayor

3.4.1 Functions of the Executive Mayor

The functions of the Executive Mayor are outlined in section 56 (1-7) of the Municipal Structures Act. To begin with, the executive mayor is entitled to receive reports from committees of the municipal council and to forward these reports together with a recommendation to the council when the matter cannot be disposed of by the executive mayor. This situation implies that the position of the executive mayor is similar to that of a British Prime Minister who is regarded by his ministers as *primus inter parres* (the first among equals).

A further task of the executive mayor is that he must identify the needs of the municipality. In other words a foremost task of the executive mayor is that of *governance*. Good governance has thus been defined as “the ideal type of governance to correct societal ills, founded on structural attributes such as the rule of law, transparency, citizen participation, efficiency, effectiveness, accountability and in a manner that is free from corruption (Nambarlirwa & Sindane, 2012:15). The executive mayor has to review and evaluate those needs in order of priority. In addition, there must be a recommendation to the municipal council, the strategic programmes and services to address priority needs through the integrated development plan, and the estimates of revenue and expenditure, taking into account any applicable national and provincial development plans. In undertaking these functions, the executive mayor will need to promote what Kassa (2011:5) also calls “good governance” that is, transparency, accountability, participation, efficient and effective service delivery to citizens and other stakeholders. In that way, the executive mayor must recommend the best way, including partnership and other approaches, to deliver those strategies, programmes and services to the maximum benefit of the community. In that role, the executive mayor plays the role of extra-governmental relationship that is, interaction between a :

3.4.2 Identifying Key Performance Areas

A critical function of the executive mayor is to identify and develop criteria in terms of which progress in the implementation of the strategies, programmes and services can be evaluated. This is especially of key performance indicators which are specific to the municipality and common to local government in general. In performing the latter functions, the executive mayor must

- Evaluate progress against the key performance indicators;
- Review the performance of the municipality in order to improve the following indicators:
- The three Es namely, the economy, efficiency and effectiveness of the municipality;
- The efficiency of credit control, revenue and debt collection services, and
- The implementation of the municipality's by-laws (Nyalunga 2005:13)

With the above-outlined functions, the executive mayor should not only be well informed in finance, he or she must be a hands-on executive able to enforce discipline in economic and efficiency in service delivery. A major area of responsibility for the executive mayor is the budgeting process which will next be discussed.

3.5 FINANCIAL ROLES OF THE EXECUTIVE MAYOR

As the first citizen of the municipal area, the executive mayor is entrusted with varying roles. As pointed out by Nzimakwe (2012:139) "local government should not be just about service provision, but should also be developmental" These civic roles therefore tend to make the executive mayor an agent of change. Such change is intertwined among budgeting, policy-making and implementation as well as evolving strategies that promote public participation in matters that affect the community.

3.5.1 Strategizing for budgeting

The council of a municipality must, for each financial year, approve an annual budget for the municipality before the start of the financial year. This is in

terms of section 15 to 18 of the *Municipal Finance Management Act* (Act 56 of 2003). In order to comply with the budgetary requirement, the Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year. This activity is indeed a challenge on the role of the executive mayor. The budget statement must conform to a required format as specified in section 17 (a-e) of the MFMA namely:

- Setting out realistically anticipated revenue for the budget year from each revenue source;
- Appropriating expenditure for the budget year under the different votes of the municipality;
- Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
- Setting out estimated revenue and expenditure by vote for the current year; and
- Actual revenue and expenditure by vote for the financial year preceding the current year; and
- A statement containing any other information required by section 215 of the Constitution or as may be prescribed..

3.5.2 Budget Preparation Process

The process of preparation of the annual budget for a municipality has been prescribed by the MFMA of which the Executive Mayor must comply. In terms of section 21 9a-b); the mayor of a municipality must;

- Co-ordinate the processes for preparing the annual budget and for reviewing the municipality's integrated development plan and budget related policies to ensure that the tabled budget and any revisions of the integrated development plan are mutually consistent and credible'.

At least 10 months before the start of the budget year, the mayor must table in the municipal council a time schedule outlining key deadlines for:

- The preparation, tabling and approval of the annual budget;
- The annual review of the integrated development plan;

- The budget-related policies;
- The tabling and adoption of any amendments to the integrated development plan and the budget-related policies; and
- Any consultative process forming part of the processes.

Though not an accountant, nor a financial expert, the executive mayor needs to have a broader view of the locality, to enable him determine what the priority needs of the municipality are. The medium for these is to interact with his community.

3.5.3 Public Participation in the Budget Process

The enactment of the MFMA in 2003 has effectively transformed budgeting and financial management at the local sphere . As pointed out by Fourie and Reutener (2012:84) the core change is what has come to be termed as *participatory budgeting* which aims to improve efficiency/ accountability and transparency. Planning relating to the budgetary process however, cannot succeed without aligning planning to the broader strategic framework. The outcome of participatory budgeting process is that it produces an IDP (Integrated Development Planning) which “essentially identifies and prioritises a municipality’s vision, objectives and strategies over a five year period through participatory process and alignment with the budget” (Fourie & Reutener 2012:85). Table 3.2 represents the extent of participatory governance at Metsimaholo Local Municipality during the 2011\12 financial year.

TABLE 3.2: Public Meetings as Participatory Governance at Metsimaholo Local Municipality, Sasolburg

Nature and Purpose of Meeting	Date of Events	Councillors Participation	Participated Municipal Officials	Community Members Attendance	Issue Addressed	Feedback Given
Public Protector Awareness Programme	2012/05/25	2	6	102	Yes	
IDP and Budget	April-May 2012	21	12	3005	Yes	Most Projects are On-gong
National Diabetes Day	26/11/2011	19	20	2000	Yes	
Electricity Outages	01/06/2012	16	8	700	Yes	

Source: Metsimaholo Local Municipality Annual Report (2011/12:39)

Table 3.2 on participatory governance depicts the notion that, in the policy-making process, people participate in events that affect them most (Hanekom 1988:18). Thus issues on particularly the IDP and Budget, and on National Diabetes received highest public participation while an apparently “uninformed” functions of the Public Protector was least patronised.

3.6 CONCLUSION

The chapter began with a discussion on the scenario of challenges that confront the executive mayor of a municipality in South Africa. These challenges, as pointed out, had been the legacy of the erstwhile policy of separate development which had created a backlog of service provision. The financial roles of the executive mayor will then be analysed with highlight on the importance of participatory budgeting. The next chapter involves an empirical survey of the challenges that confront executive mayors in selected municipalities in the Free State province.

CHAPTER 4

EMPIRICAL RESEARCH ON THE FINANCIAL CHALLENGES TO AN EXECUTIVE MAYOR

4.1 INTRODUCTION

This chapter describes and explains the research methodology, as well as the overall design adopted in this research. A research methodology is a plan of action. Fundamental to every purposeful human action, such as scientific research, is a method. This could be explained as a prescribed manner for performing the work with adequate consideration of the research problem, objectives and the hypothesis.

The discussion of the concepts in previous sections and the area covered on Public Finance was an attempt to contextualize the financial challenges that confront the Executive Mayor. It also laid the foundation for the practical investigation in this chapter. While the literature review provided some tentative answers to the objectives of the research and created a theoretical framework in which the research questions could be explained, the research methodology will give guidance to the design, the data collection and the analysis, the population and the sample from which the research questions will be answered.

4.2 OBSERVATION OF RESEARCH ETHICS

Neuman (2006;32) suggested that the “participants are the ones to grant someone access to their lives, their minds, and their emotions; therefore, permission has to be sought’. In line with the above assertion, permission was sought from the Municipal Managers of the selected municipalities..

A letter requesting permission to conduct the research was submitted to the Municipal Managers, The letter outlined the purpose of the research, and how the research, was to be conducted with the participants. A letter granting permission was received from the Municipal Manager to conduct the research in the four municipalities within the Fezile Dabi District Municipality. In

addition, respondents were assured of anonymity, and each had to complete a form for consent.

4.3 THE RESEARCH PARADIGM

A paradigm is a way of looking at the world. It comprises certain philosophical assumptions that guide and direct the thinking and the action, as researchers perceive reality, and hence represent what they think of the world (Guba and Lincoln, in Maree, 2007; Mertens, 2010). Paradigms are perspective or world views based on sets of values and philosophical assumptions from which distinctive conceptions and explanations of phenomena are proposed. These philosophical frameworks “give the researcher a starting point, from which one can reflect on the world, search for what they believe in, why they view as such, and what philosophical framework shapes them” (Gibson & Sanderson, 2003).

The choice of a paradigm to guide this study was influenced by the nature of the problem being investigated. The main objective of this study was to assess the foray of challenges that confront executive mayors. To get more holistic picture of these challenges there was a need for the researcher to be objective and to minimize the researcher’s bias, while, at the same time, to be subjective enough to have a deeper insight into the issues surrounding the involvement of the executive mayor in financial management.. The post-positivistic paradigm was preferred, because the researcher wished to maintain an interest in some aspects of quantification (positivism); yet, at the same time, it was hoped to incorporate interpretivist and meaning. Furthermore, the researcher was interested in “the use of the pragmatic combination of qualitative and quantitative methods – in order to better understand the phenomenon of interest” (Maree, 2007:86). The post-positivistic paradigm fitted well with the study because, as noted earlier, a paradigm opens the door to multiple methods and different worldviews, as well as to different methods of data collection and analysis.

4.4 THE RESEARCH DESIGN

Trochim (2006:5) defines research design as the structure of research, that is, the “glue” that holds all the elements in a research project together. A research design is a strategic framework for action that serves as a bridge between research questions and the execution or implementation of the research (Terre Blache & Durrheim, 2002). According to du Plooy (2002:81), a research design is a plan on how the research is going to be conducted, indicating who or what is involved, and where and when the study is to take place.

It could be argued that the research design depicts elements of the research methodology, their interrelationship, the data collection and the data analysis – to ensure that the final report answers the research questions (Babbie & Mouton, 2007). Research design refers to the researcher’s overall plan for obtaining answers to the research questions, and for testing the research and the hypotheses. It provides the framework and introduces the reader to the overall plan for executing the research.. From the definitions outlined, it may be said that the research design is the overall plan for conducting the whole research study.

A research approach or design can be quantitative or a mixed-method approach – depending on the answers sought by the researcher to the following three questions, as suggested by Creswell (2003:5):

- What knowledge claims are being made by the researcher (including theoretical perspective)?
- What strategies of inquiry would inform the procedures?
- What methods of data collection and analysis will be used?

4.4.1 Qualitative research approach

Berg (2004:7) notes that qualitative techniques allow researchers to share in the understandings and perceptions of others, and to explore how people structure and give meaning to their daily lives. Researchers using qualitative techniques examine how people learn about and make sense of themselves and others. It is also noted that a qualitative researcher attempts always to

study human action from the perspective of the social actors themselves. (Babbie & Mouton, 2007:27). Through this technique the researcher should be able to access information from Managers, CFOs and Executive Directors on their skills in financial management.

In this study the researcher utilises qualitative data to preserve the chronological flow, to assess local causality, and to derive fruitful explanations. Furthermore, qualitative data “are generally viewed as a source of well-grounded, rich descriptions and explanations of processes occurring in the specific context” (Miles & Huberman, 1994:68). In general, qualitative research is based on a relativistic, constructivist ontology that argues that there is no objective reality; rather there are multiple realities constructed by human beings who experience a phenomenon of interest (Krauss, 2005:223).

People impose order on the world, as they perceive it, in an effort to construct meaning. Meaning lies in cognition – not in elements to us. Information impinging on our cognitive systems is screened, translated, altered, and perhaps rejected, by the knowledge that already exists in that system. The resulting knowledge is idiosyncratic, and is purposefully constructed (Lythcott & Duschl, 1990:78)..

This type of research is primarily subjective in approach, as it seeks to understand human behaviour and the reasons that govern such behaviour. Researchers have the tendency to become subjectively immersed in the subject matter in this research method.. , The researcher collects open-ended emerging data with the primary intention of developing themes from the data. However, findings from a qualitative research are often not suitable for generalisation because of the small numbers and narrow range of participants used in the data-collection process.

4.4.2 Quantitative research approach

The quantitative method measures the properties of a phenomenon by assigning numbers to the perceived qualities of things (Babbie & Mouton, 2003::34). Maree (2007:45) describes quantitative research as a process that is systematic and objective in its way of using numerical data from only a selected subgroup of a universe (or population) to generalize the finding to the

entire universe that is being studied. Concurring with this author, Neuman (2006:107) asserts that quantitative researchers develop techniques that produce data in the form of numbers.

As can be deduced from the definitions, the three most important elements of quantitative research are: objectivity, numerical data and generalisation. According to Maree (2007:198)), in the quantitative method, researchers tend to remain objectively separated from the subject matter. This is because quantitative research is objective in its approach, and only seeks precise measurements and analysis of target concepts to answer the inquiry. The researcher moves deductively from abstract ideas, to specific data-collection techniques, to precise numerical information produced by these techniques.

The quantitative data collected through this type of research can reveal generalizable information for a large group of people. However, quantitative research is criticized for its inability to look at individual cases in any detail, and also because its highly structured nature prevents the researcher from following up unexpected outcomes or information (Ryan, 2006:79). In addition, quantitative data often fail to provide specific answers, reasons, explanations or examples. Mouton and Marais (1996:169-170) stated that the phenomena that are investigated in the social sciences are so enmeshed that a single approach would almost certainly not succeed in encompassing human beings in their full complexity.

If the two approaches are used in a complementary manner, the researchers could eventually come to understand more about human nature and social reality.

4.4.3 The mixed-methods research design

A mixed-approach includes strategies from both qualitative and quantitative methods. The methods of data collection imply that the instruments used in the collection process could include interviews, questionnaires, focus group, observations and others, depending on whether the study is qualitative, quantitative or a mixed-method study. The mixed-methods approach was adopted for this study. This method is viewed as a class of research where a mixture or combination of qualitative (QL) research techniques, methods

approaches, concepts or language is used in a single study (Creswell, 2007:122).

Mixed methods involve the collection and analysis of both qualitative and quantitative data in a single study – where the data are collected concurrently, or sequentially. This involves the integration of the data collected, and the conducting of analyses and inferences at one or more stages in the process of the research (Fielding & Fielding, 1986; Creswell, 2007; Happ, 2009; Johnson, Onwuegbuzie, & Turner, 2007). Its aims and benefits appear rather simple: to take the best of QL and QN methods and to combine them (Bergman, 2008).

The need existed to use both the quantitative and qualitative approaches in the study. De Vos, Strydom, Fouche, and Delport (2005:81) suggest that “there is general agreement amongst most authors that human science in reality employs both qualitative methodologies: ‘sometimes consciously, sometimes unconsciously.’ Both methods were used, in order to elicit the required responses from the participants.

Newman and Benz (1998) point out that “qualitative and quantitative approaches are neither mutually exclusive nor interchangeable”. Qualitative methods would be employed to describe the actions of the research participants. Quantitative methods could be “utilized where quantities or figures are required.

4.4.4 The research design/approach that guided the study

This study employed a triangulation mixed-method approach for the collection of the data that provided useful information on implementation of public finance theories and legislation. . The approach used was the Concurrent-Triangulation strategy, which uses both quantitative and qualitative methods of data collection concurrently, in order to better understand the phenomenon of interest (Creswell, 2003:105). Concurrent procedures entail “collecting both quantitative and qualitative data at the same time during the study, and then integrating the information in the interpretation of the overall results (Creswell, 2003:106).

In this study, the researcher used both quantitative and qualitative methods in an attempt to confirm, cross-validate or corroborate the findings. The various methods of data collection yielded both qualitative and quantitative data. In some cases, the qualitative data were used to triangulate the quantitative data, while in others it was the reverse. In this way, the data supplemented each other during the data collection, the data analysis and the interpretation process, in order to give a good picture of how the integrated Quality-Management System is being implemented. Swepson (1999) alluded to this when they noted that a mixed-method approach is advisable, as it provides a good basis for data triangulation, and so adds to the overall reliability of the research process.

4.5 THE POPULATION

The population is the entire group in which the researcher is interested, and from which he wishes to describe or draw conclusions, the group to which the results of the study would ideally be generalised (Briggs and Coleman, 2007;:29; Gay and Airasian, 2003:124). The population in a research context is any target group of individuals that has one or more characteristics in common, and that is of interest to the researcher for the purpose of gaining information and drawing conclusions (Best and Kahn, 2003:Concurring with the above scholars, are Czaja and Blair (2005) who confirm that the population is the group or aggregation of elements that is to be studied, the group to which to generalize the results of the study.

The population depends on the research problem, what the author wants to study, and what he wants to know. In this study, the population consisted of executive mayors municipal managers, chief financial officers and executive directors.

4.6 THE SAMPLE FRAME

A sample is a small portion of the total set of objects, events or persons that comprise the subjects of the study. Macmillan and Schumacher (1993:589) defined the word 'sample' as comprising a number of individuals selected from a population for study. It could be viewed as a subset of measurements drawn

from a population in which the study is positioned (Denscombe, 2007:200) The process of deciding on a particular entities in a study is called sampling (Leddy & Ormrod, 2005:23). Basically, sampling is about deciding the place or site and the respondents or persons from whom the data would be collected (Punch, 2006:190).

It is important that a sample accurately reflects the characteristics of the population from which it is drawn. Another important factor advanced by Flick (2002:76) is that the important issue of sampling is when the researcher decides on which persons to target, so as to obtain the relevant data. This calls for the researcher to understand the population well – so that drawing a sample is an easy task. The major reason for sampling is feasibility, as it may not be possible to collect data from the entire population. Ideally, one should select a sample which is free from bias. This is necessary, as the type of sample selected greatly affects the reliability of the subsequent generalisations.

In this study, the four local municipalities were selected for the study. The researcher also purposively selected respondents, namely, 20 educators, 8 Senior-Management Team members and 2 Intergrated Quality-Management System-District Coordinators. These represented about 31% of the population of that area.

4.7 DATA-COLLECTION METHODS AND TECHNIQUES

Since the study has used a mixed-method approach to collect both qualitative and the quantitative data, the researcher found the use of interviews, questionnaires and document reviews ideal data-collection methods for the study. Below is a brief description of the research methods that were used.

4.7.1 Interviews

The interview is the most widely used method of obtaining qualitative data on subject's opinions, belief and feelings about the situation in their own words (Cohen *et al.*, 2000). An interview is a two-way conversation, in which the interviewer asks the participant questions, in order to collect data, and to learn about the ideas, beliefs, views, opinions and behaviours of the participants.

They provide information that cannot be obtained through observation, but which could be used to verify the observation.

The qualitative interview is typically more probing, open-ended and less-structured than the interviews used in quantitative research; but it varies considerably in the way it is conducted (Cohen *et al.*, 2000:45).

The aim of qualitative interviews is to see the world through the eyes of the participants, who could be a valuable source of information, provided they are used correctly (Maree, 2007:107). Author divides interviews into three. These are, open-ended interviews, semi-structured interviews. In open-ended interviews, the focus is on the participant's perceptions of an event or phenomenon being studied. To avoid bias in the data collected, it is advisable to conduct the interviews with more than just one informant.

In semi-structured interviews, the participant is required to answer a set of predetermined questions that define the line of inquiry. Probing and clarification of answers is allowed. In this type of interview, the researcher needs to be very attentive to the responses given by the interviewee, so as to identify any new emerging lines of inquiry that are directly related to the phenomenon being studied. In structured interviews, the questions are detailed and developed in advance, just as in survey research (Maree, 2007:109).

There is not much probing in structured interviews, since the questions are overly structured. These kinds of interviews are used frequently in case studies, or when dealing with large sample groups – to ensure consistency.

The researcher used semi-structured interviews to gather information from managers and CFOs. Open-ended interviews were preferred to other forms of interviews in this study, because they offer a platform for conversation. The researcher's intention was to explore with the participant his/her views, ideas, beliefs and attitudes concerning financial challenges. In so doing, the researcher saw the world of financial management through the eyes of the participants (Maree 2007:108)

The researcher was aware of the limitation of not getting *comprehensive* answers to the questions. When that was the case, the researcher tried to

probe into the responses, and made sure that the questioning techniques guided the interviewees to give comprehensive answers. The interviews were scheduled over a period of one week, and each interview was allocated an approximate time of 30 minutes. The respondents were interviewed in a relaxed, non-threatening environment, using a less formal approach, in order to gather as much information about the topic as possible.

4.7.2 Questionnaires

According to Tuckman (1997:195), a questionnaire is “a document containing questions designed to solicit information appropriate for analysis”. The questionnaire allows for anonymity and privacy, which encourages “more candid responses on sensitive issues”. A questionnaire is a set of questions with fixed wording and a sequence of presentation, as well as more or less precise indications of how to answer each question (Bless and Higson-Smith, 2000:65). Questionnaires comprise a widely used instrument for collecting information that provides structured and numerical data, which can be easily administered by the researcher. The information provided in this way is straightforward to analyse (Cohen, 2002:127).

The questionnaires have the advantage of being administered to many respondents in a large geographical area, making it possible to save time and finances, and generally, to provide a higher percentage of usable responses (; (Cohen, *et al.*, 2000:57). It has the disadvantage that because of its impersonal nature and openness to abuse by the respondents, they might not attach as much importance and relevance to some of the questions or decide to withhold vital information. Hence, Tuckman (1978:196) observed: “Some respondents may just withhold information, because they do not wish to give it for some reason”. This was taken care of through a letter, which explained the purpose of the research, as earlier indicated in paragraph one of this section.

Nachmias and Nachmias (1989:7) cited the limitation of questionnaires as that of not giving the researcher an opportunity to probe – a view shared by Neuman (2000:133). The answers have to be accepted as final; there is no opportunity to probe beyond the given answer, to clarify ambiguous answers, or to observe the non-verbal behaviour of respondents. A low response rate is

one of the limitations of using mailed questionnaires, since most people do not necessarily complete and return questionnaires; and above all there is no control over who complete the questionnaire (Neuman, 1997:251; Nachmias & Nachmias, 1989:65). This was attended to in this study, through the use of interviews.

The researcher had to guard against the impersonal nature and openness to abuse by the respondents, as some respondents might not attach much importance or relevance to some of the questions. These respondents could answer positively just to please the researcher, or say what the researcher wants to hear. However, this was taken care of through emphasising the importance of the research. Where respondents did not respond in time a reminder was sent to them.

Self-administered questionnaires were used as the research data-collection technique. According to Babbie and Mouton (2007:78), self-administered questionnaires are only appropriate when the population under study is adequately literate. The executive mayors and all managers are literate individuals, and could complete the questionnaires themselves. The questionnaires were handed to the participants, and they contained semi-structured questions.

Babbie and Mouton (2007:80) affirm that, generally, questionnaires that are delivered or collected or both seem to have higher completion rates, than straightforward mailed surveys. Some questions were close-ended, so that the respondents were given some freedom to express their views. According to Singleton *et al.* (1988:56), the advantage of open-ended questions is the freedom the respondent has in answering, resulting in a veritable goldmine of information, revealing respondents logic or thought processes, the amount of information their opinions or feelings.

4.7.3 Document study or content analysis

In document analysis, as a data-gathering instrument, the researcher focuses on all types of written communications that could shed light on the phenomenon that the researcher is investigating (Maree, 2007:90). This includes published and unpublished documents, company reports,

memoranda, agendas, administrative documents, letters, reports, newspaper articles, minutes of meetings, or any other document that is connected to the investigation (Maree, 2007:98).

However, the researcher has to be authentic and accuracy of the records before using them. Nevertheless, such documents reveal what people do or did, and what they value. In addition, the behaviour occurred in a natural setting, so the data have strong validity (Maree, 2007:98).

The researcher is aware that document analysis is another important supplementary tool for the gathering of data in studies of this kind. The researcher accessed documents such as the Annual Reports, and IDP documents. These reports were scrutinized to get a good idea of the challenging issues that face the process of executive mayors in financial management. Documentary analysis involves indirect observation or non-participant observation. The process is not limited in size or sample, and is well-suited to study a phenomenon over a considerable area and time. The official documents are available in the official websites of government.

4.8 TRUSTWORTHNESS / VALIDITY / RELIABILITY ISSUES

The validity and reliability of the instruments used in this study were tested before their use, in order to reduce errors. According to Kothari (2004:45), Maree (2007:99) and Mark (1996:66), validity refers to the degree to which an instrument measures what it is supposed to measure. Reliability has to do with the consistency or repeatability of a measure or an instrument, and high reliability is obtained when the measure or instrument gives the results if the research is repeated on the same sample (Maree, 2007:102). However, total reliability is difficult to achieve, since human beings are not static. One would not expect to have the exact findings in subsequent data-collection procedures, even though the sample remains the same.

Nevertheless, researchers need to strive towards achieving validity and reliability in research. Thus, in this research, the face and content validity of the data-collection instruments were ascertained by a panel of experts in management, including the municipal managers.. Their main function was to add, edit or eliminate irrelevant items the initial pool of items, and to ensure

that there was adequate coverage of the topic being studied. In addition, a team comprising critical colleagues also validated the instruments.

4.9 THE DATA ANALYSIS

The researcher used both qualitative and quantitative methods of data analysis. According to Maree (2007:99), qualitative data analysis is usually based on an interpretive philosophy that is aimed at examining the meaningful and symbolic content of the data. Phrased differently, it tries to establish how participants make meaning of a specific phenomenon by analysing their perceptions, attitudes, understanding, knowledge, values, feelings and experiences – in an attempt to approximate their construction of the phenomenon. The questionnaire items formed the basis of discussion for the results of the study. The collected data were analysed and presented in the form of tables and graphs with values expressed in the form of percentages – to allow for comparison purposes.

Maree (2007:103) notes that when analysing quantitative data, the researcher's goal is to summarise what the researcher has seen, or heard, in terms of common words, phrases, themes or patterns that would aid the researcher's understanding and interpretation of that which is emerging. The researcher made use of a manual interpretation of the data.

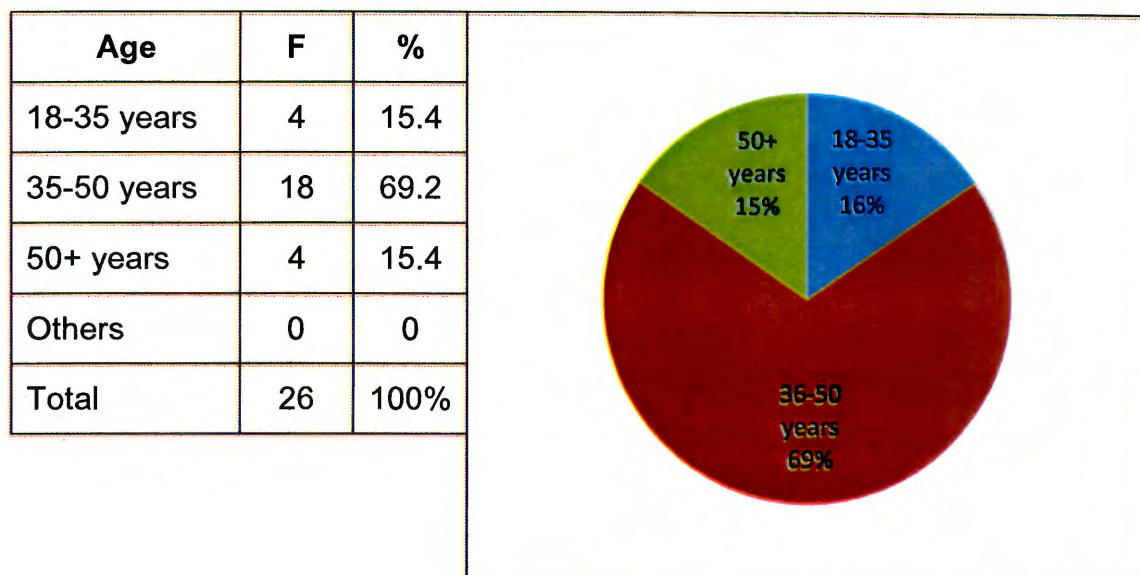
4.10 EMPIRICAL ANALYSIS

The empirical analysis of the study revealed some interesting and useful results. These are as outlined below.

4.10.1 Demographic information

The demographic study of the research involved issues such as number of categories of population groups. This will help in determining future policy on equity. It also involved analysis of age, and of gender.

Table 4.2: Age of respondents



4.10.2 Section C: Executive Mayor

With reference to the 4 Executive Mayors that were studied

- All were found to be matured in age, from 46 to 59 years;
- All were Africans who were able to communicate to residents in many official languages;
- All had tertiary education qualifications

4.10.3 Skills and participation

Of the 95 respondents, largely officials, that were surveyed in the study:

- 57% had been on their managerial jobs for 4 or more years.
- 55% admitted that they do not have adequate knowledge of the MFMA
- 46% indicated that they take active part in budget preparation; 33% participate but not actively while 21% felt ignored by budget managers..

4.10.4 On Financial Relations with Managers

Relations of staff with their managers look satisfactory. As revealed in Figure 4.3:

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4.10.4 On Financial Relations with Managers

Relations of staff with their managers look satisfactory. As revealed in Figure 4.3:

With reference to the Municipal Manager:72 percent had very good relations with the MM;

- Relations with 14 percent each were either good or average.
- With the CFO:
- 10 percent related with her only averagely;
- Relations with 20 percent of staff were good; and
- 70 percent rated their relations with her as very good.

4.10.5 On approval of the budget before the start of the financial year 100% of respondents in all 4 local municipalities comply.'

On the issue of mechanisms to control corruption:

71% of respondents felt that mechanisms for financial control are inadequate and ineffective; 22% responded that rampant corruption is the chief cause of service disruption in the municipalities 7% were non-committal

4.10.6 On knowledge of financial policy

57% responded that they have adequate tertiary qualifications and training to pursue challenges on the job;

25% said they were not comfortable enough on financial management due to their limited training opportunities;

18% felt that financial management is not their field of interest and felt misplaced on the job.

4.10.7 On the question of political interference

63% of respondents felt that political interference was sometimes necessary for purpose of managers receiving direction on policy;

31% responded that there is unnecessary political interference on budget allocation appointments and on service provision.

4.10.8 On areas of serious lack of service provision:

62% identified unemployment and job creation [

11% felt corruption in municipalities is the worst cancer;

6% mentioned illiteracy as barrier to progress

10% feared crime was escalating;

11% needed housing as priority.\

4.10.9 Would you elect your current Executive Mayor if elections were held today?

69% replied they will;

15% stated they have reservations

16% had not decided.

4.10.10 Working relations

Fig 4.1 Working relations

Municipal Manager	Chief Financial Officer
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6% mentioned illiteracy as barrier to progress

10% feared crime was escalating;

11% needed housing as priority.\

4.10.9 Would you elect your current Executive Mayor if elections were held today?

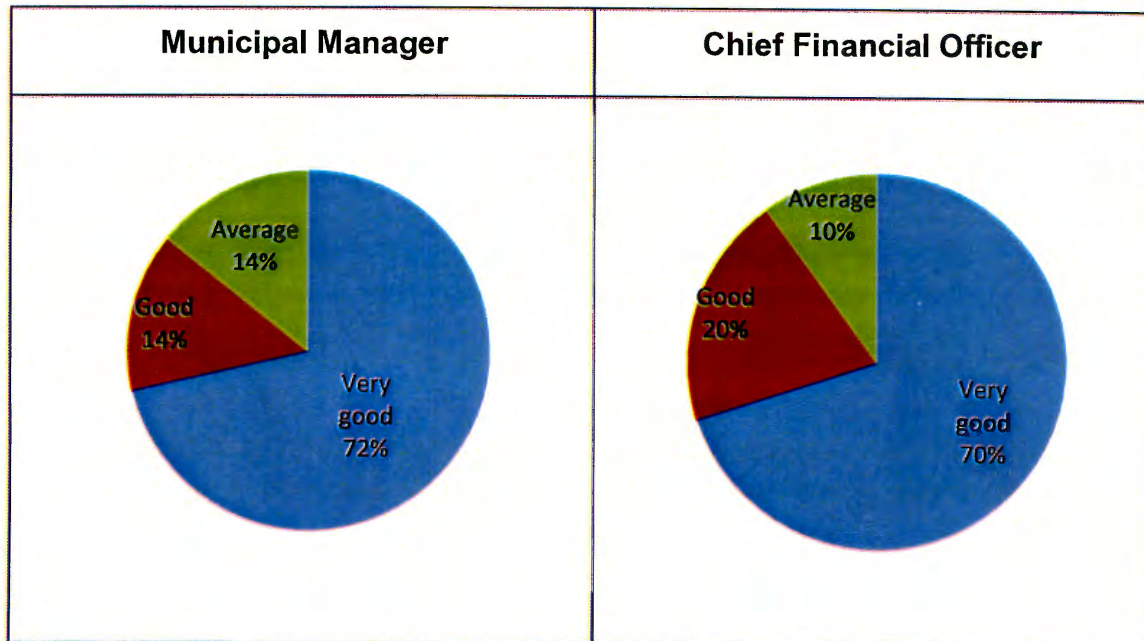
69% replied they will;

15% stated they have reservations

16% had not decided.

4.10.10 Working relations

Fig 4.1 Working relations



4.11 CONCLUSION

This chapter has discussed all the technological aspects that guided this study. The chapter looked at the different research paradigms and placed this study in the post positivistic paradigm because of its use of both quantitative and qualitative approaches to research. The chapter further examined the different research designs, in an effort to place the study in a suitable context.

CHAPTER 5

SUMMARY, FINDINGS, RECOMMENDATIONS

5.1 INTRODUCTION

In this final chapter of the study, there is an overview of chapters 1 to 4. These also indicate the extent to which the research questions, objectives and the hypothesis have been tested and achieved. The findings that emanate from the empirical studies are interpreted, and the conclusions thereof are structured into recommendations for improvement.

5.2 SUMMARY

The focus of the study was to explore the challenges that confront Executive Mayors in selected local municipalities in the field of financial management. Chapter one therefore dealt with an orientation of the study, with particular emphasis on public financial management which has been defined by the 1996 Constitution of the Republic of South Africa.

The first objective of the study was to give an exposition of the concept Public Financial Management. Through research by literature review, varying opinions of the concept were reviewed and analysed.

The second objective was to explore the kinds of legislation and procedural systems that impact on the role of the Executive Mayor in financial management. In these, a number of legislation such as the Constitution, the Municipal Structures and Municipal Systems Acts, and the MFMA were critically analysed as the guiding and mandatory paths by which the Executive Mayor had to comply with. Emphasis here were given to issues such as the particular role of the budget which the EM has to feature prominently, and equally challenging functions such as budgetary control, linking strategic planning with budgeting, risk management, financial reporting and public participation in affairs of municipalities.

The fourth objective was to research into the extent to which human resource capacity and competency in managing the challenges that confront the EM in financial management. The achievement of this objective is reflected in the findings below that resulted from the empirical survey conducted. in chapter 4.

Finally, recommendations are offered, that flow from the lapses revealed from the empirical survey , and which concludes achievement of objective 5 of the study.

5.3 TESTING THE HYPOTHESIS

The hypothesis for the study was stated in chapter 1 as: “ ...Municipalities in the Fezile Dabi District face the challenge of poor service delivery as a result of non-compliance to financial statutes due to human resource incapacity”

As can be seen below, the hypothesis was invalidated. There are qualified and capable personnel in the selected local municipalities who were found to possess knowledge and competency in applying financial regulations. This anti-thesis means that another perspective of research is required to be conducted to establish the bases of poor service delivery.

5.4 FINDINGS

Results of the empirical survey conducted in chapter 4 showed that:

- Human capital in the 4 selected local municipalities are in their matured age. 69% of managers are between 30 and 50 years. 15% are above 50 years. The age factor analysis seems a bit complex if it is shown that the youthful cream are inexperienced.
- 57% responded that they have adequate tertiary qualifications and training to pursue challenges of their work schedules.
- While 57% had been managers for 4 or more years, 55% admitted that they do not have adequate knowledge of the Municipal Financial Management Act
- Only about 50% of managers actively participate in the budget preparation process.
- 67% of officials have very good working relations with their managers. This implies a propensity for on-the-job training which is a good development factor.
- All 4 municipalities did get their budgets approved as required by legislation
- 63% of respondents felt that political interference was sometimes necessary to enable managers adhere to matters of policy while 31% frowned on interference on appointment and on service provision.

5.5 RECOMMENDATIONS

Arising from the research findings, the following recommendations are offered to help improve the quality of financial management in the local municipalities as well as the financial roles of Executive Mayors'

- Compliance with the national and provincial financial norms and standards will result in sound financial management through the effective and efficient utilization of resources of provincial departments and provincial entities.
- The benefits offered by the Municipal Finance Management Act, are dependent on the will and ability of accounting officers to comply properly with its requirements, and of the combined successes of the various oversight committees in ensuring that accounting officers comply with this important. piece of legislations.
- The challenges for each municipal department are to fully comprehend the importance of their particular role in ensuring substantive compliance with the norms and standards for example, oversight committees should reflect on whether they are making a real and noticeable difference in improving Service delivery and ensuring the more efficient utilization of limited resources.
- There is an urgent need for improving efficiency to avert non-compliance in service delivery. Where this is found lacking, it should be addressed urgently. Dedicated focus by all relevant role players is required for an improvement.
- Provincial Treasury has a critical role to play in overseeing effective performance by organs of the state. Political leadership through municipal council must ensure that the objectives of the state are always at the forefront of any government activity including municipalities.
- Public entities that engage in. the delivery of services on behalf of the Municipality must be held accountable in their reporting of any achievements or lapses.
- There is the urgent need for the municipalities to intensify their training programmes. In this Memoranda of Understanding could be drawn with the North-West University to help accelerate the impart of training and skills to officials and managers regarding financial training.

5.6 CONCLUSION

The study aimed to look into the challenges that confront Executive Mayors in financial management in some selected local municipalities in the Free State province. A literature review was conducted to analyse the concept Public Financial Management. A number of pieces of legislation were consulted to

analyse the establishment of the position of the Executive Mayor, and the financial roles attached to the position. Empirical research invalidated the hypothesis which resulted that the municipalities have fairly qualified and competent management corp. The causes of unrest and disruption of services will therefore require further research.

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